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Hired_

The Ultimate Guide to Salary Negotiation

Use data-driven insights to land the salary you deserve

Invest in success

Salary negotiations are notoriously stressful. In fact, 41% of employees don't negotiate at all—settling for subpar compensation packages instead of initiating a conversation.

But doing so comes at a major cost. Salary negotiations have a compounding effect, so accepting lower pay early on drastically decreases your long-term earning potential. For example, an employee who enters the job market at $80K will earn $1.2M+ less over the course of a 40-year career (assuming annual 5% raises) than an employee who starts out at $90K.

At Hired, we're here to help tech professionals employ their potential. By coupling proprietary industry data with actionable career advice, we empower job-seekers to close wage gaps and approach salary negotiations with confidence.

Here we've compiled our top salary negotiation tips, backed by data, so you can land the pay you deserve. Ready to invest in your success? Let's get started.

Chapter 1:

Salary negotiation 101

1. Know your worth

First things first, you'll need to determine your monetary value to a company and the job market. Going into a negotiation with an unrealistic desired salary—whether too high or too low—suggests a lack of preparation and perspective, which can be a turnoff to employers.

Combat uncertainty by using tools like Hired's salary calculator, Glassdoor, Comparably, and PayScale to learn the going rate for roles like yours. If you're a candidate on Hired, your Candidate Experience Manager can assist in setting tailored salary expectations based on your skills and our extensive market data.

Approach each conversation with confidence, and never sell yourself short. As seen in Hired's 2021 report on wage inequality, expectation gaps are strongly correlated with wage gaps—so knowing your worth is a non-negotiable.

2. Articulate your value

Whether you're just starting out in your career or hoping for a raise in your current role, it's important to speak the employer's language and clearly communicate the value you will bring to the business.

Ask yourself: What in-demand skills differentiate me from other candidates? How does my past experience uniquely position me for success? And finally, what data can help me advocate for a higher salary?

For example, does the job description outline a role that seems below your level of experience? Suggest increasing the position's seniority and pay accordingly. Are you exceeding all goals as a current employee? Book time with your manager to discuss how your efforts are contributing to the company's broader success and clearly cite data to build an effective case. (More on that in Chapter 3.)

3. Determine your deal-breakers

Before entering a negotiation, make a mental note of your "must-haves"—whether those include remote work, flexible hours, 401(k) matching, family health insurance, professional development opportunities, or a set minimum salary. While these goals won't be shared with employers outright, they'll help you stay focused on the factors that matter most to you.

Chapter 2:

Factors contributing to your salary

If you're waiting to receive a job offer and salary package—or have already gotten one and are puzzling over the details—it can be helpful to understand how hiring teams determine compensation in the first place. Here are six factors to consider when assessing whether you're being paid fairly.

1. Your role

Data from Hired's 2021 State of Software Engineers report shows that the average salary continues to rise across all tech roles. Across the board, we found that machine learning engineers rank among the top ten highest paid roles in every major tech hub, with annual salaries ranging between $115K and $171K on average.

Search engineers also made the list of top ten highest paid roles in all major markets—while security, backend, data, natural language processing, fullstack, gaming, embedded, and mobile engineers joined the top ten list in at least two major markets.

Since salary expectation gaps and wage gaps are strongly correlated, be sure to consult recent industry data when setting your target salary—and avoid settling for subpar compensation.

2. Market trends

Whether you're a new developer or industry veteran, staying on top of market trends is a must. Data from our 2021 State of Software Engineers Report shows that Python, JavaScript, Java, Redux.js, Google Cloud, AWS, and React are among the most requested coding languages by employers.

Proficiency in hot languages can increase your earning potential—the more specialized your skill set, the higher your salary will likely be.

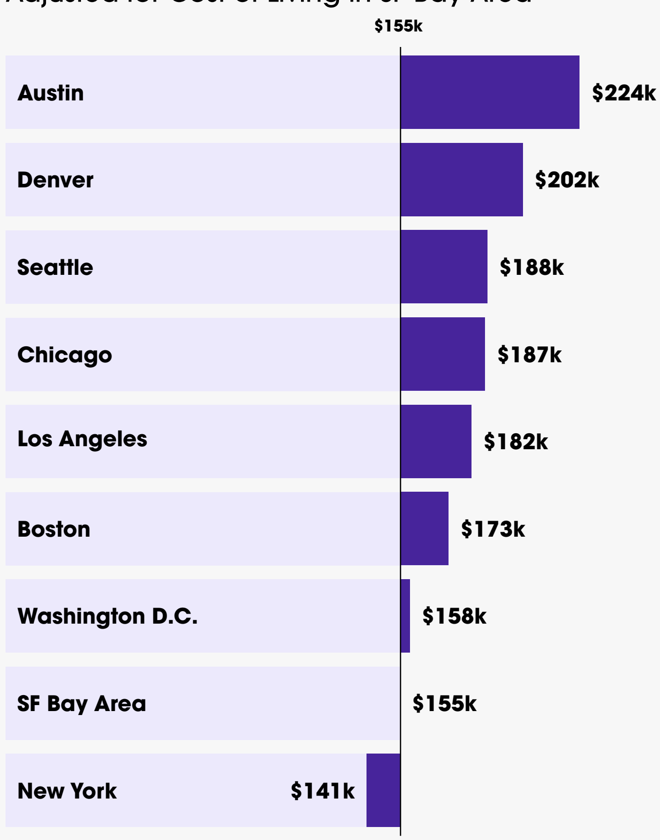
To this end, it can be useful to gain familiarity on your own time through resources like General Assembly: a leading source for training and career transitions that teaches tech professionals in-demand programming skills.

3. Your location

Everyone working in tech saw steady gains in 2020. When analyzing tech salary offers across our markets, we found that the San Francisco Bay Area still boasts the highest pay, with an average salary of $155K.

To see how other cities fare in a cost of living comparison, we asked, “If every city had the same cost of living as San Francisco, how much would tech workers’ salaries be worth?” Austin tops the list at an adjusted salary of $224K, meaning Austin tech workers would need an $87K raise to maintain their current standard of living if they moved to San Francisco. Denver is in second place at $202K, with Seattle and Chicago close behind at $188K and $187K, respectively.

Average Tech Worker Salary
Adjusted for Cost of Living in SF Bay Area*



** Numbeo was used for cost of living calculations*

Key factors impacting cost of living in a city:

Rent
Real estate
Utilities
Groceries
Local taxes
Transportation

To calculate cost of living, consider a number of factors, including housing costs, utilities, groceries, local taxes, and transportation costs. Add these expenses up to see how much money is needed for comfortable living in your chosen city—then build upon that number to determine your target compensation. (If that sounds overwhelming, consider resourcing an online tool like Numbeo, which can help you easily calculate and compare costs of living.)

Looking at data from our June 2020 State of Salaries Report, we can see that salaries are highest in healthcare, technology, entertainment, consumer mobile, education, e-commerce, finance, and media in the United States. In the United Kingdom, meanwhile, they're they're highest in finance, healthcare, marketplace, entertainment, technology, e-commerce, consulting, and media in the United Kingdom.

Average Tech Worker Salary by Industry

United States		United Kingdom	
Healthcare	$151,000	Finance	£68,000
Technology	$149,000	Healthcare	£68,000
Entertainment	$147,000	Marketplace	£67,000
Consumer Mobile	$147,000	Entertainment	£67,000
Education	$146,000	Technology	£67,000
E-Commerce	$145,000	E-Commerce	£67,000
Finance	$145,000	Consulting	£66,000
Media	$144,000	Media	£65,000

Of course, COVID-19 has impacted employees' location preferences—with many tech professionals relocating to less expensive cities during the pandemic. And while offices may now be reopening, location flexibility is here to stay. In Hired's 2021 State of Software Engineers Report, we found that 51% of new job-seekers in our marketplace were open to remote work.

What's more, a third of the tech professionals we surveyed in our 2020 State of Salaries Report said they want to work remotely regardless of where they're located. While some companies are localizing salaries in response to shifting employee preferences, others offer the same pay regardless of geography—meaning your money could go further in a city with a lower cost of living.

Digging deeper into industry data, Hired's annual report on wage inequality reveals that certain markets have more work to do than others in narrowing the gender wage gap. For example, the gender wage gap in London is 10% whereas it's down to 5% in the San Francisco Bay Area. Most markets are in between these extremes, with Chicago and Boston at 8%, New York and Toronto at 7%, and Seattle at 6%.

Overall, these figures indicate an industry-wide imperative for wage equality—and are important to keep in mind as you advocate for fair compensation during the salary

4. Your level and seniority

Many companies organize themselves through a series of leveling in order to objectively assign value to different roles as a means of standardizing compensation. Before receiving an offer, ask the hiring manager to clearly communicate the organization's leveling system so you can understand where you'll be entering relative to other employees. Inquire how often the company re-levels employees, which criteria they use to make these decisions, and how compensation and promotions apply to these levels.

Similarly, you'll want to understand what career growth prospects are available for employees. For example, if a company offers a lower level at entry to first evaluate performance and organizational fit, you'll want to know how quickly you could move up within the organization. This could potentially be even more appealing than an offer of a fancy title, if the alternative is being stuck in the same position indefinitely.

In sum, be sure to account not just for the role you'll join the company with, but also your career growth prospects with the organization in both the near and long term.

5. Your level and seniority

Companies have a limited amount of data with which to evaluate candidates and potential hires, so their offers will often be informed by past experiences—and how well you recount them.

When negotiating an offer, focus on specific skills you've gained as a result of your experiences, connecting them to industry benchmarks for the role you're considering. By helping the hiring manager understand why you're uniquely qualified for the job, you'll put them in a better place to offer an attractive compensation package.

Importantly, never let imposter syndrome stop you from negotiating for a higher salary. "I've seen early career professionals who think that they have a lack of leverage accept low pay or conditions that leave them little trajectory for growth," said Dr. Shira Mor, an executive educator at Mona Lisa Consulting. "Those decisions have an exponential impact over the course of their career."

If you're struggling with self-doubt, remember that age, alma mater, and past employment do not predict success—skills do. "Don't assume that your age or experience level means you shouldn't advocate for what you want," emphasized career and negotiation expert Alexandra Dickinson.

There's no denying that biases have historically plagued hiring, with many recruitment teams combing through resumes for specific colleges or companies. Recently however, leading organizations like Apple, Google, Netflix, and Tesla have taken bold actions to combat pedigree bias. Now, countless companies are following suit: looking beyond labels and hiring skilled candidates who have taken the path less travelled, including self-taught talent and tech bootcamp grads. If you have a nontraditional background, embrace it from the beginning instead of selling yourself short or settling for a subpar salary.

You received an offer letter for a reason—so speak up to get the compensation you deserve.

6. Managerial responsibilities

In general, compensation tends to increase as you manage larger and more strategic teams. Whether you'll be managing a team, how big it will be, and how much management experience you have can all impact salary offers—so it's important to adjust your expectations accordingly. Keep in mind that strategic leadership positions with more accountability generally command higher salaries than individual contributor (IC) roles or those with small teams under them.

However, it's important to note that some highly talented ICs (particularly within engineering organizations) receive salaries that rival those of their peers in management—just don't count on this always being the case.

If you don't occupy a management role but want to gain relevant leadership experience, consider seeking out less traditional activities that provide the opportunity to showcase your abilities. Within the workplace, propose hiring an intern who would report to you, or take on leadership opportunities among your peers. Outside of the office, seek management opportunities through volunteer work or even by getting involved with alumni associations. Finally, let your manager know that you are committed to sharpening your leadership skills—and have taken proactive steps to do so.

Chapter 3:

What not to say during a salary negotiation

Communication is key in the workplace—and the wrong words can make or break a salary negotiation. Read on for our list of phrases to avoid, as well as some suggested workarounds.

1. “The original offer works for me”

The first, and perhaps most common, mistake is not negotiating at all. Caught up in the excitement of a new job offer, you might be tempted to take the first salary package proposed. But accepting without question means surrendering your rights to negotiate a higher salary or ask for alternative non-salary benefits. Even if the offer sounds great, request some time to think about it before making a decision.

In most situations, it makes sense to at least attempt a negotiation. In fact, one Salary.com study found that a staggering 84% of employers expect job applicants to negotiate salary during the interview stage. Even if the company can’t offer you more money up front, employers will respect your business savvy—and may even put you first in line for a future raise.

2. “My current salary is…”

Not only is “What’s your current salary?” an inappropriate question—it’s also illegal in many geographic locations. If an employer asks this on a written application, consider filling in “N/A” or “flexible.” Alternatively, if the question comes up during a call, reframe the conversation by providing a desired salary range (e.g. “Based on my skills and experience, I’m looking for compensation in the high 90s”).

3. “I’m not sure…”

If you lack direction and conviction, the employer will wind up single-handedly shaping your salary discussion—leaving you with little agency. To prevent this from happening, go into every negotiation with at least a ballpark range for your desired salary and a solid grasp of your must-have benefits, whether those include unlimited PTO, 401(k) matching, family health care coverage, professional development opportunities, or remote work.

4. "I know (specific person) makes..."

Negotiations should be based in fact, not emotion. A surefire way to get emotionally involved is to cite a specific person's salary. Instead of letting subjective emotions steer the conversation, compare what you're being offered to industry averages using Hired's salary calculator—then let objective data drive the negotiation process.

5. "I think..."

When discussing past performance, avoid phrases like "I think" or "I feel," which suggest that the value of your work is subject to interpretation. Get specific and cite rational, evidence-backed reasons why you deserve a higher salary. For example, "75% of my direct reports were promoted during their first year on the job" presents a much more convincing, factually sound case than "I think I'm an effective manager and mentor."

6. "The least I'll accept is..."

If you disclose this figure, there's a good chance you'll get just that and no more. Additionally, if the employer can't offer the minimum salary you propose, the negotiation will stop right there—and you'll have to walk away with nothing.

7. "I can't afford my (student loan payments, rent, etc.)"

Yes, you need to earn enough money to pay the bills—but again, emotional appeals have no place in a salary negotiation. Any amount you propose above the original offer should be justified by the added value you'll bring the company, not by how much you need the money. If you're concerned about living costs, make sure to ask about additional benefits or stipends the company provides, such as a cell phone plan, gym membership, or travel reimbursements. These perks might not be factored into your salary offer, but can take a sizable chunk out of your monthly expenses.

8. "That's my final offer"

At the end of the day, you and the employer are working toward one shared goal: bringing you on board. Instead of posing ultimatums, approach the conversation with patience and perspective. Even if the company can't offer you more money, there's usually some leeway to negotiate an alternative benefits package. For example, you might inquire about the possibility of extra paid time off, flexible hours, the ability to work from home, a better job title, professional development stipends, or a signing bonus. Think about what might enhance your quality of life beyond a higher salary, as many companies will work with employees to tailor a benefits package that suits both parties.

"Whatever you're after, make the ask," advises *Harvard Business Review*. "Then, listen actively to the hiring manager's response. If they shut you down, reply in a non-defensive way, such as, 'Oh, that's interesting. Can you tell me more about the reasoning behind that?' By asking the right questions, you can start to guide the discussion, understand limitations, and possibly use that knowledge to come to a compromise."

Chapter 4:

Salary vs. equity: Choosing what's right for you

When joining an early-stage startup, you may be offered equity as part of your compensation package. Here are four factors to consider when weighing the worth of stock options.

Factors to consider

1. Options are usually granted on a four-year vesting schedule with a one-year cliff, which means you won't actually have the option of owning equity in the company if you leave within your first year of working there. On the common vesting schedule, only 25% of the options are available to you after the first year, and the remaining shares typically vest incrementally each month or quarter thereafter.
2. As their name implies, options don't actually denote ownership in the company—but rather the option to purchase a specified number of shares. If you decide to buy the shares in the future, they'll cost the "strike price" that was set when the options were granted, which should be significantly lower than the market value of the shares when you sell. The ultimate hope is that the value of the company's shares increases significantly during the time you work there.
3. If you do purchase the shares, they're not actually worth anything until some sort of exit event, like an IPO or acquisition. The unfortunate reality? 90% of startups fail, rendering all shares worthless. If you're joining an early-stage startup, the risk can be even greater—Bureau of Labor data shows that 20% of all businesses fail in their first year of operations. Even if the startup does succeed, an exit could take years to occur and you'll likely have to hold onto the shares for a long time in order to capture any value from them.
4. It's not the number of shares that counts, but the percent ownership that those shares represent. When weighing multiple offers, determine the number of outstanding shares at each company to calculate the percent ownership each offer would represent. Compare these numbers—not the number of shares—when weighing competing offers.

Making the right choice

While being offered stock options is never a bad thing, it can make for a more difficult decision-making process. Here are some points to consider as you evaluate the different choices at hand:

1. **Can you survive on the lower salary offer?**
   Joining an early startup can be exhilarating, not to mention a great learning experience. However, you'll typically see lower salaries paired with higher equity stakes—the smaller the company, the lower the chances they've raised (or earned) tons of capital. Calculate your own expenses to determine the minimum salary you'd be able to accept, particularly if you're living in an expensive tech hub like San Francisco, where living expenses can eat up a large chunk of your income.

2. **What's your four-year plan?**
   If your equity is on a typical four-year vesting schedule, you won't have the option to purchase any shares before year one, and the remainder will take an additional three years to vest. If you know you have a big move ahead, you're planning on going back to school, or otherwise don't expect to be with the company for long, be sure to factor that into your considerations.

3. **How strongly do you believe in the company?**
   Before accepting a lower salary for more equity, ask yourself: How optimistic am I about this company's future and exit prospects? Of course, this is much easier said than done, and even paid professionals (like venture capitalists) struggle to accurately predict a startup's success. However, it's still an important factor to consider. If you foresee the company going far, you might want to trade a higher salary for more stock options in hopes that a little risk up front will result in an outsized reward down the line.

Chapter 5:

Find your worth with Hired

Though it may seem harmless in the moment, skipping salary negotiations can cost you hundreds of thousands of dollars over the course of your career.

By sharpening your negotiation skills and staying on top of market trends, you can fight for fair compensation with confidence—closing critical wage gaps and landing the salary you deserve.

At Hired, we're here to help. Since 2012, we've been matching top tech talent with groundbreaking companies solving big problems—from household names to emerging startups, and everything in between. Built to empower job-seekers and current employees alike, we offer data-driven insights to support you at every stage of your career.

Drawing from marketplace data, our salary calculator determines monetary benchmarks based on real interview requests. Pinpoint your potential salary for various jobs and roles in software engineering, design, data science, or product management in cities across the United States as well as London and Toronto. From there, stay on top of market trends with our 2020 State of Salaries Report, 2021 State of Software Engineers Report, and annual report on wage inequality.

No more settling for subpar salaries. Find your worth—and your future—with Hired.

Try Hired today.