

A GUIDE TO PREPARING MANAGERS FOR DIFFICULT REMUNERATION CONVERSATIONS

Financial pressures are making salary review conversations harder. Here's how HR can prepare managers to navigate them well.



What HR needs to get right before salary review season



Performance clarity.

Performance conversations should happen before remuneration decisions to avoid mismatched perceptions of performance.



Ground-up alignment.

Both employees and managers should understand pay frameworks, budgets and performance expectations.



Organisation-wide transparency.

Transparency around pay processes and decisions protects trust and credibility, and prevents gossip and misinformation.



Building manager capability.

Managers should be equipped for emotional responses and retention risk conversations.

Coaching managers to navigate pay conversations

Managers should be coached to:

Be honest
about constraints.

Be calm and steady.

Focus on
future development
and progression.

Use data, not
hypotheticals.

Acknowledge contributions.

Conversation starters for remuneration meetings:

“

“I want to recognise the contribution you’ve made this year...”

“

“Here’s how and why the organisation has made this decision...”

“

“While we can’t increase base salary this cycle, here’s what we can do...”

“

“Let’s talk about your next growth opportunity...”

SCENARIO 1

High-performer is denied a pay increase

A manager has to tell a high-performing employee they won't receive a salary increase this year because of broader business constraints. The employee responds by saying they feel undervalued and begins referencing market salaries elsewhere.

In this scenario, managers should:

- + Recognise performance clearly
- + Explain financial constraints with honesty
- + Discuss other benefits the organisation could offer in place of a pay rise.

They should **avoid**:

- Invalidating the person's emotions
- Making vague excuses not backed by data
- Responding defensively to market salary comparisons.



Employees need to feel seen before they can hear the business rationale.

Never tell them how to feel.

Focus the conversation on what you're doing to help them on their career trajectory, what future opportunities there might be and what progression could look like moving forward.”



– **Amal Cimino CPHR**

HR Standards and
Capability Development
Manager, AHRI

SCENARIO 2

Inconsistent outcomes across teams

Two employees in different teams compare salary review outcomes and discover different approaches were taken by their managers, creating perceptions of unfairness.

In this scenario, managers should:

- + Verify that remuneration principles are consistent
- + Clearly explain the rationale behind decisions
- + Reference agreed frameworks and criteria

They should **avoid**:

- Relying on personal discretion alone
- Contradicting organisational messaging
- Assuming employees won't discuss pay among themselves.



Laws have changed around pay secrecy, and people are going to have these conversations. Organisations need to get ahead of that.”



– Amal Cimino CPHR
HR Standards and
Capability Development
Manager, AHRI

SCENARIO 3

Manager disagrees with a remuneration decision

A middle manager privately disagrees with the salary decision they've been asked to communicate and feels uncomfortable defending it to their team member.

In this scenario, HR should:

- + Give managers clear remuneration frameworks and guardrails
- + Create transparent criteria linked to performance and budgets
- + Allow managers to raise legitimate concerns before decisions are finalised
- + Equip managers with talking points and contextual information
- + Step in where there are genuine risks of inconsistency or bias.

They should **avoid**:

- Over-policing remuneration conversations
- Overriding manager insight without good reason
- Forcing managers to defend decisions they don't understand.



Managers know their people better than anyone else. HR's role is to create a fair, transparent framework around those decisions.”



– Amal Cimino CPHR

HR Standards and
Capability Development
Manager, AHRI

Gain the tools to effectively prepare, plan and conduct a difficult conversation

AHRI's Having Difficult Conversations course will help you achieve strong outcomes and maintain harmonious working relationships.

Learn more by visiting:

www.ahri.com.au/training

And select the 'Trusted Partnership' tab.

