

How to Handle a Request for a Pay Increase



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I have met many managers and employers who agree that one skill they will inevitably need (and at times, dread) is being able to respond effectively when a staff member eventually makes the overtures for a pay rise. Now that we're heading into the end-of-the-year Christmas bonus territory, you may be facing a spate of such requests! Often, having an employee policy that addresses pay review frequency will manage this for most organisations. However, there may be times when employees ask for a pay rise outside of the usual annual pay cycle for various reasons. Even if the company policy states that remuneration is reviewed at a certain time each year, there are always those who feel that it is too far away. Each scenario is unique, and the individual merits of the situation should be considered. Before the request comes out of the blue, here are some pointers on how to achieve a positive outcome for all involved.

Why Do People Request a Pay Rise?

To create an optimum result for yourself, the employee and the business, it is best to understand the reasons why your employee has initiated negotiations for a pay rise in the first place. There can be a single justification or a combination of many. Some of the common ones we see include:

- The employee feels the raise is warranted due to quality performance, going beyond what is required and what is measured by KPI's.
- The market is offering more, and this is further intensified by conversations with external peers. This is especially prominent in competitive markets like IT, where salary isn't as much of a taboo topic (though many people still find it difficult to raise with their employer).
- Finding out the salaries of colleagues who do similar work – this could include gender pay gap issues.
- The work they are now undertaking has changed from when they were hired and may

encompass extra responsibilities or the need for an increased set of skills.

- Could be based on a change in the company's fortunes and a better 'bottom line'.
- They have been offered another job but would rather stay. Although this is not the most ideal circumstance and may need a **counter offer**, it still happens.
- For any number of reasons, they are experiencing financial hardship.

There is a common thread of fear amongst employers, where they feel they can't say no in case they lose their team member. But what are the wider implications for other members of the team if you say yes? What needs to be deliberated? Are your employee's intentions clear and are they staying for the right reasons? What if the pay rise is refused? How can you ensure that morale doesn't wane and there is no disgruntlement? There are steps you can take to navigate what can be an emotional minefield and help reinstate the equilibrium.

Steps to Take:

Take Time to Respond

Try to refrain from the urge to respond straight away. This is the time to actively listen and understand the reasons behind the request that may justify the pay rise. For most, asking for a raise can be quite stressful, so empathising with your staff member can go a long way in strengthening relationships, which can help if the pay rise is denied later. You may need to consult with other departments before a decision can be made, so don't feel pressured to give a definitive answer immediately. What's more, be aware of your body language, tone of voice and facial expressions so they don't betray your initial emotions. Thank your employee for bringing this to your attention and offer them an acceptable time-frame or date which you will get back to them.



Request More Information

To make an objective and well-informed decision, you need as much information from your employee as possible. On what grounds do they feel they deserve a pay rise? What are the key drivers for their request? Discuss their performance reviews and the current remuneration policies of your business. By getting as much information as you can from them, you are further showing that you are taking their request seriously and not dismissing their concerns. Continue to remain neutral and assure them that you will carefully consider and manage their request.



Acknowledge the Request

Let your employee know that you appreciate their courage in bringing their pay issue to your attention. Remember the levels of anxiety the last time you had to put yourself in such a sensitive situation. Most of us find the money conversation difficult, so conveying gratitude for the opportunity to have these discussions goes a long way to develop trust and confidence regardless of your ultimate decision.

Evaluate the Request

Once that initial discourse is over, it is time to examine and deliberate all the information and facts. Evaluate the value the person offers not just to the role but to the team and organisation. Consider how their pay compares with their internal peers and the external market, and what they might be paid if they were working for another company doing the same work. What are the current market rates for the industry you are in? Will the employee still be driven to be successful and challenged if they are assured of a pay rise now?

Assess any Limitations

Sometimes it simply isn't prudent or financially viable to increase pay for certain positions. There may be budgetary constraints, or the job may have reached its pay peak, and the employee may need to move to a different role to receive the benefits they are after. For those who excel in specific projects as opposed to consistent high performance, offering a one-time bonus, or other reward offers the recognition they deserve. You may also need to



consider other pros and cons of your decision to award a pay rise. Will others in the team start doing the same? Is your stance reflective of market expectations? Is the business able to sustain the pay rise?

Involve the Relevant People

In many organisations, HR teams are involved in evaluating increased pay requests and can offer the best advice regarding such cases as well as the fairness of your employee's remuneration. Involving your boss or other key decision makers can also help to make the process more equitable. If you believe you have a great performer who deserves a pay rise, then be prepared to put together a business case for granting it. Communicate this to the relevant departments and people to bring the raise to fruition. They don't know your employee like you do and sometimes it is worth going to bat for something that is outside current policies if you have solid rationale. From here, there are two possible outcomes.



Time for the Good News

You might be tempted to tell them the good news and rapidly move onto the next thing on your plate, but best practice involves a more conservative standpoint. Position the acceptance of the pay rise as a shared decision involving the HR department, management or other key decision makers. Emphasise that it was an in-depth analysis and not a conclusion that was made flippantly. You want your employee to feel as though they have earned their reward through continual achievement and added value, rather than relentless lobbying. This is also a great time to offer accolades for a job well done and to reinforce their compensation with positive acclaim.

Time for the Bad News

Delivering bad news can be worrying and challenging. The best approach is to be as candid and as honest as possible and start a discussion outlining how the decision was made through all the pertinent channels of the business, be it HR or senior management. If you can, share all the collated facts and research that were used to come to a decision, such as external industry data demonstrating comparable compensation. Your employee will appreciate the transparency and processes involved and will be assured that you have taken their request seriously. Avoid any negative commentary about their performance and continue to reference the business's pay and performance policies, as well as giving them an outline of what they need to do to reach the level they're aiming for.

How to Handle a Disagreement

You may find yourself in a situation where you are certain that your above average team member is justified in the raise they are after, but it simply isn't granted. You have battled for them and demonstrated all the facts to the key decision makers. Unfortunately, they don't agree with your argument. Remain neutral when speaking to your team member and deliver the message as a united front. As mentioned earlier, engage in open discussions explaining the steps the business took in coming to that decision. Showing your employee how much you appreciate their contributions to the team and business can bolster low morale. Shift the focus to the future. Devise a career plan with strategies to be implemented within reasonable timelines that can increase their chance of compensation down the track. Avoid making guarantees, but do adhere to these timelines and your employee's career growth.



Handy Hints

You shouldn't wait until your top performers ask for a pay rise if you can reward them earlier. This helps to show them that they are valued in the business and there will be no need for them to seek greener pastures. If you're dealing with a counter offer situation, **then that's a whole other story!**

Increased compensation is not the sole reward you can use. There is a vast array of tools that can be utilised as sweeteners to show gratitude and acknowledge achievements. You can add a treasure trove of ways to appreciate your employees and boost morale without pulling on the monthly purse strings, for example, supplier discounts, travel allowances, vouchers, or work from home days.

Final Thoughts

Mediating pay rise requests and attenuating the emotions that embrace it are some of the fundamental challenges facing a leader in an organisation. Take time to understand the reasons for your staff member's enquiry and treat them with respect. It can be intimidating and difficult for many to have the courage to initiate this type of negotiation, so ensure they are aware of the steps and parties involved in coming to a decision, the research undertaken, as well as the business's remuneration policies. When you punctuate the dialogue with praise and positive reinforcement, and provide transparency regarding your decision, the outcome can be positive regardless of whether the pay rise is approved or not.

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