

Negotiating Compensation

You successfully navigated the interview process, and the employer has indicated that you're their number one choice. Your excitement is quickly tempered when the employer extends an offer of a financial package that doesn't quite match your expectations. You don't want to turn the job down, yet you'd have difficulty accepting it on the terms presented to you.

Many job applicants struggle with negotiating compensation for a variety of reasons, but the time to negotiate is when the offer has been made ... as employers now have an emotional investment in you. This handout will provide practical advice, techniques and strategies for making the best choices in getting the right offer.

Negotiations is About Total Compensation

Many of us are familiar with the term "salary negotiations." Each job offer you receive comes with a specified salary. Sometimes it may be not be the salary you need, expected or feel you deserved. So a counteroffer is made and the process of salary negotiations enters its most active period.

Although salary is the primary item you may typically negotiate, it is not the only one open to negotiations. The process of negotiations is broader, one that includes total compensation. Total compensation includes salary and a vast array of benefits that may accompany the position.

The wise job seeker will take into account this total compensation packet. By looking at the bigger picture, you create more options for yourself in meeting your professional and personal needs through the process.

Negotiations is For Everyone

There is a fallacy that negotiations are only appropriate for high-level positions. In reality, negotiations are for every job seeker – from entry level to executive level. With that said, it is more commonly found with professional level positions. But any job seeker has the right and the power to ask for a better job offer, as long as it is accompanied by solid evidence that fully supports your request.

Reasons to Negotiate

A Society for Human Resource Management survey found that eight out of ten recruiters were willing to negotiate salary and benefits with job applicants. Yet only 33% of applicants surveyed said they felt comfortable negotiating compensation.

Many people view negotiations as conflict, and to be honest most people don't like conflict. So why should you negotiate? Well, as the statistics above indicate, employers expect you to negotiate.

Employers are looking to get the best deal in the negotiations process. You should be looking for the same. Somewhere, you both should find a "happy medium" which results in a "win-win situation." That's business – as the negotiation process is a business deal.

So let's review some reasons why you should negotiate. It starts with your salary. Future raises will be based, in many cases, on a percentage of your starting salary. A higher starting salary will therefore generate larger raises. Most pension and 401k contributions are often based on your salary, so the larger your salary the higher your contribution to your retirement plan.

Other benefits that you negotiate will go a long way in meeting your professional and personal needs, and thus may help determine your level of happiness and satisfaction with the job. For instance, your value for work-life balance may drive a need for a flexible schedule and/or working from home. The ability to negotiate this as a benefit may make all the difference in the world.

You don't want to start a job feeling undercompensated and undervalued. The negotiations process can help offset this feeling.

Financial Need as a Consideration

Any job you hold needs to be able to financially support your lifestyle. You need to know how much money you require to live on, and how much you'd like to live on. There is a difference, and in essence this could determine the salary range that would be acceptable to you during a negotiations process.

So, consider using the sample budget worksheet at the end of this handout to determine those two numbers. If possible, consult with an accountant, financial planner or trusted mentor to develop and/or refine your budget.

Matching Financial Need to Salaries

With your salary range in hand (based on your budget), it's time to look at the "typical salary" of the jobs or positions you're actively considering. This requires research; and research from multiple sources. The following resources may be helpful when conducting your research:

- Career profile sites like O*NET OnLine (www.onetonline.org) provide average salaries for a variety of careers. They even let you “drill down” by state.
- Salary sites like www.jobsearchintelligence.com/NACE/jobseekers/salary-calculator.php, www.salary.com, www.salaryexpert.com, www.salarycalculator.com, www.payscale.com and www.glassdoor.com provide employer salary data based on factors such as job title, years of experience, education level and geographic location.
- You can find salary surveys and guides at the following sites: <http://jobstar.org/tools/salary/index.php> and <http://www.rileyguide.com/salguides.html>.
- Professional associations in a variety of fields often conduct salary surveys and research in their industry, and thus can be a valuable resource for salary data. You can find a professional association directory at www.weddles.com.
- Conduct an informational interview with professionals in your field to find out more about salaries. For more on informational interviewing go to: www.quintcareers.com/informational_interviewing.html.

Of course, keep in mind that “supply and demand” may cause a shift in these numbers. If it’s a crowded market, like today, employers can get skilled workers for less. On the other hand, if it’s a job seeker’s market your value may experience a significant increase.

Beyond Salary to Total Compensation

It was mentioned earlier that negotiations is about more than just salary – it’s about total compensation. Total compensation includes a full range of benefits that meet your professional and personal needs.

In many cases, what benefits are important to you are directly related to your values. So, it’s critical to know what values are important to you. Consider taking the Values Inventory provided through Clarkson University Career Services. Then, compare those values to the full range of benefits that may be included as part of the job offer and negotiations process.

Knowing what’s important to you and why it’s important, before starting the negotiations process, will help you devise a strategy aimed at meeting your needs and desires.

Establishing Your Market Value

You know what salary you want, need and deserve from your research. You also know what benefits are important to you based on an assessment of your values. Now you need to establish your market value – how much you’re worth to the employer.

Establishing this value starts with your application to the organization, and continues with every contact you have with the hiring manager. The brand you create – the value you present – the impression you leave; all of this impacts how much the employer wants you and what she/he is willing “to pay” to get you. So every contact, particularly the interview process, is an opportunity for you to influence.

Employers predict future success through past performance. So it is critical for you to document your past performance – initially for your resume and the interview process, and subsequently for the negotiations process. This represents building your “business case.”

Performance is typically measured through accomplishments and achievements. Accomplishments and achievements can usually be classified into quantitative and qualitative.

- **Quantitative** – This includes numbers, dollars and percentages. These show accomplishment and achievement, as well as breadth and scope of responsibility.
- **Qualitative** – This includes promotions, honors, awards, recognitions, acknowledgements, commendations and selections.

It's about taking your job description and turning it into results-based statements. Consider the following:

Job Description		Performance Summary
I did this _____	and	the outcome was _____
I did this _____	and	it resulted in _____
I did this _____	and	the difference it made was _____
I did this _____	and	the value it added was _____

Now, with your documentation in hand, look at the qualifications for the position in question. Take each qualification separately and indicate how you meet (and hopefully exceed) expectations. The goal is to clearly express your unique qualifications for the position.

This is your business case in the negotiations process. Remember, this is a business deal. Employers will respond more to your value, as opposed to your need.

So, in essence, negotiations begin with your application for the position. From your cover letter, to your resume, to your interview(s) – every contact with an employer is an opportunity to influence and impress. Through the hiring process you are expressing your value and worth to the employer. This will be an important factor when actual negotiations begin.

Raising Salary as an Issue

With all of your homework done, you now need to look at some critical questions related to the negotiations process. So when should the topic of salary be raised, and who should raise the topic? It's important to recognize that salary is the first piece of compensation to be raised in the interview and negotiations process.

There are two schools of thought regarding timing and who raises the issue. The "old school" will tell you that (as the job seeker) you should never raise the subject of salary. You should let the employer raise the topic. That will be your cue to enter a discussion.

But salary guru Jack Chapman suggests the rules have changed, stating that the first person to mention salary wins. By stating your desired salary first (assuming it is within the salary range the employer is willing to offer), you stand a greater chance of receiving it or something just below it than if you wait for the employer to offer a lower salary -- forcing you to work at justifying something higher and closer to your desired salary level.

So what do you do? Use your judgment based on the feel of the interview. If you have some indication from the interview that you're viewed as the top candidate, then you know the employer is "emotionally invested" in you. This may be a good time to be proactive about the salary you seek. If you're not sure about your candidacy, you may wish to let the employer raise the issue when she/he is ready.

Request for Salary History and Requirements

In a number of cases, employers will ask you for your salary history as part of the application process. Essentially, they want to see if they can afford you. They also want to see, based on your history, where you fall within their salary range. It may give the employer the upper hand in salary negotiations, so the temptation may exist on your part not to provide the information.

Unless you want your application screened out, you have to provide it. But provide your salary requirements, based on your research and your market value, along with your salary history. Provide your requirements in the form of a salary range, state that your salary is negotiable (particularly when considering total compensation), and that you look forward to discussing it further during the interview – after the hiring manager has the opportunity to discover the unique value you can bring to the position and company.

One final note, don't provide salary history or requirement information unless specifically requested by the employer. Be truthful and strategic when requested; do not volunteer information when unsolicited.

When a Job Offer is Made

Negotiations should not begin until a job offer has been made. In addition, negotiations should not occur until you have had time to digest the salary offer and do a complete review of the benefit package.

So when a job offer is made consider doing the following:

- Thank the employer for the offer.
- Express your gratitude, excitement and enthusiasm.
- Request all information you need for consideration (in writing) – both salary and benefit package. Getting it in writing is important, as it will give you all the details you need to make a clear and informed decision.
- Ask for time to consider the offer. Inquire as to when they need your decision.

Most employers understand that this is a big decision, one that you need to give consideration and perhaps discuss with others (such as your family). So most are willing to grant you a reasonable period of time, and may even view this as you being thoughtful and reflective (a good thing!). Be wary of those who demand an immediate, on-the-spot answer from you.

Make sure to reply with your answer – an unconditional yes, a counteroffer or a rejection – within the time period given by the employer. The method you choose to do this – in-person, phone, letter or email – is up to you. Do it in the way you communicate best – either with the spoken word or written word.

Be Strategic When Making Your Counteroffer

If you decide to make a counteroffer don't overwhelm the employer, or completely turn them off, by trying to negotiate too much. The key to a successful negotiation is carefully picking the one, two or three elements of the offer that you want to improve.

Go back to what's most important to you, based on an evaluation of your professional and personal needs. Use your network of contacts to get "insider information" about hiring policies and procedures at the company. Talking to someone on the inside may help you determine what's negotiable – and what's not.

If an employer can't or is unwilling to budge on starting salary, and if annual performance reviews are the norm, suggest an initial performance review after six months (with the opportunity for a raise) – while also keeping your annual review in place. This will give you an opportunity to show your value and be rewarded earlier.

Balance a respect of the employer's original offer with your desire to get a fair and competitive compensation package, reflective of your market value. Negotiations should not be a win-lose situation. Both parties need to feel like winners in the process.

Get the Final Offer in Writing

It is important to get your final offer in writing, so there is no misunderstanding about what was agreed to. A "letter of agreement" is sufficient in most cases. The letter should be written by the employer and counter-signed by you.

At a minimum, here's what the letter should include:

- The terms and conditions of employment, including salary and benefits.
- A clear description of the reporting structure and your job duties.
- Any "gentlemen's agreements" that you've made with the employer that aren't in line with company policy (e.g. you will be able to work from home two days a week).

Even though the letter may seem fairly straightforward, a review by an employment attorney may be a nice safeguard.

Budget Worksheet

<u>Expense Category</u>	<u>Amount Needed</u>	<u>Amount Desired</u>
Mortgage or Rent	_____	_____
Property Taxes	_____	_____
School Taxes	_____	_____
Home Insurance	_____	_____
Electric/Gas	_____	_____
Telephone	_____	_____
Cable/Internet	_____	_____
Home Maintenance	_____	_____
Food/Household Items	_____	_____
Car - Gas	_____	_____
Car - Registration/Insurance	_____	_____
Car - Inspection/Maintenance	_____	_____
Pet Food/Care	_____	_____
Clothing	_____	_____
Medical Expenses	_____	_____
Dental Expenses	_____	_____
Life Insurance	_____	_____
Long Term Care Insurance	_____	_____
Retirement Savings	_____	_____
Lawyer	_____	_____
Accountant	_____	_____
Financial Planner	_____	_____
Alimony/Child Support	_____	_____

Loan Payments	_____	_____
Education/Professional Development	_____	_____
Charitable Donations	_____	_____
Entertainment	_____	_____
<u>Expense Category</u>	<u>Amount Needed</u>	<u>Amount Desired</u>
Vacation	_____	_____
Reserve (for unexpected expenses)	_____	_____
Savings	_____	_____
Other _____	_____	_____
Total	_____	_____
	Salary Range (Bottom)	Salary Range (Top)

Note: It will be important to consult with an accountant or tax specialist regarding what “cushion” you should build in for social security, federal and state income taxes, considering your income tax bracket.