



Focus on **FINANCE**

The Trade-Off Between Fun and Wages Is Real

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GLOSSARY

Commission: Monetary compensation earned for selling a particular good or service. The amount of compensation is usually related to the size of the sale.

Employee: A person who works for an employer in exchange for a monetary payment.

Employer: A person or business providing a job or work to others and giving a monetary payment in exchange for the work.

Salary: Income earned for providing human resources (labor) in the market. Salaries are generally an annual amount paid monthly or bimonthly for a specified number of hours, usually 40 hours per week.

Subsidy: A payment made by the government to support a business or market. No good or service is provided in return for the payment.

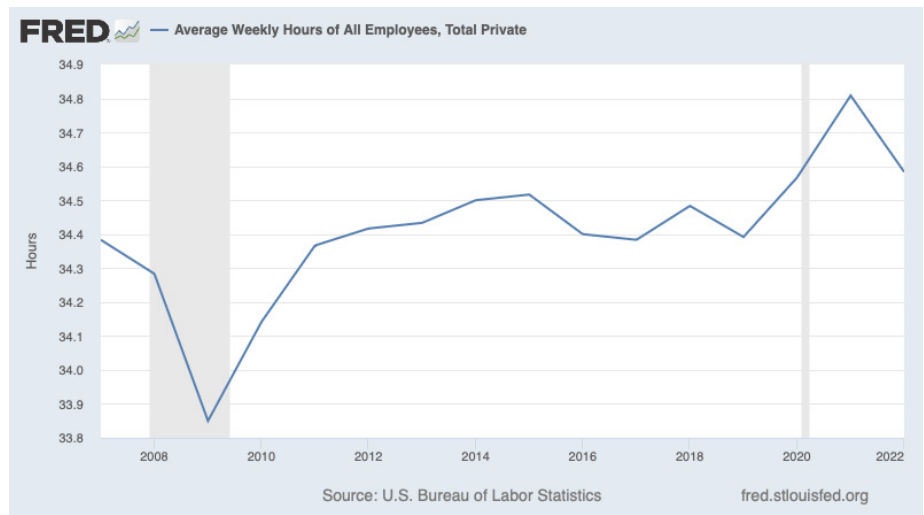
Trade-off: Giving up some of one thing in order to gain some of something else.

Wages: Income earned for providing human resources (labor) in the market. Wages are usually computed by multiplying an hourly pay rate by the number of hours worked.

“You do your best work if you do a job that makes you happy.”
—Bob Ross

You spend a lot of your waking hours at work. According to the US Bureau of Labor Statistics, a US worker spent, on average, about 34 hours per week at work in 2022 (figure). If we allow for eight or nine hours of sleep each night, that translates into almost one-third of waking hours spent at a job. That’s a lot of time to spend on one activity! So it’s important to think carefully about what type of job or career to pursue.

Average Hours US Employees Worked per Week



SOURCE: FRED® via Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/graph/?g=17vDm>.

This article takes a closer look at two important components of a job—tangible benefits and intangible benefits. The bottom line is this: Some jobs may pay less but offer more-flexible working hours or more-interesting work, and it’s important to consider those **trade-offs** when choosing a career.

Components of a Job

The Salary

When people talk about the total compensation of a job, they're usually referring to a combination of the **salary** or **wage** plus any **employee** benefits. First, let's evaluate the salary or wage. While this part of the compensation package is a factor most people already consider, it's important to look at the fine print. For example, an **employer** may advertise high compensation for a particular job, but if you look closer, you discover that part of the compensation may come as a **commission** or bonus. This type of pay is not guaranteed and is dependent on economic conditions, your company's performance, and your performance.

Tangible Employee Benefits

Of course, salary is not necessarily the only thing you earn when you work for a company. There are other job benefits, such as a health care plan, paid vacation, educational **subsidies**, or a retirement plan. These benefits can be tangible; that is, they can be easily translated into a dollar amount. For example, your employer may pay for part or all of your health care insurance. This is a large, tangible job benefit to you from the employer. And the quality and coverage of health care plans vary considerably across employers.

Another common tangible employee benefit is an employer's contributions to your retirement plan. Sometimes an employer contributes some amount of money to your retirement plan or matches your own contributions up to a certain percent or amount. Once again, you can usually quantify the amount of this benefit.

Intangible Employee Benefits

Intangible job benefits are also extremely important, even if they're harder to translate into a monetary benefit; for this reason, they are sometimes overlooked. Providing employees with more flexibility about when and where they work is an example of an intangible employee benefit. Even though it's difficult to quantify this benefit with a dollar amount, workers put a premium on being able to work remotely at least some of the time. A recent survey found that 56% of employees would consider taking a new job if it offered the same pay as their current job but allowed the employee to work remotely two or three days per week.¹

Now, we've been focused on job benefits that are almost unanimously favored and make a job more attractive. Nearly everyone would prefer having a higher salary, an employer who pays for their education, or flexible working options. But we have been missing an important, intangible factor to consider when choosing a job—your preferences! What work might you find fulfilling, interesting, or fun? For example, one person might find the idea of being a journalist exciting—chasing down a story, talking to lots of people, and writing under tight deadlines—while another person might find those same job characteristics unappealing. Finding work that you enjoy or find interesting or rewarding can be preferable to choosing a job you don't like that pays more money. What's the trade-off between wages and more-interesting work? That's up to you.

Another important intangible job benefit to consider is whether the job helps to increase your likelihood of future career success. For example, a job where you gain transferrable skills would allow you to be marketable to lots of different types of jobs or employers in the future. Say you were choosing between two jobs: One job pays less but is focused on project management skills, while another pays more but is focused on mastering employer-specific software not used by any other company. Project management skills are much more transferrable to a variety of employers, career paths, and advancements than employer-specific skills, so it may make sense to opt for the job that has better career prospects long-term even though it pays less short-term. This decision will be highly personal because it will depend on your long-term career goals.

Choosing a job for its long-term career success may become more important as changes in technology or the economy accelerate. For example, a study from 2017 examined 702 occupations, accounting for 97% of all jobs in the US, and predicted that 47% of these occupations were susceptible to becoming automated.² Since then, we've had significant technological breakthroughs, such as ChatGPT and other AI-generated tools, that suggest choosing careers with automation-proof skillsets may be extremely wise. You may want to think about how selecting a job today can set you up for future successes.

Finally, as you start to look for a job that will pay enough but also potentially be one you enjoy, keep in mind the

following: Any job characteristic, from the salary to the employee benefits to the intangible benefits, should be considered negotiable when you are applying for and ultimately accepting a job. Maybe you find out you can't negotiate the salary in a job offer, but you can negotiate the number of vacation days you're allotted each year.

Conclusion

So when you evaluate a job or career, it's important to consider a job's tangible and intangible benefits. That's really the true total compensation for the job. Some jobs may have lower pay, but their great employee benefits or interesting, rewarding, or flexible work might be worth the trade-off! ■

Notes

¹ Barrero, Jose Maria; Bloom, Nicholas and Davis, Steven J. "[Let Me Work from Home, or I Will Find Another Job.](#)" University of Chicago, Becker Friedman Institute for Economics Working Paper No. 2021-87, July 2021.

² Frey, Carl B. and Osborne, Michael A. "The Future of Employment: How Susceptible Are Jobs to Computerisation?" *Technological Forecasting and Social Change*, 2017, 114, pp. 254-80; <https://doi.org/10.1016/j.techfore.2016.08.019>.

Name _____ Period _____

Federal Reserve Bank of St. Louis *Page One Economics*®:**“The Trade-Off Between Fun and Wages Is Real”****After reading the article, answer the following questions:**

1. Which of the following is an example of an intangible employee benefit?
 - a. An employer agrees to pay for you to pursue a master’s degree.
 - b. An employer lets you set the hours you work.
 - c. An employer moves its headquarters to a new city.
 - d. An employer doesn’t fire you in the first round of layoffs.

2. Which of the following is an example of a tangible employee benefit?
 - a. An employer agrees to pay for you to pursue a master’s degree.
 - b. An employer lets you set the hours you work.
 - c. An employer moves its headquarters to a new city.
 - d. An employer doesn’t fire you in the first round of layoffs.

3. According to the US Bureau of Labor Statistics, how many hours, on average, did US workers work per week in 2022?
 - a. 30
 - b. 34
 - c. 40
 - d. 44

4. Your employer promises to give you 10% of the value of everything you sell. This is an example of a
 - a. wage.
 - b. salary.
 - c. commission.
 - d. bonus.

5. Research suggests that a shorter commute may increase your overall job satisfaction. This is an example of a(n)
 - a. tangible benefit.
 - b. intangible benefit.
 - c. trade-off.
 - d. bonus.