FEARLESS SALARY NEGOTIATION

A STEP-BY-STEP GUIDE TO GETTING PAID WHAT YOU'RE WORTH

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Fearless Salary Negotiation

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SAMPLE

How companies manage their salary structures

This chapter isn't *required* reading, but you should read it anyway. It's tempting to jump right into "How to negotiate your new salary" or "How to get your next promotion", and you can definitely do that. But this is a very quick primer that will help you understand *why* my methods work, and it will give you some context for the next chapter, "How to estimate your market value".

It's short, so give it a quick read!

Overview of paygrades, bell curve, and raises

Before we talk about *how* to get a promotion or raise, we need to talk a little about how companies typically structure pay scales. This is important because it helps explain why all raises aren't created equal. Sometimes, it's really tough to get a 5% pay bump, and sometimes it'll be relatively easy to get a 10% pay bump or greater.

So let's talk about some common terminology and I'll explain how salary structures work while we're at it.

Jobs, job titles, and positions

A *job* is a set of responsibilities to be performed by an employee. That set of responsibilities is usually described in a "job description", which you've probably seen before. Most jobs have a *job title* like "Consultant" or "Accountant" or "Senior Developer".

For any given job, there might be multiple *positions*, which are "seats" available for that job. A company might have five or six Jr. Developers, for example.

Career paths

A career path is a series of jobs in succession. For example, a typical career path for a Software Developer might be something like this:

Jr. Developer → Developer → Sr. Developer → Team Lead → Director of Software Development → VP of Software → SVP of Software → CTO → CEO

Paygrades (or paybands)

Most companies are structured so that each job has a *paygrade* or *payband* that describes the lower and upper ends of the pay range for that particular job. I'll refer to them as "paygrades" from here on out because that's the most common industry term.

Paygrades are usually labeled something pretty generic like "E01" or "F2" or even just "1". Each job (Mechanical Engineer, Accountant I, Operations Manager) maps to a paygrade, and multiple jobs may map onto the same paygrade. For example, "E01" may translate to something like "New Engineer", so "Electrical Engineer I" and "Jr. Software Developer" and "Mechanical Engineer I" may all map to the "E01" paygrade.

A paygrade is usually bounded at the lower and upper ends by a salary. The *bottom* of a paygrade is the minimum salary available to jobs assigned to that paygrade. The *top* of a paygrade is the maximum salary available to jobs assigned to the paygrade. The *midpoint* is the salary at the middle of the paygrade—half way between the bottom and top.

Salary structure

A *salary structure* is a way of describing a series of paygrades. It's essentially a summary of various paygrades and the jobs they represent along with their salaries.

Here's an example of a salary structure to show you what this looks like with a visual:

Name **Bottom** **Midpoint** **Top** **Job**

E03 — $80k [=====|=====] $100k — Sr. Developer

E02 — $70k [=====|=====] $90k — Developer

E01 — $60k [=====|=====] $80k — Jr. Developer

So, a Jr. Developer is in a paygrade named "E01" that goes from $60,000 (the bottom of the paygrade) to $80,000 (the top of the paygrade). Then a Developer is in a paygrade called "E02" that goes from $70,000 to $90,000. And a Sr. Developer is in a paygrade called "E03", which goes from $80,000 to $100,000.

The paygrades are often pretty wide and have some overlap so that they look like a set of stairs if you graph them.

That example is totally made up, but is a good representation of a typical set of paygrades for Developers. And note that a Mechanical Engineer 1—an entry-level Mechanical Engineer—may *also* be in the E01 paygrade.

Promotions

Promotions happen when you move *up* to the next job in your career path, and it usually represents a jump to a higher paygrade as well. In our example above, this means stepping up to the next paygrade. If you look closely at the example, you'll see that many of the paygrades overlap, which implies that you can be promoted without getting a raise. For example, a Jr. Developer making $75,000 could theoretically be promoted to Developer without a pay increase by moving from the higher end of the “E01” paygrade to the lower end of the “E02” paygrade.

This usually doesn’t happen, but that’s how it *could* happen.

Raises

Raises are when you move to a higher salary. This may mean just moving “up” (to the right, toward the top of the paygrade) in your current paygrade, or it could mean moving into a higher paygrade *and* moving “up” within that new paygrade.

Counterintuitively, being *lower* in your paygrade is better for your prospects of getting a raise while staying in that paygrade. The higher you are in your paygrade, the less room there is before you bump into the “top” of the paygrade, and that’s often a hard limit. Even if a big raise wouldn’t bump you into the top of your paygrade, it can still be difficult to get into that top part because the tippy-top of a paygrade is often reserved for people who have been in that paygrade for a long time, and either aren’t being promoted or don’t *want* to be promoted.

Here’s an example to show what I mean.

Let’s say you’re a software developer and you are hoping for a $10k raise. How easy it will be to get that raise depends very heavily on where you are in your current paygrade. If you’re a Jr. Developer making exactly $60k, then a $10k raise would move you to your paygrade’s midpoint. That isn’t a difficult move because you still have a lot of room to move up in your paygrade without bumping into the upper limit, even after your raise.

On the other hand, let’s say you’re a Developer and you are hoping for a $10k raise, but you’re already at $85k. It’s going to be very difficult for you to get that raise because it moves you above the top of your paygrade. The closer to the top of your paygrade you are, the harder it is to increase your salary while remaining in the paygrade.

So, what can you do?

The best thing is to try to get promoted so you move into a higher paygrade with room to breathe at the top. The Junior Developer can make a good case for a $10k raise based on job performance, and will have a good chance of getting that raise without needing a promotion. The Developer's best bet is to pursue a promotion to Senior Developer while pushing for that $10k raise. $95k will still be near the top of the Senior Developer paygrade, but it won’t be *above* the top of that paygrade, so it’s more feasible.

How do you find out what the paygrades look like?

The short answer is that you probably can’t, at least not for your specific company. I’ve worked at one company that told me the midpoint of my paygrade (but not the bottom and top bounds). Every other company I have worked for has protected their paygrade information like a trade secret.

You could try asking your manager where you are in your paygrade, and it’s possible your manager will tell you “the low end” or “the high end” or “near the middle”. But you probably won’t get much more info beyond that.

Still, there are some things you can do to guesstimate your position in your paygrade.

You may know what some of your colleagues are making, and that will give you a sense of how wide the paygrade actually is. In some places, it’s taboo to talk about salary. But sometimes people are more open about this, especially coworkers who have been together for a while in a smaller setting.

Market rates

You can also look at industry pay to get a sense of where you stack up.* and *glassdoor.com* are good places to start. Those sites will give you a sense of what other people with your job title, skillset and experience in your industry or region are getting paid, including a midpoint. That gives you a sense of the answer to this question: "If I left my current job and went to do a similar job at a different company, what could I expect to be paid?"

You might be thinking something like, “But those sites would only give me a sense of where I might be relative to the average paygrade at a bunch of other companies. That doesn't tell me where I am in my paygrade at my current company." That's sort of true. In reality, those sites reflect "market rates" or "market pay" for your skillset, and most companies use market research to determine their own salary structures. They're not just making up paygrades in a vacuum—they're doing research to figure out what people are making to do certain jobs in the industry. So there's a bit of a feedback loop that makes *salary.com* and *glassdoor.com* pretty useful: Companies do research to see what other companies are paying, they adjust their paygrades accordingly, they pay their employees according to those salary structures, those employees report their salaries online and elsewhere, and companies do research to see what people are reporting, etc.

The type of research that companies do to determine their paygrades is quite similar to what you would do by just going to *salary.com* or *glassdoor.com*, but their research is a little more sophisticated and much more expensive.

Why does this matter?

Throughout this book, I give you step-by-step methods to get paid what you're worth. A lot of those methods are based on this concept of paygrades, and how they map to experience and potential salaries.

My salary negotiation methods (negotiating for a new salary and negotiating a raise to increase your current salary) are designed to do two things: Get you in the highest paygrade possible, and get you the most money possible in that paygrade.

For example, the reason you shouldn't give the first number in a salary negotiation is that you don't know what your potential employer's paygrades look like. But they know what their paygrades look like, and they probably have to offer you something in an appropriate paygrade. You can assume they won't come right out and offer you the top number in that paygrade, so their initial offer will give you a sense of the paygrade's midpoint or low end. That's useful information. Of course, you want to maximize your salary, so your counteroffer is designed to get them to either bump you into the top of the paygrade you're interviewing for, or bump you into a higher paygrade.

But if you name the first number, you're doing so totally blind. You might even give a number below the bottom of the paygrade you're interviewing for, so they may have to give you more than you asked for simply because the bottom of your new paygrade is higher than your request. In that case, you may think you get a generous result when they offer you more than you asked for, but you probably cost yourself a lot of money. Why? Because they're giving you the absolute minimum they can give you to get you into that job within their salary structure.

Summary

The more you know about how salaries are structured, what promotions are and so on, the less mysterious this whole subject will be. Much of the fear people feel when negotiating salaries is really just a fear of the unknown—they don't know what they don't know, and the employers seem to know everything.

You don't *need* to know these things to apply my methods, but it will help demystify the subject so that there's less to be fearful about. And that's what this book is about—helping you to be a *fearless* salary negotiator.

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