Employee Compensation Negotiation Should Always Be On The Table

When preparing to bring on board a new employee one of the first steps an organization needs to take is to determine what this new employee is going to cost. Your organization's human capital is normally the largest expense you have, accounting for as much as 70% of your operational costs. While it is certainly in vogue and appropriate to consider human capital costs not as a cost but as an investment the fact remains that employees are an expense that needs to be managed.

Of all the costs associated with having employees, compensation, specifically salary and 'benefits' are normally your biggest investment so it is vital to well consider how you will approach the question of compensation.

When it comes to negotiating compensation many hiring managers would prefer not to. Many people are uncomfortable with the idea of compensation negotiation, often seeing it as a win-lose scenario. This seems to be particularly the case in Canada where people are generally uncomfortable with the idea of the confrontation, which they see as part of a negotiation.

The Pros and Cons of Salary Negotiations

Just what are the pros and cons of negotiating compensation with an employee?

Con: For the organization there are two key 'cons' associated with the compensation negotiation process; 1, that they will end up paying more than they want to or should both in the moment and down the road and 2, that they will harm their relationship with the employee during the negotiation process, either losing a desirable employee or bringing on board an employee who feels either under-compensated or as though they 'put one over' on the organization.

Pro: On the flip side, many people believe that the pro of a negotiation is that one party, say the organization wins, by getting a great employee for less money than they were hoping to pay or the employee wins by negotiating a salary higher than the organization wanted to offer. However, the real pro to a well executed compensation negotiation is not a one side win over the either party, but that both parties are able to make adjustments to the compensation package that allows both parties to gain desirable benefits, in other words, a win-win negotiation.

This win-win scenario approach can offer an additional "pros' in that the employee

may feel more respected, trusted and a greater sense of loyalty and responsibility to the organization who was willing to make adjustments to meet the needs of the employee.

Where as the “cons” of negotiation are fear based the “pros” of the negotiation can be based on a desire by both parties to achieve a mutually agreeable and beneficial result. If both parties can approach the negotiation from this point of view then the ‘pros’ of a salary negotiation can far outweigh the fear based ‘cons’ of a situation.

When Should You Negotiate?

In many organizations and for many positions, especially entry-level roles, the salary your organization sets is the salary you will pay. Yet this may not always be the best way to go, as even young, inexperienced and entry level employees can be given the opportunity to ‘win’ in a negotiation and, as a result, become more invested. By offering a person the opportunity to discuss or ‘negotiate’ some elements of their compensation you show your desire up front to listen and consider the employees needs.

Usually candidates who do not negotiate fail to do so out of fear and because they feel powerless. Rarely would a good organization want an employee to feel fear or powerless. Just as more organizations today are talking about the value of transparency and collaboration to increase the employee’s ownership and engagement, organizations can open up the hiring process to provide more opportunity and transparency with regards to compensation negotiation.

Creating A Win-Win Employee Negotiation

Creating a win-win negotiation scenario does not mean approaching the situation like a free-for-all without boundaries. To create a win-win negotiation be prepared by following these few simple steps.

- **Establish your financial boundaries**

With regards to salary do establish the range you need to operate within but be open to making small adjustments. Negotiating an extra 25c per hour with an entry-level employee might seem like an added cost but if, as a result, that employee stays and works harder because you can save future hiring and replacement costs. Other potential cost savings can be achieved by, or example, hiring an employee at a higher wage but for few hours, trading flex time for less money and so on. Understand your financial bottom line going in and stick with it but understand how all the pieces in the negotiation fit together.

Note that it will be important to track the results of your negotiations. You want to track and ensure you are not giving one type of group of people more in the negotiation process compared to other groups.

- **Set and communicate expectations**

Long before you get to the negotiation, beginning in the job posting and continuing throughout the interview process, communicate to your candidate what aspects of the job and compensation are expected and non-negotiable. Do this by setting the non-negotiables up front including in the job posting. If the job requires an employee to open the doors each day at 8:30 then negotiation about start time at work may have limited or no place on the table. It there is room for negotiation on start-times then you may say flexible workplace available. While you do not need to post the compensation for the job it can be useful to post the baseline salary and indicate

that salary is negotiable.

- **Be transparent during the negotiations**

Once you have shared the negotiable options be transparent throughout the negotiations and explain your needs and the reasons behind certain aspects of the negotiation. Yes, that includes when you are speaking to an entry-level employee millennial or Gen Z candidate. Indicate you want the employee to be successful and happy on the job and would like to discuss a few needs or preferences the employee may have. By operating not from fear but by trying to build trust you are increasing the odds of getting an employee who will meet many of your different needs.

The idea of a negotiation may be stressful for many people. When the negotiation is adversarial some people may enjoy the battle of a win-lose scenario. However, when negotiation is a transparent process, where the goal is a win-win with the best candidate, then the negotiations will become a much less stressful task.