

# Negotiating Your First Contract

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Before we talk about the art of negotiating, there are some things that you need to know about the workforce today and how the world of work could influence your negotiating power.

1. **Companies are expected to do more with less.** Organizations have “trimmed the fat” or are in the process of doing so, in order to keep the costs of running business down. Employees are expected to be able to add value to the organization’s bottom line and if they don’t produce, they will be questioned at the least and terminated at the worst.
2. **Competitive labour market.** Employers are saying that good talent is hard to find and keep in an organization. There is great competition between organizations to obtain and hold on to top performers that produce high end, value driven results.
3. **Aging population.** With the aging population in Canada, there has been a lot of speculation that there is going to be an overall labour shortage. All shortages are not solely related to the aging population; however this still remains the most significant factor.
4. **End of mandatory retirement.** Although it seems odd to bring this up right after a discussion about the aging population, the end of mandatory retirement will also have an impact on the labour force in the future. Many employers are worried about the “brain drain” that will be left in their organizations. This refers to senior management or skilled labour taking the knowledge that the organization needs to be competitive with them when they leave. Organizations are either enticing employees to stay beyond the traditional age of 65, or asking those with specialized knowledge to come back from retirement for short/long term contracts to help supplement their retirement income.
5. **Generational differences in employees.** There has been a lot of discussion around this phenomenon with employers. What motivates someone that is in their 20’s vs. someone that is in their 50’s is not necessarily the same. Work/life balance appears to be the one area that they both have in common. A lot of research has gone into figuring out what entices younger workers, while keeping older workers happy as well.
6. **Employee loyalty.** Again, another issue for employers and employees alike. For employers – how do you hold on to a good worker? For employees – where can I receive the best benefit for the work that I do? Unlike generations before, it is rare that an employee will remain with the same organization for the duration of their career.

These are just some of the reasons why the nature of work has changed from our parent’s era. **Contract employment** has become much more prevalent in younger generations. However, there are many individuals that are afraid of taking a contract position because they feel that they will be slated into going from contract to contract. However, think about taking a contract position in relation to what was discussed earlier about the nature of the work force today.

Companies that are expected to do more with less are more likely to hire individuals on a contract basis to get over a short term influx or parental leaves. Seize the opportunity. It allows you to prove your worth to the organization and the fact that you are the “great talent” they’ve been seeking. As well, it allows you to develop further skills and hands on experience that will allow you to be more competitive in the future, thereby demanding a higher compensation package. Most importantly, it allows you to try an employer out to determine what you like (or don’t like) working in the industry. The more you know, the more you will be in a position to negotiate future contracts.

Knowing the answer to some of these questions can help when you go to negotiate your first contract. These are obviously not the only things that should be considered when negotiating however, they can provide insight to know where you stand in relation to the industry and why some decisions are made by employers or why some things can or cannot be negotiated.

The negotiation itself is an exploration of your position and the employer's position, with the goal of finding a mutually acceptable compromise. In an ideal situation, you'll find the employer wants what you are prepared to give, and you are prepared to give what the employer wants. Although it's not necessarily going to be that easy, ultimately, both sides should feel comfortable with the final solution if the agreement is to be considered "win-win".

The key to successfully negotiating your contract is knowing **when, what and how** to negotiate what's important to you.

## When to Negotiate

The power of negotiation starts at the interview, but should NOT be done at the interview stage. The reason why we state that it starts at the interview is that you are positioning yourself by the responses you make to the employer's questions, your overall presence and how well you handle yourself in the interview. However, you should never ask about salary, vacation time, benefits or anything else that may prove that your motivation for the job is solely based on these factors.

Asking about salary, benefits etc., during the interview may be detrimental because you don't know if the employer must have you yet. They may like you and be on their way to determining that you are the person they must have, but if you begin negotiating at this stage, it may actually turn them off from reaching that conclusion. Their perception of your motivation for the job may be negative.

However, leaving the negotiations too late (after you have accepted an offer, or have already started working) doesn't leave you in a good bargaining position either. If you have accepted the offer, it is understood that it has been bargained in good faith and therefore, you should uphold your end. If you have already begun working at the organization, it is unlikely that the employer will change the conditions of the contract (unless renegotiated during a performance review – but even then the negotiations will be much more limited).

The best time to negotiate the offer is after you know that they want you (after the offer has been made) and before you accept any offer of employment. This is when you have the most leverage for negotiating a contract that will satisfy your needs/wants and the employer's requirements.

## What to Negotiate

What can you negotiate into an employment contract? Everyone has heard about senior level management or CEO's that negotiate car and driver, housing allowances, private planes, vacation homes and in some cases hefty severance packages. Although you may be there some day, for entry level

positions, your negotiations may not be as lucrative. However, here is a list of some of what may be negotiated for entry level positions (depending on the industry):

- Salary
- Signing bonus
- Vacation time
- Flex hours
- Stock options
- Salary increase after probationary period
- Overtime pay/rates
- Bonuses/incentive payments/commissions
- Training and development costs
- Car allowance/travel rates
- Relocation allowances
- Start date
- Anything else that you may want in a total compensation package

The list is virtually endless, depending on the industry, position and skills required for the job. However, it is important to divide your list into the **MUSTs** and the **WANTS**. What are the things that you must have, and are your “walk away” items, vs. the “would be nice” wants. Having a bottom line prior to beginning the process is key. It will help narrow down factors that truly are unacceptable to you and those that you are willing to let go. Prioritizing your want list as well is a good idea to determine which of these are more important than others.

However, the employer will also want to negotiate items with you, whether that be severance packages, terms of employment, hours worked, knowledge ownership etc. Ensure that when you are negotiating you are aware of what the terms of employment are from the employer’s standpoint and what you would like to negotiate on that end as well.

## How to Negotiate

This is probably the most difficult aspect of negotiating...actually doing it. However, there are many things that you can do prior to sitting down with your potential employer to ensure that the process goes smoothly.

### Prior To:

First of all, **research**. Find out as much you can about salaries and perks for your position within the industry you are applying. Websites can offer salary information ([www.payscale.com](http://www.payscale.com) for example) and provide you with information related to compensation. Be wary of relying solely on this information however, regional differences, industry and labour market demands will all have an impact on the bottom line. For more information on local labour markets go to [www.workingincanada.gc.ca](http://www.workingincanada.gc.ca)

One of the best ways to find out more about the industry and the job you are applying for is through **informational interviews**. Completing informational interviews, or speaking with as many individuals as you can within the field will assist you in determining what the average salary and typical perks are in the industry. As well, it will give you a better understanding as to what skills are in demand and how to

position your skills to give you the most leverage. They may also be able to give you insight into the culture and the stability of the organization.

**Research the organization** (which is something you should have done prior to writing your resume and cover letter). However, in case you haven't done so already, this is an integral part of the negotiation process. Knowing what the organization values and strategically where it is headed is key in knowing what skills and abilities they value in employees and will give you insight into the skills you should focus on. Don't rely solely on the organization's website. Search newsgroups, journals, trade publications etc. Google the name of the organization and see what you come up with. Relying solely on the organization's website may give you a narrow or one sided viewpoint.

If a written offer was presented to you, you don't have to make a decision right at that moment. Ask the employer for a specified period of time to review the offer (usually 24 – 48 hours) prior to making a decision. If you feel you need to – consult a lawyer about the terms of the agreement.

### **During:**

Always negotiate in person whenever possible. You will be better able to explain your position and be able to “read” the employer's reaction to what you are saying. Being able to “read” a person's non-verbal cues will give you insight into how your statements are being received. It is impossible to read body language over the phone or email and many times important clues are missed altogether.

Prior to jumping into the negotiation process, ensure that you reiterate to the employer your desire and enthusiasm to work for their organization and your interest in making the process an equitable one. Starting out on this positive note can set the tone for the entire meeting and show to the employer that you are negotiating in good faith. Although you want to reiterate your enthusiasm, it is best to keep emotions from entering the negotiation process with an employer. This could have residual effects afterward when/if you decide to accept the offer, or may change the employer's mind about you as the candidate of choice.

If a written offer was not provided beforehand, allow the employer to present his/her offer first. This will give you a good idea as to how close or how far apart you are. When you counter-offer, start off by saying something like:

**“I have completed a lot of research on this, in order to understand what the average compensation package is in this industry, region, for someone in my position and with my level of experience. My research showed that ...”**

Speak in terms of **facts and figures** as opposed to pulling numbers out of the air. The employer will be impressed with your level of research and how well you have stated your argument. This doesn't mean that they will bow to your every demand, but it will be understood that you are informed and therefore, can't/won't be taken advantage of during this process.

As stated in the previous section, **determining your needs and wants** is imperative in the negotiation process. Prioritizing these is also key. The employer may not be able to give you everything that you want, so knowing which are more important to you (and why) can help you narrow them down to those that you can and cannot live without. If the offer appears to be pretty set regarding salary and benefits (as often happens in unionized environments) be creative in negotiating alternative perks such as

flextime and vacation, relocation expenses or a transportation allowance. However, don't be greedy and expect the employer to give into your demands. Be realistic in what you are asking for and you will be more likely to receive a fair package. Being outrageous in your demands is going to do one thing; make the employer change his/her mind about why they should hire you.

### After:

After an offer has been negotiated, ask to have the terms put in writing so that they can be reviewed and agreed upon by both parties. Protecting yourself in this way will avoid misunderstandings in the future (on both sides). You should sign and date the contract and ask for a copy for your files.

In the event that the offer is not acceptable and you can not come to an agreement with the employer, then graciously decline the offer. Stating something like the following is appropriate:

**"I truly appreciate the time that you have spent during these negotiations and throughout the entire hiring process. However, at this time, I am unable to accept your offer of employment. Please know that this was a difficult decision, however, I feel that at this time I'm going to have to decline. I hope that you find a candidate that meets the needs of your organization and once again, thank you for the opportunity of being interviewed."**

The key to turning down an offer is to ensure that you leave the negotiations positively. Being gracious and professional is paramount. You never know what positions may be available at that organization in the future, or where you may meet that individual again.

## Negotiating Multiple Offers

There is such a thing as having a "good" problem. Negotiating offers with more than one employer at a time is one example. For sake of simplicity, in the following example let's assume that besides salary, all other employment conditions are equal.

### The Scenario:

Ms. Black extends an offer to you for \$45,000. After discussing salary, she increases your base to \$50,000. You ask for two days to be able to think about her offer.

In the meantime, Mr. Cho extends an offer to you for \$50,000 as well. After informing him that you have another offer for the same amount on the table, he increases his offer to \$55,000. Again, you ask for a day to decide between the two offers.

On the same day, Ms. Hughes offers you \$60,000. Thank her as well for the offer and ask again for a day or two to decide.

Nice problem to have...in a matter of a day, you have increased your base salary by \$15,000. But now what? How do you approach these three employers without losing them all? First of all, you always want to negotiate in good faith. Don't try to bluff any of the employers to get more out of them. This strategy could seriously back fire. Be up front with each of the employers about the other offers on the

table, however, don't tell them who they are from. You will be surprised at how small an industry may be and whom they may know. This could actually decrease your bargaining power.

Go back to each of the employers and inform them of the highest offer that you have received and ask if they would be willing to negotiate further. Only do this once. Going back to employers again and again will make you look greedy and could possibly end up with them revoking their offer altogether. Don't be surprised however if one of the employers is unwilling/unable to negotiate higher amounts during the first round. There are many factors that determine salary levels at organizations (geography, company policy, unionized environments etc.)

All things being equal, if salary is the only discrepancy then you should have a clear winner at the end of this process. Contact Ms. Black and Mr. Cho (if Ms. Hughes offer is the highest) and thank them for their patience, but that you have decided to accept another offer. Be professional. Send them both thank you notes expressing your gratitude and wish them luck on finding a suitable candidate.

This scenario, in real life, is too simplistic. It is not very often that multiple offers will come in with all terms being equal (except salary) within a day of each other. It is much more likely that there will be other discrepancies between the offers. Again, this is where having your wants and needs determined prior to negotiating will help you immensely.

Again, it is always imperative to negotiate in good faith. If you have accepted an offer from an organization, you should remove yourself from any outstanding competitions.

## **Negotiating with an International Organization**

If you are negotiating an employment contract with an international corporation make sure that you do extensive research on the culture of the country and what is expected or frowned upon when it comes to the negotiation process.

However, one important point to remember is to negotiate your employment contract before you arrive in the country. Organizations that do business in that country will know exactly what is required to obtain work permits and will have detailed knowledge about restrictions on your employment, tax implications, resident visas etc.. It should be the responsibility of the employer to acquire all the necessary documentation and ensure that it is completed to the legal requirements outlined by the government. Failure to do this may find you in a position where your work may be stalled or denied altogether.

Remember, when you are negotiating your employment contract with an organization, both parties are looking for what they need and what they are willing to trade. This doesn't mean that you should take advantage or be taken advantage of during negotiations. If both parties approach negotiations in good faith, it will be a win-win situation - hopefully for years to come.