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How to reject a pay rise request (and not lose an employee in the process)

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Sixty-seven per cent of employees are expecting a salary bump this year. If you can't give it to them, follow this expert's tips to reject a pay rise request without turning employees into a flight risk.

An employee comes to you with a pay rise request, but the timing just isn't right.

Maybe your organisation can't afford it right now. Maybe their [performance](#) isn't quite up to scratch. Or perhaps you [disagree with their proposal](#). Whatever the reason, you have to turn down their request. But how can you ensure they don't react badly?

"Turning down a pay rise request can lead to a couple of outcomes," says Karen Gately, founder of leadership and people management consultancy Corporate Dojo.

"Either the employee will leave the organisation, or the employee could begin doing the bare minimum and [lose the motivation](#) to go above and beyond."

Disengaged employees cost the Australian economy almost [\\$2 billion](#) each year. During uncertain economic times, organisations can't afford to have staff slacking off.

According to the [Hays salary guide](#) for 2021/22, [67 per cent of employees](#) are expecting a pay rise this year of three per cent or more, so if your organisation isn't in a position to do this, HR needs to be prepared to let them down gently.

Fortunately, Gately has some suggestions on how to have this conversation without accidentally sending them packing.

1. Hear them out

Don't immediately deny the request when it's first brought up, says Gately.

"If you shut it down and just say, 'It's not pay review time', or you're not open to the conversation on any level, they're going to feel ignored and think, 'I'm going to go somewhere I'm appreciated.'"

"If you think it is reasonable that the individual should be given a pay raise [but aren't in a position to offer one] then absolutely explore that so they know serious consideration has been given," she says.

This is to make sure the employee feels heard, even if pay rises aren't on the cards in the near future. This is your opportunity to discuss with their manager, or other executives, what you might be able to offer other than financial compensation in order to keep them happy. More on that in a moment.

You shouldn't be afraid to dig a little deeper, too. Are they asking for the raise because they feel their role has expanded and they want to be fairly compensated? Or are they in a difficult financial position? For example, has their rent increased?

This will inform the conversation going forward.

"Some people make a mistake of asking for a pay rise using personal reasons such as, 'I've got a lot of bills at the moment I really need to earn more money'. But that's not really their employer's problem."

However, this doesn't mean you should forget to be compassionate, she adds, or find other ways to help them out, such as giving them some time off to go house hunting.

"You need to assess what value they're adding to the organisation and what you're willing to offer them if not money."

Which leads us into our next point.

2. Reward or recognition

Sometimes when employees are asking for a pay rise it's not always about being unsatisfied with their current salary. They might be seeking more [recognition](#), for example, or perhaps they are craving more challenging work.

Getting to the underlying reason behind their request is important for two reasons. Firstly, if you are in a position to give them more money – and you do – that's likely only a temporary solution.

[Research](#) suggests the impacts of a pay raise only last for 43 days, so if it's more acknowledgement that they're really after, a bump in salary will only do so much.

Secondly, if you're not in a position to offer them more money, but you want to acknowledge their efforts, perhaps there are other ways you can sweeten the deal.

This is when you can consider alternatives such as a title change to better reflect their role, a one-off bonus or an extension of their existing [benefits](#) (i.e. additional leave or subsidised training/fitness programs).

However, in a circumstance where the reason for saying 'no' isn't a financial one but related to subpar performance levels, you need to be upfront about that.

"You might need to tell them that you feel you're paying them for the standard level of their performance, and point to the areas they can improve to potentially move to a role that pays more."

Gately also suggests mapping out a plan for them and says a conversation rejecting a pay rise could be the start of a longer discussion about new opportunities open to the employee in your organisation.

Here are some temporary alternatives you could offer an employee to help prepare them for a pay rise in the future:

- Training (internal or external) – AHRI has a host of [short courses available](#).
- Mentoring opportunities
- Opportunity job shadow someone in a higher position
- [Skip level meetings](#)

"If their circumstances mean a pay rise isn't reasonable, for example their pay is already in line with their colleagues, that's when you can say, 'I see you're already doing this, this and this. If you start learning this and this, we could probably consider a promotion in the next 12 months.'"

"If you're turning down a pay rise request for economic reasons, you want to be able to say 'We think we'll be in a better position in six months' time, so let's have a chat about this then.'" – Karen Gately, founder, Corporate Dojo.

3. Do your research before saying 'no'

You must be able to provide a valid reason to reject a pay rise request, says Gately.

"You should be looking at the current market salary for that role and investigate what employees at the same level are making," she says.

Many recruitment agencies put out yearly salary guides such as:

- [Robert Half](#)
- [Hayes](#)
- [Michael Page](#)

These guides can provide a general idea of salary expectations. If you want more specific information, Gately suggests finding a recruitment agency that specialises in your industry and engaging them for expert advice about the current going rate.

With this information at hand, not only can you offer the employee a data-backed reason for why you're not giving them the raise, but you can also point to what they need to achieve to move to a higher salary bracket.

This is also a great way to safeguard your talent as it's clear to them that they're getting paid in line with their peers of similar experience or expertise levels, and it eliminates the inkling they might have that the grass is greener on the other side.

It's important to remember how nerve wracking it can be to ask for a raise. Employees are likely to have an emotional reaction to the news that they're not getting a raise. Using data can act as a buffer and help you show them that the rejection is not necessarily a reflection on them.

4. Give them hope

Don't reject a pay rise request without letting the employee know you'll be open to having the conversation again down the line. If possible, give them a concrete timeframe so they have something to work towards.

"If you're turning down a pay rise request for economic reasons, you want to be able to say, 'We think we'll be in a better position in six months' time, so let's have a chat about this then,'" says Gately.

"You're relying on your employee to trust you and enjoy their job enough to stay without the rise, so don't ruin that by not revisiting it."

However, make sure you're only making promises you can keep. As *HRM* has reported before, if you [breadcrumb employees](#) (i.e. make promises only to continuously change the goal posts) they'll eventually catch on and the frustration could lead them to quit.

Finally, always end the meeting with a plan. Whether that's to implement training, or a promise to return to the conversation; you should both leave the conversation knowing exactly what the next steps are.

TAGS : how to, pay, pay rise



