

# Pay discussion guidelines for the financial sector 2020

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## 1. Introduction

The pay discussion system was adopted in the financial sector in 2007. The purpose of the pay discussion is that each employee is able to discuss with their supervisor the correlation of work duties, performance and pay on an annual basis. Over the years, the operating environment, work duties and operating conditions of financial sector companies have changed and developed significantly. Nowadays, not only is the type of work important but also how work is carried out.

The objective of the pay discussion system deployment was that individuals working in the financial sector feel that there is a clear connection between their own actions and the pay increases granted. One of the most important objectives related to the pay discussion model is that remuneration is felt to be fair. Fairness is increased, among other things, when the system is applied equally and in a transparent manner. The pay discussion model must promote the employee's personal competence development, improvements in the quality of work and actions that are in line with the company's objectives.

Additional regulations and digitalisation have changed and will change work in the financial sector to a significant extent. It is important to ensure that the changes and performance related to work duties are carefully documented in pay discussions so that work and work performance are assessed in pay discussions in a fair and equal manner.

The pay discussion model takes into account the diversity of companies. Under the collective agreements, exceptions to various pay discussion-related matters may be agreed in company groups and in other companies. In practice, this means that matters such as company-specific qualification classes or forms used in pay discussions may be agreed, for example, at Nordea, OP Group or Ålandsbanken.

After the deployment of the pay discussion model, the feasibility of the model has been monitored through two surveys carried out by Aalto University and through surveys carried out by the signatory organisations jointly and separately. Based on the surveys, the key factors ensuring the success of pay discussions are:

- Good leadership, which ensures that information on the company's operational objectives is provided.
- The supervisor participating in the pay discussion has the required authority regarding pay.
- Well-known, clear and approved evaluation criteria for competence and performance. Employees, supervisors and specialists feel that they are able to influence their pay, and any pay differences are justified and fair.
- The development of the pay system is linked to business objectives, personnel, own workplace and the quality of work.
- Sufficient time is reserved for pay discussions and the related conclusions. In addition, time is reserved for the continuous development of the pay discussion model.

When used in the correct manner, a well-functioning pay discussion model enables fair and motivating remuneration, creates better conditions for the success of companies and allows companies to develop through the competence development and professional development of employees, supervisors and specialists.

These guidelines were prepared for employees, supervisors and specialists working in the financial sector in cooperation with Service Sector Employers Palta, Trade Union Pro, Trade Union Unio and Federation of Professional and Managerial Staff YTN.

Unless separately stated in the guidelines, all content applies to both employees and supervisory and specialist grades. In the collective agreement and these guidelines, all of the above are referred to as employees.

We wish you successful pay discussions!

## **2. What is remuneration**

Remuneration may be deemed to be the measure of the value of work and appreciation. Remuneration is also an essential part of leadership. It supports the organisation's objectives and strategies. In terms of determination of remuneration, a good system is consistent, motivating and fair. In addition, the grounds for remuneration must be known by all. The various salary structure elements must be in the right proportions.

Under the Collective Agreement for the Financial Sector, "an employee's pay is determined individually, while taking into account the complexity of work, the employee's competence and work performance and the principle that everyone should receive the same pay for the same or equally demanding work". Therefore, the pay system elements can be defined at a more general level, as illustrated in the figure below, as elements that are based on the complexity of work, personal qualifications and performance and results.

Figure: Pay system elements.

Tulos- ja voittopalkkiot	<p><u>Viesti palkan osana:</u> Tehdään tulosta, laatua, hyvää palvelua ja kehitetään toimintaa</p> <p><u>Määräytymisperuste:</u> Organisaation, ryhmän tai yksikön tulos</p>
Pätevyys ja suoriutuminen	<p><u>Viesti palkan osana:</u> Kehitä itseäsi, syvennä tai laajenna osaamistasi</p> <p><u>Määräytymisperuste:</u> Työsuoritus ja pätevyys</p>
Työn vaativuus	<p><u>Viesti palkan osana:</u> Hanki ammattitaitoa ja käytä sitä, pyri vaativiin tehtäviin</p> <p><u>Määräytymisperuste:</u> Työn tai tehtävän vaativuus</p>

Source: Illuusiosta todelliseen. Työmarkkinajärjestöjen opas työn vaativuuden arviointijärjestelmän kehittämiseksi, Helsinki 1997.

## 2.1 Pay policy

Under the Collective Agreement for the Financial Sector, the company decides on its pay policies after pay policies have first been discussed in the company group or bank group and the individual company in question, whereafter the company introduces the pay policies to its staff to a sufficient extent. The pay policy principles are discussed in cooperation in the pay committee and between the representatives of employees and the employer.

A company's management uses pay policies to achieve the applicable objectives. Pay policies are derived from the business strategy and human resources management policy of a group of companies/bank group/company and it covers all aspects of remuneration. Pay policies also determine how the development of pay is ensured, how the implementation of the pay policy is monitored and how the functioning of overall remuneration is evaluated.

Regarding pay policies, the following are examples of matters to be considered:

- What is the current pay policy? For what does the company reward, what are the different elements of the company's pay system and how do these work at the company level? What types of objectives does the current pay policy aim to achieve?
- How are matters related to pay dealt with and how are pay-related responsibilities divided in the company?



- What requirements for pay does the collective agreement include and what are the policies that should be followed?
- What forms of remuneration does the company have in addition to the pay system specified in the collective agreement? Why are these used and to whom are they applied?

In addition, development and training possibilities, influencing possibilities and feedback on work are examples of other factors that are related to overall remuneration. After these are discussed, the employer decides on the pay policy.

## 2.2 Fair and motivating pay

According to the collective agreement, the aim is that employees feel their pay is fair and motivating. Fairness concerning pay systems has been researched a lot, with the key factors being the fairness of distribution (for example, how the pay discussion pot is distributed), fairness of methods (such as how the distribution of the pot is decided) and fairness of interaction (for example, whether the discussion parties respect each other). The principles for fair methods are consistency, impartiality, accurate information, rectifiability and ethicality. Furthermore, the principles of fair distribution include, for example, openness, validity and equality. The fairness of interaction entails, among other things, mutual respect between the parties, explicit and honest feedback provided in a polite manner and ensuring that the evaluation discussion concerns work performance and not the individual as a person.

### Examples of fairness

- equal interaction
- listening
- receiving businesslike feedback, good manners and appropriate treatment
- evaluation of complexity, in which the employees' work duties are identified
- updating job descriptions when duties change
- changes in the complexity of work duties is reflected in remuneration
- remuneration takes into account experience, qualifications, work performance and the development of own work and work methods
- consistent and well-justified decisions by managers in pay-related matters
- consistent and open rules at the company level
- the right to have a matter reconsidered if you feel you have been unfairly treated in relation to a pay solution
- genuine discussion where both parties are familiar with and committed to good pay discussions
- ensuring the transparency of the system (incl. access to information)
- qualification criteria are openly available within the organisation
- sufficient training for supervisors and employees
- development actions that help receive a pay rise in the next round
- using the evaluation scale in its entirety

**In terms of motivation, the following factors are essential**

- tasks and objectives are clear
- the employer supports the strengthening of competence
- people know clearly how their pay can increase through development
- people have the right to discuss pay with their supervisor
- good performance is reflected in pay
- differences in pay are justified objectively and pay differences are based on the company's pay policy
- remuneration is a management tool used by supervisors and it is a consistent part of the company's management system.

## **2.3 How can employees obtain information on pay?**

In order to ensure fairness and motivation, employees must have an understanding of the pay that others receive. A statistics report describing the salary trends in the sector is prepared for the financial sector on an annual basis. In addition to general earnings trends, the report provides salary information separately for women and men, for various job levels and work duties and separately for the Helsinki metropolitan area and the rest of Finland. The report provides a comprehensive overview of the earnings and earnings trends in the financial sector. The statistics report published on an annual basis in the spring can be viewed, for example, on the websites of the signatory parties to the collective agreement. After this, the company's pay committee reviews, by 15 May, the information on average earnings, earnings trends and the qualification classification distribution for both the sector and company group/bank group/company. When personal pay discussions are conducted, the employee must have access to the above-mentioned information.

The minimum pay in the sector is determined separately for each qualification class. In addition, the company's equality plans also include a pay survey section, which provides information on the pay levels in the company.

## **3. Pay system for the financial sector**

According to the Collective Agreement for the Financial Sector, an employee's pay is affected by the work duties and changes in them, experience related to the work duties, duties that are more complex than the main duties, qualifications, responsibility and work performance. In terms of the pay system, the most important parts are the pay element determined based on the complexity of work and the personal pay element determined based on qualifications and performance.

### **3.1 Pay element determined based on the complexity of work**

The pay element determined based on the complexity of work is related to the general idea that the more demanding the work of an employee, the higher the pay. The pay element based on the complexity of work usually forms the majority of pay.

The complexity of work is categorised into five different qualification classes based on the skills, decision-making and interaction required for the work. The minimum pay for the sector is determined separately for each qualification class.

The complexity of work is assessed based on the job description and main duties. Main duties consist of the work or tasks that take more than half of the daily, weekly or monthly working time. The job description describes the duties based on the factors presented in the qualification classification.

The employer must determine how the work is positioned in the qualification classification and notify the employee of the main duties and qualification class in writing. As a result of consistent evaluation of the complexity of work, the same duties or equivalent tasks are, in practice, placed in the same qualification class.

During employment, work duties often change, and the effect of such changes must be assessed systematically and the required changes made in terms of the qualification class. When the main duties change, the qualification class is redetermined and a pay increase applied starting from the month following the change in duties. Other pay increases resulting from more demanding duties will generally be determined through pay discussions.

**For example:**

- a. A customer relations manager is appointed development manager. The effects of the changes in work duties are evaluated immediately and a pay increase is applied as of the start of the following month.
- b. The responsibilities of a financial adviser change so that the number of customers increases, with the financial adviser being responsible for a larger number of customers. The effects that the changed responsibilities have on the qualification class are evaluated immediately and any increase in pay is applied as of the start of the month following the change.
- c. The customer portfolio of a financial adviser changes so that the customers the adviser is responsible for are partly different than previously. The effects that the changes in the work duties have on pay are evaluated immediately. If the changes do not result in increased complexity of work, the change is taken into account in a pay discussion.
- d. An employee passes an investment service examination, but there are no changes to the employee's work duties and the examination in question is not required for the work. The effects of the changes in competence are evaluated in a pay discussion.

**Example:**

The employee's work duties are in qualification class 4.2. The employee has worked for 20 years in the financial sector in Tampere. The employee's monthly salary is EUR 2,700. The employee has already earned all seniority bonuses and receives a personal bonus for competence. In qualification class 4.2, the employee's minimum salary under the applicable collective agreement is EUR 2,383. Therefore, the employee's personal pay element amounts to  
 $EUR\ 2,700 - EUR\ 2,383 = EUR\ 317$ .

If the employee's work duties change so that the qualification class 5.1 is applied to the duties, the employee receives a pay increase in the month following the change. The amount of change is the difference in the minimum pay (the minimum pay for 5.1 is EUR 2,589), that is,  $EUR\ 2,589 - EUR\ 2,383 =$

EUR 206, which is paid on top of the employee's total salary. In this case, the new salary is EUR 2,700 + EUR 206 = EUR 2,906. See the CA, section 22.

However, if the work duties remain the same, but the employee has completed, for example, an investment course and the employee, being a competent person, performs at work even better than before, the employee may influence the amount of the personal pay element through pay discussions.

When the complexity of the main duties changes, the pay increase is applied in the month following the change. Personal competence, performance and subtasks that are more complex than the main duties are assessed in pay discussions, through which the personal pay element may be increased.

### **3.2 Personal pay element**

An employee's personal pay element is determined based on competence and performance. It is assessed in the annual pay discussions, the detailed description of which is in chapter 4.

### **3.3 Pay committee**

A pay committee is established at the group level. A pay committee may also be established in other companies. Both employees and the employer are represented in the pay committee.

The pay committee's task is to monitor and promote the functioning of the pay discussion system and to participate in the planning and implementation of training required for the pay discussion system. The pay committee plays a key role in ensuring and promoting the functioning of the pay system and pay discussion model.

The pay committee also participates in discussions on the company's pay policy. Before decisions on the pay policy are made, the pay policy principles must be discussed in the pay committee. If there are plans to change the weightings of the competence areas that are assessed in pay discussions, the pay committee also discusses the pay policy for the upcoming pay discussion period and may propose changes to it.

The pay committee deals with any disputes that are within the scope of the protocol of pay discussions and which were not resolved through local negotiations. The pay committee thus plays an important role in the implementation of the company's pay discussion system.

In addition, the pay committee deals with cases in which an employee's pay increase has been less than half of the average percentual increase given through pay discussions for three consecutive times. The aim is to detect any defects in the use of the pay discussion model. Employees have the option to refuse in writing the processing of their case in the pay committee.

## 4. Pay discussions

### 4.1 General information on pay discussions

All employees working in the financial sector have the right to pay discussions and all supervisors are obligated to participate in them.

#### 4.1.1 Discussion schedule and evaluation period

The pay increase pot distributed through pay discussions and the time when the pay increases are paid are agreed in the collective agreement negotiations. The schedule for pay discussions is agreed in more detail at the company group, bank group or company level. The changes in work duties and work performance during the past pay discussion period are reviewed in pay discussions. Pay discussion period means the time between two pay discussions.

#### 4.1.2 Discussion participants

According to the protocol of pay discussions, the employer determines the participants in the pay discussions. A supervisor conducting the pay discussion is assigned to each employee and the supervisor is assigned the employees with whom the supervisor conducts the pay discussions. Before conducting pay discussions, the employer also specifies the units or functions covered by the same pay discussion pot and informs the relevant employees of this.

No pay discussions take place with employees whose employment has lasted for less than six (6) months prior to a pay discussion increase implemented in the company.

Pay discussions are conducted by the employee's supervisor who a) has the authority to decide on a pay increase for the employee and b) is most familiar with the employee's work duties and c) is able to assess the employee's competence and performance in relation to the employee's work duties. The supervisor conducting pay discussions must receive training on how to conduct pay discussions and be familiar with the work duties and agreed objectives of team members in order for the supervisor to be able to evaluate the changes in work duties, competence and performance.

If an employee has several supervisors, the employer appoints one of them, while considering the above-mentioned criteria, to be responsible for conducting the pay discussion. The supervisors discuss together so that the supervisor conducting the pay discussions is able to evaluate the employee's work duties and overall performance. To ensure that the pay discussion is fair, the employee should be present when the supervisors discuss the employee's performance.

If the employee's supervisor changes or the employee transfers to the team of another supervisor, the employer is obligated to notify both the employee and the supervisor of the new pay discussion participants. The new supervisor must review the employee's performance, changes in work duties and the accumulation of work experience concerning the entire pay discussion period. For this reason, if the supervisor changes in the middle of a pay discussion period, special attention must be paid to documenting the information required for the pay discussion.

#### 4.1.3 Role of the shop steward and senior staff representative

Shop stewards and senior staff representatives play a key role in matters related to preparations for pay discussions and in problematic situations related to pay discussions. They can help with matters related to statistics, the qualification classification and pay discussion forms. If a pay discussion has to be suspended at the initiative of the employee or supervisor, the employee may turn to the shop steward/senior staff

representative who can provide support during the process. The shop steward/senior staff representative also deals with any disputes arising in connection with pay discussions in accordance with a separately agreed negotiation procedure.

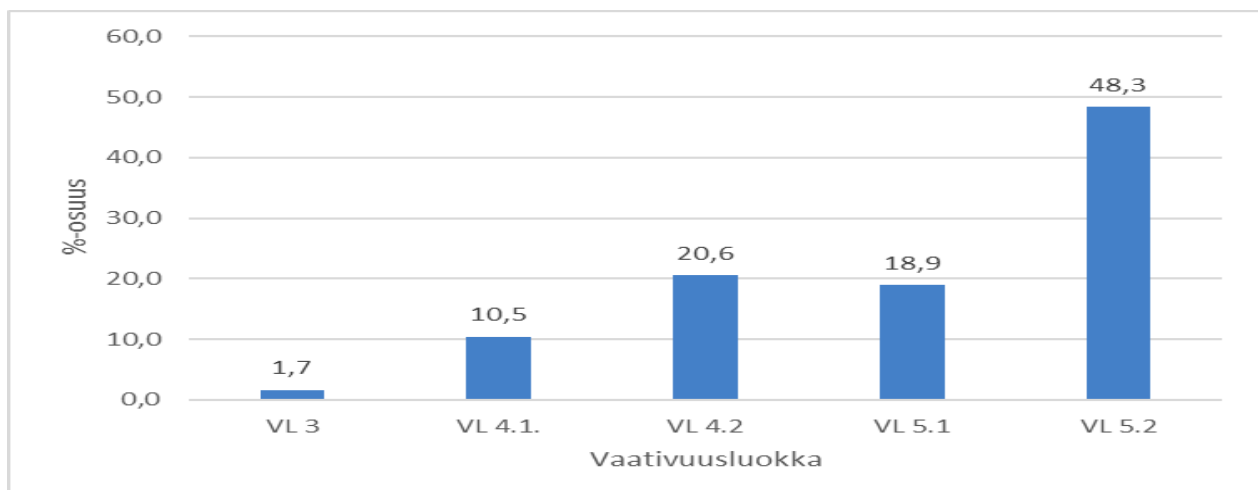
Under the collective agreement, the shop steward/senior staff representative also supervises that the entire pay discussion pot is distributed. The chief shop steward and negotiating senior staff representative obtain, for example, information on the salary totals for identical persons for the pay increase month and the preceding month as well as information on the number of pay increases. The purpose of this information is to ensure that the pay discussions have been conducted in an appropriate manner and that the total amount of money reserved for them is distributed in the work community. The employees' representative must be provided with information on how pay increases were distributed between women and men.

## 4.2 Preparing for pay discussions

### 4.2.1 Review the pay policy and statistics, participate in training

Good preparation is the key prerequisite for a successful pay discussion. This may take place during working hours, as a pay discussion is also a part of work duties. Some preparations, such as reviewing the updated pay policy and participating in training related to pay discussions, are joint activities at the workplace. In addition, it has been agreed that information on the average pay, earnings trends and qualification class distribution in the sector and the group/bank group/company in question must be made available to the employees before the pay discussions.

*For example, in September 2019, the average earnings of bank employees were EUR 2,982/month, while supervisors and specialists earned EUR 5,356/month on average. At the employee level, earnings increased by 2.3 per cent year on year. At the supervisor and specialist level, the earnings for the group increased by 2.8 per cent. In September 2019, the qualification class distribution in the financial sector was as follows:*



Corresponding information must also be made available concerning the average earnings and earnings trends in the bank group, group of companies or company in question. The purpose is that statistics enable people working in the financial sector to see the larger framework for their own salary, earnings development and work duties.

Average earnings mean the average earnings for regular working time, with benefits in kind and commissions included in addition to the fixed monthly salary. Performance bonuses and compensation for overtime work are not included in the average earnings for regular working time.

The statistics report for the financial sector also includes more detailed title-specific earnings data. For example, in September 2019, Customer service: the variance in the earnings of people working in service and sales duties was as follows:

TITLE	NO.	AVERAGE EARNINGS EUR	1st DECILE EUR	LOWER QUARTILE EUR	MEDIAN EUR	UPPER QUARTILE EUR	9th DECILE EUR
Customer service: service and sales							
Specialist/supervisor duties	1,512	5,342	3,646	4,115	4,969	6,083	7,487
Employees	5,463	2,843	2,307	2,450	2,778	3,075	3,465

The table above is read as follows:

**Title:** Title according to statistics provided by the Confederation of Finnish Industries. The term employee primarily refers to employees in qualification classes 3–5.1, whereas the terms supervisor and specialist refer to individuals in qualification class 5.2 and supervisors in qualification class 5.1.

**No.:** Number of persons having the title in question

**Average earnings:** Average earnings for regular working time EUR/month. This earnings concept includes, for example, evening bonuses and benefits in kind, but no compensation for overtime work or performance bonuses

**1st decile:** 10% of those in this group earn less than EUR 3,646 (supervisors and specialists) or EUR 2,307 (employees)

**Lower quartile:** 25% of those in this group earn less than EUR 4,115 (supervisors and specialists) or EUR 2,450 (employees)

**Median:** 50% of those in this group earn less than EUR 4,969 (supervisors and specialists) or EUR 2,778 (employees)

**Upper quartile:** 75% of those in this group earn less than EUR 6,083 (supervisors and specialists) or EUR 3,075 (employees)

**9th decile:** 90% of those in this group earn less than EUR 7,487 (supervisors and specialists) or EUR 3,465 (employees)

#### 4.2.2 Make sure forms are up to date

The main idea of pay discussions is to evaluate the employee's competence and performance in relation to the work duties. For this reason, the supervisor and employee must, already before the pay discussions, have a common understanding of the tasks included in the employee's responsibilities. Ensuring that job description forms are always maintained up to date at the workplace contributes to the success of pay discussions.

The most important work duties included in the job and matters related to the individual's competence, interaction skills and the decision-making required for the work must be completed on the job description form. According to the collective agreement, special model job descriptions may be prepared and local exceptions to Appendices 8 a–d to the collective agreement agreed at the group, bank group or company level. However, the personal job descriptions must genuinely describe the actual work duties and they must not be too general.



### 4.2.3 Preparations by the supervisor

Being familiar with the team member's work is at the core of the preparations made by the supervisor. In addition, the supervisor's tasks include some practicalities.

- Participate in training
- Review earnings statistics
- Find out the amount of the salary pot that I am responsible for distributing
- Reserve the required premises and sufficient time for pay discussion
- Ensure that employees have enough time to prepare for pay discussions
- Review the employee's work duties
- Review the complexity of the employee's duties by using the qualification classification applied in the company
- Review the employee's competence, performance and achievements and evaluate them in relation to the work duties
- Review any other responsibility areas and the related performance if the employee has several supervisors
- Assess any changes in the individuals' work duties during the pay discussion period and consider any upcoming changes that may take place

In addition, supervisors must be well aware of the company's pay policy and consider how to implement for the supervisor's own team members remuneration that is felt to be fair and motivating. The supervisor must justify the decision to grant or not grant a pay increase to an employee.

Even though supervisors have the right to decide how to distribute the pay discussion pot, the idea for pay discussions nevertheless is that the distribution takes place after genuine discussions. Therefore, employees must have the opportunity to influence the outcome of the discussion.

### 4.2.4 Preparations by the employee

Careful preparation by employees is extremely important in terms of the success of pay discussions.

- Participate in training
- Review the pay policy and available statistics for your workplace
- Review the requirements of your job and the related objectives
- Consider the changes in your work and any upcoming changes that may take place
- Consider your competence, performance and achievements in relation to your work duties and what are the related justifications and examples. However, do not send them to your supervisor in advance
- Calculate the amount of an average pay discussion increase applicable to your salary
- Consider the grounds based on which your salary should be increased due to the complexity of work, competence and performance or subtasks that are more demanding than your main duties

## 4.3 Progress of pay discussions

### 4.3.1 Pay discussions are dialogues

A pay discussion is a dialogue between the supervisor and employee. This means that the views of both parties must be presented and justified in the course of the pay discussion. Pay discussions are not monologues by one party and they are not negotiations where the aim would be to find a compromise that satisfies both parties. They are discussions concerning the employee's pay and the factors influencing it,

with the supervisor and employee aiming to reach a consensus regarding the employee's pay increase. As the supervisor decides on a pay increase for the employee, the supervisor plays a key role in terms of achieving the objective of reaching a consensus in a pay discussion. For this reason, the supervisor must be able to clearly justify the assessment made by the supervisor and present the factors affecting pay increases.

If the outcome of the pay discussion is that the employee receives no pay increase, special attention must be paid to ensure that the employee is aware how the employee could contribute towards receiving a pay increase in the future.

#### **4.3.2 Complexity of work and the related changes**

The purpose of the pay discussion is to describe the employee's current work duties and achieved results in a conversation between the supervisor and the employee. The starting point for the discussion is a pre-filled job description form. The pay discussion starts with a review of the complexity of work. However, any changes that have taken place in terms of complexity must be taken into account whenever work duties change, and qualification classification changes are not postponed until pay discussions. Only the so-called subtasks that are more demanding than the employee's main duties are considered in connection with the pay discussion.

#### **4.3.3 Competence and performance**

Reviewing and assessing the employee's competence and performance is an essential part of pay discussions. Competence and performance appraisal is carried out by using the applicable form (appendix). The form is completed in the pay discussion, but the participants should familiarise themselves with it already before the discussion. When assessing competence and performance, attention should not be paid solely to sales volumes or other easily measurable factors, but all work duties should be discussed equally by using qualitative measures as well.

##### **4.3.3.1 Concrete justifications required**

Both the supervisor and employee must present and justify their views on the assessment in the course of the pay discussion. During the pay discussion, the supervisor must explain to the employee with concrete examples the areas where the employee performed well and where the employee could improve their skills and performance. Pay discussions are smoother if the employee is also familiar with the assessment in advance and provides justifications for their views. The parties must also discuss the types of competence and performance that affect the determination of pay. It is possible that importance is given to different types of competence and/or performance in different years in accordance with the company-specific pay policy. However, the focus areas may not be changed during the pay discussion period. For employees, it is crucial that they know how they can influence the determination of their pay. In the course of the pay discussion, the supervisor must justify the factors based on which the employee either receives or does not receive a pay rise. Considering the purpose of the pay discussion system, the following are not appropriate justifications for a decision to not give a pay rise: the employee's salary is already high, the minimum pay requirement under a commercial pay system is met, increases are targeted at those whose salaries are lagging behind or the sole reason is that euro or volume targets are not met.

##### **4.3.3.2 The outcome of the assessment is documented together**

The supervisor completes the evaluation form during the discussion, so that both parties have the opportunity to present their own views concerning the assessment. When the evaluation has been completed, the scores on the form are totalled and the final score entered on the evaluation form. After this, the form is used to document whether the supervisor and employee reached a consensus on the

assessment carried out by the supervisor. If the parties disagree on the assessment, this is documented on the form together with the reason for the disagreement and the opinions of both parties concerning the disputed matter.

#### 4.3.4 Outcome and summary of the discussion

As the outcome of the pay discussion, the supervisor decides whether the employee is given a pay rise. The employee is notified in writing whether a pay rise is given or not and the amount of the pay rise (if any). Pay cannot be reduced for any employees as a result of the pay discussions.

Information on the pay rise and its amount is not required to be provided to the employee immediately after the first pay discussion, but the information may be provided in a subsequent discussion after the supervisor has conducted pay discussions with all employees. There are numerous alternatives for distributing pay rises, and many employers have established policies concerning, for example, the euro amount of minimum increases. It is important that the pay discussion element is distributed based on competence and performance while avoiding even distribution.

A written summary (appendix) is prepared on the pay discussion. The summary includes the key changes in the employee's work duties and observations on the employee's competence and performance based on the supervisor's assessment. In addition, any actions required in terms of competence development and performance improvement with which the employee can contribute towards a pay increase in the future are documented in the summary.

The form is used to document whether the supervisor and employee reached a consensus on the amount of the pay rise. If the parties state that they disagree on the amount of the pay rise, both parties must document on the summary form the reason for disagreement and their own views regarding the matter.

#### **An example clarifying the distribution related to pay discussions:**

A bank has ten employees to whom the collective agreement for the financial sector is applied. Each employee's monthly salary is EUR 3,000. Therefore, the salary total in the bank in question is  $10 \times \text{EUR } 3,000 = \text{EUR } 30,000$ . The pay discussion element to be distributed in year x is 1.2% of the salary total, which means that in the bank in question it is  $0.0120 \times \text{EUR } 30,000 = \text{EUR } 360$ . Check the applicable percentage for the pay discussion from the valid collective agreement.

Below are some examples of how to distribute the pay discussion pot:

- Eight individuals receive EUR 45 and two EUR 0
- Two individuals receive EUR 50 and five EUR 22
- Two individuals receive EUR 90, two EUR 60, two EUR 30 and four EUR 0
- One individual receives EUR 360 and nine EUR 0
- Everyone receives EUR 36

There are innumerable alternatives, with the examples above selected just to give food for thought.

In companies having at least 10 employees at both supervisory and specialist grades and at salaried employee grades, the pay increase element distributed through pay discussions is calculated and distributed separately for each grade. A pay increase element is determined based on the salary totals for

employees in qualification classes 3–5.1 and distributed to the employees in said qualification classes. Pay increases are implemented in a corresponding manner for qualification class 5.2.

## 4.4 Rights of individuals

### 4.4.1 Induction

Before any pay discussions take place, employees and supervisors participating in pay discussions are familiarised with the following:

- Qualification classes: what is the qualification classification applied in the company, how are various work duties placed in the different qualification classes in practice, how are the qualification factors related to competence, decision-making and interaction applied in practice at various qualification levels? How are the various qualification classes used?
- Evaluation of competence and performance: what are the criteria for evaluating competence and performance, what do the various criteria mean? How many steps does the evaluation scale have and what do the various options mean in practice? What is the period that is evaluated in pay discussions?
- Pay policy principles: what is the company's pay policy, where can one find it and when was it updated?
- Statistics: what do the pay statistics for the workplace in question look like when compared to the statistics for the entire sector? What is the essential information included in the statistics from the perspective of individual supervisors and employees? What information does the salary survey included in the equality provide concerning salaries?
- What has changed after the previous pay discussions? How do these changes affect work? How should employees and supervisors take the changes into account?

### 4.4.2 Suspending discussions

Supervisors and employees may suspend the pay discussion for due reason. For example, either party needs to obtain supplementary information in order to complete the discussion, a heated discussion must be calmed down or one of the parties feels that they are treated inappropriately. While the discussion is suspended, the supervisor and employee have the possibility to turn, for example, to a shop steward, senior staff representative, the supervisor's manager or Human Resources to ask for advice regarding the completion of the discussion. If it is evident already during the discussion that one of the parties has not prepared sufficiently for some reason, it may be better to continue the discussion later.

### 4.4.3 Dispute resolution

Despite the objective to reach unanimity, it is possible that no consensus is reached in a pay discussion. Pay discussions that end in disagreement are resolved in accordance with the negotiation procedure set out in the pay discussion protocol. The negotiation procedure applies to disputes related to pay principles, qualification classes or pay discussion principles. Pay policies are determined by the employer, and disputes related to them may not be processed as a dispute.

Any disputes are first negotiated locally between the employer's representative and a shop steward/senior staff representative representing the employee, as set out in the Shop Steward Agreement. If no agreement is reached in local negotiations, either party may submit the dispute to the relevant pay committee. However, it should be noted that any disputes related to qualification classes are only

submitted to the pay committee if exceptions to the qualification classes set out in the collective agreement have been agreed in the group, bank group or company.

If the pay committee is unable to resolve the dispute, it must prepare a memo on the matter without delay, with the facts and the parties' views and the related justifications regarding the dispute stated in the memo.

The memo that is delivered to the pay committee should include at least the following:

- the job description of the individual
- the disputed matter and the parties' opinions and justifications
- the previous pay increases received by the individual through pay discussions

Matters that the pay committee is unable to resolve, which concern the competence and performance evaluation carried out by the supervisor in an individual case on the basis of the evaluation system set out in the collective agreement or locally agreed matters that are not related to the system are not processed at the level of the signatory organisations. Individual disputes are resolved in the pay committee. Larger matters of interpretation that concern the entire system may be submitted to the level of signatory organisations. If the dispute remains unsettled in the pay system working group, any of the labour market organisations may submit the dispute to the Disputes Board for resolution. The Disputes Board is the highest level of dispute resolution. The labour market organisations have agreed that disputes related to the collective agreement's protocol of pay discussions are not submitted to the Labour Court.

In order for a dispute concerning pay discussions to be dealt with, the employer must provide the pay discussion documents to the employee without delay after the pay discussion. The employee must notify the employer within four months from the provision of the documents that the employee wants to initiate the processing of a dispute concerning pay discussions.

#### 4.4.4 Three times rule

To protect the rights of individuals, it has been agreed that group, bank group or company-specific pay committees deal with cases in which an employee's pay increase has been less than half of the average percentual increase given through pay discussions for three consecutive times. The employer is obligated to identify and present such cases to the pay committee, but employees have the right to refuse in writing the processing of their case in the pay committee. The following example illustrates the content of the three times rule:

##### Example:

Year	Previous salary EUR	New salary EUR	Average increase %	Half of the average increase %	Individual increase %
x	3,441	3,500	1.55	0.775	1.7
y	3,500	3,600	0.95	0.475	2.8
z	3,600	3,600	1.2	0.6	0.0

The salary of the individual in this example increased by 1.7 per cent in year x. At that time, a total of 1.55 per cent was distributed, so the person received more than half of the average increase (0.775%). In year y, the individual's salary increased by 2.8 per cent. Again, the increase exceeded half of the average increase (0.475%). In year z, the individual's salary was not increased. In this case, the increase was less than half of the average increase (0.6%). If the situation were the same as in year z for three consecutive times, the case would be taken to the pay committee.

The three times rule was established in order for the pay committee to be able to review the reasons (if any) for the pay increase being lower than the average pay increase. Reasons may be related to either individual persons or workplaces. When the case is reviewed in the pay committee, it may be established, for example, how the employee has contributed to the development of the employee's competence and performance or how the supervisor has supported this, whether the employee was treated fairly and equally compared with the other employees and whether there are workplace or work conditions-related reasons for the pay development that can be addressed if necessary.

The purpose of the process is to investigate whether the pay discussion model has been correctly applied in the case of the individual in question. It does not guarantee any salary increases paid in arrears but it ensures that the pay discussions are conducted fairly and appropriately and that, for example, personal chemistry does not affect the distribution of pay discussion increases.

#### **4.4.5 Pay cannot be reduced as a result of the pay discussions.**

Pay discussions are "pay rise discussions", in which the pay increase that may be distributed through pay discussions is discussed. Pay cannot be reduced for any employees as a result of the pay discussions.

### **4.5 Pay discussions in absence and change situations**

In general, absence from work at the time of pay discussions does not prevent pay discussions. For example, if an employee is prevented from conducting a pay discussion in the company's normal pay discussion schedule due to an illness or other absence, and the absence is known in advance, the pay discussion is conducted already before the absence. If this is not possible, but genuine interaction, personal approach and confidentiality can be ensured regarding the pay discussion, the discussion is conducted during the absence by using the electronic tools generally used in the company for negotiations. If this is also not possible, the pay discussion is conducted after the sick leave or other absence regardless of the duration of the absence.

In long absences lasting for at least an entire pay discussion period, the employee's right to the pay rise distributed through pay discussions depends on the reason for the absence.

If the reason for an absence lasting for an entire pay discussion period was an illness or a family leave, the employee is always entitled to a pay increase. In this case, the amount of the pay increase is the average percentual increase distributed in the year in question. The pay increase is paid to the employee in connection with the first salary payment after the employee has returned to work. In practice, the salaries of employees who are absent due to a family leave or chronic illness are included when calculating the pay discussion pot and they receive their share of the pot upon their return to work.

If the reason for the absence is something else than an illness or a family leave that lasted for an entire pay discussion period, such as a job alternation or study leave, the employee does not automatically receive a pay increase distributed through pay discussions.

If an employee's supervisor changes during a pay discussion period, the employee and supervisor must strive to document the matters relevant to the upcoming pay discussion. The reason for this is that, in practice, the functioning of the pay discussion model requires that the new supervisor has access to information needed in the pay discussion concerning the employee's work duties, competence and performance.

If an employee has multiple supervisors, the employer decides which supervisor conducts the pay discussions with the employee. All work duties of the employee must be considered in pay discussions.

#### **4.6 Documenting discussions and document retention**

A summary of the discussions documenting the outcome of the discussion and the main arguments of the discussion participants is prepared in two copies. In addition to the competence and performance evaluation and any grounds related to a pay rise, development requirements must be documented on the form so that the employee knows what the employee should do in the upcoming year in order to have a chance to receive a pay rise. It is also important that in case a pay discussion ends in disagreement, both parties present their opinions concerning the matter. This must be possible, whether the pay discussion forms are archived electronically or as paper forms.

One copy of the summary is given to the employee, while the employer retains the other. This also applies to any other pay discussion documents. The employer must retain the pay discussion-related documents for at least five years and for at least three consecutive pay discussion rounds while the individual's employment continues. The employer must provide the information to the employee upon request.

## **5. Appendices**

Job description form for the financial sector

Form for evaluating competence and performance in the financial sector

Pay discussion summary form for the financial sector

## Job description

Job title:

Date:

1. Details of work duties (this means the main duties, that is, work that takes more than half of the working time, and subtasks).

2. Knowledge and skills required for the job.

3. Decision-making: How independently, based on what kind of instructions and in which types of decision-making situations is work carried out?

4. Interaction: Sales, negotiation and other interaction skills required for the job (both external and internal interaction).



## Evaluation of competence and performance in pay discussions

Name of the employee: \_\_\_\_\_

Name of the supervisor: \_\_\_\_\_

	<b>1</b> Achieves clearly less than the task requires	<b>2</b> Achieves slightly less than the task requires	<b>3</b> Fulfils the requirements of the task in every respect	<b>4</b> Achieves slightly more than the task requires	<b>5</b> Achieves clearly more than the task requires
<b>Competence</b> *Sufficiency of knowledge, skills and experience *Ability to find new working methods *Ability to improve and keep skills up to date					
<b>Interaction and cooperation</b> *Ability to communicate in different situations *Ability to create cooperative atmosphere and build trust *Ability to influence, negotiate and sell in different situations *Ability to give and receive feedback					
<b>Independence and decision-making</b> *Ability to take initiative and make decisions that the task requires *Ability to adapt to change *Ability to work systematically and independently					
<b>Quality of work</b> *Good quality work *Ability to improve					
<b>Productivity and objectives</b> *Ability to work according to objectives *Ability to work actively and productively					
<b>Management (supervisor/director only)</b> *Ability to organise and set objectives *Ability to manage employees and their competence *Ability to motivate, reward and encourage *Ability to communicate openly and efficiently *Ability to improve the organisation's productivity					
<b>Other, locally agreed criteria. (Describe)</b>					
<b>Total score/average score:</b>					

(continues on the next page)

Was consensus reached when evaluating the employee's competence and performance and the related grounds?

Yes \_\_\_\_\_

No \_\_\_\_\_

Opinions of both parties:

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Signatures and date:

Supervisor

Employee

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In pay discussions, the employee's competence and performance are evaluated in regard to the employee's work assignment, using the attached scale and criteria, unless otherwise agreed in the company group.

The evaluation is signed by the supervisor and the employee. Additionally, it is stated in writing whether a consensus was reached between the supervisor and the employee concerning the evaluation and the related grounds.

**Instructions:**

1. A recently hired employee is expected a level 3 performance only after the training period.
2. The performance of a competent and experienced employee should be good in every respect.
3. Some factors are provided below each criterion as an example.
4. The average score is calculated by dividing the total score by the number of graded sections.

## Summary of the pay discussion

Employee: \_\_\_\_\_

Supervisor: \_\_\_\_\_

Unit/division/department: \_\_\_\_\_

<p><b>1. Complexity of work (what the work entails)</b></p> <p>The individual's job description form is attached</p>
<p>Most relevant changes in the job description:</p>
<p>The employee's qualification class changes: yes/no</p> <p>New qualification class: ____</p>
<p>Possible upcoming changes in the work:</p>
<p><b>2. Employee's competence and performance (how the work is carried out)</b></p> <p>A competence and performance evaluation form is attached</p>
<p>Observations concerning the employee's competence and performance:</p>
<p>Any actions required in terms of competence development and performance improvement with which the employee can contribute towards a pay increase in the future:</p>

New monthly salary, as of DD MM 20YY is EUR \_\_\_\_\_/month.

We agree on the amount of pay rise.

We have not reached consensus on the pay rise.

(continues on the next page)

If a consensus was not reached, each party is asked to explain their opinions.

Reason for the difference of opinion: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

continue overleaf, as necessary

Signatures

Time and place \_\_\_\_\_  
Supervisor \_\_\_\_\_  
Employee \_\_\_\_\_

**Instructions:**

The amount of pay rise may be stated in a short follow-up discussion once the supervisor has conducted all pay discussions.

