



# Ready Reference H-3 Salary Negotiation

Discussing salary and benefit requirements with a prospective employer can be intimidating and uncomfortable. Job seekers often fear being perceived as too aggressive and consequently losing the opportunity for employment. Job seekers can resolve this fear, however, by becoming familiar with the appropriate time and methods for negotiating a complete compensation package.

## Planning Your Salary Discussion

Before beginning the interview process with an organization, you should plan your salary discussion by completing a four-step desired salary assessment for determining your ideal salary range.

STEP 1: Review all current bills, anticipated expenses, etc. to determine the minimum cash requirements for meeting your needs.

STEP 2: Clarify your value in the current employment market and with the specific employer.

-- Research the "going rate" for your job area by asking friends, relatives, companies, placement services and others about their salaries.

-- Review salary surveys from professional journals, the Bureau of Labor Statistics, state labor offices, <http://jobsmart.org>, *National Business Employment Weekly*, and other resources. (NOTE: To equate previous year's salaries to current salaries, add 3 - 4%)

-- Investigate how the prospective employer compares to competitors (i.e., higher salaries or lower salaries).

Consider cost of living differences if relocating would be required. (Visit [www.salary.com](http://www.salary.com) for cost of living comparisons.)

STEP 3: Determine a realistic "dream" figure, a salary that would make joyous celebration inevitable but that would not price you out of a job in your field.

STEP 4: Establish your desired salary range by placing your average market value as determined by your research on the bottom end of your range and your realistic "dream" salary on the top end of your range. Although this range may appear high because it is created from the top half of your personal salary assessment, you should realize that negotiating a salary offer down is much easier than negotiating your range up.

## Questions of Salary History

Sometimes employers will request information regarding your salary history on an initial application or during an interview. Employers utilize salary histories to gauge where they should begin their salaries, to determine if a prospective employee's salary is likely within the budget for the position, and to indicate a prospective employee's performance in previous positions based upon frequency and amounts of raises the candidate has received.

How should you respond to questions of salary history? On an application, the words "open", "negotiable", and "competitive" are appropriate. In discussing your salary history during an interview or in a letter to an employer, acknowledge the request, but be vague in your response. For example, you may want to say, "Because of my steady increase in knowledge, experience and responsibilities, my salary has also steadily increased." This statement may also be followed up by saying "I would have to contemplate and calculate the exact figures with pen and paper" or "I hope that this organization is one that will continue to recognize my contributions." Regardless of how you vaguely acknowledge the request for your salary history, creating a relationship between your salary history and a current potential offer should be avoided. The current salary should be based only on the value of the vacant position and your qualifications for that position.

## Beginning Negotiations

Although you should determine your desired salary range prior to an initial interview with an employer, **you should avoid instigating a discussion of compensation during that initial employment interview.** Your initial interview should focus on the assets you could provide to the organization and not on what the organization could do for you. However, if an employer broaches the subject of salary in your initial interview, do not evade the discussion.

During the first interview, if the employer approaches the topic of salary negotiation, you may feel the discussion is premature. You may wish to postpone the discussion temporarily to gather more information from the interview. This mission can be accomplished by telling the interviewer that you would find it easier to discuss money after you have clarified a few more details about the position and the organization. You should then request permission to ask a few questions.

If the interviewer insists on discussing salary during the first interview, then the topic should be addressed. Otherwise, the ideal time to begin salary negotiations is when the job offer has clearly been extended. Prior to receiving the job offer, you have nothing to negotiate; the interview process is simply a process through which the employer learns more about you and decides if you are the best candidate for the position. During the interview process, you are at a disadvantage with regards to a salary discussion because you are trying to sell yourself to the employer. After the offer has been extended, the employer has already reached the decision that you are the ideal candidate. Also by this point, you should know what your ideal compensation package encompasses. You now have the advantage. Let the negotiations begin!

## Negotiation Process

In arriving at the initial compensation offer, attempt to make the employer present the first salary figure. Employers may ask of you initially, "How much would it take to get you?" or "What are your salary expectations?" Employers are seeking a dollar figure. However, you can turn the question back to the employer by summarizing the responsibilities and expectations of the position and by following the summary with "What has the organization budgeted for a position of this nature?" or "What figure or range did you have in mind for someone with my qualifications for fulfilling this type of position?"

When the focus of the conversation returns to you with another request for a dollar figure, you should review your key qualifications with the employer, emphasizing skills and abilities. One of the following two scenarios should then be acted out:

**SCENARIO 1:** If the employer has already revealed his or her expected starting figure or range, you may need to adjust your range accordingly using the high end of their range. For example, if the employer has disclosed a range between \$40,000 - \$46,000 per year before asking again for your desired salary, you could adjust your range by stating an ideal salary between \$45,000 - \$48,000. Your pre-determined salary range may then be extended to the employer in a respectful manner, such as "I believe my qualifications merit a starting salary between \_\_\_\_ and \_\_\_\_."

**SCENARIO 2:** If the employer has not disclosed his or her range, you should try again after summarizing your qualifications to get a figure by asking, "What range did you have in mind?" When the employer provides you with that range you may then adjust your expectations according to the top end of the employer's range and politely extend those expectations to the employer.

**SCENARIO 3:** If the employer is firm in his or her resistance to provide you with a range and continues to look to you for a figure, then submit your predetermined salary range to the employer after summarizing your skills and abilities. The employer's reaction to your range will reveal the closeness of your range to the employer's expected figure.

### Reacting to the Initial Offer

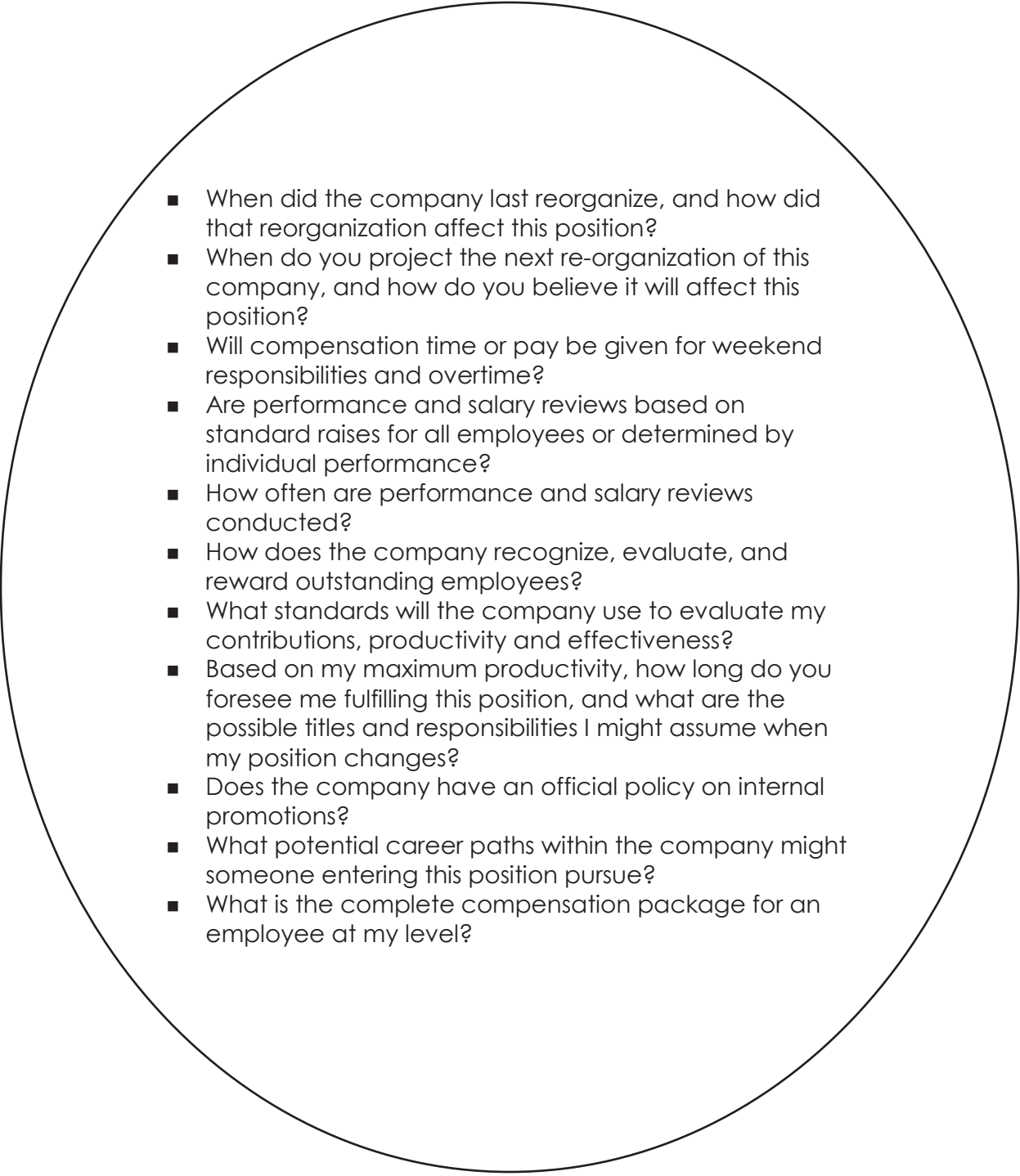
When an initial offer has been extended, you will likely judge the offer in one of two ways. You will either regard the offer as fair, or the offer will not be as agreeable as you expected. The way you react to that offer will depend on this judgement:

**REACTION 1:** If you believe the employer's offer for compensation is a fair offer, you may want to try one more time to increase the value of the proposition. This attempt may be initiated by stating to the employer that you are very close to an agreement. The appropriate next step in this reaction is to disclose again a desired salary range using a low end that is at the employer's offer and a high end that is slightly above the employer's offer. This disclosure should be followed by an effort to reconcile your desired range with the offer by asking, "How much liberty to negotiate do we still have?" Using this strategy may result in a slight increase in your offer. Regardless of the result, the offer will be no less than the salary you have already judged as equitable and worth considering.

**REACTION 2:** If the employer's offer is less than you believe is equitable, your strategy should be to continue negotiations by offering incentives, using leverage questions, and discussing the value of benefits while trying not to negotiate below your desired range. Incentives, such as an early or immediate starting date or a re-emphasized skill package that directly relates to the employer's needs, may cause an employer to re-evaluate and increase the offer he/she has extended. Leverage questions and evaluation questions such as the ones listed below may also result in the employer increasing the extended offer, especially if the organization has a pressing need to fill the open position. You should stress your potential assets to the employer and use questions to make the employer realize your value, while assuring the employer of your sincere interest in the position with the one barrier to acceptance being a suitable salary package. After continuing negotiations through his reaction process, you should have a clear understanding of the value in the entire compensation package, including salary, benefits, potential for professional growth, and employer stability.

## Leverage and Evaluation Questions

- What is the time frame for filling this position?
- How have past market trends affected the company's growth and progress?
- What decreases in productivity and employee layoffs has the company experienced within the past three years?
- What production and employee cutbacks do you anticipate in the future, and how will they affect this position?

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- When did the company last reorganize, and how did that reorganization affect this position?
  - When do you project the next re-organization of this company, and how do you believe it will affect this position?
  - Will compensation time or pay be given for weekend responsibilities and overtime?
  - Are performance and salary reviews based on standard raises for all employees or determined by individual performance?
  - How often are performance and salary reviews conducted?
  - How does the company recognize, evaluate, and reward outstanding employees?
  - What standards will the company use to evaluate my contributions, productivity and effectiveness?
  - Based on my maximum productivity, how long do you foresee me fulfilling this position, and what are the possible titles and responsibilities I might assume when my position changes?
  - Does the company have an official policy on internal promotions?
  - What potential career paths within the company might someone entering this position pursue?
  - What is the complete compensation package for an employee at my level?

## Benefits as a Part of Overall Compensation

In evaluating the value of the overall compensation package, the value of benefits should not be overlooked. The following list mentions benefits common to salary offers. Keep in mind that you may be able to attain some of the one-time benefits by negotiating them into a salary offer that you initially judged as inequitable.

- Signing and/or year-end bonuses
- Guaranteed promotions and raises within an established time
- Relocation assistance
- 401K and other investment matching programs
- "Cafeteria" insurance plans (you select the insurance benefits you want)
- Profit sharing
- Stock options
- Pension plans
- Company car or car allowance
- Car insurance (or insurance allowance)
- Car maintenance and gas (or an allowance for each)
- Compensation time for unpaid overtime
- Country club or health club membership
- Medical, dental and/or vision insurance (note deductibles and amount of premium employer pays)
- Job discontinuation policy
- Expense account
- Financial planning and tax assistance
- Life insurance
- Short-term or long-term disability plans
- Paid sick leave
- Paid vacation
- Tuition assistance
- Professional development programs
- Child care
- Work scheduling flexibility
- Home-based work opportunities

### **Making the Final Decision**

When an employer extends a final offer of a compensation package, you should never accept the offer immediately. The appropriate action is to express your excitement at the prospect of becoming a part of the company and to ask for a few days to give the offer your final considerations. During that few days, seek the opinions of mentors and advisors, and then compare that advice with your own instincts and observations. The traditional list of pros and cons can be a valuable tool during your final evaluation.

Upon making your final decision, you should contact the organization and verbally accept or reject the position. If you accept the position, a letter of formal acceptance detailing the specific position, salary, and benefits you are accepting should be promptly forwarded to the company. If you decide to reject the offer, sending a letter of appreciation may maintain the lines of communication with the organization in case you wish to pursue future opportunities with the organization.