

# Compensation and the Art of Negotiation

Before you formally accept a job offer, there is the question of compensation. If you are an entry-level candidate, the salary probably is not negotiable. If you are accepting a high-level position, however, you may have some room to bargain.

## *Salary Requirements*<sup>5</sup>

Ideally, you should consider your salary requirements in advance of the interview. You need to think about what you have achieved, what you have to offer, and what you are worth to an employer. As you think about what would be an acceptable salary for you, keep in mind that many factors affect how much the company might offer. If the company has had a difficult time finding the right candidate, for example, chances are that the perfect candidate could negotiate a higher salary than originally offered. However, if the company knows that many other qualified candidates are available and willing to take the offered salary, the company may not be willing to budge from a lower offer.<sup>5</sup>

The importance of filling the position and how long the position has been vacant are other considerations. Both the organization's interest in you and your interest in the position have bearing on the compensation level. You also have to consider the potential for personal and professional growth and development with the company as well as the potential for future promotion. Bear in mind that if you undernegotiate your salary, every subsequent raise will come from this lower base, potentially adding up to significant dollars lost over the span of your career.

Before beginning any discussion with the company over salary, first estimate what your minimum financial requirements are: rent or mortgage, car payments, insurance, student loan payments, grocery bills, etc. You do not need to discuss this amount with anyone, but it gives you someplace to start.

Second, find out what your skills are worth in the marketplace. ACS Career Services conducts annual salary surveys of the membership and annual starting salary surveys of new graduates in chemistry and chemical engineering. These surveys present data by highest degree, employer type, employer size, work function, and other demographic data. (For more information, contact ACS Career Services, 800-227-5558, ext. 6153).

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<sup>5</sup>This section was adapted from Beatty, 1988.

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Third, come up with a figure that would make you happy. Do not be outrageous; keep it within the bounds of reality. You should now have three figures in front of you: the minimum you need to earn, an average figure based on the market, and your ideal figure. You do not need to discuss your minimum figure; you are left with the top half of the salary range you want. It represents the top half because it is much easier to negotiate down than to negotiate up and you want a starting point that works to your advantage.

## *Talking about Money*

What should you do if the topic of salary is raised early in the interview process? Although questions about salary are ordinarily raised after you are under serious consideration, do not knock yourself out of the running by revealing what salary you have in mind. For the same reason, do not indicate your salary requirements on the application form; write "open" or "negotiable." If the situation arises, postpone talk about salary until you have more facts in hand and you are sure that the company considers you a serious contender for the position. Let the interviewer know that you still have some questions about the responsibilities of the job and that you would prefer to put off talking about salary until you have a full understanding of the position itself.

If the interviewer asks about your salary history during the negotiations, he or she is looking for the frequency, percentage, and amount of your raises—an indicator of your performance as well as the relative value of the offer the company makes to you. Your goal is to negotiate an offer based on the job for which you are applying, not based on your previous salary. You could reply that you are making a certain amount now but, because the job you are applying for is different from your current job, that figure may not be very useful in evaluating your worth for the new job. Be vague, rather than specific, about numbers, and keep in mind that an employer can verify your current or previous salary. You may be asked to produce a payroll stub or W2 form when you start work or an offer could be made based on verification of previous salary.

If the interviewer asks, "What are your salary requirements?", there are a number of ways to respond. Your first option is to itemize what you would be doing daily as well as the scope of your responsibilities, then ask the interviewer what figure he or she had in mind for someone with your experience or, better still, what salary range has been authorized for the position. Another response is to state that you are certain the company will make you a fair offer, because you believe your credentials demonstrate that you are well qualified, and ask the interviewer what range he or she had in mind. Another good response is to let the interviewer know that you are expecting a salary appropriate to your experience and ability to do the job well, then ask what range the interviewer had in mind.

Your objective in answering the question of salary requirements in this fashion is to get the interviewer to reveal the salary range first. After you get that information, you can adjust your range so that the minimum of your range overlaps the maxi-

imum of the range the interviewer provides. For example, if the interviewer's range is \$45,000–\$50,000 per year, you can respond with a range of \$48,000–\$52,000. Now you and the interviewer have something to talk about. Remember that your goal is to maintain the advantage and keep yourself in a strong negotiating position by getting the interviewer to provide the information first. If you ask for too much, you risk pricing yourself out of the job; if you ask for too little, you do not know how much you are worth. The last thing you want to do is to give a specific dollar figure because then you have no room at all to negotiate.

## *Getting What You're Worth*

If the interviewer names a figure that is not quite as high as you thought it would be, negotiate an increase: You like the job, you know you will be successful, you are prepared to give it your best efforts, but the initial offer is lower than you expected—is there some room for negotiation? Most employers operate in one of three modes:

- **Take-it-or-leave-it deal:** There is no such thing as negotiation in this situation.
- **Set salary range:** A predetermined range has been set for the job, and your placement is determined by your experience. The top of the range is rarely offered to a new hire but rather is reached by a series of raises over the years. To increase the salary significantly, the job would have to be upgraded to the next range. If the employer has underestimated the necessary skills to perform the job well, this could happen.
- **Flexible salary:** The employer has the flexibility to adjust the salary as he or she sees fit. This is the best position to be in to bargain. However, if there are other candidates who are equally qualified and the employer would be happy with any of them, then your power to negotiate is reduced.

You can negotiate for a higher salary. Another option is to agree to a performance review after six months that would include a salary adjustment. Lump-sum signing bonuses are nice, but that money is not added into your base salary and will not be figured in for your year-end review. Because future raises will be based on your actual salary, you want to come into the job with as high a salary as you can negotiate.

Take a win/win approach to the negotiations; your attitude can affect the outcome. Be enthusiastic about the job and restate your ability to do it well. Ask about the overall compensation package and policy versus actual practice, then inquire about the salary. Let the employer know that you are very interested in the job and ask whether there is room to negotiate on the salary and/or benefits. Once the salary question is settled, you will need to address the rest of the benefits package.

## *Fringe Benefits*

Benefits are becoming an increasingly important part of employee compensation. In fact, whether benefits are offered (or how generous the benefits are) could be your basis for accepting or rejecting a job offer. From an employer's perspective, benefits represent a substantial proportion of total compensation costs. According to the Bureau of Labor Statistics, in the mid 1990s, benefits amounted to nearly 30% of total compensation costs.<sup>6</sup>

A typical employer's benefit package may include health, disability, and life insurance; pension; sick pay; and paid vacation. Additional benefits that may be provided—albeit to a smaller proportion of employees—include relocation benefits, discounts on the services or products the company sells, credit union membership, tuition assistance, a retirement savings plan, dental insurance, a wellness program, child care, and adoption assistance.

You may be able to ask for a non-cash benefit, such as a company car, to compensate for a low salary. Seek some tradeoffs in the negotiation, but do not reject an offer out of hand because the dollars or other parts of the offer may not be exactly what you expect.

## *Evaluating an Offer*

Once you have an offer in hand, you need to evaluate it. Do not feel that you have to give an answer on the spot. Rather, when you receive the offer, ask for a reasonable amount of time to think it over. Use the time to consult with your significant other and other people whose advice you value. Do not fall into the trap of consulting with too many people, however. If you ask 8 or 10 people, you are likely to get just as many different viewpoints, and it becomes difficult to weigh so much advice along with your own judgment.

Perhaps the best thing to do with your advice is to put it on paper. Draw a line down the middle of a page, making two columns. On one side, label the column "Pros," (reasons to accept the job), and label the other side "Cons" (reasons to reject it). List your reasons in each column, then analyze your results. If you're lucky, one column will be much longer than the other. If not, then prioritize your reasons, giving more weight to the higher-priority items.

As you consider the offer, think about the base salary and salary potential, future career prospects, benefits, commuting time, the people you will be working with and reporting to, job responsibilities, and all the other intangible variables. Keep in mind your personal values and what you are looking for in a job:

- Do I like the work?
- Can I be trained in a reasonable amount of time, thus having a realistic chance of success on the job?
- Are my responsibilities likely to be challenging?
- Is the opportunity for growth in the job compatible with my needs and desires?

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<sup>6</sup>Data are from Levine, 1993–94.

- Are the company's location, stability, and reputation in line with my needs?
- Is the atmosphere or culture of the company conducive to my enjoying working at the company?
- Can I get along with my new manager and immediate work group?
- Is the salary offer and total compensation package the best I can get?

Remember that money is only one part of the evaluation process; salary cannot substitute for job satisfaction. Nothing is worse than waking up every Monday morning dreading the coming week.

Do not be misled by the gross salary figure. You are likely to lose anywhere in the range of 30–40% of that total to federal and state taxes. Add to that pretax deductions, such as your contributions to health insurance premiums. Also take into account your monthly living expenses (rent or mortgage, groceries, telephone, utilities, car insurance); commuting expenses (whether you will be driving your car or using public transportation); and debt (credit cards, student loans). Will you have extra to spend on entertainment? Figure out as best you can what you will have to spend *in after-tax dollars*, because that is what you will have to live on.

## *Accepting an Offer*

You may accept an offer verbally on the condition that you receive it in writing. Make sure that it covers salary, starting date, benefits, and any other details that you have negotiated. If you are currently employed, make it clear that you want to give your employer sufficient notice before starting your new job.

Once you have a written offer, notify your current employer, who will probably want to discuss things with you. If by chance a counteroffer is made, resist the temptation to accept it, for three reasons:

- The factors that prompted you to look for another position in the first place have not changed.
- If you accept the counteroffer, your current employer may doubt your loyalty.
- The prospective employer may conclude that you were trying to gain leverage with your current employer and that you were never a serious candidate.

Also, call the other employers with whom you have interviewed and explain that you have a firm offer with a certain time period for a response. Ask about your status with them. If you are not their first-choice candidate, they will likely tell you so. If you have the luxury of choosing from among more than one offer, decide which one you want and negotiate for the best terms you can get.