

# Contract negotiation and evaluating modern contracts

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## Abstract

Contract negotiation is a critical part of the relationship between the associate veterinarian and practice owner. Considerations for employment go far beyond simply discussing salary. Benefits, employee compatibility with the practice, and agreeing upon a contract that is mutually beneficial are essential to a positive working relationship. Utilizing negotiation tactics and understanding generational differences make the process of contract negotiation a fruitful experience for both parties.

**Key words:** contracts, salary, benefits, negotiation

## Résumé

La négociation de contrat est un élément essentiel de la relation entre le vétérinaire associé et le propriétaire de la pratique. Les considérations d'emploi vont bien au-delà d'une simple discussion sur le salaire. Les bénéfices, la compatibilité de l'employé avec la pratique et s'entendre sur un contrat mutuellement bénéfique sont essentiels pour établir une relation de travail positive. L'utilisation de tactiques de négociation et bien saisir les différences générationnelles font du processus de la négociation de contrat une expérience enrichissante pour les deux parties.

## Introduction

The path to success in bovine or mixed practice begins far before graduation. First of all, students must prepare themselves with externship training and education at their universities to gain the most up-to-date knowledge and clinical skills. After the preparation for practice is complete, a student must then be able to evaluate and negotiate a favorable contract for employment. Finally, the recent or new graduate must ensure success in practice by having the proper mentorship channels. These 3 important topics are touched on in veterinary school, but this lecture will give an in-depth look at what methods work best in bovine or mixed practice for contracts and negotiation of the items contained within the contract.

## Job Opportunities in Today's Market

The job search, or changing jobs, is a stressful endeavor. Finding a practice that is a good fit is critical to future happiness and prosperity. While salary is obviously important, there are many other factors that go into the contract and

how it benefits the associate. Well-managed practices that value quality medicine and well-being of employees are desirable practices that other job applicants may also be seeking. That being said, the job market is currently very strong for all types of employment, including large animal or mixed animal practice. According to AVMA statistics, there are fewer graduates aspiring to enter the large animal or mixed animal field, and the number of new veterinarians in these fields has continued to trend downward over the last 20 years. More than ever, associates are in a position to negotiate if their skills are up to the standards of the practice. A recent AABP survey found that 44% of respondents had 3 or more job offers before graduation.

## The Interview and Contract

It is important that job applicants prepare themselves prior to the interview. Some information that the applicant might prepare would be:

- What is a potential budget for my first year in practice?
- What types of practice ownership goals do I have?
- Am I prepared to give a salary figure if my potential employer asks me what salary I desire or need?
- What ways do I plan on growing the practice to help justify my salary?
- Am I willing to seek out other opportunities within the practice to earn more income (emergency pay, working extra shifts) if such opportunities are available?

The job applicant need not be an expert in the details of a veterinary contract but should try to have a basic understanding of what benefits are being offered and what they mean. Salary is the most important part of the contract for most applicants. In 2016, the AVMA reported starting salaries for mixed animal and food animal positions were \$69,000 and \$77,000, respectively. This number will likely vary based on cost of living, but it is unreasonable for an employer to suggest pay should be lower because the practice has below-average profitability. Debt service for new and recent graduate veterinarians looms large in the job application and interview process. Average debt for new graduates in 2016 was over \$140,000. The recent AABP survey found that 30% of respondents had over \$200,000 in debt, while 31% had between \$100,000 and \$200,000.

Production-based pay vs salary is another area of potential confusion for job applicants. The applicant should understand the pros and cons to each system of compensation. If production-based pay is being offered, there should

be a system in place that promotes a collegial atmosphere between doctors where there is no resentment over disparity in pay. Also, there should be published formulas in the practice for what percentage the associate receives for each item, such as service, drugs, surgery, and emergency duty.

Most employers will offer a 401k or some other type of plan for retirement income. It is important that the applicant understand the details of the plan. Does the practice offer a matching contribution or just a straight contribution? At what percentage of the salary is the contribution offered? What is the vesting schedule of the plan? While job applicants are typically not thinking about retirement, it is critical to begin the saving process early in their veterinary careers.

Health insurance can be a major financial drain on the associate veterinarian's budget. The applicant needs to understand what the health insurance options are. How much of the premium does the employer cover, and what is the coverage for family members? The applicant should be able to have a choice of plans within the group and understand what those plans mean financially. If a Health Savings Account plan is selected, does the employer make a contribution for the employee? Other questions regarding premiums, co-pays, and coverage percentages should be investigated.

Other benefits for the applicant to consider are vacation or paid time off, potential bonuses, uniform allowance, continuing education allowance, sick time, dues, professional fees, professional liability premiums, and disability insurance premiums. There is no gold standard formula for what is typically offered in regards to these benefits. The applicant needs to have time to review and ask questions about these details. At the end of the discussion on salary and benefits, the applicant should be given a compensation sheet that provides an easy to understand summary of the offer of employment.

Lastly, the applicant should expect that the contract will contain a restrictive covenant, also called a non-compete clause. The restrictive covenant varies greatly depending on the travel area of the practice. Typically these agreements are larger in geographic area for large or mixed animal practices than for small animal practices.

The basics of understanding the contract are critical to the employment process moving forward. The details of the contract should be clearly presented on a compensation summary sheet. The process becomes a bit more challenging when the negotiation begins. The art of contract negotiation is something that the applicants need to familiarize themselves with. Negotiation need not occur at the time that the applicant is presented the benefit sheet, but employers should anticipate some contract negotiation to occur and applicants should expect and prepare to negotiate.

The applicant should have knowledge of personality types. First of all, they should have an understanding of their own personality type. Are you a bold personality who bullies your way forward to a resolution? Are you soft-spoken and try to avoid conflict? Do you need to know all of the information and meticulously analyze every detail before you begin

the negotiation? The applicant should also try to have some understanding of the employer and what personality types they employ at their practice. As an example, if the applicant uses very soft negotiation tactics and they are dealing with a very bold and direct potential employer, they may become vulnerable to losing their position. The DISC method of personality profiling is a simple and effective method to assess personality types on the fly.

Negotiation in veterinary contracts is often a very sensitive situation because both sides are very concerned about losing trust, appearing to be entitled, or damaging future relationships and current opportunities. The tactics presented here give some tools to help an applicant to understand how the process can be professional and respectful.

A common example in contract negotiation is the salary offer. What if the salary figure is less than what the applicant expects or needs. Consider these 4 items when you begin your negotiation to gain more salary:

- 1. Separate the people from the problem.** We are programmed to have emotion, but don't wear your emotions on your sleeve. The other party will focus more on your emotion than the problem if emotions are too obvious. Neither the employer nor applicant should act disappointed or angry if they feel the salary figure is out of line.
- 2. Focus on interests, not positions.** The employer does not have an innate aversion to paying a new associate more money, however, they are focused on cash flow, revenue generation, fairness to others, time spent training, etc. Those details have a major effect on the offer. The applicant needs to find a way to dig to the root of the issue. Perhaps the employer needs reassurance of skills, work ethic, and future value to the practice.
- 3. Generate a variety of possibilities** before deciding what to do. Maybe the answer isn't just an increase in base salary. Perhaps there is an opportunity to earn extra income based on production, hours worked, emergency pay, bonuses, etc. Be creative and invent options for mutual gain. Both sides should have input.
- 4. Base results on objective criteria.** Perhaps the salary is far below AVMA standards. New and recent graduate veterinarians have some standard of value in the industry. Other data was presented here on what benefits recent graduates are being offered. The personal (applicant) and business (employer) budgets are also sources objective criteria that both sides must consider.

The mixed or large animal associate veterinarian can be in a position to negotiate for a more favorable agreement. They must possess excellent clinical interpersonal skills, have knowledge of the details of veterinary contracts, and utilize the tools to be able to negotiate for a more favorable agreement.