

# THE TRUE COST OF ACCEPTING A COUNTER-OFFER



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There are a multitude of reasons you will have heard as to why you shouldn't accept a counter-offer from your current employer when you resign. Most of them are very valid, a couple are frankly dubious statistics that have been passed down from recruiter to recruiter, and bandied about, since the beginning of time.

There is truth, however, that a salary increase will not address inherent problems, and that the key commercial reason an employer extends a counter-offer is because it's cheaper, easier and less disruptive than finding a replacement.

However, the most important, and often over-looked consideration, is the impact on future earnings.

Let's say you are on a £70K basic and have been disgruntled with your salary for some time. Your current firm have had multiple opportunities to bring it in line with market rate but have chosen not to. As such, you start to explore your options and receive an offer from another firm at £80K. Happily you accept and serve notice. Your current firm rolls out the red carpet, reassures you on a few points and make a matching counter-offer. Ok, you think, I can stay put, receive the same salary and don't have to go through the rigmarole of moving firms, so you accept. Great right! Wrong.

Remember firms have budgets in place, salary bandings for certain roles at certain levels, they can only pay a certain amount before it doesn't financially stack up. Your new salary puts you out of kilter with a) where they intended you to be, before you twisted their arm and b) your peer group.

So, how does the firm reconcile this unplanned outlay, and bring you back in line with their budgets and your peers? With future pay reviews and bonuses.

At the next years pay review, having provided such a big pay-rise the year before, the firm can easily justify a minimal uplift or none at all. That trend will likely continue for the next few years until you have broadly been brought back in line with your peers and their original intentions.

And in terms of bonus, you may well have been receiving a £20K bonus when you were on a £70K basic, but now they are having to pay you £80K, there is every chance it will now come in closer to £10K or £15K, so they can pay you roughly the same total comp as before.

Conversely, you could have started afresh with the new employer, on a salary well within their bandings for the role, and receive commensurate pay reviews and bonuses all along.

Take a look the graph, whilst the figures are obviously only illustrative, this is often what we see happening when someone stays put after a counter-offer, rather than making the move.

So, if you are ever in the situation of receiving a counter-offer when you resign, think about the impact on the long term trajectory, not just the here and now.

