Salary Negotiating 101

7 secrets to boosting your career earnings, negotiating a raise and striking the best deal in a job offer negotiation

Special Report from:
Business Management DAILY
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Think you deserve a raise, but are afraid to walk into your boss’s office and ask? Don’t let ineffective negotiation skills hold you back. Employees at all levels can boost their career earnings by following the rules on negotiating a raise, hashing out the best pay package in a job offer negotiation and knowing their market value.

*Salary Negotiating 101* shows you how to negotiate your pay from a position of strength, armed with documentation of your accomplishments, your value to your organization and research on salary comparisons in your industry.

**Salary Negotiating 101**

#1

Negotiating a raise: Do your homework first

Few job situations are riskier than asking for a raise, especially in uncertain economic times amid high unemployment rates. Most employees—no matter what their job titles—feel apprehensive about asking for a raise, especially when companies are so concerned about conserving cash and keeping costs down.

While your organization’s financial condition and the general economy will factor into the odds of getting a raise, that shouldn’t stop you from asking for one. Keep in mind that if you’re a good employee, your boss is likely to do what he or she can to get you a merit raise.

Still, that doesn’t mean asking for a raise should be as simple as telling your boss, “You used to pay my former manager one-third more than I’m getting to supervise the customer service desk now. I deserve the same pay.” Such a direct approach is unwise.

“It can make you seem pushy and possibly uninformed,” says one HR professional at a major corporation. “You probably have no way of knowing where salary dollars have been allocated in new budgets.”
The best strategy: Make sure you can demonstrate some tangible work-related reasons that warrant a raise, and give a realistic picture of ways your work will continue to benefit the organization.

Proceed methodically, have a well-planned strategy and, above all, do your homework.

**Know your market value**

The first step in asking for a raise: Know where you stand in the marketplace. Be ready to document that you’re worthy of getting a pay increase.

Do research on salaries for your profession or job title in your geographic area and your industry. In many cases, the best way to find this information is through your professional network, trade associations and professional organizations. Also, look at the various salary surveys online for your profession *(see page 6)*, and check employment ads.

**Be aware of salary and raise ceilings**

It could be that your organization has implemented a salary freeze or imposed a maximum percentage for any annual increase. If so, know what those figures are before you approach your boss to ask for a raise. If you discover such policies are in place, should you back off from asking? Not necessarily.

If you can demonstrate that you have taken on many new duties and enjoy a good working relationship with your boss, he or she may be willing to advocate to upper management that you deserve a raise exceeding your organization’s ceilings.

Keep in mind that national salary surveys predict U.S. employers in 2012 will hold salary increases to about 3%. However, employers are willing to give out higher merit increases to their highest performers—in some cases, 4.5%. *(For survey details, see page 11.)*

**Make a formal appointment**

Once you’ve done your salary research and gathered documentation, set up a formal appointment with your boss at a time convenient for both of you to talk about negotiating a raise.

Then, work on how you’re going to state your case and make your presentation, using the 10 strategies discussed below.
Salary Negotiating 101

*Negotiating a raise: 10 tips for making your pitch*

1. **Get down to business quickly.** State simply that you want to ask for a raise and present the documentation you have prepared. Be sure to cover all your accomplishments. If you are part of a team of people who report to your boss, he or she may not be fully aware of your individual contributions.

2. **Start with a point you can both agree on.** You might say, for example, “I think we both know that operations in our department have never run so smoothly,” or “I think we can feel good that customer satisfaction has soared, thanks to the changes we’ve made.” This approach sets up a cooperative atmosphere for the negotiation.

3. **Present a solid record of your accomplishments** and rely on it as your key negotiating tool. (Pitches based on statements such as “I need more money to pay my bills” or “I’ve demonstrated my good work and I deserve a raise” aren’t usually well received.) Point out your specific track record and your value to the firm. Go into your negotiation armed with a list of your major accomplishments for the year. Note especially those extra projects that you took on and the initiative you showed in going above and beyond your narrow job description.

4. **Offer documentation**, such as complimentary letters or emails and other forms of recognition from customers, co-workers or supervisors.

5. **Keep your tone positive.** Present your raise as a win-win situation. You’ve demonstrated your professionalism; more money will help inspire you to devote even more energy and enthusiasm to your work. Again, focus the discussion on your past performance and the commitment you have demonstrated to your boss and the organization.

6. **Name a figure without waiting for your boss to take the lead.** Be aware of any salary ceilings, but aim high. Any documentation you have about comparative salaries in other organizations can support your case.

7. **Control your body language.** If your boss says there are other comparable employees in the organization who do not earn the figure you are asking for, be careful not to nod in agreement. Rather, wait for the boss to make his or her next point, and don’t be afraid of silence. Although it can be uncomfortable, silence allows both you and your boss to digest what has been said and to consider the direction the conversation should take.
8. **Repeat facts if necessary.** You can say, for example, “Again, I’d like to stress that the new software I’ve implemented resulted in a 25% cost savings last quarter. That represents a $23,000 savings.”

9. **Don’t latch onto the first offer.** If your boss offers a raise of any kind, you have won a victory that you can probably make even better. If the offer isn’t enough, say so and then wait quietly for the next offer. Often you will be able to tack on a few percentage points by this simple approach.

10. **End on a positive note.** If you are leaving the session with a raise in hand, ask when it will become effective. If you have not been so successful, ask when you and your boss can discuss the issue again: in three months, six months?

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**Online resources: A raise letter sample**

In some cases, a boss may ask you to submit a formal raise letter request. Need help getting started? You may want to view a raise letter sample, which you can adapt for your personal needs, on one of these sites:

- [jobsearatchtech.about.com/od/salary7/a/pay_raise_2.htm](http://jobsearatchtech.about.com/od/salary7/a/pay_raise_2.htm)

Also, you can read tips on drafting a raise letter from Dr. Kathleen Wells, professional career coach, at: [www.bluesuitmom.com/career/changingjobs/advice/raiseletter.html](http://www.bluesuitmom.com/career/changingjobs/advice/raiseletter.html)

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**Salary Negotiating 101 #3**

**No firm offer? Making a win out of a loss**

If you’re about to depart from your bargaining session without a firm offer of a raise, strive for a conditional agreement.

You might ask whether you can discuss a raise again if you reduce staff absenteeism by 10%, for example, or increase the number of orders processed in your department by one-third. When you meet your end of the deal, you are then free to approach your boss and say, “I’m ready to discuss a raise again. When would be a convenient time for you to meet?”

If there’s a wage freeze or a rate-of-inflation ceiling on raises, seek other rewards that your boss may be able to grant. Such rewards build a foundation for future
successes—including greater pay—and they do not force your boss to exceed the department’s budgetary limits.

Put together a list of projects you would like to undertake, along with profit or cost-saving projections, and present them when you request a raise. This puts your request within the context of increased profits and lowered costs—boosting chances that your boss will stretch company norms to get you the most money possible.

Salary Negotiating 101 #4

Check out salary comparisons online

Make sure to do your research on salary comparisons. Here are several sites where you can check pay rates for your job title:

- The Economic Research Institute site offers links to dozens of salary surveys at www.erieri.com/erisalariesurvey/fuses/uscanwage.htm.
- America’s Career InfoNet combines BLS and state data for hundreds of jobs at www.acinet.org (click on “Salary + Benefits”).
- Get the 2011-12 WorldatWork Salary Budget Survey and Online Reporting Tool subscription for $235 at www.worldatwork.org.
- OfficeTeam offers a free annual salary guide, available online at www.officeteam.com/salarycenter. The 2012 Salary Guide features projected starting salary ranges for more than 60 administrative positions, as well as an overview of current hiring trends, a hiring manager’s toolkit and a glossary of job descriptions.
- The Salary Wizard (www.salary.com) allows you to create detailed salary reports based on job, location and other factors.
- You can find median salaries by factors such as industry, job responsibilities, experience and location at www.payscale.com.

Final tip: Don’t overlook informal information sources. Job advertisements sometimes indicate salaries, and while others in your professional network may be reluctant to tell you their earnings, they might share their salary scales.
Salary Negotiating 101 #5

How to get past the no-raise barrier: Counter 4 common objections

When reaching for that elusive raise, look upon the first “No” as Round 1. Then step back and explore other raise-negotiating methods.

In particular, learn how to counter the four most common objections you’re likely to hear from a boss:

➤ Objection 1: “A raise would put you above your job category maximum.”

Advice: If you’re doing outstanding work, point to your industry’s pay scale. Don’t compare your pay to others in your company. Cite salaries for comparable positions elsewhere. You can get a good idea of the numbers by consulting job ads, headhunters, business associates and career centers. Knowing—and letting the higher-ups know—what you’re worth on the outside can help increase your value on the inside.

➤ Objection 2: “You already earn more than anyone else in the department.”

Advice: Here’s how you should frame your reply: “I may be making more than the rest, but don’t you agree that if I work more effectively and accomplish more, I should be paid more?”

➤ Objection 3: “The company has had a bad year.”

Advice: If that’s true, you probably should be happy with a small raise. But it doesn’t hurt to dig deeper if your performance is good. Ask when things are expected to turn around, and if they do what impact that will have on salaries. Faced with an ironclad ban, ask about rewards in other forms—for example, more vacation time or flexible hours.

➤ Objection 4: “I’d like to give you more money, but odds are a raise won’t be approved.”

Advice: Coming after you’ve just listed your accomplishments, this answer signals an unbridgeable gap for now. So ask your boss to outline specifically what you have to do to get a bigger raise. Then establish a timetable for evaluation.
**Recommendation:** When the bottom line is a definite “No,” you can still gain something. Use the session as a barometer of your chances. The answer should tell you if it’s worth trying again.

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**Negotiating a raise: Advice from the corner office**

When you’re getting ready to ask for a raise, it’s important to consider what your boss will be thinking as he or she is sitting across from you at the bargaining table.

Here’s some insider insight on the boss’s perspective, offered by one veteran CEO, author of *The Hard Truth by “Z”* column in Business Management Daily’s *Executive Leadership* newsletter:

“As a CEO, I can tell you it’s much easier to negotiate a compensation package with a manager who talks big-picture terms about how he or she can make my life easier or address my company’s needs than with someone who harps on demanding another $10,000 a year.

“Political novices in the workplace think that by comparing themselves favorably to their peers, they can win the ‘I’m worth more than Mark in the next cubicle’ argument. But that’s a dead-end strategy.

“A wiser approach: Assess your worth on the open market by analyzing salary surveys of your industry, contacting trade groups or professional associations for the latest employment trends and salary data. Negotiating a raise involves knowing your market value.”

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**Salary Negotiating 101 #6**

*Job offer negotiation: How to secure the best pay package*

If you’re trying to secure the best deal to join a new employer, don’t be bashful. Your tenacity shows the kind of confidence and self-assured leadership that can enhance your stature from the outset. Many recruiting managers respect candidates who drive a hard bargain.

Here are seven guidelines to follow when hashing out your pay package:

1. **Don’t hold back. Ask away.**

Don’t assume a company will volunteer everything all at once. “It’s like trying to talk your way into getting the best phone plan,” says one executive recruiter. “The company won’t come right out and tell you the lowest it will go. You must take their quoted rates and use that as a starting point. Then get them to throw in more to win your business.”
As in any negotiation, if you don’t ask for something, you won’t get it. Come prepared to make plenty of proposals that involve more than pay. For example: extra vacation time (while many companies have strict vacation policies, recruiters sometimes toss in more generous “unpaid leave” if prodded) and telecommuting options (some companies will consent to this only if you explain convincingly why it will enhance your performance).

2. Cite facts to uphold your position

Research what other workers at your level earn at companies in the same industry with a similar size and revenue base. Most employers crave this information. They want to know that they’re paying the going rate for top talent, and they may not always know about changes in market conditions.

Many recruiting firms maintain databases of salary information that they might share if asked. Also check job listings, and contact companies that don’t list a salary range in the employment ad to learn what the job pays.

3. Emphasize your job-switching expenses

Most employers adhere to the unwritten hiring rule of “making whole,” which means they don’t want new employees to make financial sacrifices or shoulder new expenses upon accepting a new position. (The exception, of course, is when you deliberately apply for a lower-level position to restart your career on a different path.)

If you’re relocating, you can negotiate more aggressively because recruiting managers understand all the costs and hassles that you’ll face. For example, you may want to arrange for your new employer to pay for a few round-trip plane tickets so that you can revisit your former hometown and tie together loose ends after the initial move.

4. Bend the rules

Some of your demands will be met with the all-purpose door closer: “That’s not possible given our company’s policy.” This commonly occurs with candidates who request a salary that’s above the preset range for the position they’re filling. Don’t get discouraged if you get this answer. Instead, reframe your demand in a creative manner.

Ask for a sign-on bonus or “special grants,” referring to lump-sum payments that employers agree to make in addition to standard compensation. (In exchange for
receiving special grants, you may have to agree in writing not to divulge your total pay package to others.)

Here’s another example: If you were getting four weeks’ vacation from your old employer but the recruiter insists that the two-week vacation benefit is strict company policy for all new hires, you could investigate other forms of time off. Many companies will provide more personal “floater” days, unpaid leave and other flexible benefits to accommodate candidates who don’t want to lose vacation time.

5. Draw the line

If you feel strongly about receiving certain benefits from the outset, let the company know. Spell out your minimum needs so that you can establish a beachhead from which to negotiate later. You might explain that your health benefits must match, if not exceed, the generous insurance you currently receive. By identifying such non-negotiable points early, you can enter the final stages of agreeing to a pay package without having to waste time or energy on the big, looming issues.

6. Time your demands

Don’t reel off all your requests at once. If you rush into things, you may overwhelm your potential employer and come across as greedy and self-centered. After clarifying what you absolutely must have to consider a job change, then concentrate on selling yourself as a desirable candidate during every stage of the interview process. As you approach the final round of interviews and prepare for your response to the official job offer, that’s when the nitty-gritty negotiation with the senior hiring executive or the head of human resources will take place.

7. Listen for openings

You can learn much about an employer’s willingness to negotiate by the words the hiring manager uses when making you an offer. Never interrupt or rush to answer when the person finally gets down to discussing the details of your pay and benefits. Pay attention as he or she explains how the company arrived at your compensation.

When the manager is finished talking, remain silent. Then if he or she says, “Well, how does all that sound to you?” or “I hope that’s to your liking” or “I assume that meets your needs,” the manager is implicitly signaling that it’s OK to negotiate even better terms. Of course, if the manager prefaced his or her remarks by declaring that the company has no flexibility, you can still dicker. But it’s
particularly important not to close yourself off from extracting more concessions by failing to listen with care.

Salary Negotiating 101

Heed annual salary forecasts, economic trends

It pays to keep informed on key economic trends as most pay raises are at least partially tied to economic indicators—both nationally and locally.

For example, here’s a positive trend to note: Aon Hewitt found that the number of companies freezing salaries was down for the second year in a row in 2011, with the trend expected to continue into 2012. Only 5% of organizations froze salaries in 2011, compared to 21% in 2010 and nearly half (48%) in 2009. Approximately 4% of employers anticipate salary freezes in 2012.

Another trend: Smart employers aren’t handing out flat, across-the-board raises. Increasingly, employers are expanding pay-for-performance programs and giving greater increases to top performers.

A survey of 773 U.S. companies conducted by Towers Watson Data Services found that workers who receive the highest performance ratings will be in store for median salary increases of 4.5% in 2012—80% more than workers with average ratings will receive (2.5%). Workers with below-average performance ratings will receive median merit increases of only 1.4%.

Towers Watson’s survey also found that employers plan pay increases averaging 2.8% in 2012 for their salaried, nonexecutive employees. This represents a moderate increase from the average 2.6% raises for workers in both 2011 and in 2010. Similar raises for 2012 are planned for executives and nonexempt employees.

Aon Hewitt’s surveys revealed similar findings with moderate pay raises projected:

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<th>Historical U.S. Salary Increases</th>
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"We are not likely to be back to the 4 percent levels of the late 1990s any time soon," said Ken Abosch, Aon Hewitt's Compensation group leader. “Employees should also keep in mind that despite employers anticipating increases, if current economic conditions continue, the 2012 projections may come in lower than anticipated.”

Of course, salaries also vary by geographic area and industry (see guideline #4). So before negotiating a raise, arm yourself with knowledge about trends in your geographic area and industry.

“Until the economy shows some solid and consistent improvement, most companies are keeping their salary budgets relatively tight,” said Laura Sejen, Rewards Global Practice Leader at Towers Watson. “At the same time, companies recognize the need to reward their top performers or risk losing them to competitors and, as a result, continue to differentiate pay raises based on individual performance.”

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Source: Aon Hewitt, September 2011.