

SALARY NEGOTIATION

Introduction

Michael Jordan and Demi More make lots of money. Others make more modest salaries. Salary doesn't necessarily correlate with the value you add or the contribution you make to society. It's simply the amount the market will bear to purchase your services, which include your skills, expertise, knowledge, and special talents.

Although this sounds straightforward, students often feel some concern when considering their first job offer. Sometimes this anxiety stems from a fear that an organization may be "low-balling" their salary. Or, they fear they might alienate a future employer by appearing too demanding if they ask for more money. We hope this guide will minimize any anxiety you may have by providing you with the what, why, when, and how of salary negotiation.

THE ORGANIZATION'S PERSPECTIVE

Remember, salary is the amount that the market will support for your services. Most organizations, both large and small, establish salary ranges for every position based on standards and general practices for the field. It's in the organization's best interest to hire you for fair market value for several reasons. First, the hiring process can be long and expensive. It would be inefficient for an organization to make low offers only to be rejected and have to begin the recruiting process all over again. Second, organizations want to hire and retain good employees. It's unproductive to pay you less than other employers.

Organizations determine where an employee falls in the salary range based on experience and special expertise or knowledge. For example, a recent college graduate hired for an entry-level position with limited experience will be paid somewhere between the low- to mid-range. Hiring managers often reserve midpoint salaries for more experienced individuals who will hit the ground running and who need little training.

The What, Why, and When of Salary Negotiation

WHAT IS IT?

Salary negotiation is the process of reaching an agreement on what an organization will pay for your skills, knowledge, and experience. Contrary to popular belief, this is not an adversarial process. It's in both the organization's and your best interest to come to a mutually beneficial agreement.

WHY OR WHY NOT NEGOTIATE?

The only reason to negotiate is to get fair market value for your skills, experience, and knowledge. The process is important for future earnings because most raises will be based on your starting salary. However, *it is unwise to negotiate for negotiation's sake*. For example, sometimes job seekers think a hiring manager expects them to negotiate, or that salaries should be negotiated as a general principle. Although organizations respect employees who can articulate the value they add, recent grads (or anyone else) can quickly alienate hiring managers if they are inappropriate and overzealous in their approach to negotiating their salary to "get a fair deal."

WHEN SHOULD YOU NEGOTIATE?

Two things need to happen before you negotiate. First, begin discussing salary only *after* you have received a formal offer, preferably in writing (refer to the question and answer section for what to say if a hiring manager or human resources person raises the "money" question before a formal offer). Initiating a discussion regarding salary before this point could eliminate you prematurely from hiring consideration. Second, negotiate only after you have researched what the market will pay for your services in this field. This research will arm you with the evidence you need to know if the salary offered is reasonable or whether you should make a case for a higher salary. The fact that your friend has received a higher salary for a similar job at a different company is insufficient data for negotiation purposes.

The Salary Negotiation Process

BEFORE NEGOTIATING

Let's say you have received an offer. You can either: accept it, reject it, or ask for something else. If you decide to ask for something else, you need to know three things before you begin: 1) your market value; 2) what you want; 3) the job.

1) KNOW YOUR MARKET VALUE

Your success in negotiating a better compensation package (and the only reason you should be negotiating) rides on data you have which suggests your market value is higher than the reflected offer. To determine your market value, review some of the resources at the Career Management Center, Olin Library, or the Internet (see reference section). Often new college grads don't have the experience or expertise to warrant a higher salary. However, there are exceptions. Here are some salary negotiation "positions of strength" for new college grads:

- You have gained relevant work experience through internships or summer jobs, which positively impacts your ability to do the job.
- You have a particular technical expertise that is in high demand.
- You have an advanced degree in a specific and sought-after area of expertise.
- You have a written offer from another company that pays a higher salary.

2) KNOW WHAT YOU WANT

In addition to knowing your market value, you also need to know what you want and where you are willing to compromise. Salary is only one part of a total compensation package. A package might include any of the following:

- Base salary
- Stock or stock options
- 401(K) or retirement type plans
- Medical, dental, and vision benefits
- Life insurance, accidental death insurance, and disability benefits
- Signing bonus
- Bonuses based on performance and/or profit sharing
- Vacation time and/or sabbaticals
- Education reimbursement
- Relocation costs
- Extras such as car allowance or company car, health club membership, sophisticated computer equipment, pretax dollars for child or elder care

For some organizations, these items are not negotiable and even the salary can be in a fixed classification scale. However, other organizations *may* be willing to negotiate on the salary, bonuses, stock options, date of salary review, relocation costs, or extras.

During the process of evaluating job offers, some of these elements may not seem as important as annual income, but they can make a big difference to you in the long run. For example, let's say you are offered a \$45K, plus medical benefits (only) from one organization located in San Francisco, and another offer in Ann Arbor, MI is for \$38K, plus full medical benefits (including dental and vision) and a salary review within six months of your hire date. In order to evaluate these offers you need to consider all their elements, including cost of living expenses for the two areas and anticipated out-of-pocket costs for things not covered. You need to do a cost/benefit analysis to determine which is the best opportunity for you. Also, ask your hiring manager or human resources contact any questions you have about the benefits package *before* you make a decision.

3) KNOW THE JOB

Before you start negotiating, you want to be clear on how your skills benefit the organization. This can be difficult to assess if you don't have a lot of work experience. However, here's a technique that might help. Try to identify the needs of each person who interviews you and how you are a solution to their problems/challenges. Then, when you are negotiating, you have specific data about how you will add

value. You will be able to confidently state that you are worth \$5K more because of your ability to create specific software, design the new manual, or write the necessary grant proposal.

WHAT TO SAY AND DO DURING A NEGOTIATION

STEP 1: RECEIVE THE OFFER

Thank the hiring manager or human resources person for the offer and express enthusiasm for the position. Then reiterate how important this decision is for you and ask for some time to think it over in order to make a good decision. If it is a verbal offer only, ask when you can expect to receive the offer in writing.

STEP 2: EVALUATE THE OFFER

If you have any questions about benefits, etc., ask the hiring manager or human resources contact for clarification. Evaluate the compensation package based on the elements listed in the *Know What You Want* section. Identify several backup options should your first request be denied.

STEP 3: NEGOTIATE

You've evaluated the job offer and done your homework. Now you're ready to negotiate. Here's a sample script for what you might say in a negotiation:

"I want to say again how extremely pleased I am to have the opportunity to work with you and this organization. However, I would like to discuss the compensation, as it is less than I had expected."

The answer might be something like, "What did you have in mind?"

"First, I'd like to know how you arrived at this compensation to make sure I understand the salary structure. I want this to work for both of us."

Listen to the manager's response. Then say something like:

"I understand the organization prefers to bring new college graduates in at the lower end of the range for this position because they typically lack the experience which warrants a higher salary. However, I feel my summer internship experience within this industry plus my leading edge technical skills warrant a higher salary." (If you have other hard salary data from your research, diplomatically mention it here.)

Now let the hiring manager think and/or talk. If the compensation is not negotiable, you have a decision to make based on the current offer, or you may suggest the next option from your backup plan (such as a higher signing bonus, if applicable).

The most important components of this process are: 1) know what you want and what is realistic based on solid research; 2) communicate what you want clearly, diplomatically, and succinctly; and 3) stop talking and start listening once you've made a request.

AFTER NEGOTIATING

Once you and your manager have come to a mutually satisfying agreement, ask for something in writing that reflects your mutual understanding. This usually will be in the form of an amended offer letter. And, once you've signed the letter, you've got yourself a job – congratulations!

Frequently Asked Questions and Answers

- Q:** What do I say if the hiring manager or human resources contact asks for my salary requirements before they make a formal offer?
- A:** The rule of thumb is that you want the hiring manager to mention a salary amount first. You then want to avoid discussing your specific requirements until a formal offer has been made. If the hiring manager does ask, say something like, "If it's okay with you, I'd like to set that question aside for now and focus on the content of the work. I'm interested in knowing more about the specific duties and responsibilities of the job." If the hiring manager insists, you might say something like, "I assume a range has been established for this position and wonder what the organization had in mind?"
- Q:** What do I do if all my requests are rejected in the negotiation process?

A: You have a decision to make based on the original offer.

Q: How committed am I to an agreement I have made accepting a job, and what if a better offer comes along?

A: The Career Management Center can neither condone nor approve any renege for any reason. If you are unsure about accepting a job offer, it is better to negotiate for more time to make your decision than to accept the offer prematurely and later rescind your acceptance. Such conduct is highly unprofessional. If this reasoning seems harsh, consider the reverse: an employer offers you a job and later a stronger candidate comes along; the employer calls you and says s/he is withdrawing her/his original offer to you. The process runs smoothly only when all parties observe the rules of common courtesy and professional behavior.

Q: How do I request an offer in writing?

A: If a hiring manager or human resources person makes you a verbal offer, say, "I'm very excited about the opportunity to work for you and this organization. Since this is such a significant decision for both of us, I'd be more comfortable if the offer were formalized in writing and I could think it over for a few days."

Q: How do I decline an offer?

A: Recruiters have expressed dissatisfaction with students who leave a message on voice mail regarding declining an offer. An offer should be declined with a personal conversation and followed with a formal letter (see BUSINESS CORRESPONDENCE guide)

Career Management Center Recommended Resources

SALARY RESEARCH:

- **Occupational Outlook Handbook:** US Bureau of Labor Statistics. Provides detailed information, including salaries for over 250 occupations.
- **The American Almanac of Jobs and Salaries:** Salary information including government and corporate salary figures by function and profession.
- **Crummer Alumni Database:** Contacts in your field/profession of interest might be able to provide advice on standard salary ranges for new MBA students and entry-level positions.
- **Salary Calculator:** Compare national cost-of-living differences
 - www.homefair.com/homefair/cmr/salcalc.html
 - www.virtualrelocation.com/Relocation_Tools/Calculators/City_Comparison/
- **Professional Associations:** Call the association related to your field of interest for annual salary survey or quarterly newsletter that might contain salary information (*Encyclopedia of Professional Associations*).
- **Area Wage Surveys:** US Bureau of Labor Statistics. Provides earnings for general job classifications in over 50 metropolitan areas.
- **Business Periodical Index – Wages & Salaries:** Magazines will often list articles with current and recent salary information.

BOOKS:

- *2001 Salary Guide*, Robert Half
- *Secrets of Power Negotiating*, Dawson

Materials for this guide drew upon information contained in the resources listed below. These are recommended for further reading or reference.

- *How to Negotiate the Raise You Deserve*, Mark E. Satterfield, VGM Career Horizons, 1993.
- *Dynamite Salary Negotiations*, Ronald L. Krannich & Caryl Rae Krannich, Impact Publications, 1998.
- *The Quick Interview and Salary Negotiation Book*, J. Michael Farr, JIST Works, Inc., 1995.
- *The Smart Woman's Guide to Interviewing and Salary Negotiation*, Julie Adair King, Career Press, 1993.

The majority of the information contained in this guide was compiled from resources obtained from the following schools: University of Indiana, Stanford University, Duke University, Notre Dame, and University of Miami.