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>> The information in this podcast is provided for general informational and educational purposes only and is not a substitute for professional advice. Accordingly, before taking any action based upon such information, you should consult with an appropriate financial, medical, legal or other professional. Hello and welcome to the podcast, Navigating the Veterinary Profession, a show dedicated to helping veterinarians navigate life, bringing you advice on career development, personal finance, and the business of veterinary medicine. Today, we are hosts Amy Snyder --

>> And, Andrew Rotz.

>> And, today we're going to be talking about money, compensation to be more specific and how veterinarians are often compensated and what those compensation packages kind of look like.

>> Yeah, I'm really excited. I think it'll shed a lot of light for the folks that are still in the middle of DVM program, but as well as, you know, those that are kind of gearing for different job offers. They're starting to see them roll in. You know, what compares, what doesn't compare, what's completely off base and what to expect.

>> Yeah. So, looking back at 2018, which is the most recent data we have, of course, we have our mean and our median starting salary, so mean starting salary was around $83,000 for all veterinarians who graduated in the US and took jobs in the US, across the different sectors of private practice. So, that's a big number, looking at a lot of different things. Median, so the most frequently offered number, again, for all practice types for all students across the US who graduated was around $81,000. Now, those sound like big numbers but, of course, are a little bit different depending on whether or not you go into small animal clinical practice or mixed practice or equine or food animal.

>> Right.

>> So, certainly looking at those averages for your sector, the industry is really important. Equally important is going to be look at the geographic region, because we do know there's a huge difference between making $81,000 in Raleigh, North Carolina versus making $81,000 in New York City.

>> Right.

>> Or, Los Angeles, California where it doesn't go nearly as far.

>> Exactly, yeah. And, certainly there's some major differences between the various locations. I've seen come across my desk this year, right, where if we do a cost of living adjustment, we're talking to the tune of 20 or 30,000 dollars based on their location --

>> Yeah.

>> -- versus here. So --

>> Yeah.

>> -- absolutely critical to understand where the job is and the value of that salary versus what you're actually used to in terms of cost [multiple speakers] quality of life.

>> And, I love to go online and cost of living calculator.

>> Yes.

>> So, I tend to use Sterling's Best places is one of my favorites. What about you? What's one of yours?

>> So, I actually did this a couple days ago. If you just Google --

>> Yeah.

>> -- you know, cost of living comparison tool, you'll get three or four various kinds. I use all of them.

>> Yeah.

>> Because they could use different algorithms. They could use different estimates for this and that and other things. So, I just say, hey, you know, let's get a good idea --

>> Agreed.

>> -- of what all of the tools you're using, because guess what? If you're using that in your negotiation and you justify to the employer hey, you know, this is really what the mean is and this is what it compares to where you're living, guess what, they're going to use the same tools.

>> Yeah, yeah.

>> Right. So, if we're all speaking the same language, hopefully, we can come to a good agreement sooner.

>> It definitely helps. Sterling's is usually my first one and then I like you have to go to two or three --

>> Yeah.

>> -- and then get an average.

>> Yeah.

>> That's always a big part of it, so. Unfortunately, another big part of this is the difference is between men and women getting paid in veterinary medicine.

>> Yeah.

>> And, so although women now make up the majority of the profession, across the board, regardless of the industry sector that you're looking about med, women tend to be paid about $2000 less than men.

>> Yeah.

>> So, it is reality. It's something that we are still struggling with and so one of the things that I hope is that by educating people about what is average, what is typical, that we can do a better job negotiating for ourselves.

>> Yeah. And, that gap has narrowed a little bit.

>> A [inaudible].

>> But I agree. I think education and kind of, you know, the focus on it --

>> Yeah.

>> -- is important, right.

>> Yeah.

>> If you shine a flashlight on it, you're more likely to notice it and be able to address it.

>> Agree. And, it's also not a problem just isolated to our industry.

>> Correct.

>> It is a problem across all industries and it's not just men versus women. It's also ethnic groups.

>> Right.

>> So, underrepresented minorities across the board also tend to be paid less. So, I think the important thing is to be aware of what those differences are and then think of how you can negotiate effectively on your own behalf to narrow those gaps between things.

>> Completely agree. Yeah. So, let's talk about some of the differences in how someone can get paid. And, one of the things that I highlighted, so the numbers that we got for our mean and median salaries are from the AVMA Economic Summit or surveys. One of the challenges with those surveys is that they aren't necessarily implicit in who included what in that number. So, some people could have included some production or signing bonuses or something like --

>> Yeah.

>> -- into their comp, into that number, and some couldn't. So, the data isn't super convincing one way or the other, so we just kind of need to throw that out there for everybody concerned.

>> It could be confusing.

>> Yeah.

>> The thing that I always, always recommend and go back to time and time again is to talk to others in your profession that are doing similar jobs --

>> Right.

>> -- or have connections to similar jobs, because what you really want to know is what is typical for your industry in that area of the country to the best of your ability. And, that usually requires talking to people who are well informed about those areas. So, you and I and Amanda [assumed spelling] can serve as people who have information about salaries and compensation packages, but we can't overestimate the necessity of talking to other people, particularly in veterinary medicine, because we are so unique. We are all across the board. So, if you're looking at a very, very small sector, please go talk to people in those industries [multiple speakers]. That's a good point.

>> Yeah.

>> So, if we start talking about what sort of compensation methods exist, like what we typically see in veterinary medicine, I kind of think of it as three basic ways to like get paid. First is a base salary. The second is a base salary plus some percentage of the amount of revenue you produce. And, then the third would be a percentage of your production only.

>> Okay. So, let's talk about the differences. I mean, I feel like base salary is pretty self-explanatory.

>> Yeah, it's pretty self-explanatory, right. You're going to get a number.

>> Yeah.

>> And, so its also most frequently offered. Depending on some the statistics you look at, anywhere from about a third to a half of employers will offer just a base salary. And, that means, Andrew, I'm going to hire you, I'm going to pay you $80,000 a year. That $80,000 will be divided into equal payments. And, I either get - usually will either get paid once a month or every two weeks.

>> Right.

>> Those tend to be the more standard, with most people tending towards every two weeks as a more common payment scale that I see.

>> Yeah.

>> And, so yeah, it's pretty easy. So, the pro of it is, you know exactly what you're getting. I will pay you $80,000, you show up to work, you do your work, you get it. The con of it is that if you're really doing an amazing job and really generating a lot of revenue for that organization, you're not going to get any benefits from that.

>> Right. You're not participating in that success.

>> Exactly. So, the harder you work doesn't necessarily change how much you get. So, that's the major drawback for that type of compensation package.

>> That's reasonable and most jobs regardless of industry are base salaries, so it's not like it's an uncommon thing.

>> Agreed.

>> Not uncommon at all.

>> Okay. Okay, very cool. So, what's our next one where we're kind of building in another layer.

>> Yeah. So, the next one is what I refer to as a base salary plus production. You'll sometimes hear salary plus production or pro-sal. There's lots of different terminologies for it. But what we're talking about is that you're getting a certain base salary, so our example for $80,000, and then if you produce revenue above a certain threshold, then you would get a percentage of that additional revenue.

>> Okay.

>> So, if we said if you produce over X-amount per month. Let's say you earned $1000 over top of that, then you would be granted a percentage of that $1000.

>> Okay.

>> And, usually those percentages look like somewhere around 20 to 22%.

>> Okay.

>> So, if you get $1000 over your target for the month, then you would end up taking home about 20% of that or about $200.

>> Okay.

>> Just to keep the math nice and simple.

>> Yeah.

>> So, the advantage of that is you get your base, good, so you kind of know what you're getting.

>> You can budget off of that.

>> Exactly. And, then you also if you're doing a really amazing job, you also have the additional benefit of earning some additional compensation from that.

>> Okay.

>> So, it's really good. The challenge with these is the devils and the details and they're really tricky. And, so what I've learned in my own life, as well as looking at lots of contracts for other individuals, is that the way an employer sets up these production-based payments varies greatly --

>> Sure.

>> -- from organization to organization. So, the things that I really want our listeners to pay attention to is what is going to be included in that production and what's not going to be included in that production. So, for example, it's very common for revenue from medical services and surgeries and procedures to be included in your production, but it's also really common for things like over the counter sales or parasiticides so in smaller medicine I think of heart worm preventatives and tick and flea preventatives.

>> Right.

>> And, equine, I could think about dewormers and so forth. It's really common for those types of product to not be included or if they are included, you may get one rate for those medical services, say 20% of revenue generated from medical services, but you may only get 6, 7, 8% from revenue generated from these other things.

>> Gotcha.

>> So, that would be called a split rate. So, watching to determine if there's one rate, a blended rate for all the things, seeing if there's a split rate, you get one rate for these services --

>> Typically, more difficult.

>> -- more difficult things --

>> Yeah.

>> Exactly. If we really want to get super dorky on it, it actually comes down to which services and products do we have higher margins on.

>> Right.

>> So, the reason why we take away your ability during production on some of these over the counter sales or food sales or certain medications is

because typically, our margins on them are much slimmer. And, it's typically because they're highly shopped items.

>> Right.

>> So, for example, I might look around to see where I can get a Seresto collar from. Seresto collar might be something I can buy at my veterinarian's office or I can buy it on Amazon.

>> Right.

>> So, because it's highly shopped, the pressure is on the business to keep that price low.

>> It's more competitive.

>> Exactly. That means the margin or the money they have left over after they sell that product is smaller, so you get less of a piece. It's just me.

>> That makes sense.

>> Me dorking [phonetic] out on the --

>> Makes sense.

>> -- on the business behind it. So, all of that is to say just be sure you watch and pay attention. What I want listeners to be aware of is how this is going to be calculated so there aren't any surprises so that you know.

>> Yeah.

>> Another important piece of this is to watch whether or not negative balances carry forward. So, for example, let's say I created a goal. You need to generate a revenue of $40,000 a month before you're going to be able to be eligible for production-based pay. And, let's say for that month, your revenue comes in at $38,000. So, you were $2000 short.

>> Shucks.

>> It's a negative balance. It's unfortunate. So, if the negative balance carries forward, then the following month, you need to make the $40,000, but you also have to make back that $2000. So, watching to see if those carry over, because it's important to understand if they do and it can be detrimental if those are carrying and you're continuing to sort of dig yourself into a whole --

>> Sure.

>> -- further and further. So, usually my recommendation is to try, especially if you're early in your career, to sort of hedge away from those negative balances carrying forward. As you get further in your career, you'll have a much better understanding of what revenues are

typical for you and for your industry. And, so I think that becomes a little less of a concern.

>> With those types of setups, do they typically account for like time off that you took?

>> Yeah. That's a really great question. So, unfortunately, they typically do not.

>> Okay.

>> So, that would mean that, you know, if in the month of May you took a week vacation, you would anticipate that your revenue for the month of May would be lower than it was in the month of June or the month of April ==

>> Yeah.

>> -- simply because you are not working for one week. So, that again can be harmful if we're talking about those negative balances.

>> Or, we're, you know, taking a couple of extra appointments the week before --

>> Yeah.

>> -- a couple extra appointments the week after to make up the difference.

>> Yeah. So, we may need to work our [multiple speakers] schedule a little bit differently --

>> Okay.

>> -- and plan accordingly. And, again, for some individuals, that may not be challenging if they are --

>> Right.

>> -- continually exceeding their expected benchmarks there. But if it is kind of a close month, it could be of concern. And, that also gets us into the final pay scheme that we tend to see, which is production only. It's the least commonly seen compensation method. If you look at some of the research, it typically is only offered by about 5 to 14% of employers.

>> Okay.

>> And, when I actually see this taking effect, it's typically more in emergency type work or specialty type work, so specialty hospitals and emergency hospitals.

>> Sure.

>> And, this means that your pay is completely dictated by how much money you generate, how much revenue you generate and you get a percentage of that revenue. It's harder to find typical percentages. Those numbers are not as easily published, so this is where it's really key. If you are neurologist and you're working on production, understand what other neurologists working on production and what that means.

>> Right.

>> Is that 50%? Is that 30%? You need to go talk to others in your industry to understand.

>> Yeah.

>> But to your point earlier about the vacation, that can be a challenging one. So, in a lot of those instances, you may not even have like a paid vacation time. You may have vacation time, as much or as little as you want depending on how much you want to earn.

>> Yeah.

>> So, those compensation packages with production only are really nice because, again, you work really hard, you're going to earn more money. You want to work a little bit less and are happy taking home a little less pay, that's usually going to be something you can accommodate. But I think for people early in their career, it can be a little tricky. Just because you don't know very much about how much revenue you are going to personally be able to generate. So, these are schemes that I typically try to edge people away from, just given the uncertainty.

>> Yeah, there's a lot of risk involved, especially when you're trying to make other long-term financial commitments, like, you know, a mortgage.

>> Exactly.

>> You know, you don't know necessarily if and when you're going to be able to pay that mortgage if you don't have a regular stream of income or you're not an established professional with a great reputation that can drive that revenue.

>> Yeah, yeah.

>> And, not take any time off [laughter].

>> Yeah, exactly. Yeah. So, I think the big take home is just understanding that there are these three different structures. For most of our listeners, you're probably going to be encountering a base salary or a base plus production. And, if you're looking at any kind of production base compensation, I really encourage you to have others in your industry read over that, something I'm happy to do for any of our faculty or employees or students, and just really understand exactly what it is you're getting into and what you're agreeing to in those agreements.

>> Yeah. And, it really sounds like the production pieces, there's not any standard number necessarily. It's not a highly regulated process. It's very much what you make it with your employer and it's an employer by employer basis. So, it's important to get that kind of broader perspective to understand where you fit. You don't want to short change yourself necessarily by not doing the research.

>> Agreed. All right. Well, I think that brings our show to close today on compensation. We are going to be talking next about benefits, because we've got to remember that compensation and how much you get paid is only one piece of the compensation package or total package. So, until next time, thank you so much for joining us.

>> Thanks. See you next time.

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