Every company has a compensation philosophy and pay structure that supports each job offer made. The company’s strategic objectives and business needs, and usually a considerable amount of resources, are used to develop the approach. And that’s just the beginning. Here are just a few of the basic factors that go into determining the annual base pay for each position:

- **Compensation philosophy**—A company may take the approach that they want to ensure they attract top talent by offering annual salaries that are 125% of what competitors are paying. Another company may take the approach that they will attract employees with an extremely healthy benefits package and a slightly less-competitive base salary. Both philosophies can be successful, and both have pros and cons. It comes down to how the company decides to differentiate itself when trying to attract and retain talent and how it wants to use the various components of their compensation arsenal—base pay, reward systems, optional employee benefits, etc.

- **Industry**—Compensation by industry can vary greatly, even when in the same geographical area. For example, if you compare the annual base pay for a business analyst (same skill set, same experience level, same education level) in the high tech industry, the financial services industry and a governmental agency, the pay will vary significantly.

- **Geographical location**—A business analyst position in the financial services industry in New York City will have a higher annual base pay than the same position in Middlesex County, Virginia, primarily because the cost of living is considerably higher in New York City.

- **Skill level and experience required**—Generally, the more skill needed to successfully perform a job, the higher the pay. Likewise with experience. Employers understand that experience is applied knowledge, and are willing to pay for more of it.

- **The budget wildcard**—Everyone company has one, and if the company wants to remain competitive, it has to manage the money. With personnel-related expenses typically being the largest expense, managers are often limited in the ability to stretch the boundaries.

So, before you decline an offer because the annual base pay doesn’t match the figure you had in mind, try to get an understanding of how the base pay was derived and what else is included in the total offer. You may learn that the offer puts you further ahead than you thought, because the total compensation package is better (more benefits at lower cost to you, expanded career development opportunities, paid parking, etc.).