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What 'I want a raise' really means

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It's not always about the money. Some employees might have outgrown their jobs, or would be happy with more recognition or perks

In a perfect world, employees would never need to ask for a raise. That's because all employers should have a clear, well-documented plan for salary increases.

Sadly, it doesn't always work out that way.

"We see a lot of small businesses fly by the seat of their pants in this area. And that isn't the most comfortable place to be for employees," says Cissy Pau, principal consultant at Vancouver's Clear HR Consulting. "There is real value in providing clarity."

There should be clear documentation on how one's salary is determined, agrees Daphne Woolf, a senior vice-president at human resources firm Aon Hewitt in Toronto. "The clearer the policy is, the more it will help you when an employee asks for a raise and you have to have a difficult conversation."

Experts agree that remaining neutral during that conversation and not becoming defensive is step one. Reacting appropriately to such a request is crucial to maintaining a positive workplace culture and engagement, says Ms. Woolf.

Step two is getting more insight. "If an employee wants more money, then as an employer, I want to know why," says Ms. Pau.

Ms. Woolf agrees: "Don't react by saying yes or no in the moment. Instead, say, 'Tell me more.' You need to get inside their head and find out what's really going on."

For example, an employee may be asking for money because they feel underappreciated. "Salary is a reward," says Ms. Woolf. "Recognition is, 'Thank you for doing such a good job.' They're different."

Other times, an employee may not understand the payment structure a company has in place. "In that case they simply need to be educated on when and how salary increases are given," says Ms. Woolf.

Employees usually look at two points of comparison when evaluating whether they are being paid fairly, says Ms. Pau - their salary compared with that of counterparts within the company, and compared with equivalent people in the industry.

"If an employee comes to you because they are below industry benchmark, you need to review the benchmark data," says Ms. Woolf. "And when you go back to them, you need to tell the right story. If the person is at the 90th percentile then you can say they're in the right place. But if they're at 50th, you need to say that, too."

Ms. Woolf suggests managers get in touch with their HR departments for information on benchmarking data. If a company has no HR department, managers can glean information through independent research, or could consider hiring a consultant to provide that data.

Paying on par with industry standards certainly keeps a company competitive salary-wise, but it's important to remember that some companies supplement salaries with other rewards.

"There may be other factors that really affect overall compensation - like benefits, stock plans, pension and extra vacation," says Ms. Woolf.

Ms. Pau adds, "If you're paying below market, that may be okay, but you need to be able to justify it. For example, a local arena might pay below market, but in exchange, employees can attend all the concerts for free."

It may be appropriate to offer an employee a bonus or additional vacation in response to a salary increase the company simply can't meet, Ms. Pau suggests.

"A salary increase will remain part of a person's compensation into the future," she says. "But bonuses, commissions and profit sharing are all dependent on meeting certain factors. Such incentives may be more enticing than bumping up a person's salary by, say, $1,000 a year."

If an employer has been paying below industry benchmark, or if an employee's salary simply hasn't caught up to his or her increasing responsibilities, the only option is to own up to it, says Ms. Woolf. "There's a fear that admitting is going to open up a Pandora's box across the organization, but the truth is that being honest earns you credibility and that improves engagement. To deny it hurts you more."

When an employee asks for more money, it could also be a signal that they've outgrown their current role and are looking for a more challenging job. "It's time to ask the employee, 'Have we really designed the right role for you?'" says Ms. Woolf. "This might be a case of the employee not liking what they do."

Considering an increase request earnestly, even when an employer can't, ultimately, comply because it's not warranted or the company can't afford it, goes a long way toward combatting disengagement.

"Saying no doesn't have to drop morale," says Ms. Woolf. "Being dismissive when you get the request might result in that. An employee wants to feel they've been taken seriously and you need to be clear about the rationale of why or why not you're giving a raise."

Ms. Pau suggests that if an employer turns down a request for a raise, the company should follow that up with feedback on what the employee needs to do to qualify for more money. "Saying no and walking away is not motivating," she says. "The employer should be direct about the areas that are holding the employee back."

Even when a manager comes back with positive news of an increase, they must explain why they're granting the increase, says Ms. Woolf. "Whether you're saying yes or no, you need to explain why so that it's not viewed as you giving in to an employee complaint. You need to demonstrate that your decision is justified."

Average hourly wages across Canada

Men $24.57

Women $21.11

Full-time workers: $24.31

Part-time workers: $16.28

Source: Statistics Canada, as of April, 2011