

The New Salary Negotiation

For the first time, employees have access to the equivalent of a Kelley Blue Book for jobs. The availability of online compensation information has leveled the playing field between employer and employee when it comes to negotiation and job offers. Employers who are confident in their pay practices should welcome these new data sources, as they provide external validation that their compensation is competitive with the market.

Before there was online salary data for everyone, disappointments and disconnects like these were common.

* **The irrelevant request.** Employee: I need 10 percent more because I just bought a new house. Employer: Why is funding your lifestyle the company's responsibility?

* **The annual increase.** Employer: We're getting 4 percent across the board this year. Here's your 4 percent raise. Employee: Oh, thanks. I guess.

* **The counteroffer.**

Employee: I got a job offer for 10 percent more than I'm making. Employer: Um. Let me see what I can do.

* **The done deal.** Employer (passing employee in the hall): Here's your paycheck with your new raise. Employee: When did we negotiate this?

Better access to data improves the quality of salary negotiations by making it possible to start on common ground. The new salary negotiation is starting to look more like this.

1. Agree on a benchmark job.
2. Agree on your proficiency and performance level.
3. Agree on the market value of the job.
4. Agree on where your salary should fall.
5. Agree on what performance is necessary for future salary increases.

Step 1. Agree on a benchmark job

You and your employer compare your job description to that of a benchmark job. Your responsibilities should be at least a 70 percent match to those of the benchmark position. Chances are, your employer has already done this. Make sure you know what job the company has compared yours to, and understand any discrepancies between their idea of your level and your own. For example, they might think you are at the middle level of a job (e.g., a Level II) while

you think you're at a senior level (e.g., a Level III). If so, work with your boss to understand each other's reasoning and resolve the differences.

If you really are working at a higher level, you may be able to negotiate for a promotion. Or you may have advanced as far as you can in your position. If there is no path for you with the company, you may have to choose between doing the same job for a long time and moving to another company. On the other hand, if you have shown that you can handle additional responsibility and the company has room for growth, this may be your time to move up.

Step 2. Agree on your proficiency and performance level

Whether you are receiving a job offer from a company or going through your performance review, you and your employer should agree on where your performance fits in relation to the benchmark job description. If you are new to the position, for example, chances are that you already have some of the required skills but are developing others. In the new salary negotiation, your level of proficiency and performance will determine how close to the median you'll be paid.

Proficiency and performance are related, but not the same. You become proficient in a job as you acquire the relevant skills. Your level of performance is how well you do that job. Proficiency is only one component of your work that should be measured in your performance review - attitude, punctuality, teamwork, and other general skills are also taken into consideration.

If you are very good at the technical requirements of your job, but have not developed solid soft skills, your performance review is likely to reflect these deficiencies. Conversely, if you have a winning attitude and are a solid team player but aren't yet good at the specific skills required for the job, your lack of proficiency could hold you back.

Step 3. Agree on the market value of the job

You've researched the numbers, and so has your employer. Online compensation data is a good starting point for the conversation about what your job should pay.

If you have agreed on a benchmark job in Step 1, it should be relatively easy to agree on the market value for that job. Your employer is likely to have access to additional sources of data that provide a better level of detail than what is available to you. The data your company has is generally very specific to the company's compensation philosophy.

For example, if your data is from the Salary Wizard, it reflects the current month's national average for your job - for all size companies across all industries, adjusted for the region in which you work. Your employer's data might show what your company and a dozen or so direct competitors are paying for the job. Depending on the industry and the region in which you work, this number could be higher or lower than your number.

If you get to the point in a salary negotiation where you and your employer are discussing the applicability of various data sources to your situation, you're doing great.

Step 4. Agree on where your salary should fall

After you and your employer have agreed what job you're doing, how well you're doing it, and what the market pays for that job, you're ready to discuss what you're worth to the company.

Let's assume for a moment that your performance is at exactly the midpoint of what is expected for someone in your job. You have shown your employer an average proficiency and average performance. You should expect to earn the approximate median for the job.

The company's pay philosophy and pay structure come into play here. (See related articles on pay philosophies and pay structures.) Depending on the importance of your job to the company, your employer might actually pay you more than the median as part of a pay philosophy geared toward retaining people in your position.

For example, a law firm might pay its administrative assistants above the market rate, because they are critical to organizing the firm's work and maintaining relationships with clients. Or, a software company might pay its programmers above market because their skills are so scarce.

A company might pay you less than the median in base salary as part of an overall total compensation program that could be at or above market. In other words, some companies provide higher or lower pay levels to balance with their bonus plans, stock options, benefits and even intangible rewards. Still other companies might pay people in your position less than the median because your job is not as critical to the company's success as some other jobs.

The company might agree that you're worth a certain amount, but be unable to pay it. If raises really are 4 percent across the board, you have to make the case why you have earned a bigger increase. From the manager's perspective, a larger raise for you often means a smaller one for someone else. But if you agree on what you should be paid, you can start to create a path for how your employer is going to bring you there - maybe not during this review period, but over time.

After you've discussed where you should fall in the context of the company's pay philosophy and structure, you're ready to agree on a number and start earning your new salary.

Step 5. Agree on what performance is necessary for future salary increases

Performance reviews and salary negotiations are continual processes. The last step of one salary negotiation should be the first step of the next. With this in mind, talk about your future - the next three to six months.

Now is a perfect time to set the groundwork for what specific performance objectives you need to achieve to get a larger raise or promotion in the near future. One of the major reasons people are dissatisfied with their salary increases is that the raise is less than expected and the boss doesn't have room to increase it. Setting the expectations early doesn't guarantee anything, but it does cause your boss at least mentally to "reserve" that money for you from the next raise pool.

By talking about future performance and expectations, you are jointly committing to a positive working relationship going forward. This helps end your negotiation on a positive note for both sides.

Negotiate for a win-win The data itself is neutral, but subject to a great deal of interpretation. It is a set of facts, but it is not law. You should negotiate in relation to it - and so should your employer. Demands and ultimatums based on any published data without open discussion are likely to leave everyone dissatisfied. A good negotiation is a discussion in which each party understands and respects the other's position and it ends when all parties feel their positions have been heard and their needs have been optimized within the other party's limitations.

Source: Salary.com