



The Salary Negotiation Guide

How to Successfully Negotiate Your
Next Salary Increase!

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1. Why You Need To Negotiate Your Salary

“We negotiate to find acceptable solutions to problems. We start with two solutions (yours and mine) to the same problem, be it two prices, two shares, two delivery dates, two wage rates, two budget levels, and so on. When we negotiate we search for one solution which we can both agree. It is unlikely to be the same as either of the solutions each of us started with; if it were then somebody would have given in, which is not a negotiation.” *G.Kennedy, Pocket Negotiator, Economist Books*

Though negotiation is something that we all naturally do in our lives and have done since we were children (i.e. negotiating with our parents to stay up late by agreeing to eat all our dinner) for some reason many of us find it difficult to negotiate when it comes to our salaries.

The truth of the matter is that the responsibility rests with you to negotiate your salary according to your worth in the marketplace. It is not up to your existing boss or your potential new employer to take action as they are more than happy to continue paying you the salary you are on or hire you as cost effectively as they can. If you don't feel the skills, education, experience and personal qualities that you bring are of value, then, it is unfair to expect others to. It is also up to you to draw attention to the value and contribution that you are currently making to an organization or can make should you be hired.

In our careers we should be able to sell ourselves to our existing or potential employers and feel confident in doing so. It is up to us to take responsibility for ensuring that we keep our skills current and are always learning and developing our tool kit to ensure we remain in demand. For as with any purchase we make, once it is no longer of use, we naturally look to replace it with something more up to date or superior in quality or functionality. Fortunately or unfortunately the same principle applies for employers. As employees we need to know our worth and be confident in regularly communicating this to our current or potential employers.

1.1 How We Can All Become Better Salary Negotiators

There are many simple things we can all start to do today to become better salary negotiators. The biggest hurdle most of us have is knowing where to start, and then taking that leap of faith to put what we know into action.

Don't Wait To Be Offered

To their detriment, many people are still too polite when it comes to negotiating their salary. They wait for the current or prospective employer to offer them a salary or a pay increase or bonus and then (in most instances) accept what is given, even if they don't agree with it. Not speaking up if you don't feel what has been offered is fair is foolish. Nor is negotiating only on what has been presented – if there is the opportunity to bring in new elements to the negotiation such as asking for a sign on bonus, additional benefits such as further education or even a golden parachute, then why not? Remember also there does not have to be a set time to raise the subject, such as the annual salary review - you can raise it at any time, every quarter if you feel it is warranted.

Talk Yourself Up

Women in particular tend to fail miserably at talking up their achievements with their current employers. Doing a great job and achieving great things at work can go unnoticed. Chances are that those around you are also working hard and so as long as things are getting done, they are not overly concerned with how or who is doing them. Though for most it does not come naturally, it is important to learn to “toot your own horn” to avoid your achievements going un-noticed by your boss. Where possible, if you can debrief your boss on your success or provide written confirmation then this additional information is advisable to do.

Learn About Salary Negotiation

Though negotiation is something that we all do naturally in our lives and have done since we were children (*children are the best negotiators in the world*) for some reason many of us find it difficult to negotiate when it comes to our salaries. Therefore, it is not a case of not possessing good negotiation skills; it is more an issue of the negotiation context and subject matter. For some reason we are uncomfortable discussing our salaries and what we are worth with current or prospective employers. We need to learn more about salary negotiation in order to become more comfortable and effective with negotiating our salaries. Read books on the subject; attend workshops, talk about salary negotiation with your colleagues family and friends; use whatever communication channels you prefer to learn more about the subject.

The Language You Use Sets the Scene

The saying *"It's not what you say, it is how you say it"* is very pertinent when it comes to salary negotiation. Women tend to use more passive language in conversations than men, particularly when it comes to asking for something for themselves.

In the salary negotiation context you are there to achieve a result for you - therefore using powerful and active language is crucial.

Passive sentences such as those below are to be avoided.

- *"Would you mind if?"*
- *"Sorry, however I was wondering?"*
- *"If you have a moment, would it be okay?"*

Use active sentences like those below to raise the topic, set the meeting time and enter into the salary negotiation discussion.

- *"I would like to discuss X with you today?"*
- *"Let's make a time now to?"*
- *"I require 30 minutes of your time today. When are you free?"*

Put Salary Negotiation into Action

Just as most people have an aversion to public speaking, the same analogy can be drawn for people and their avoidance of salary negotiation. The key to becoming a great public speaker is of course to practice! Likewise to improve your salary negotiation skills and the odds of increasing your salary, you need to start to put these skills into practice.

The truth of the matter is that the responsibility rests with you to negotiate your salary according to your worth in the marketplace. It is not up to your existing boss or your potential new employer to take action as they are more than happy to continue paying you the salary you are on or hire you as cheaply as they can. If you don't feel the skills, education, experience and personal qualities that you bring are of value - then it is unfair to expect others to. It is also up to you to draw attention to the value and contribution that you are currently making to an organization or can make to an organization should you be hired.

In our careers we should be able to sell ourselves to our existing or potential employers and feel confident in doing so. It is up to us to take responsibility for ensuring that we keep our skills current and are always learning and developing our tool kit to ensure we remain in demand. For, as with any purchases we make, once it is no longer of use we naturally look to replace it with something more up-to-date or superior in quality or functionality. Fortunately or unfortunately the same principle applies for employers.

Start practicing your negotiation skills today, it does not have to be at work, it could be at the market or on a high dollar purchase.

1.2 Four Essential Steps for Salary Negotiation Success

1. Confidence
2. Powerful Active Language
3. Research
4. Practice, Practice, Practice

2. Employment Agreements

2.1 Agreements & Payout Terms

There are various types of employment agreements that can be entered into; a contractor agreement (hourly or daily rate), a fixed term contract, a rolling employment agreement and so on. Particularly at the senior or executive level, the fixed term agreement was once popular (also known as the golden parachute) though it is now being replaced by employers in favour of the rolling agreement. The reason for this is that with a fixed term contract, should the employee be one year into a three year fixed term contract and the employer wishes to exit them, they are legally required to pay out the remaining two years plus all the other benefits that go along with this.

With a rolling agreement you generally have a notice period for both parties to adhere to, which can range from one month up to around 12 months for executive positions. This way the employer significantly reduces their payout liability.

It is not only the base salary that arises for consideration in the payout terms. In some industries and at some professional levels, the base salary is only a quarter of the total salary package when you include things like bonuses, options and the like. Therefore, it is not uncommon for those employees who have been exited to request a percentage of the bonus they would have received half way through the year.

When it comes to negotiation of your salary and employment contract, there is no reason why you cannot explore entering into a fixed term contract or negotiate the notice period. This can be done upon joining, mid way through, or should you be exited, you may also have some room for negotiation as employers sometimes will provide a decent payout (considered the 'price for peace on exit').

2.2 Agreement Re-Negotiation

In a market downturn you will find that some employers do everything they can to hold onto great employees, whilst others are happy for them to go. If you are in a position where you want to stay with your current employer but realize that the terms of your agreement now don't seem so attractive, it is possible to see if they can do a deal for you. This may come in the form of a delayed bonus or salary increase that comes into effect when the company reaches certain financial milestones. Or you may look to work reduced days for the same salary you are currently on.

Alternatively, you may be in a position where you need to re-negotiate your options or shares, as the value of them has diminished. This can be challenging in a market downturn yet is worth raising should you wish to remain with the employer.

3. The Importance of Research & Preparation

Prepare an Agenda

Whether you are looking to negotiate a salary increase with your boss or with a potential employer, ensure firstly that you are realistic and secondly that you have an agenda prepared. List all the key points you want to cover in the discussion. Where possible make this a face to face meeting with the relevant parties as negotiations are best done face to face. The reason being that by being there, you are better positioned to raise and support your key points and to really sell yourself. It is far easier to refuse someone over the phone or via mail than it is face to face.

Research the Job Market

The advance of technology has made it simple and easy for us to access the abundance of free salary information out there. Search on Google and you will be provided with countless salary surveys broken down by industry, profession and even state and country. Alternatively you can search on job sites to get an up to date feel of what the market is paying for someone in your profession with your years of experience and so on. Another avenue is to talk to people such as Recruitment Consultants or contact HR Professionals within similar organizations, or simply gather salary references and information for magazine articles, journals and newspapers. Go into the meeting knowing what you are worth and with evidence to support your figure!

Prepare Your Business Case

Regardless of the economic market, current or new employers are not going to hand over money to you without some sort of justification. Having a viable business case as to why you deserve X salary or why your salary should be increased is still required, such as showing what you have done to go above and beyond your existing role or where you have added additional value to the organization.

A pay increase generally has to be performance-based to be justified. Length of service or because someone is getting paid more than you doing the same role is not considered a valid reason.

Assumptions

We can sometimes be guilty of making assumptions about people, organizations and situations which are not always correct. Ensure any assumptions you may have are checked out and justified before you enter into a negotiation with your current or prospective employer. Common assumptions range from benefits you believe to be offered to staff at the company to salaries of other staff members or perks they are receiving.

Alternatives

Having an alternative/s is essential in any salary negotiation process.

It is important to have high aspirations; however, this needs to also be balanced against the reality of the situation. Indeed, in the salary negotiation process all your requirements may be met, none may be met or some may be met. It is important to know at which point you are willing to walk away from a negotiation, and/ or to have alternatives in place.

If you are working with an existing employer and requesting a salary increase, have you thought about your alternatives should this be unsuccessful? In these situations people generally leave fairly quickly; have you already started speaking with other potential employers before the meeting is arranged or are you left hanging?

In the instance of being offered a new job, should the salary package not meet your requirements, do you have other offers available to you? Is it such a great opportunity that has a long term financial gain that you should reconsider that the shorter term salary package is not exactly what you were after?

Remember “No deal is better than a bad deal” and you must always be willing to say no.

Other Items to Consider Negotiating Aside from Base Salary

Some organisations are limited by salary bands or structures which prevent them from offering new or existing employees dramatic increases. However, this does not mean that they are unable to offer alternatives to straight cash. Such alternatives include:

- Sign on bonus
- Bonus or commission
- Annual Incentive
- Stock Options
- Extra superannuation
- Car
- Parking
- Mobile telephone
- Laptop
- Flexible working hours
- Decreased work hours / days
- Gym memberships
- Health insurance
- Relocation expenses
- E –Tag
- Incentive pay
- Future salary increases (timing & percentages)
- Equity / Shares
- Discounted stock options
- Loan to purchase home
- Loan to purchase restricted stock
- Legal planning services
- Private school fees for children
- Termination provisions
- Golden parachute provisions
- First class / Business Class air travel
- Financial planning services
- Educational assistance
- Professional memberships
- Professional clubs

Sign on Bonus

The 'sign on bonus' has been used widely in the USA for many years now, as evidenced by 70% of hiring businesses in 2007/2008 using a sign on bonus program to attract and retain staff. It means that when you join an employer, you receive a lump sum payment (bonus) on top of your salary. Though there may be terms attached to this, for instance if you leave within one year you repay X dollars etc., for some an extra \$10,000+ upfront can be the difference between company A and company B.

Only in recent years have we started to see this approach being used by Australian companies. Slowly they are beginning to see the value of such an approach across all levels of the workforce - not just offered to the Executives.

Anticipate Any Problems or Objections

There is a lot to be said for being positive and optimistic, however it is also important to be realistic. When entering into any salary negotiation process be sure to look at your best and worst case scenarios, and prepare for how to respond to any objections or problems you can see arising.

In the current market, some organizations may not be in a position to provide significant salary increases at this point in time. However, there are many industries and organizations that are going strong and are in a position to pay top dollar.

If you think you're long overdue for a salary increase, yet your current employer is not in a strong financial position at present (and you want to stay with them), you still have negotiation power. You could ask for the same pay and shorter working hours or for a salary increase to be effective when the company goes back to X amount of profit. Alternatively, you may look at options or equity if this is something available.

It is recommended that you prepare a list of "what if?" questions before you enter the negotiation.

Role Play

If you are not comfortable with the negotiation process, consider role playing as a part of your preparation to help you increase your confidence and ensure you have covered all the essential points. Where possible if you have a family member or friend you can run through your agenda and presentation with that is ideal. Alternatively, practice in front of the mirror or whilst driving in your car to gain clarity and confidence in your case.

Engage a Coach

In some instances, if you really are not confident with your salary negotiation skills, I would recommend that you engage a Negotiation Coach. For the small financial investment required you can receive potentially very high returns – remember the point that “women who consistently negotiate their salary increases earn at least \$1 million more during their careers than women who don't. “

4. The Characteristics of a Successful Negotiator

The Perception of Power!

Though successful salary negotiations are not entirely about power, there are some tips we can gain from those who are effective negotiators that come back to a couple of key points;

- Concealing your intentions
- Always saying less than necessary

Most people (in particular women) are open books. We say what we feel, share our opinions, and are open about revealing our plans and intentions. Whilst this is a positive thing in our day to day lives, when it comes to the workplace and entering into salary negotiations it can work against us. When negotiating you need to train yourself to conceal your intentions and to always say less than necessary.

According to *R Greene 'Power the 48 Laws'* Power it is in many ways a game of appearance, so when you say less than necessary you inevitably appear greater and more powerful than you are. When you carefully control what you reveal, they cannot pierce your intentions or meaning.

Confidence is Key!

Research and preparation bring about confidence. If you go into a salary negotiation meeting having covered all your bases, you are inclined to come out of it with next to all of your needs being met, or alternatively you will walk away confident that it was never going to work because you could not come to an agreement based on facts (rather than emotions).

Aside from having confidence in yourself and your case for a higher salary, there are numerous other personal characteristics that can make for a successful salary negotiation. Some of these include:

- Self control
- Problem solver
- Mentions how they will benefit the employer
- Patience
- Seeks a Win-Win outcome
- Is collaborative & flexible
- Is realistic and makes realistic requests
- Good listener
- Make suggestions
- Seeks clarification if unsure
- Is aware that there is stress involved
- Has a positive attitude
- Quietly confident
- Sticks to the facts and is not emotional

Positive Body Language

Your body language can often send a stronger message than your words. Having positive body language is critical in all business situations, including salary negotiation. Your entrance, handshake and eye contact all make an impression, hence the reason for the face to face negotiation wherever possible.

- Make a confident entrance
- Where possible initiate the handshake
- Be conscious of your posture
- Hold your head up high
- Have a positive attitude
- Make eye contact
- Smile

Maintaining eye contact is incredibly important when meeting to discuss your salary, as it is generally interpreted as a gesture of trust and confidence. Nodding is another powerful gesture, indicating support and agreement.

If you can, before the meeting practice your body language with someone you know and feel comfortable with, and who can provide constructive feedback.

Negative Body Language

Body Language		Common Interpretation
Avoiding eye contact	→	Evasive, indifferent, insecure, passive, nervous
Scratching the head	→	Bewildered
Biting the lip	→	Nervous, fearful, anxious
Tapping feet	→	Nervous
Folding arms	→	Angry, disagreeing, defensive, disapproving
Raising eyebrows	→	Disbelieving, surprised
Narrowing eyes	→	Resentful, angry
Wringing hands	→	Anxious, nervous
Shifting in seat	→	Restless, bored, apprehensive

5. Effectively Conducting the Negotiation Process

Having done your research and preparation for your salary negotiation meeting, you should be well ready to enter the negotiation process confidently. With your agenda well laid out, and your evidence gathered to support your case, you are in the best position to come to a mutually beneficial agreement. It is important to raise all your points up front in the initial meeting or discussion, rather than adding new items for negotiation as you progress throughout the process.

The negotiation process at this point will vary dependant on whether or not you are looking at a salary increase with an existing employer or a new employer.

The environment in which the negotiation takes place is important. Where possible try to have input into the environment which is selected. Ideally this should be on neutral ground. A meeting room is ideal as it puts you both at the same level and ensures no disruptions. Avoid cafes, the boss's office and open plan spaces.

Remember that your negotiation power is at its highest point when you receive the job offer, so long as you negotiate in a professional manner.

5.1 Handling Salary Questions

When you contact a Recruitment Agency or Prospective Employer, be that over the phone or face to face invariably the issue of your current salary or your salary expectations will arise. The reason is two fold, to screen out those who don't fall within the 'perceived salary range ' or to give a base from which to bargain upon, irrespective of what they may be willing to pay for the right person.

If you are asked your salary range or expectations and do not want to disclose the information, below are a few appropriate responses:

- *"I would prefer to find out more about the position, the responsibilities and expectations before getting into any salary discussions".*
- *"I am sure that your company offers a fair compensation scale, and if we both decide that this is a worthwhile match, I am confident we will be able to agree on a salary".*
- *"I have researched the salaries for this level of position, with the market value of the total compensation package being within X range".*

It is your decision whether or not you want to disclose your salary information during the early stages of the interview process. If you can, it is best to avoid entering into this conversation too early in the process, as it can limit your opportunity to negotiate further on.

There is nothing to stop you from asking the interviewer a few questions before an offer is made to arm yourself with some negotiation power. If you are the only person they are interviewing you can assume your negotiation power is going to be pretty good. Ask questions such as:

- *"Can you tell me where you are in the hiring process?"*
- *"How many people are you interviewing for this position?"*
- *"How long have you been recruiting for this role for?"*

In the instance of negotiating your salary with your current employer, they already have your salary information available, therefore it is a case of you disclosing the figure or items you are seeking and starting the negotiation process.

Documentation & Witnesses

It is imperative that you record what is agreed in a salary negotiation, be that with an existing or new employer. Ideally this should be done face to face. Having a witness is also advisable where this is possible.

Always try to come to an agreement in the meeting. If you cannot agree then it is unlikely you will do so after leaving the meeting. After the meeting generally there will be actions for each party; make sure you document these and put in timeframes. Also be sure to clarify with your negotiator if they are the ones who have the authority to settle the matter, as it may be they have to obtain approval from someone else.

Accepting a Salary Offer - Potential Employer

As with every step in the negotiation process this should be handled professionally. Ensure you come across as appreciative of the offer and clarify what the offer exactly entails - this is generally done over the phone. Be sure to request a hard copy of the offer and ask for a few days to consider the opportunity. Contact the existing or potential employer or agency once you have made up your mind, within the given time frame you specified. If it is a pure "Yes", fantastic; if it is a "No", thank them for their time and the opportunity. If it is a "Yes", but dependant on one or a few items you wish to negotiate then the negotiation process starts. This is where you draw upon your research and preparation to begin the negotiation process. It may take a few calls and discussions before you and your existing or potential employer reach a mutually agreeable point.

Key Facts to Remember

- *"Surveys suggest that 85-90% of hiring managers do not make their best offer first."*
- *"Counteroffers are generally 10-15% above the original offer."*

Accepting a Salary Offer – Current Employer

Likewise when negotiating your salary with your current employer, it is essential to remain professional at all times. Given you will have a history with your existing employer the situation can be more personal and therefore more emotional. As a result, it is essential to stick to the facts of why you are seeking a salary increase. The advantage when negotiating with your current employer is that there are more opportunities to meet face to face and (dependant on the employer) you will have a greater insight into how much they need you and could potentially be willing to offer to keep you happy. The process remains similar to accepting a salary offer with a potential employer. You have the option to say Yes or No to the offer and to also start the negotiation process if you are unsatisfied with the offer but wish to come to a mutually beneficial arrangement.

6. Achieving a Win-Win Outcome!

I refer back to Gavin Kennedy's book, "We negotiate to find acceptable solutions to problems." A negotiation requires all parties to agree on an acceptable solution to the problem, in this instance your salary. Each party must have their needs met. Being realistic, prepared and professional throughout the negotiation process will increase your chances of securing your next salary increase, be that with your existing employer or your new employer!

7. References

Books

Alan Parker, *'The Negotiators Handbook'*

Gavin Kennedy, *'Pocket Negotiator'*

Jeremy Thorn, *'How to Negotiate Better Deals'*

Robert Greene *"Power the 48 Laws"*

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<http://www.payscale.com/>

<http://au.hudson.com/node.asp?kwd=salary-guides>

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<http://www.glassdoor.com>

<http://www.greythornsalaryindex.com/>

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