What are the factors that determine your earnings? Is it your skills, experience, competence, diligence, luck, profession, your network and contacts or your greed?

Some people always seem to get more material rewards out of life than others. Many companies have fixed salaries, take it or leave it. Some have job grades with small margins for negotiations, while for some jobs you can negotiate with large margins.

Have you ever thought who or what determines how much you earn?

Is it your employer, the customers, the industry average, the government or some mysterious ‘market force’ or is it your skills, experience or your connections?

Factors Determining Your Income

No matter how highly you price yourself, three factors determine the material compensation (meaning money or equivalent) you get for your work.

**How others value what you do** – People who are paying you for your services put a certain measurable value on your contribution. Your skills, experience and the value you add to the buyer of your services or your employer, determine the material compensation you get. This value may be very subjective as some people are more skilful in convincing others that their contribution should be valued higher than that of others.

**How well you do what you do** – This is trickier. It doesn’t mean that if you do your job better than a colleague doing similar tasks at the same workplace, you will automatically earn more. The money value of what you do depends on the context and how you can leverage your contribution. The chef at a cheap diner, no matter how well she cooks, will certainly earn less than a chef at a five-star Michelin restaurant. A welder with short training might earn much more than an experienced nurse with two university masters degrees. But the employer paying the welder more views his (or her) contribution as being more valuable and thus pays more. Human relationship skills play a great role here. Customers typically favor entrepreneurs whom they like, if they feel that they have a personal connection and if the price is not too far away from the competition.

**How difficult it is to replace you** – If there are five equally qualified and motivated people waiting for you to quit so that they can do your job equally well, you have very low leverage in bargaining a good salary. If, on the other hand, if it would take your employer months and months to get someone even half as qualified and experienced to do your job as well as you do it, your employer has to pay you a very high compensation.
How You Can Earn Higher Incomes

This is a question, which hundreds of millions of people ask themselves all the time. Some people would tell you to get higher education and improve your skills. But, with so many experienced and highly skilled people without jobs, this is no guarantee.

Find yourself in the right industry – Now what is the ‘right’ industry? This can be a good solution for some people, but in a recession even vital industries like energy production and healthcare downsize and throw people out. Then what is the ‘right’ or booming industry today may not be ‘right’ in ten years.

Doing something what no one else wants to do – This is very difficult to generalize. People working on oil rigs off the coast of Norway earn fabulous incomes but cleaners on subways in Western countries work on a pittance.

Move to a rich area – Many places make it very difficult for people from poorer countries to move in. Besides, there are many unemployed people in rich countries.

Keep closer to the core functions of any business or organization - Sacking you means shutting down the functions of the organization. This usually works for most of the time, but organizations can outsource even parts of the core functions so no one can be 100% safe.

‘Leveraging’ yourself with smooth talk and ‘creating’ results when you achieve very little – you might find many people doing this to survive and flourish in larger organizations. This is not a very rewarding strategy in the long run as someone is bound to outwit you in the dirty game. And, you will not be very happy either.

http://income-wages-earning-power.knoji.com/what-factors-affect-your-income/
What Factors Affect Your Income?

- The level of education, training, and experience that is required to do a particular job
- The level of demand that exists for the type of labor you are skilled/trained/educated to provide
- The number of others who have similar or better skills who can compete for the job
- How good you are at what you do
- How long you have been working – experience/seniority
- Work habits, reliability
- The state of the economy
- Government legislation, particularly wage legislation such as minimum wage
- The effectiveness and impact of unions on the negotiated wage
- The region in which you work and the labor market conditions in that region
- Profitability and success of the organization for which you work
- Chance – being at the right place at the right time or the wrong place at the wrong time.