



NEGOTIATING COMPENSATION

Introduction

Perhaps the most difficult part of the entire job search process is negotiating a fair and reasonable compensation package with the employer of your choice. On the one hand, you are euphoric to be selected for the position, usually after a lengthy process, and you don't want to do anything that will cause the employer to change her/his mind. On the other hand, you have an idea in your mind about the salary level you would like to earn in your next job based on your personal needs and what you think is fair in the market for a person with your qualifications.

The tendency is to want to accept the employer's job offer and to feel uneasy about the idea of countering with something more satisfactory to you. However, when the employer has decided you are the best person for the job, she/he would rather not lose you as long as your compensation requirements are within reason. The best time to negotiate compensation is when the employer has selected you and there is mutual interest in working out an employment arrangement satisfactory to both parties.

If you do not set aside your emotions and take the time to analyze a job offer - compensation as well as a broad range of other considerations, it is possible you will resign or be fired within a year because of your dissatisfaction or the employer's disappointment.

Is the Job Right for You?

Before focusing on compensation, you want to make certain that the job offered is a good fit with your skills, your work and lifestyle preferences and your career plans. Much of the information needed for this analysis will have been gathered during the job search and interview process, but obtaining some additional information may be necessary. You should be able to answer the following questions:

- Does the job offered meet my original job search goals and fit with my career plans?
- Do I have a clear picture of the specific job duties, the probable work hours and the amount of travel?
- Do I like the people and have a good feeling about the organizational culture? Does my boss have a management style I will respond to well?
- Does the organization have a good reputation and will I be proud to be a part of it?
- Do I know enough about the current issues facing the organization? How about its financial condition?
- Do I know enough about the community I will be living in if I accept this job? How about cost of living, safety, recreational and cultural amenities, schools, religious institutions, child care, spouse employment opportunities, etc.?

Timing of the Compensation Discussion

As stated above, the best time to discuss compensation is after mutual interest has been clearly established between you and the employer. Why? Because once an employer decides she/he wants you, there will be more flexibility about what it takes to get you to come to work.

An indication of mutual interest is when you have been through two or more interviews with the employer, you have a strong interest in the position and the employer is talking in terms of wanting you to join the organization. However, many employers will try to engage you in a discussion of compensation early in the interview process, and your diplomatic skills will be tested in responding to these pressures. Here are some typical questions that could come up in an interview, or even in a preliminary telephone conversation, and suggested answers:

- If you were to receive an offer from us, would you accept it?

Reiterate your strong and genuine interest in the employer, but say there are further details about the job and employer you need to learn about and evaluate. If you have other offers, you may want to say that you will need time to analyze and compare this offer with the others. You can say that there is a high probability that you could reach agreement on a reasonable offer.

- You have seen our advertised salary range. Are you willing to accept a salary within that range?

"I applied for this job because I have a strong interest in the type of work your organization does. I want to be paid fairly relative to the job market for this kind of work in this geographic area and am sure we could reach agreement on that basis."

- We would like to offer you. . . . Will you accept?

"I really appreciate the confidence you have shown in me by making this offer. I would like at least three days to consider the details of the offer and get back to you. May I please have the offer in writing, plus the details of the benefit package the offer includes?"

- We would really like to have an immediate response so we can proceed with our planning. Surely you are ready to make a decision after the series of interviews you have been through with us.

"You know that I have a strong interest in the job and your organization. I just feel that such an important decision should be made after careful consideration. I promise I won't hold you up beyond three days, but I really would like to have that time to decide."

Some employers include in their job announcements a request that "current salary" or "salary history" be submitted with your resume. They are attempting to see up front which candidates are likely to have compensation requirements that fall within the employer's preferred range, and the information is used as a screening device. Also, a recent drop in salary in the history, which is not uncommon in today's economy, raises a red flag for employers. They worry that a salary reduction or a new job at a lower salary imply poor performance or problems with the employer. This can also be a basis for screening. A way of responding to requests for salary information is to include a paragraph such as the following in your cover letter:

"I am deferring submission of salary information until a later stage in the selection process. As stated above, I have a strong interest in working for you in this position and feel I can make a strong contribution to your goals. My preference is that salary not be a factor, positive or negative, in considering my qualifications at this time."

Compensation Homework

The more you know about what is fair and reasonable compensation for your skills in the type of job, employment sector and geographic area you prefer, the better position you will be in to negotiate compensation effectively. You also must consider your own particular financial obligations and needs.

Determining Your Compensation Needs

There is no point accepting a job that does not cover your basic costs of living, even if the salary is fair and reasonable relative to the job market. You will have rent or mortgage payments, utility expenses, transportation expenses, insurance, food, clothing, etc. Don't forget taxes. These costs will vary greatly by geographic region. Many students will have significant student loan payments. Some may have children with special needs. Mid-career students may have elderly parents or children in college to help support. A dual-income couple has more flexibility than a single-income couple or single individual in meeting these costs.

It is important to prepare a simple budget based upon known and estimated financial obligations you will face, adjusted by cost-of-living data from the geographic regions you are considering. This will help you determine a "bottom line": a compensation level below which you cannot or should not go. Certainly you will seek to negotiate compensation well above your "bottom line," but at least you will have a clear idea of your basic needs.

The importance of "total compensation"

The benefit portion of a compensation package typically ranges in value from 25% to 35% of base salary –but depends upon the sector and size of the company or organization. Some employers pay the full cost of benefits and others share those costs with employees. There is a major difference in take home pay between a \$50,000 salary when the employer pays the full cost of benefits and a \$50,000 salary when insurance premiums and retirement contributions are deducted from each paycheck. You need to be aware of the details of the benefit program and calculate the full value of salary and benefits. This will give you a basis for comparing one job offer to another, and for making sure that your take-home pay will cover your needs.

Researching the market

Government salaries (federal, state and local) are a matter of public record. A base salary range is usually included in job announcements, and information about salaries will be provided upon request. Professional associations normally have job announcements, including salary information, in their membership newsletters, and many associations do annual compensation surveys for their professional fields. SAIS alumni could be resources to obtain salary data.

Useful links: www.salary.com; www.wetfeet.com; www.glassdoor.com;
www.nonprofitstaffing.com/salary-job-reports/

In addition, there are several publishers that do annual salary surveys encompassing many fields. Such resources include: *Federal Employees Almanac*; *Occupational Outlook Handbook*.

Typical Compensation Offered International Relations Graduates

This information is very difficult to compile because of the wide range of types and levels of positions accepted by graduates in various employment sectors around the world. Even within particular sectors, such as non profits or international NGOs, there is a wide range of compensation levels. If you are considering a job offer, talk to one of the professional staff members in the Office of Career Services. They may have recent anecdotal information on salaries being offered.

Advertised Salary Ranges--Fixed or Negotiable

Salary ranges, as are typical for government employers, are usually part of a job classification and compensation plan that has been adopted by the organization. Normally, the only flexibility possible is within the announced range. However, if you have a strong interest in a position, it is worth applying even if the salary range does not overlap the range you have determined is appropriate for your next job. If the employer sees a close fit between your qualifications and the needs of the position, a policy decision to adjust the range may be possible.

Negotiation Strategy

Based upon your compensation homework, determine a salary range and benefit package that you think would be fair and reasonable for the job you are being offered and that meets your financial needs. The lower end of your range should be the minimum you would accept for the position; the higher end should be what you would prefer to receive if the employer only knew what a truly great performer you are. Both ends of your range should be justifiable with market data.

If the employer asks you to propose a compensation package that would be acceptable to you, make sure you have full information on the benefit package the employer has, then suggest a salary and any benefit adjustments that fall toward the high end of your range. Most employers will extend an offer to you rather than asking you to propose a package to them. When you receive the offer, ask any questions of clarification, ask for information on the details of the benefit package and request time to give the offer full consideration. Make clear that you are grateful for the offer and reiterate your strong interest.

After reviewing the offer and the benefit package, counter with a proposal that asks for a combination of salary and benefits that falls within your pre-determined range. Ask for an amount toward the upper end of your range and provide justification based upon your research. This amount will probably be higher than the employer wants to pay, but, hopefully, the employer will then respond with an amount higher than the original offer and well within your range.

Many times it is easier for employers to make adjustments on the benefit side, particularly if they are nervous about public perceptions of high salaries. So, the final stages of negotiations may focus on fine-tuning benefit contributions rather than salary.

Depending upon your circumstances, employer coverage of certain one-time expenses can be as important to you as a particular salary level, and worth negotiating. An up-front signing bonus can help upgrade your wardrobe, cover the down payment on a car or reduce your student loan repayment burden. Moving related expenses can add up if you consider house hunting, moving household goods, moving your family and temporary living expenses. Some employers have set policies on these items; others are more flexible.

Even though verbal agreement is reached on compensation, it is important to ask for written confirmation. The written offer of employment should be reviewed for conformance to the verbal understanding, then accepted in writing. Only then should announcements and financial commitments relative to taking the new job be made.

Negotiable Aspects of Compensation

Cash Items

Base salary amount; timing of reviews and increases

Bonuses signing; future, based on performance

Deferred compensation - amount of employer contribution

Retirement plan - amount of employer/employee contributions

Severance protection notice - amount payable; terms (usually applicable only to executive management positions)

Benefits

Insurance's: medical, dental, vision, life, disability availability; dependent coverage; employer/employee contributions

Vacation, sick leave, family leave, bereavement leave credits on books upon starting job; rate of accrual

Automobile allowance; mileage reimbursement; other travel expense matters

Professional training/conference attendance; education (tuition reimbursement plan)

Professional membership dues; subscriptions

Moving expenses

House hunting; moving; family travel; temporary living allowance

Job issues

Standards or goals against which performance will be evaluated

Frequency of performance evaluations

Job title; job content; work hours and flexibility

Starting date (e.g.: a break between school and work is not a bad idea)

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