

1. Introduction
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## 1. Introduction

Pursuant to Article 3.12 of the Collective Labour Agreement (CAO), an allowance can be granted if the employer feels that an employee's work performance is very good or excellent. Section 2 below includes an outline of remuneration practices at VU University Amsterdam; the rules governing their use are described in section 3.

## 2. Performance-based pay differentiation

The aim of introducing pay differentiation on the basis of job performance is to incorporate personal performance in a formal remuneration structure. This does not mean that employers are required to make exhaustive use of all available pay differentiation options. Nor indeed are all elements applied as a matter of course in the case of employees.

The following remuneration options are highlighted:

- *awarding increments*  
The Collective Labour Agreement (CAO) states that employees' salaries shall be raised to the next step of the salary scale, provided the employer feels that their work performance has been satisfactory (see Article 3.3 of the CAO). Employees' salaries can be increased to the step above the next step of the salary scale provided the employer feels that their work performance has been very good or excellent (see Article 3.3 of the CAO).
- *bonuses*  
Employers have always been able to reward exceptional performance by awarding bonuses. In the context of pay differentiation, a more systematic approach is recommended.
- *allowances*  
Employees whose work performance is very good/excellent and who are already at the maximum level of their salary scale can be granted an allowance. In theory, this allowance is awarded for a period of one year. The allowance can be up to 3% of the employee's salary.

Promotion procedures remain unchanged.

Expansion of the remuneration options is a development which, in principle, should be viewed constructively. This area has long been in need of reappraisal. What is needed is a sound and workable set of rules. The scheme outlined below sets out the relationship between pay and performance for the special forms of remuneration.

## 3. VU University Amsterdam scheme for decisions concerning performance-based special remuneration

A decision concerning performance-based special remuneration is defined as any decision to award (or withhold) the following salary increases or specific remunerations:

- 3.1 The award of annual salary increases (one step in the employee's present salary scale), until the ceiling of the scale is reached.

### *Method:*

In all applicable cases, the decision is normally taken to grant the increment, with the exception of specific cases (see subsection 3.2) in which no increase is to be awarded. The organizational unit's usual procedures for evaluating performance are considered to provide sufficient basis for a favourable decision. The increase is implemented by Human Resource Management, unless the organizational unit in question gives written notification of a decision with regard to subsections

3.4 or 3.2 no later than two months prior to the date on which the increase is due to take effect. Comments concerning job performance are not mandatory. However, if such comments are added then they should include the terms 'satisfactory' or 'good'.

- 3.2 No increase awarded on the basis of 3.1.

### *Method:*

Any decision not to award these increases (but to postpone them for one year) demands special consideration, as there is no precedent for such a measure. This decision must be supported by a formal evaluation. Performance is classified either as 'unacceptable' or 'unsatisfactory'.

3.3 Awarding a salary increase upon promotion (raised to the next step of the new salary scale).

*Method:*

A promotion presupposes a positive evaluation of the employee's performance, which should be reflected by the associated formal evaluation. This means that a decision concerning remuneration on pay under subsection 3.3 is sufficiently substantiated and that the inclusion of individual remarks is not required.

3.4 Granting an additional salary increase (one or more additional steps in the employee's present salary scale in the event of an increase under subsection 3.1 or a salary increase to a higher level in the new scale than the (from the old scale) next level up when making a decision on remuneration under subsection 3.3).

*Method:*

The allocation of one or more additional increments is supported by an evaluation, in accordance with the formal procedure. In combination with a decision with regard to subsection 3.1, an extra measure of emphasis should be accorded to this evaluation. When combined with a decision in relation to subsection 3.3, this step has already been put into effect. Performance is classified as 'very good' or 'excellent'.

3.5 Granting a temporary salary increase (performance allowance) for the duration of one year after reaching the limit of the employee's present salary scale, up to a maximum (gross) of:

3% of the maximum salary scale (scale 1 to 5)

6% of the maximum salary scale (scale 6 to 9)

9% of the maximum salary scale (scale 10 to 13)

12% of the maximum salary scale (scale 14 to 15)

15% of the maximum salary scale (scale 16 to 18)

*Method:*

The temporary performance allowance (up to one year, with the option of a one-off extension by the same period) is supported by an evaluation in accordance with the formal evaluation procedure. In the case of an extension, the same procedure will apply. Performance is classified as 'very good' or 'excellent'.

3.6 Awarding a bonus.

*Method:*

A minimal justification for a bonus is given in a report of an interview with the party concerned, in which details are given of the underlying reasons for awarding it. A bonus is neither based on the individual's performance level in general nor over an extended period. Instead, it is based on a particular exceptional achievement.

3.7 Awarding a material token of appreciation, other than money, to an individual employee or group of employees.

*Method:*

The award of this type of remuneration (in kind) to an individual or group, for equivalents of up to €50 per employee, are only justified in budgetary terms by recording the basis upon which the award has been made. Higher amounts should preferably be classified under subsection 3.6 (bonus).