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Gender in individual salary negotiations

Learning to counter-offer

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HÁSKÓLI ÍSLANDS

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A significant, “unexplained” difference in salaries between male and female workers persists despite attempts by regulators and the social partners to bridge the gap. According to a study by Statistics Iceland, the difference between male and female gross salaries in Iceland was 24.9% in year 2000 and 18.5% in 2008. Controlling for such human capital factors as education, experience and responsibility, differences in compensation increased from 6.0% in the period 2000 – 2003 to 7.6% in the period 2004 – 2007 (Statistics Iceland, 2010).

A great bulk of research indicates that women are at a disadvantage when negotiating salaries due to stereotypical ideas about gender roles (Bohnet & Bowles, 2008). A general trend is that women are offered lower salaries and when they counter-offer, they obtain lower monetary returns than men (Gerhard & Rynes, 1991). A recent Icelandic study indicates that both men and women offer women less salary than men for the same task and, additionally, both men and women advise women to ask for less and settle for less than men (Karlsson, Jonsdottir, & Vilhjalmsdottir, 2007).

Women are therefore at a disadvantage before they sit down at the negotiation table to discuss their salary. It has also been suggested that situational factors effects the position of male and female negotiators differently when bargaining for salary (Bohnet & Bowles, 2008), and that gender effects on negotiations with employers cannot be understood in isolation from the effects of gender in household bargaining (Bowles, Babcock, & McGinn, 2005). As an example, a study done by Statistics Iceland (2010) revealed that marriage had a positive influence on salary for both male and females, but much more so for males, and male salaries tend to increase with number of children while female salaries tend to decrease with number of children.

Gender is generally not a reliable variable for predicting success in negotiations. There is little evidence to suggest that male and female negotiators achieve better or worse outcomes. However, there are strong indications that when it comes to self-advocacy, women are much less likely to negotiate than men. Women who negotiate on behalf of themselves perform significantly worse than those negotiating on behalf of others (Bowles et al., 2005). This applies not least for salary negotiations

”Women don’t ask. They don’t ask for raises and promotions and better job opportunities. They don’t ask for recognition for the good work they do. They don’t ask for more help at home. In other words, women are much less likely than men to use negotiation to get what they want“ (Babcock & Laschever, 2003, p. ix).

Studies indicate that gender behavioural differences in negotiations are often a response to stereotypical expectations that cause women and men to feel that they must comply with some implicit norms, such as those that women are expected to care more about others and be more generous than men (Eckel, de Olivera, & Grossman, 2008). Even female negotiators who are generally assertive and self-advocating are more likely than men to make concessions at the bargaining table when

negotiating their own salaries as they fear social sanctions for pushing too hard (Tinsley, Cheldelin, Schnedier, & Amanatullah, 2009). Women engaging in exactly the same negotiation but as representatives for others do not fear social repercussions for behaving assertively and as a result make fewer concessions and negotiate higher salaries.

This may lead women to be less inclined to negotiate their own (starting) salary. Further to that, it may lead to negative response when women do try to negotiate their salary. The stereotype of women as cooperative and men as competitive leads many people to expect that men will negotiate better deals than women and to expect (and value) different behaviour from women and men.

An example of this can be found in a study at Carnegie Mellon University that looked at the starting salaries of graduates. The study found that the starting salaries of men were 7.6% higher on average than those of the women. Only 7% of the female students had negotiated (counter-offered) their salary while 93% accepted the initial offer from the employer. Male graduates were eight times as likely to negotiate their salary (57% of them did so) than female graduates. The students, most of them men, who did counter-offer received on average 7.4% higher salary than those who did not counter-offer – a figure almost exactly the same as the difference between men's and women's starting salary. This might be seen as an indication that some of the difference in pay could have been bridged if the women had made an attempt to counter-offer (Babcock & Laschever, 2007).

A study on career consequences of gender differences in the propensity to negotiate, shows that women's lower propensity to negotiate, as compared to men's, helps explain why women seemed to be relatively unsuccessful when trying to advance up the ranks in the organizational chart (Greig, 2008). This indicates that the lack of self-advocacy in women salary negotiations does not only have an impact on their earnings but on their career advancement as a whole.

Expression of counter-offers in salary negotiations

In 2007, Sigurðardóttir and Hafsteinsdóttir conducted an experiment in order to examine whether the propensity and amount of counter-offers differs between men and women in salary negotiations. Another purpose of was to explore whether or not it matters to have taken a basic course in negotiation and whether this differs between genders.

Review of the literature on gender and salary negotiations resulted in the following hypotheses:

Hypothesis 1: Women are less likely to counter-offer than men in salary negotiations.

Hypothesis 2: Women counter-offer lower amounts than men in salary negotiations.

Hypothesis 3: The participants who had taken a basic course in negotiation are more likely to counter-offer.

Method

Participants

A survey was sent to 240 students at Reykjavik University via e-mail, using the web-based Outcome survey system, which was also used to collect the data from the e-mail survey. The participants were chosen by convenience sampling. A total of 94 students (39%) participated in the survey. The participants consisted of 53% women and 47%

men. The majority of the participants ($n=94$; 56%) were in the age bracket 21-30 years.

Materials

We used eight different experimental designs, four designed for female participants and four designed for male participants. A series of participants in each design was equally distributed. In the questionnaire we used two questions to measure the dependent variable, which was the counter-offer. The background questions were the independent variables, which gave us information on the difference due to gender and whether or not the participants had taken a basic negotiation course. The hypothetical job interview manuscript included traditional questions like how they would deal with work-related problems in order for the participants not to realize the main purpose of the experiment, which were gender differences in the expression of counter-offers in salary negotiations.

We included 2 major influencing factors in our experimental design. There were two levels of opening offers. In the low salary level, the participants were offered a starting salary of ISK 410,000 per month. In the high salary level the participants were offered a starting salary of ISK 440,000 per month. The salary amounts were randomly distributed between genders. The salary amounts were decided after conducting a preliminary survey of students on their salary expectations after graduation. The second influencing factor was the gender of the interviewer as the participants randomly received a female or male interviewer.

Procedure

The participants received a survey (design randomly distributed) by e-mail with a hypothetical scenario depicting one of the eight experimental conditions. This method was chosen due to the students' ability to access the Internet and because of the accessibility of the students' e-mail list through the University. All the participants were given the role of an applicant participating in a hypothetical job interview. To make the design as real as possible, all the participants received an identical CV including family status and job experience tailored to their gender. The participants were asked to imagine that they were applying for the job of their dreams, that they were currently completing their studies and they had the opportunity to be interviewed for the position. Before completing the survey, the participants were asked to read a brief description on the environment on the day of the interview and they received information about the interviewer. The participants were assured that their participation and responses would be anonymous; they were asked to respond as honestly as possible and act as they would actually act in a real-life job interview. The respondents could not save partly answered questionnaires to be finished later, but had to complete the survey in one set, which took around 7-10 minutes.

Key findings

The main focus was on identifying whether or not the participants would counter-offer and if so, how high would the counter-offer be and would there be a difference between genders. The entire hypotheses were directional hypotheses and therefore we divided the p-value by 2 in order to increase the odds of statistical significance. Therefore, statistical significance in this research will be decided by $\alpha=0.10$.

The participants had three choices when asked if how they would respond to an offer from an employer. They could agree unconditionally, agree with the condition of a revision in three months time or counter offer. Figure 1 indicates that women are

less likely than men to produce counter-offers and women were more likely to agree to the initial offer with the condition of a revision in three months.

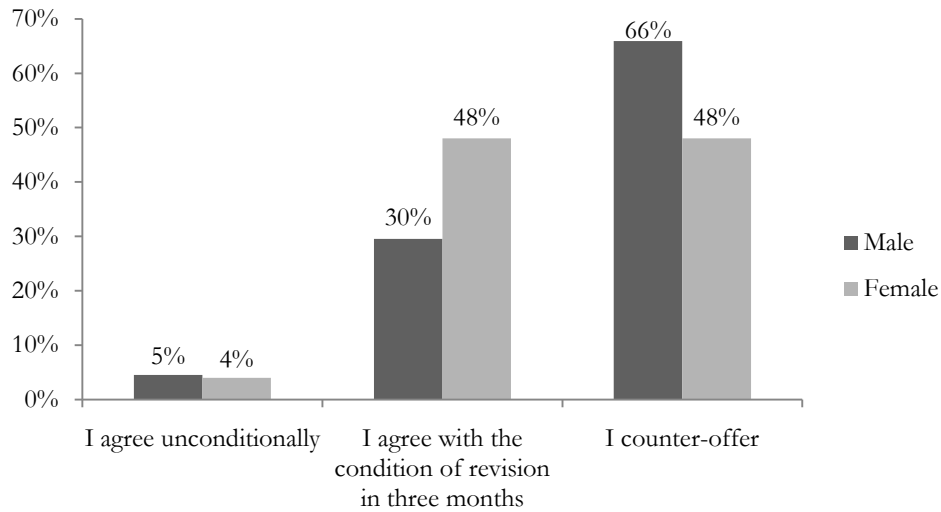


Figure 1. Distribution of responses between genders to the opening offer

The results of the chi-square test show that there was no statistical significance, $X^2 (2, N=94) = 3.373; p > 0.10$. However, by concatenating the three answer possibilities into only 2 answer possibilities, on one hand “Counter offers” and on the other hand “Does not counter offer”, the following results were found (see figure 2).

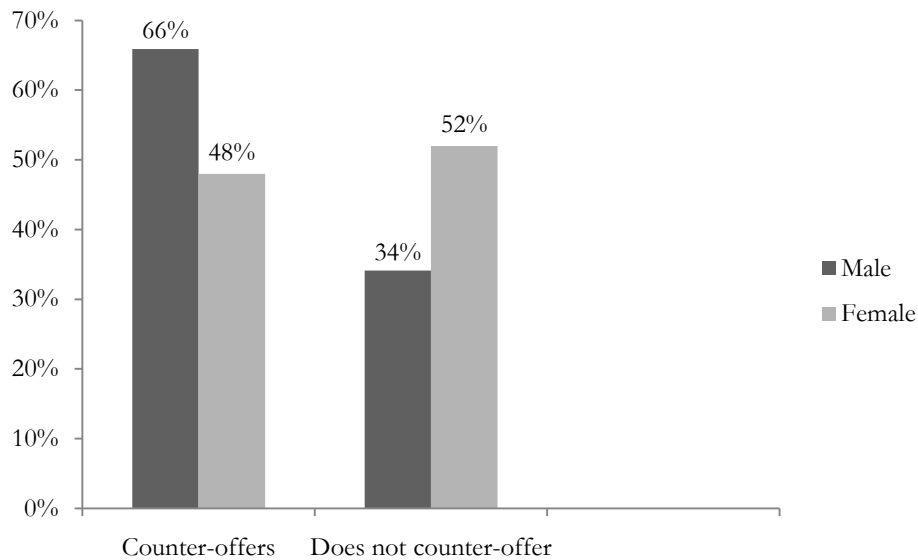


Figure 2. Expression of counter-offers between genders after concatenating the answer possibilities

There is a difference between genders as women were less likely to counter offer than men. The ratio between women was fairly equal as 48% of women counter offered as opposed to 52% women who did not. However, the ratio was not as equal between men as the majority of men chose to counter offer. The results show that 66%

of the men counter offered as opposed to 48% of the women, $X^2(1)=3.052$; $p<0.10$; (see table 1) therefore, hypothesis 1 is supported.

Table 1. Gender and expression of counter-offers

	Male	Female	Chi-square X^2
Counter-offers	29 (66%)	24 (48%)	3,052*
Does not counter-offer	15 (34%)	26 (52%)	

* $p<0,10$

** $p<0,05$

Following these results we decided to see whether or not the amount of the counter-offer differs between genders, as suggested in hypothesis 2. The participants who decided to counter offer or choose to have a revision in three months were asked to specify the amount of the counter-offer. Forty-five participants specified the amount of their counter-offer and figure 3 shows the average amounts between genders.

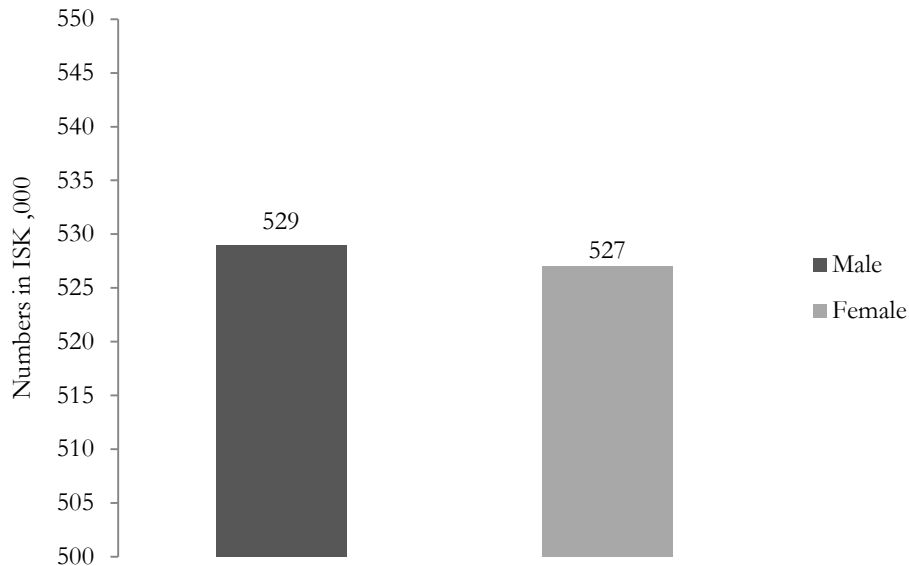


Figure 3. The average amount of counter-offers between genders. Numbers are in thousands of ISK

There was a difference in the average amounts of counter-offers between genders as men asked for ISK 529,038 per month while women asked for 517,632 ISK per month. This difference, however, was not statistically significant $t(43)=0.617$; $p>0.10$ and therefore hypothesis 2 was not supported.

Only 14 participants had taken a basic negotiation course but 79% of them counter offered. That is an encouraging finding from the perspective of increasing equality in compensation. The ratio of those who had never taken a negotiation course was rather equal: 53% who counter offered opposed to 47% who did not counter offer (see figure 4).

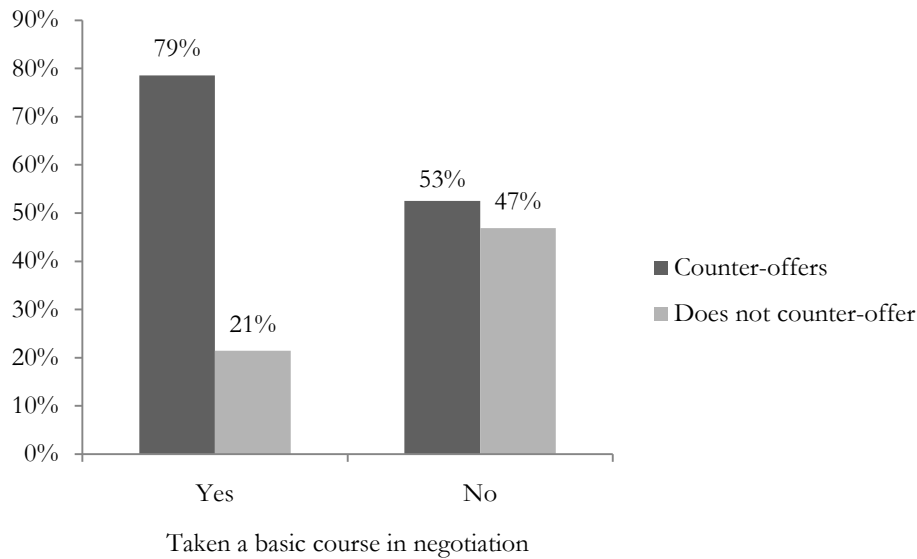


Figure 4. Correlation between the participants who have taken a negotiation course and those who have not taken a negotiation course and their decision to counter offer or not

The results of a chi-square test show statistical significance $X^2(1) = 3.293$; $p < 0.10$ and therefore hypothesis 3 was supported.

Conclusions

Our research indicates that women are less likely than men to counter-offer in salary negotiations. Negotiators who counter-offer are generally likely to achieve higher outcome in negotiations than those who do not. The absence of counter-offers may therefore be a contributing factor to the persistent “unexplained” difference in salaries between men and women. Rather than expressing a counter-offer, women in the experiment preferred to accept an initial offer from the employer on the condition that their compensation would be re-visited in three months time. This supports the findings of Babcock & Laschever (2003), that women talk about having to prove themselves on the job in order to achieve higher salaries and Barron’s (2003) findings that women are more likely than men to assume that their monetary value is determined by their employer.

There was a difference in the average amounts of counter-offers between genders but the difference was not statistically significant. It will be interesting, though, to repeat the experiment with a larger sample.

Very few of the participants had taken course(s) in negotiations, but those who had were much more likely to express counter-offers than those who had not had any training in negotiations. Even if the sample was too small to give rise to generalizations, this is an indication that negotiation training may contribute to bridging the gender gap in salaries, along with other action aimed at challenging stereotypical views on gender roles and compensation.

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