



Negotiations



# Why Having a Target Salary in Mind Can Derail a Job Negotiation

by Art Markman

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**One of the most daunting tasks when** you hit the job market (particularly for the first time) is negotiating your salary. The conversations often don't feel fair because of the information asymmetry. The person you're negotiating with knows what the firm generally pays people and is likely to have more experience with these kinds of conversations.

There is one simple factor that has a profound impact on salary negotiations: *anchors*. The pioneering research of Daniel Kahneman and Amos Tversky demonstrated that when people are looking to place a value on something (like a job), they start by finding a salient number in the environment and using that as an anchor. Then, they adjust that number based on other factors. For example, a firm might publish a salary range for an entry level job at \$36,000 to \$48,000. You might naturally start your negotiation by anchoring on the top end of that range. Or, recognizing that you may get paid less than the maximum, you might adjust downward slightly and use that as your target salary for the negotiation.

Understanding how anchors work can help you tremendously in a negotiation — particularly when you do not have a lot of information — because you have a figure to aim for. However, you also need to be careful in how you use them because they can occasionally backfire on you, making you unhappy or resulting in a lower salary than you might've gotten otherwise.

Most people want to make the best salary they can, so they will use the top end of the posted salary range as a guideline for how much they could potentially make. If they get an offer close to the low end of the salary range, they are upset, because they expected to do better. That can lead them to be dissatisfied with the company and the people they negotiated with before they even start working.

In fact, if you have no relevant experience for the job you've applied for, you should probably anchor on the low end of the salary range. Salary ranges are set up in part to help more experienced applicants judge whether the position is right for them. It can sometimes be difficult to assess the level of a job just based on the title and qualifications. If the salary range is significantly lower than what someone is making

already, that is a good indication that the job is not for them. The salary range also communicates the maximum amount you will make in that position so that you know when you need to be looking for a promotion.

Another source of anchors in a salary negotiation can come from other job offers you might have in hand. Research suggests that when people already have one offer, they use that offer to try to make more money at another firm. That is a great idea, but you need to do your homework about salaries at your target employer and what they might actually pay. For example, you might be tempted to make an offer that is somewhat higher than the job offer you have in hand. But it's possible the new firm might actually be willing to pay you even more, meaning you anchored too low and inadvertently get a worse deal than you could have if you hadn't used that offer to base your negotiation on.

Anchoring from information that is easily available from the job ad or from your experience can be tricky. It's better to do a little more homework first. Many job websites will provide information about salaries that are being paid by particular firms in specific locations. Since that information is more grounded in reality, you can use that as one potential anchor for your negotiation.

Also, do a realistic assessment of your living expenses in the place where you will be working. Adjust any anchor you might have to account for the money you will need to live. Although firms have an interest in minimizing the costs of paying employees, salary structures that are too low breed discontent among workers and lead to turnover — both of which are costly for firms. You may be able to make a compelling case for a slightly higher salary based on reasonable estimates of cost of living.

Finally, although salary is important, pay attention to other aspects of an offer. Working in a job that you believe in can be worth a lot. You don't want to discount the mission of the firm or any other benefits, like tuition reimbursement, vacation time, etc. While the number is important, it's not the only thing that matters when trying to decide whether or not to take a job.



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