Evaluating and Negotiating A Job Offer

B2B Seminar Series
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Civil and Environmental Engineering
Evaluating and Negotiating A Job Offer

- University Guidelines for Offers and Acceptance
- Total Compensation: Salary + Benefits
- Determining Value of Common Benefits
- Negotiation Fundamentals and Framework
- Interactive Negotiation Session & Discussion

Civil and Environmental Engineering
Guidelines for Offers and Acceptances

- hireillini.com/recruitment-policies/#section4

- Timeline for Employer Required Acceptance
  - Fall: November 15th or 3 weeks after offer is made.
  - Spring: April 1st or 2 weeks after offer is made.

- Offer Reneging:
  - Unprofessional
  - Negative Impact on University and Peer Reputation
  - Disqualified from I-Link and other ECS services.
Total Compensation

**Salary:**
A fixed compensation periodically paid to a person for regular work or services.
- Main component of negotiation in private sector.
- Typically non-negotiable in public sector at entry level.

**Benefits:**
A payment or gift made by an employer, for the benefit of the employee.
- Typically non-negotiable at entry level; private and public.
- *Examples: Vacation, Health Care, Retirement, etc.*
Common Types of Benefits

- **Health Care:**
  - Insurance
  - Wellness

- **Paid Time Off:**
  - Vacation
  - Sick Leave, Bereavement
  - Company Holidays

- **Retirement:**
  - 401k or IRA Matching
  - Pension

- **Bonus Plan**
- **Overtime Compensation**
Common Benefits: Paid Time Off

- **Vacation Time**
  - One week = Annual Salary / 52 weeks
  - Calculating Value:
    - $65,000 Annual Salary = $1,250/week
    - 2 Weeks of Vacation = $2,500

- **Sick Leave, Bereavement**
  - Some companies may not have set policy.
  - Value calculated same as vacation time.

- **Company Holidays**
  - Typically 7-10 days per year (New Years, Thanksgiving, etc.)
Common Benefits: Paid Time Off

Two Common Policies for Paid Time Off

1. Employer May Define Separately
   - Vacation: 2 weeks typical for entry level
   - Sick & Bereavement: May or may not be defined

2. PTO Policy
   - Includes All Vacation, Sick, Bereavement Time
Common Benefits: Health Insurance

Basic Terminology

- **HMO Plan**: Health Maintenance Organization Plan
  - Single Primary Doctor Required, Referrals Required
  - Cheaper than PPO Plan due to limited network options.

- **PPO Plan**: Preferred Provider Organization Plan
  - Not Restricted to Primary Doctor, No Referrals Required

- **Deductible**:  
  - Amount you owe before health insurance plans begins to pay

- **HSA**: Healthcare Savings Account; Pre-Tax Contribution

- **Monthly Premium**: Monthly Cost to Participate in Company’s Plan
Common Benefits: Health Insurance

Determine Health Insurance Costs

- Determine Anticipated Health Insurance Plan to Participate In
  - *Self Educate Plan Differences: Google “HMO vs. PPO”*

- Monthly Premiums
  - Identify your monthly cost to participate in company’s plan.
  - Most important factor in evaluating/comparing job offer.

- Understand Insurance Deductibles
  - Example:
    - If deductible is $1,000, your health insurance plan won’t pay bill until you’ve met your deductible for health care services covered in insurance plan.
Common Benefits: Retirement

- **Defined Benefit Plan: Pension**
  - Promises a specific monthly benefit at retirement, usually a function of salary and time with organization.
  - Common in Public Sector, May Require Employee Contr.
  - Increasingly Rare in Private Sector
  - Difficult to calculate benefit value.

- **Defined Contribution Plan: 401(k) or I.R.A. Plan**
  - Employee Contributes Portion of Paycheck to Account
  - Employer Matches Contribution to a Maximum Amount
  - 401(k) Plan involves **Pre-Tax** contributions
  - I.R.A. Plan involves **Post-Tax** contributions
Common Benefit: Retirement

Calculating Value of 401(k) Plan: Example

“50% Match on Employee Contributions up to 3% of Salary”

- What does this Mean? What is Pre-Tax?
  - Employer contributes $.50 for each $1 you contribute to account with maximum contribution of employer capped at 3% of your salary.

- Maximum Value of Employer Contribution
  - Annual Salary x 0.03
  - $60,000 x 0.03 = $1,800

- Immediate Tax Savings
  - Employee Contribution x Tax Rate (Assume 25%)
  - $3,600 x 0.25 = $900
Common Benefit: Retirement

- Calculating Value of I.R.A Plan: Example

  “50% Match on Employee Contributions up to 3% of Salary”

  - What does this Mean?  *What is Post-Tax?*
    - Employer contributes $.50 for each $1 you contribute to account with maximum contribution of employer capped at 3% of your salary

  - Max. Value of Employer Contribution
    - Annual Salary x 0.03
    - $60,000 x 0.03 = $1,800

  - *Note: Most Private Sector Employers do not offer I.R.A.*
Common Benefits

- **Bonus Opportunities**
  - Is there a company policy? If so, what is it?
  - Average bonus to employees at my level past 2-3 years?

- **Overtime Policy**
  - Does company pay overtime?
  - Typical overtime compensation in past 2-3 years?
  - Recommendation:
    - *Inquire about this Benefit last and only if needed.*
    - *Risk sending positive/negative message about working hours.*
Additional Types of Benefits

- **Work Flexibility**
  - Telecommuting
  - Summer Hours

- **Career Advancement**
  - Attending Professional Conferences/Events
  - Tuition Reimbursement / Continuing Education / Training

- **Short Term Disability**

- **Maternity/Paternity Leave**

- **Other (Cell Phone, Equipment, etc.)**

- **Extracurricular Company Events**
  - Sports Teams, Running Clubs
  - Volunteering/Philanthropy
Types of Job Benefits

Benefit Questions?
Negotiating The Job Offer

“The first principle of contract negotiations is don’t remind them of what you did in the past; tell them what you’re going to do in the future.”

Stan Musial
Hall of Fame Baseball Player
ECS Online Career Resource Guide

• Page 39 – Negotiating the Job Offer

• Facts

• Best Practices

• Rights

• Myths and Fears

Negotiation Facts

According to a CareerBuilder survey:

• Over 49% of workers do not negotiate their initial offer because of fear or lack of skill.

• Men (54 percent) are more likely than women (49 percent) to negotiate first offers.

• Not every hiring manager will be able to raise the offer, but it’s never a bad idea to negotiate—especially if you have experience and possess in-demand technical skills.
Negotiating The Job Offer

• **Deciding to Negotiate:**
  • Choose most desirable employer/offer.
  • Never negotiate unless willing to commit to job.

• **Best Practices**
  • Do Your Research (Salary Data, Cost of Living, etc.)
  • In Person or Over Phone (Avoid email)
  • **Always Be Honest:** Do Not Fabricate Information

• **How Do I Initiate Negotiations?**
  • Question: “What, if any, parts of this offer are negotiable?”
  • Employer Response?: “*What did you have in mind?*”
Negotiation: Concepts & Framework

- **Reservation Salary**
  - The salary the negotiating party will go below or above.

- **Bargaining Zone or Zone of Possible Agreement (ZOPA)**
Negotiation: Concepts & Framework

- Best Alternative to Negotiated Agreement (BATNA)
  - Used to Define Reservation Price

- Anchoring
  - Establishing Starting Point of Negotiation

Diagram:
- Student Reservation Salary
- Employer Reservation Salary
- ZOPA / Bargaining Zone
- Student Anchor?
- Employer Anchor?
Salary Negotiation Prep & Strategy

- Information Will Be Asymmetric.
  - Employer will have more information in negotiation process than you.
  - Preparation by student is key to negotiating best total compensation.

Student Reservation Salary

Employer Reservation Salary

ZOPA / Bargaining Zone

Student Anchor?

Employer Anchor?
Negotiation Preparation

- Salary: Understand Labor Market
  - Statistics: Avg. CEE Salary from Illinois, Classmate Feedback, etc.

- Benefits: Know Value of Essential Benefits to Compare
  - Vacation, Health Insurance Costs, Retirement
Negotiation Strategy

1. Evaluate Offers – Calculate Total Compensation and Compare
2. Review Known Salary Data and Company Research
3. Determine Reservation Salary (Lowest Acceptable Salary)
4. Establish Anchor (Counter Offer) and Begin Negotiation
Negotiation Practice Session

▪ “A” Negotiating with “B”
  • “A” = Role of Student
  • “B” = Role of Employer

▪ Session Involves Following:
  • 10 min. – Read Scenario, Evaluate Offer, Develop Strategy
  • 5 min. – Open Negotiations
    ▪ Must decide to either come to agreement or walk away
  • 10 minutes – Open Discussion of Results

Assume Income Tax Rate of 25%
Session: Adventure Engineering Inc.

- **Student:** Jane Smith
  - Graduating with Bachelors in Civil Engineering
- **Employer:** Adventure Engineering Inc.
  - Privately Owned, Colorado Based, ~30 employees
Session: Adventure Engineering Inc.

- Negotiation Results Discussion
  - Deal or No Deal?
  - No Deal: Why?
  - Deal: Final Salary?

![Diagram showing ZOPA / Bargaining Zone with Student Reservation Salary and Employer Reservation Salary points.](image-url)
Session: Adventure Engineering Inc.

- Reservation Prices of Employer? Candidate?
  - Best Alternatives?
  - Total Compensation?
  - Identify Intangibles?

[Diagram showing the concepts of Student Reservation Salary, Employer Reservation Salary, and ZOPA/Bargaining Zone]
Session: Adventure Engineering Inc.

- Employer Opening Offer (Anchor)
- Employer Reservation Salary (Highest Allowed)
- Student Reservation Salary (Lowest Allowed)
Evaluate Offer: Urban Engr. (Best Alternative)

Determine Total Compensation

- Salary: +$ 64,000
- Vacation: +$ 2,400 (2 weeks)
- 401(k) Employer Contribution: +$ 1,280 (Max of 2% Salary)
- 401(k) Tax Savings (25% Tax): +$ 640 (Max 4% Cont.)
- Annual Health Care Premiums: -$ 1,800 (HMO @ $150/MO)

Total Compensation: $ 66,520

- Cost of Living Adjustment (10%): -$ 6,400 (Chicago vs. CO)

Revised Total Compensation: $ 60,120
Evaluate Offer: Adventure Engineering

Determine Total Compensation

- Salary +$ 52,000
- PTO (Total 4 weeks) +$ 3,000 (3 weeks: Why?)
- 401(k) Employer Contribution +$ 5,200 (Max 10% Salary)
- 401(k) Tax Savings (25% Tax) +$ 1,300 (Max 10% Cont.)
- Annual Health Care Premiums -$ 2,400 (PPO @ $200/MO)

Total Compensation $ 59,100

- Urban Engineering Tot. Comp. $ 60,120
Session: Adventure Engineering Inc.

- Total Compensation
  - Adventure Eng. Tot. Comp. $59,100
  - Urban Eng. Tot. Comp. $60,120
  - Difference in Tot. Comp. - $1,020

  - Strategy: Negotiate Higher Salary to Equalize or Make Greater

- Intangible Value?
  - Nature vs. Urban Environment
  - Small vs. Large Company
Session: Adventure Engineering Inc.

- Evaluate Offers: Approx. $1,000 Difference
- Additional Factors to Negotiate?
  - Moving Costs?
  - Signing Bonus?

Evaluation of Offers

\[ \text{Initial Job Offer (Anchor)} = \$52,000 \]
\[ \text{Student Reservation Salary} = \$53,000 \]
\[ \text{ZOPA / Bargaining Zone} = \$52,000 \rightarrow \$59,000 \]
\[ \text{Employer Reservation Salary} = \$59,000 \]
Evaluating and Negotiating A Job Offer

“In business as in life, you don’t get what you deserve, you get what you negotiate.”

-Chester Karrass

Thank You
Role A – Jane Smith

Narrative:
Adventure Engineering, Inc. (AE) forwarded you a job offer last week, which is summarized at the bottom of this page. You first learned of AE at the department job fair and you are excited at the prospect of working for them, as it is a smaller firm that has a close family-type of culture. You also know you will wear “many hats” in the office as it is a small firm, giving you experience that is more well rounded, but not technically deep. You absolutely love the outdoors, so the potential of moving and working in Colorado is equally as exciting.

You currently have one other job offer from Urban Engineering, a large engineering firm in Chicago; close to where your parents currently live. You get the feeling you may “just be another number” within the office, but could still see yourself working there if the AE offer falls through. Your parents would love for you to live close to them, but living in an urban environment is not very appealing to you.

Your job offer from Urban Engineering is summarized as follows:

Annual Salary: $64,000
Vacation: 2 weeks
Retirement Plan: 401(k) – 50% employer match up to 2% of Annual Salary
Health Insurance: HMO Plan: $150 monthly premium
                         PPO Plan: $180 monthly premium

You have 3 classmates that have similar offers from different engineering firms in Chicago area.

Your job offer from Adventure Engineering is summarized as follows:

Annual Salary: $52,000
PTO Policy: 4 weeks
Retirement Plan: 401(k) – 100% employer match up to 10% of Annual Salary
Health Insurance: PPO Plan: $200 monthly premium

You have asked the owner, Rocky Armstrong, to discuss the offer in hopes of being able to negotiate your salary upward to be more competitive with Urban Engineering’s offer and make your decision an easy one!
Role B – Rocky Armstrong, Owner

Narrative:
Over the past three years, Adventure Engineering, Inc. has been growing under your leadership. You have taken the time to selectively add staff that subscribe to the easy going, family oriented culture you have developed successfully over the years. For the first time ever, you decided to recruit CEE students out of the University of Illinois and have been impressed by the students you have interviewed. You have extended an offer to Jane Smith, which is summarized below. Jane is the second UofI student you have extended an offer too.

Your job offer to Jane Smith is as follows:

Annual Salary: $52,000  
PTO Policy: 4 weeks  
Retirement Plan: 401(k) – 100% employer match up to 10% of Annual Salary  
Health Insurance: PPO Plan: $200 monthly premium

You lost your first UofI candidate to a firm with a higher salary offer in a large city. If Jane presses for a higher salary, it is important that you point out the following:

- Cost of living is at least 10% less in Colorado than in most urban areas.
- Employees have the option to take Friday afternoons off throughout the year; if they work longer the rest of the week.
- Your typical holiday bonus is around 5% of salary each year.

You know the national average for entry level Civil Engineering salaries is around $59,000. You cannot go above this amount as you would have to give raises to employees that have been with the firm for 1 or 2 years and cannot afford to do this. You feel strongly that the benefits you provide to your employees are greater than what typical engineering firms offer.

Jane has asked to meet with you to further discuss Adventure Engineering and discuss the job offer. You really liked the way Jane interviewed and feel she would be a great addition to your team. You are willing to give a onetime signing bonus to Jane of no more than $4,000, but only if she asks for it.

Your staff is busy, but current workload is manageable without Jane joining the firm.