

Salary negotiation tips

Salary negotiation (asking for a salary increase, a pay rise, or simply more money) affects everyone from time to time. Salary negotiation can be difficult, and many people handle it poorly, causing frustration and ill-feeling. There are constructive ways to approach salary negotiation, and techniques to achieve good outcomes.

If you are a manager, you will need to handle salary negotiation positively. If you encourage people to adopt a constructive approach to salary negotiation, you will help to minimise upset and to achieve a positive outcome. As a manager dealing with salary negotiation or a pay increase request, it's important to encourage a grown-up, objective, emotionally mature approach. These ideas and techniques will help achieve this whether you are giving or receiving the salary increase request.

There is no 'proper' or standard way to ask for a raise or salary increase. It's not something that people are trained to do, and little is written about it. People use various approaches: they can write; discuss informally; discuss with colleagues and hope the boss gets to hear; they drop hints to test the water; they ask the boss politely; demand firmly; go over the boss's head, or maybe even threaten to resign, secure another job offer, or simply resign.

Largely people do not look before they leap; they are often under pressure, and they feel uncomfortable and stressed asking, so they fail to plan and control the situation, which makes achieving anything difficult. Simple planning and keeping control makes a big difference.

Knowing relative market rates helps objective assessment of situations - for employers and employees. Having a good amount of information about the market, and not just your own situation, is helpful for employers and employees alike, and can avoid discussions centring on opinion or emotion. Of course situations vary and industry averages are just a guide, but it's generally better to have some external perspective than to approach pay and earnings issues in complete isolation.

The techniques here might not secure a salary increase immediately - there are usually very good reasons why this is not possible anyway - but these ideas will eventually bring a better reward and outcome than doing nothing, or doing something the wrong way. As a manager receiving a request for a salary increase, encourage people to follow this approach, and then respond fairly sensitively and openly. Only make promises you can be sure to deliver, and always try to understand the person's needs and feelings before you explain the company's position.

It is important always to recognise the difference between the **value of the role** that you perform (or any employee's role if looking at this from a manager's perspective), and **your value as an individual** (or the employee's value). The two are not the same.

If you continually feel frustrated about your pay levels despite trying all of the techniques and ideas for achieving a pay rise, it could be that your boss or employer has simply reached the limit of the value that they can place on your role, which is different to your value as an individual. You could have a very high potential value, but if your role does not enable you to perform to your fullest extent then your reward level will be suppressed. For example does a professor who sweeps the street deserve a street sweeper's salary or a professor's salary?

Salary levels are largely dictated by market forces (notably the cost of replacing the employee), and the contribution that the employee makes to organisational performance (which is particularly relevant for roles which directly impact on profitability). When you acknowledge this principle you begin to take control of your earnings.

Aside from issues of exploitation and unfairness, if you find that the gap between your expectations and your employer's salary limit is too great to bridge, then look to find or develop a role which commands a higher value, and therefore salary. You can do this either and both with your present employer by agreeing wider responsibilities and opportunities for you to contribute to organisational performance and profit, and/or perhaps with a new employer.

Focus on developing your value to the employer and the market-place, rather than simply trying to achieve higher reward for what you are already doing.

Asking for a salary negotiation or pay rise in the same job

If you feel the need to ask for a raise, the most positive way to approach this is to ask for extra work and responsibility and link this to a pay rise, if not immediately then in the future. This is a grown-up approach that employers respond to better than simply asking for more pay for doing the same job.

Another positive approach is to ask for a performance related bonus or pay increase subject to achieving more, based on standards or output greater than current or expected levels. This again should be received positively by the employer because you're offering something in return, and not simply asking for more money, which most people tend to do.

If you do not understand the organisation's method of awarding pay increases, your first step should generally be to discuss this with your boss. Pay is normally linked to performance, which allows the company to increase your grade, or promote you, or to award a bonus. Discuss with your boss how you can improve your performance and contribution to the organisation, in a way that will enable promotion and grading and pay improvement. At times of low inflation any significant annual pay increase is not automatic or a 'right' of the employee - a pay increase will generally be given in return for achieving agreed objectives or standards and an increased contribution to organisational performance. Find out what process exists in your organisation to enable this exchange to happen. It's always essential to keep your boss informed of your position, so talk to them first. If your boss doesn't know then you should ask your personnel department, or person responsible for personnel and human resources, but always keep your boss informed, because their opinion will usually be sought before your employer considers improving your job and remuneration package. You need your boss's support.

Ask for a face to face meeting rather than try to present your case in a letter, which is just a one-way communication and doesn't allow you to develop a mutual understanding of the situation and what to do about it. Simply ask your boss for a review meeting to discuss your responsibilities and remuneration. In the meeting ask what the opportunities are and/or process by which you can improve your salary package. Follow the principles described here - the process needs to be two-way discussion. Approach it positively and constructively. Ask what flexibilities exist and what the rationale is for setting and increasing pay levels. Who does your boss have to make a case to? Will he/she support you? What would improve your case? What commitments would the company want from you? What exchanges can be agreed - what you can put in and what can be given in return. It's a discussion, not a demand.

Separately, before the meeting you must get an objective view and measure of your market worth. Look at other similar jobs outside as well as inside the company and compare them to your own responsibilities and rewards. Personal views about reward and job-load can become very subjective and need to be validated or it's difficult for you (or anyone else) to decide how deserved the claim is.

Stay positive and constructive - look for opportunities to make your boss's task in dealing with your approach as easy as possible, especially given that resolving salary raise requests are difficult for your boss too.

As an employee, at any grade, it's important to understand the company's position, and to understand your own properly. Taking an instinctive or emotional approach rarely works, and will often lead to conflict and early rejection. Try to avoid thinking and presenting your position in terms of 'I want' or 'I need'. Instead try to present an objective, neutral view, as if you were an observer, which should provide a good platform for sensible discussion, and will also enable you to present a stronger case.

Obviously threats of any kind (resigning or reducing commitment or effort) are likely to provoke the boss and the company.

Achieving a salary increase depends on many factors, and it's important to understand as many of them as possible before you make your move.

factors which affect salary negotiation

- how well paid you are at the moment compared to the market norms
- the rate of inflation
- where you live and work and the costs of living associated with the area, and in relation to other geographical locations where company employs people
- the company's position concerning staff turn-over, retention, recruitment and head-count (ie increasing, reducing, or static; in accordance with planned levels or not)
- the company's trading performance (relative to budgeted costs and planned sales and profitability)
- the available budget your company has for pay rises (which is usually none, apart from annual salary review time)
- the company's last company-wide salary review, and the range of % increases awarded
- the company's next company-wide salary review, and the likely range of % increases
- what precedents would be set for other employees by giving you a rise (this is often a significant issue for the company)
- how valued you are to your boss and company
- how easy it would be for them to replace you with someone of similar capability and value at the same or less salary
- how much extra responsibility and/or you are prepared to take on
- how much extra effort you are prepared to put into the job and how ambitious you are
- and, very importantly, what you will do if you don't get a raise or salary increase (i.e., how much you want to stay with your present company and how confident you are that you could find a better job elsewhere)

You need to understand all of these factors before you decide how to approach the situation. The stronger your position the more firm you can be in asking for a salary increase.

Ask yourself why, honestly, you want or need a salary increase. Some ask because they feel under-valued. Some people are genuinely under-paid. Are you being fair and realistic? Stepping back and taking a truly objective view is so important. Put yourself in your boss's shoes. How would they see the situation?

If you believe that you have a strong deserving case, then write it down, which will help you to see things objectively, and will provide you with a prepared position, enabling you to keep control and present your case fairly and professionally. Find out what you can about the company's position, referring to the above factors. If you can find references from the market that indicate you are paid less than the norm then prepare to use them.

Always remember that you are one of several or many hundreds or thousands of employees. Each one would take more money if offered it. The company has had to plan and budget for employee head count and salary along with all other costs and revenues, and it's not easy for a manager or director to change things outside of the normal time to review these budgets.

Nevertheless, if you present a strong case the worst you will do is increase your chances of receiving a more favourable review when the next review time comes around. At best, if the company has sufficient flexibility and reason, you may be able to achieve a pay rise before then.

Having prepared your case, ask for a meeting with your boss, but don't state the precise reason for the meeting. Say it's to discuss a personal matter, or to discuss your development, or to present a proposition. If you say you want to ask for more money your boss is likely to say no there and then, or to warn you that the answer will be no, and you've lost the chance to present your position properly. You need instead to keep control of the situation and that includes crucially controlling the timing and basis of the decision.

Present your case, unemotionally, and try to understand your boss's and the company's perspective. The case you present should emphasise what you are prepared to do for the company - what's in it for. Avoid making a case that's wholly centred around what you want. Present as much objective information (i.e., not your own opinion) and evidence that you can - you are trying to build a case, not merely make a request. It may be that if the decision has to be referred upwards by your boss that your boss will agree to present your case on your behalf, in which the clearer and stronger it is the easier this is and the greater the chance of success.

Ask your boss to explain the company's position if you do not understand it. Try to understand your boss's own role within this and how decisions are made. This information may give you ideas about how best to progress the situation from here on.

It is unlikely that your boss will be able to agree to your request at this meeting. The bigger the company and the further removed your boss is from the CEO the less likely a quick answer will be.

Often your immediate boss will not be empowered to agree salary increases for anyone. In this case it's important to gain agreement in principle from your boss to the case you are presenting. Try to secure your boss's agreement that they will pursue the matter and they will support your claim.

If your boss is the CEO or a director with suitable authority to agree to your request, the process is more straightforward. This situation is more likely to apply in smaller companies and/or if you hold a senior position with the company.

If the company is not able to agree to your request ask for reasons why, and consider them carefully. Try to see things from your boss's and company's point of view - they may have no option but to refuse your request. If your request is denied for reasons of budget and timing you should seek a commitment that the increase will be given or at least considered at the next suitable opportunity for the company. This will normally be at the next annual salary review for all staff, at which time you would obviously be expecting to receive an increase greater than the general level or range for all employees.

There may be circumstances that prevent the company from offering any performance related increase, or linking an increase to greater responsibility. You must decide if you think the company's position is right and fair.

If, despite your best efforts at presenting a reasonable case objectively, and discussing it professionally, the company will not consider or agree any way for you to achieve an increase in pay, you have no option other than to conclude that they do not value you as much as you value yourself.

This happens sometimes. It's not the end of the world, and this may be the time to seriously think about moving on. If you decide to look for another job don't do it with a bitter heart - aside from anything else it will show in your discussions with new prospective employers and you will not be offered the jobs you want. If you decide to move on do so with a glad heart and with the minimum of fuss. Certainly avoid telling your employer that this is what you intend to do. Some, not all, employers can become defensive or even aggressive towards people whom they consider have become disaffected. This is particularly so for anyone working in a sensitive role who could damage their employer or waste resources while continuing to work while seeking another job.

Retain your dignity. Integrity has an immense value and you never know whose paths from your past you will cross in the future. Falling out with a boss or employer over salary rarely profits anyone.

If you find yourself looking for another job in response to being undervalued by your current employer, you are very vulnerable to being seduced by what's on the other side of the fence, simply because it provides an escape

and a chance to prove certain people wrong. The grass will appear greener on the other side of the hill, but often it's not. Some people embark on a bad marriage on the rebound, and the same thing happens with job changes. Think carefully about the new opportunities you find, and consider everything properly. Write things down so as to evaluate the pro's and con's objectively. Often you will find that after really thinking properly about things that your current position compares very favourably with everything else available out there.

When and if the time comes to leave, you should ensure you have a written job offer before you resign. Discuss your intentions and reasons with your boss in a grown-up, professional and polite manner. You must also give written notice. It is very important to behave with dignity.

Do not be surprised if your boss responds to your resignation with an offer to increase your salary. You may even be offered a promotion. It's the way that a lot of companies work - they don't do anything until and unless they absolutely have to; it's simply the way a lot business is - decisions and activities are all based on priorities. A salary request is regarded as relatively low priority by most organisations - they simply dare not give any other impression or they'd be deluged with requests every day. A resignation of a valued employee is potentially very high priority -it has implications of job coverage, productivity, continuity, recruitment and selection time and costs, induction and training costs - all very expensive and disruptive, which is why people resigning are often suddenly asked to stay and offered suitable incentive. If this happens think carefully about it. Don't say no for pride's sake alone. Don't say no for fear of letting down your prospective new employer (they'll get over it). It is after all what you were seeking in the first place.

It is often said that the only true way to find out how much your company values you is to resign, and this may be so. Some have even gone so far to say that if you think you are underpaid, resign and re-apply for your own job when you see it advertised at the higher salary you were requesting. I'd never advocate such a risky tactic, not only because most times life goes on without you and they'll find somebody who can do your job acceptably well for the same or less money, but really for this reason:

If you are unhappy about your salary, and you feel underpaid and undervalued, you will do your reputation and future a lot of good by approaching the matter in a professional, well-prepared and objective way. People that can handle their own difficult situations are seen by their employers as people who can handle other difficult situations well too, and as such your value and potential increases.

BOSS Group provides recruitment services and temporary staffing to clients throughout New Zealand. They can assist job seekers with job interview techniques, CV presentation skills training. Phone 0800 472667