Some economists believe that the entire gender gap in earnings is due to differences in the negotiated starting salary.

Whether or not this is true, good negotiating skills will tend to increase your salary (and quality of life)
What Matters in Negotiations?

1. What are your outside opportunities if you walk away?

2. Are you in a hurry?

3. Do you know what your opponent’s other options are?

4. Is there a long-term cost (or benefit) to being assertive in this interaction?
A generic salary negotiation:

- The salary above which the employer would rather hire someone else.
- The salary below which you would rather not take the job.
A generic salary negotiation:

- The salary above which the employer would rather hire someone else.

- The salary below which you would rather not take the job.

If $s_y > s_e$ this is not the job for you.
A generic salary negotiation:

- $s_e$: The salary above which the employer would rather hire someone else.
- $s_y$: The salary below which you would rather not take the job.

If $s_y = s_e$ there is no room for negotiation.
A generic salary negotiation:

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$s_e$ \rightarrow The salary above which the employer would rather hire someone else.

$s_y$ \rightarrow The salary below which you would rather not take the job.

If $s_y < s_e$ there is a range of salaries that would make the match advantageous.
A generic salary negotiation:

\[ s_e \] is the salary above which the employer would rather hire someone else.

\[ s_y \] is the salary below which you would rather not take the job.

But you are unlikely to know what \( s_e \) is.

If \( s_y < s_e \) there is a range of salaries that would make the match advantageous.
A generic salary negotiation:

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The salary above which the employer would rather hire someone else.

$\text{s}_e$

The salary below which you would rather not take the job.

$\text{s}_y$

If $\text{s}_y < \text{s}_e$ there is a range of salaries that would make the match advantageous.
What Matters in Negotiations?

1. What are your outside opportunities if you walk away? (Try to improve $s_y$)

2. Are you in a hurry? (Do you have time to look for better opportunities?)

3. Do you know what your opponent’s other options are? (Learn as much as you can about $s_e$)

4. Is there a long-term cost (or benefit) to being assertive in this interaction? (Just Ask--nicely, if you’ll be working together)

Evidence from Salary Survey of new graduates: Negotiating for starting salary matters

Laboratory Experiments designed to insure men and women were in exactly the same situation (and no long-term ramifications)
Back to the Human Capital Model of Earnings Determination:

Salary=f(intelligence, motivation, assertiveness, competitiveness, likeability, self-promotion, leadership)

While all of these characteristics seem to be positively valued in men, Babcock’s research suggests that some of these are not seen as positive assets in women.