
New Employee Salary & Benefits Negotiation

Richard A. Posthuma, University of Texas at El Paso

Human Resources Manager Role

This is a two-party negotiation between a job candidate and a Human Resources Manager. You will play the role of the Human Resources Manager. The other person will play the role of the job candidate.

There are 7 topics that you will negotiate:

<u>Topic</u>	<u>Maximum Possible Points</u>
Annual Salary	4,800
Date for First Salary Review	1,500
First Year Vacation	1,200
Insurance Effective Date	225
Job Location	2,800
Professional Development	1,800
<u>Starting Date</u>	<u>4,000</u>
TOTAL:	16,325

For each one of these topics you have been assigned a number of points. The number of points you can obtain for each topic is listed on the attached payoff table. **Your goal is to get the highest number of points. The more points you get, the better off you are!**

There are different levels of possible agreement on each topic. The number of points varies for each topic and each level of agreement. Some issues are more important to you than others. The reasons for the relative importance of each issue are described below.

Annual Salary. As the HR Manager you want to hire this applicant, but for the lowest possible salary. Lower salary means lower costs for your employer. This is one of your most important issues because the salary is highest cost item for this employment contract. You might be willing to give the applicant a higher salary if he or she makes significant concessions on other issues.

Date for First Year Review. Job applicants are often interested in the starting salary, but also want to know when they might be eligible for a pay raise. As the HR Manager, this is less important than the amount of the total annual salary, because it involves only a possible incremental change in the salary amount at some point in the future. However, you'd like it to occur later to postpone the cost of a higher salary and to have a longer period of time to evaluate the employee's performance.

First Year Vacation. Often job applicants want some paid vacation during their first year on the job. However, as an HR Manager, you believe that they should only receive vacation after they have worked for a year or more. Yet, you are somewhat flexible and may be willing to give the applicant some vacation time if they have some good reasons.

Insurance Effective Date. This item defines the date when the employee's insurance will become effective and consequently the employer will begin to pay a monthly insurance is a relatively less important item to the HR Manager because the cost of making the insurance effective sooner is relatively small compared to other items.

DO NOT TELL THE OTHER PERSON HOW MANY POINTS YOU ARE GETTING. DO NOT LET THE OTHER NEGOTIATOR SEE YOUR PAYOFF TABLE.

YOUR PAYOFF TABLE IS YOUR OWN CONFIDENTIAL INFORMATION.

HUMAN RESOURCES MANAGER PAYOFF TABLE

Topic	Options	HR Manager Points
Annual Salary	\$30,000	4,800
	\$33,000	3,600
	\$39,000	2,400
	\$41,000	1,200
	\$44,000	0
Date for First Salary Review	1 Month	0
	2 Months	300
	3 Months	600
	6 Months	1,200
	1 Year	1,500
First Year Vacation	0 days	1,200
	2 days	900
	5 days	600
	7 days	300
	10 days	0
Insurance Effective Date	Day Hired	0
	1 Month	75
	2 Months	150
	3 Months	225
Job Location	El Paso	0
	San Antonio	700
	Albuquerque	1,400
	Phoenix	2,100
	Los Angeles	2,800
Professional Development (tuition, professional memberships, etc.)	\$0	0
	\$500	300
	\$1000	600
	\$1500	1,200
	\$2000	1,500
Starting Date	\$2500	1,800
	August 1	4,000
	August 15	3,000
	September 1	2,000
	September 15	1,000
	October 1	0

EMPLOYMENT CONTRACT

Job candidate will be employed under the following terms:

Instructions: Both parties put their initials at the agreed level for each topic.

Topic	Agreement	Options
First Year Vacation	_____	0 days
	_____	2 days
	_____	5 days
	_____	7 days
	_____	10 days
Starting Date	_____	August 1
	_____	August 15
	_____	September 1
	_____	September 15
	_____	October 1
Insurance Effective Date	_____	Day Hired
	_____	1 Month
	_____	2 Months
	_____	3 Months
Salary	_____	\$30,000
	_____	\$33,000
	_____	\$39,000
	_____	\$41,000
	_____	\$44,000
Date for First Salary Review	_____	1 Month
	_____	2 Months
	_____	3 Months
	_____	6 Months
	_____	1 Year
Professional Development (tuition, professional memberships, etc.)	_____	\$0
	_____	\$500
	_____	\$1000
	_____	\$1500
	_____	\$2000
	_____	\$2500
Job Location	_____	El Paso
	_____	San Antonio
	_____	Albuquerque
	_____	Phoenix
	_____	Los Angeles

Names of Negotiators:

Human Resource Manager: _____ ID# _____
 Job Candidate: _____ ID# _____

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Candidate Role

This is a two-party negotiation between a job candidate and a Human Resources Manager. You will play the role of the candidate. The other person will play the role of the Human Resource Manager.

There are 7 topics that you will negotiate:

<u>Topic</u>	<u>Maximum Possible Points</u>
Annual Salary	4,800
First Year Vacation	4,000
Starting Date	1,200
Insurance Effective Date	900
Date for First Salary Review	2,500
Professional Development	3,000
Job Location	2,800
TOTAL:	19,200

For each one of these topics you have been assigned a number of points. The number of points you can obtain for each topic is listed on the attached payoff schedule. **Your goal is to get the highest number of points. The more points you get, the better off you are!**

There are different levels of possible agreement on each topic. The number of points varies for each topic and each level of agreement. Some issues are more important to you than others.

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CANDIDATE PAYOFF TABLE

<i>Topic</i>	<i>Options</i>	<i>Points</i>
First Year Vacation	0 days	0
	2 days	1,000
	5 days	2,000
	7 days	3,000
	10 days	4,000
Starting Date	August 1	0
	August 15	300
	September 1	600
	September 15	900
	October 1	1,200
Insurance Effective Date	Day Hired	900
	1 Month	600
	2 Months	300
	3 Months	0
Salary	\$30,000	0
	\$33,000	1,200
	\$39,000	2,400
	\$41,000	3,600
	\$44,000	4,800
Date for First Salary Review	1 Month	2,500
	2 Months	2,000
	3 Months	1,500
	6 Months	500
	1 Year	0
Professional Development (tuition, professional memberships, etc.)	\$0	0
	\$500	500
	\$1,000	1,500
	\$1,500	2,000
	\$2,000	2,500
Job Location	\$2,500	3,000
	El Paso	2,800
	San Antonio	2,100
	Albuquerque	1,400
	Phoenix	700
	Los Aa	0

New Employee Salary and Benefit Negotiation

Richard A. Posthuma

Teaching Note

Introduction

This negotiation exercise is based on the experiences of several recent College and University Graduates. This exercise enables students to practice negotiation on an issue that is highly relevant to them. Thereby, they are highly motivated to direct their attention to this task, thereby enhancing the learning that can take place. This negotiation exercise follows the tradition of previous negotiation exercises by Neale, 1997 and Schroth, Ney, Roedter, Rosin, and Tiedman, 1997 both of which dealt with new university graduate salary negotiations. However, unlike Schroth, et al. which dealt with a recent MBA graduate negotiating over salary and locations in New York and California, this negotiation exercise is made more adaptable to a broader range of college and university settings and for both undergraduate and graduate students. The cities mentioned in this exercise where the alternative job locations occur are local and regional to a particular university in the Southwest U.S. This was intentional because it is more reflective of the type of job offers that many graduates may receive. However, they can be readily adapted to any local college or university setting, by changing the names to local or regional cities.

Instructions to Participants:

1. Read the role that you have been assigned.
2. Become familiar with your payoff table, take time to write notes on it, etc. You may keep your copy of this sheet.
3. Plan your negotiations ahead of time. Think about what is your BATNA, target point, and resistance point.
4. Bargain with your partner and try to reach an agreement.
5. If you reach an agreement, summarize the terms of the agreement on the employment contract.
6. If you do not reach an agreement, check the box indicating no agreement.
7. If you reach an agreement, calculate the total number of points that each of you received individually.
8. Print your name and ID # on the "Employment Contract" even if you did not reach an agreement.
9. Hand in the "Employment Contract" to get credit for the exercise.

Notes to Instructors:

Instructors may wish to pre-sort the roles of candidate, HR Manager (Hi-BATNA) and HR Manager (Lo-BATNA) into one pile so that you can easily distribute the roles evenly during class.

It is helpful to review what each of the negotiation terms means, e.g. professional development money would be the amount the candidate could spend per year, etc.

Students should be given 15 minutes to prepare for negotiations, and 30 minutes to negotiate. The remainder of the class will be used to summarize the outcomes and discuss the major points illustrated in this exercise.

This negotiation exercise can be used to illustrate several concepts including those described below.

Preparation for negotiations. Often negotiators fail to prepare for negotiations and thereby achieve less than optimal outcomes. In this exercise there is a tendency for a few participants to “wing it” and begin negotiations without fully understanding the payoffs. This typically results in them being confused or frustrated when they are faced by a better prepared opponent.

BATNAs. The Best Alternative to a Negotiated Agreement is a powerful influence on the outcomes of the negotiation. To make this exercise reflect real life negotiations related to new hires, the HR Manager’s BATNA is manipulated as either high or low. In the low condition, the alternative candidate that could be hired will give the HR manager only 5,800 points. However, in the high condition, the HR manager’s alternative will yield 10,425 points. This is a particularly relevant issue for new college and university graduates who often assume that the employer has many good options and they have none.

Following the exercise, it is useful to summarize the agreements that the participants reached by the negotiators. This can be done on a blackboard. This will facilitate illustration of the concepts included in this exercise. The chart should include columns for each issue, the number of points that each party achieved, and the total points for both parties.

Alternatively copies of the chart entitled “Summary of Negotiation Exercise” can be distributed to participants. Then, as each negotiation team reports their results, each individual can record the results of other teams. This will enable them to see the results, and study them after the class is finished. This chart is separated into two sections, one for those in which the HR Manager has a high BATNA, and the other for the HR manager with a low BATNA.

There are two versions of the HR manager role: one with a low BATNA and the other with a higher BATNA. The HR manager with the higher BATNA should achieve a higher agreement, or it may be less likely that those parties reach any agreement.

Resistance points. This case illustrates the concept of resistance point or the limit to which a negotiator will go until they walk away from the agreement.

Target points. This case also illustrates how careful negotiators set target points or goals for their negotiations before the discussions begin.

Splitting the difference versus integrative solutions. Often in negotiations there is a tendency to “split the difference” or agree to some solution that is the midpoint between two positions. It is likely that in several negotiations conducted by the participants they will use this as a settlement method. However, this

exercise also contains varying payoff schedules. This means that the split the difference solution, might not be the optimal payoff in terms of getting both parties the highest number of points.

For example, if both parties split the difference on the issues of starting date and first year vacation. The result is 2,600 points for each party and a total of 5,200 points for both parties. However, if they agree to 10 days vacation the first year and a starting date of August 1st, then each party achieves 4,000 points and the total points for both parties is 8,000.

Distributive, Integrative, and Compatible issues. There are several types of issues in this negotiation: distributive, integrative, and compatible. There are three types of issues in this exercise: distributive, integrative, and compatible. Salary is the only distributive issue (i.e., what one party gains the other party loses in an equal amount). Typically, parties tend to split the difference on distributive issues. However, the tendency to split the difference may result in less than optimal outcomes for both parties if the issues are not distributive.

Job location is a compatible issue because both parties want exactly the same thing. Often negotiators assume that the other party's position is directly opposing theirs and they are unable to discover compatible issues. During the discussion following the negotiation it will be helpful to identify how many negotiation teams discovered that this was a compatible issue.

All the other issues are integrative. Integrative issues are valued differently by the parties. This enables them to use these issues to achieve higher joint outcomes if they engage in logrolling. In logrolling, one party makes a concession on one issue that is less valuable in exchange for achieving something more on a more important issue; while the other party does the same thing.

Negotiating from a position of weakness. Often new college and university graduates feel like they are negotiating from a position of weakness because they may have only one good job offer. However, this exercise illustrates how even when a job candidate has a low BATNA, many parties will reach an agreement in which the candidate's outcomes are much higher than their BATNA. This illustrates how even those in a weak bargaining position, can achieve significant gains.

Discussion questions for participants:

1. Did you prepare a target point and resistance point before the negotiation? Did this help you keep focused on your own goals, or did you let your opponent take the lead in the negotiations?
2. Were you able to identify the different types of issues, distributive, integrative, and compatible? Were you able to use these to your mutual advantage?
3. Did you assume that there was a "fixed pie", i.e. everything your opponent gained was something that you lost?

4. Did a BATNA affect your negotiations? How? Was your resistance point the same as your BATNA?

PAYOFF TABLE

Topic	Options	HR Manager Points	Candidate Points
First Year Vacation	0 days	1,200	0
	2 days	900	1,000
	5 days	600	2,000
	7 days	300	3,000
	10 days	0	4,000
Starting Date	August 1	4,000	0
	August 15	3,000	300
	September 1	2,000	600
	September 15	1,000	900
	October 1	0	1,200
Insurance Effective Date	Day Hired	0	900
	1 Month	75	600
	2 Months	150	300
	3 Months	225	0
Salary	\$30,000	4,800	0
	\$33,000	3,600	1,200
	\$39,000	2,400	2,400
	\$41,000	1,200	3,600
	\$44,000	0	4,800
Date for First Salary Review	1 Month	0	2,500
	2 Months	300	2,000
	3 Months	600	1,500
	6 Months	1,200	500
	1 Year	1,500	0
Professional Development (tuition, professional memberships, etc.)	\$0	1,800	0
	\$500	1,500	500
	\$1000	1,200	1,500
	\$1500	600	2,000
	\$2000	300	2,500
	\$2500	0	3,000
Job Location	El Paso	2,800	2,800
	San Antonio	2,100	2,100
	Albuquerque	1,400	1,400
	Phoenix	700	700
	Los Angeles	0	0

References

Shroth, H., Ney, G., Roedter, M., Rosin, A., & Tiedman, M. (1997). Salary Negotiation. Dispute Resolution Research Center. Northwestern University.

Neale, M. (1997). New Recruit. Dispute Resolution Research Center. Northwestern University.