

WAGE STRUCTURE GUIDE

COLLECTIVE AGREEMENT FOR
FINNISH TECHNOLOGY INDUSTRIES

**Collective Agreement for Finnish
Technology Industries**

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Preface

On the basis of the wage provisions laid down in the collective agreement for technology industries, the federation and unions have worked together to draft this guide intended for use in the context of wage structure training organised by the unions or independently by workplaces. This guide can also be used in situations that involve the development and maintenance of the wage system.

Wage structure for the technology industries will facilitate the realisation of wage grading that is fair and acts as an incentive. The guide provides the basis and framework for the creation of a functioning workplace-specifically drafted salary system. The guide also touches on remuneration and reward systems as a whole and remuneration as a part of an enterprise's management system.

The salary terminology in use at workplaces may differ somewhat from that used in the collective agreement's wage structure; many of the same things may be referred to with different names and expressions. In order to avoid unnecessary ambiguities, we recommend that you become familiar with the local salary application's content and purpose in relation to the terminology used in this guide.

The developing business world and changing practices have created a common need for employers and employees to constantly be prepared for change and to react to the demands of the operational environment. The development of wage structure requires that the workplace has an in-depth knowledge of wage-related matters and an open-minded desire to change established practices in a more effective direction. The importance of maintaining and updating new workplace-specific salary applications and existing wage structures is emphasised in change situations.

New types of salary solutions for changing needs have also been developed by the federations. It is possible to agree on a local wage system in accordance with clause 11.4 of the collective agreement. For further information on locally agreed wage systems, please contact the federations' remuneration specialists.

Wage structure materials and the terminology presented in these materials cover all of the necessary and most common wage determination situations. In the context of comprehensive remuneration development projects, we recommend that you also read the other remuneration material published by the federation and, when necessary, contact representatives of the federation.

Wishing you an active approach to current wage structures,

Helsinki, November 2023

Technology Industry Employers of Finland

Industrial Union

16th Revised Edition

This is an unofficial translation from Finnish. In cases of dispute, the Finnish text is authoritative.

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1 Introduction

For employees, remuneration is a form of subsistence, an incentive, a form of motivation, valuation and feedback. For employers, remuneration is a central instrument in management, which includes e.g. sharing of information on and guidance of the desired activities.

An enterprise-specific remuneration entity comprises all the remuneration modes that the employer uses to reward employees. This generally includes both material and immaterial forms of remuneration. Material forms of remuneration include different salary types, benefits in kind, productivity and profit-related bonuses and employee benefits. Immaterial forms of remuneration include the possibility to participate and influence, the opportunity to develop one's own skills and take part in training as well as the feedback an employee receives on their work.

Every enterprise uses different combinations of different forms of remuneration. Ideally, a remuneration system has been developed to fit together with the enterprise's business operations in their entirety; this comprises the organisational strategy, the processes used, the organisational structure, the operational environment and the enterprise's personnel. Successful remuneration is made up of many factors, and is at same time dependant on the situation in which remuneration is given.

The employee's experience of being treated fairly is the basis for successful and good remuneration. The experience of being treated fairly is related to both the approaches used in remuneration, the interaction used in remuneration and the remuneration system's principles on distribution of material and immaterial rewards.

Systems cannot continuously genuinely reward, if they are not steadfastly maintained and developed. Genuine cooperation between actors, comprehensive and open sharing of information as well as versatile and sufficient training are integral to development projects and maintenance.

Employers must comply with the minimum requirements laid down for remuneration and payment of salaries in the collective agreement and treat their employees fairly and equally. The collective agreement for technology industries contains provisions on wage structure and the minimum level for salaries, unless a local remuneration system has been agreed upon, in which case salaries are determined by the local agreement. The salary determined according to the locally agreed wage system must be at least the same as the pay per job in category JRC 1 of the job-specific wage plus 5 per cent.

This guide lists the premises for remuneration laid down in the collective agreement for the Finnish Technology Industries, including the basis for salary payment, determination of job requirements and competence, utilised remuneration modes, supplementary rewards, as well as information on change situations, maintenance and development related to salary systems.

The definitions for key terminology and abbreviations are listed at the end of the guide. This section should be utilised not only for comparison of wage structure terminology but also as a tool for recapping the topics covered.

2 Principles of salary payment and remuneration in the technology industries

The wage structure for the technology industries comprises the remuneration modes documented in the collective agreement and the wage criteria used for these. Remuneration modes include a time rate and performance-based pay. Wage criteria include the job requirement, the employee’s competence and the employee’s or group’s performance. A basic wage is a key pillar of the wage structure, as it determines the minimum wage paid to an employee. Figure 1 shows the main points of wage structure.

In addition to remuneration modes, salary payments include supplementary rewards (Figure 4.) These are explained in detail in Chapter 5, as well as in the federations’ publication ”Tulosta ja palkkaa - Näkökohtia teknologiateollisuuden palkkaustavoista ja niitä täydentävistä tulos- ja voittopalkkioista”.

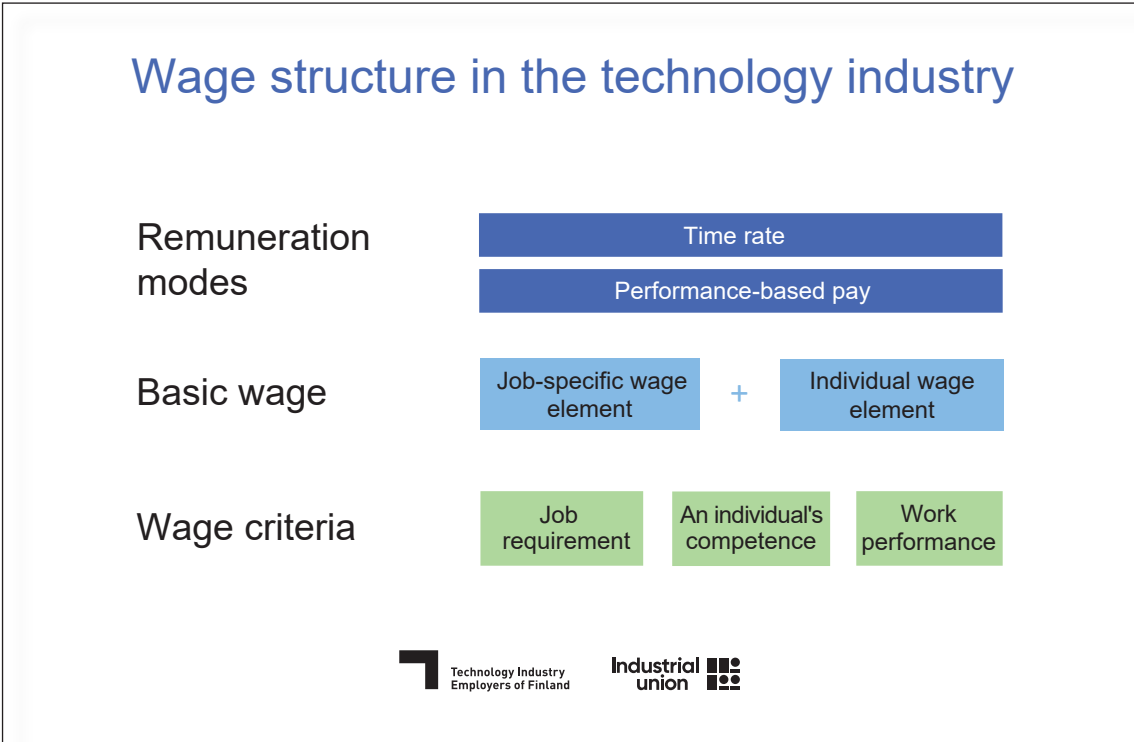


Figure 1. Wage structure of employees in the technology industry

The central principles of wage structure are fairness, incentive and cooperation. An enterprise’s own pay policy guides the application of wage structure.

2.1 Key principles of wage structure

The technology industries' wage structure is based on three principles: the fairness of salary payment, the incentive nature of pay and cooperation. Figure 2 highlights the importance of each principle.

The general concept of fairness in payment of salaries is represented by the principle of equal pay: an employee is always paid the same wage for the same job and same competence. The principle of equal pay is approved by the ILO and ratified by Finland, and it is included in EU's Equal Pay Directive. Finland's Employment Contract's Act also stipulates that employees be treated equally. Especially discrimination based on sex in salary systems is strictly prohibited.

The principle of equal pay leads to the following:

1. The principle of job requirement i.e. an employee holding a job with a more demanding job requirement will be paid a higher wage than an employee holding a job with a less demanding job requirement.
2. Competence principle i.e. a person with a higher level of competence receives a higher wage than a person with a lower level of competence.

The correct application of these principles will guarantee that the salary paid to a person will grow as the job requirement increases and the person's competence and job performance improve. This type of wage payment acts as an incentive.

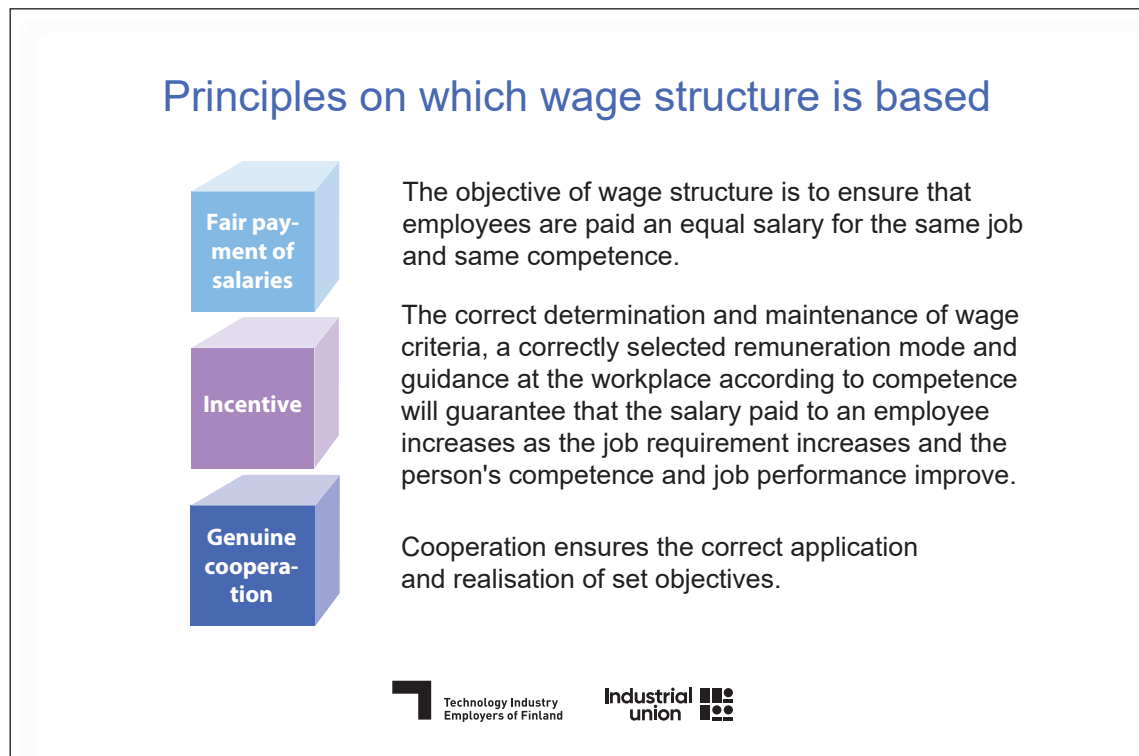


Figure 2. Principles on which wage structure is based

The incentive nature of wage structure also necessitates that wage criteria are defined in detail and they are maintained. Prudent selection of remuneration mode and guidance at the workplace that is based on the employee's competence can help ensure the development of the employees' wage level as their job requirement increases and their competence and performance improves.

Cooperation is the third central principle of an effective wage structure. Cooperation ensures the correct application of wage structure and success in achieving set objectives. Interaction, information sharing and cooperation are all needed for the development, use and maintenance of the system. Cooperation must be implemented at different levels; e.g. in the wage structure working group, possible development teams, different briefings either between the shop steward and a representative of the employer or an employee and his/her supervisor.

2.2 Enterprise pay policy

A pay policy is part of the enterprise's human resources policy. Management is responsible for determining an enterprise's pay policy.

Pay policy outlines the enterprise's general objectives with regard to payment of salaries and remuneration, operating principles and application into practice. In practice, it guides the selection of remuneration mode, wage grading and how wage criteria influence an employee's salary. Pay policy also generally determines the responsibilities and authority related to the wage process. When everyone has a firm understanding of pay policy and supervisors, employees and shop stewards understand their own role in the application of the salary system, pay policy guides activities. Pay policy also guides the application of wage structure in practice.

An effective pay policy is based on the enterprise's business concept. It supports the realisation of the enterprise's objectives as well as development of productivity, profitability and competitiveness. An effective pay policy is clear cut, long-standing and consistent, but at the same time, it needs to be flexible so it can be altered when the enterprise's operations and human resources policy so dictate. Pay policy supports the use of salaries and remuneration as part of management. The objective is to also to ensure the compatibility of the salary system i.e. wage structure, criteria, rules and operational practices with other management practices. This will up the effectiveness of management and simplify the work of supervisors.

2.3 Wage criteria and grading

In the technology industries wage criteria include the job requirement, the employee's competence and the employee's or group's performance.

A job requirement can be determined when we know the job's content. The technology industries utilise job requirement categories (JRC), rough classification (RC) and locally agreed to instruments for the determination and comparison of job requirements.

Determination of competence, on the other hand, is carried out with the system created at the workplace. Competence refers to a person's ability and skill to work and perform their work tasks. Therefore, when determining competence and performance the workplace's own premises and objectives must be taken into account.

The wage paid to an employee must be graded according to the requirement level of their work tasks and the employee's competence (Figure 3). Regardless of what remuneration mode is used, the employee's wage must be the same if the aforementioned factors and work performance are identical.

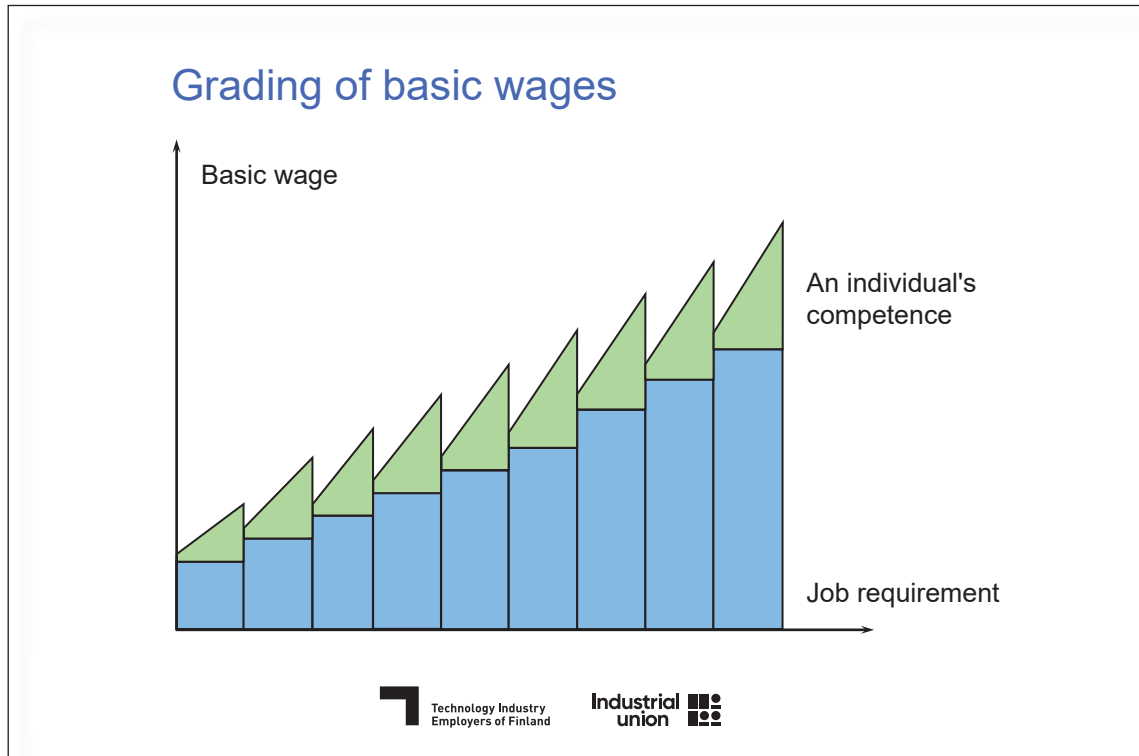


Figure 3. An employee's job-specific and individual wage elements i.e. grading of basic wage

2.4 Monetary remuneration modes

An enterprise can have a variety of different monetary remuneration modes in use. In the technology industries monetary remuneration modes are divided into wage structure-based remuneration modes and supplementary rewards. Wage types include time rate and performance-based pay. Wage types are used for rewarding employees for immediate actions i.e. completed work. Wage types can be supplemented with different enterprise-specific reward systems. Supplementary rewards are used to reward employees for e.g. achieving common goals or a good business profit. Separation of wage types and supplementary rewards is not only important with regard to the effectiveness and incentive nature of remuneration, but also with regard to pay administration and agreement entries.

Figure 4 shows the most important monetary reward types used by the technology industries and their special features.

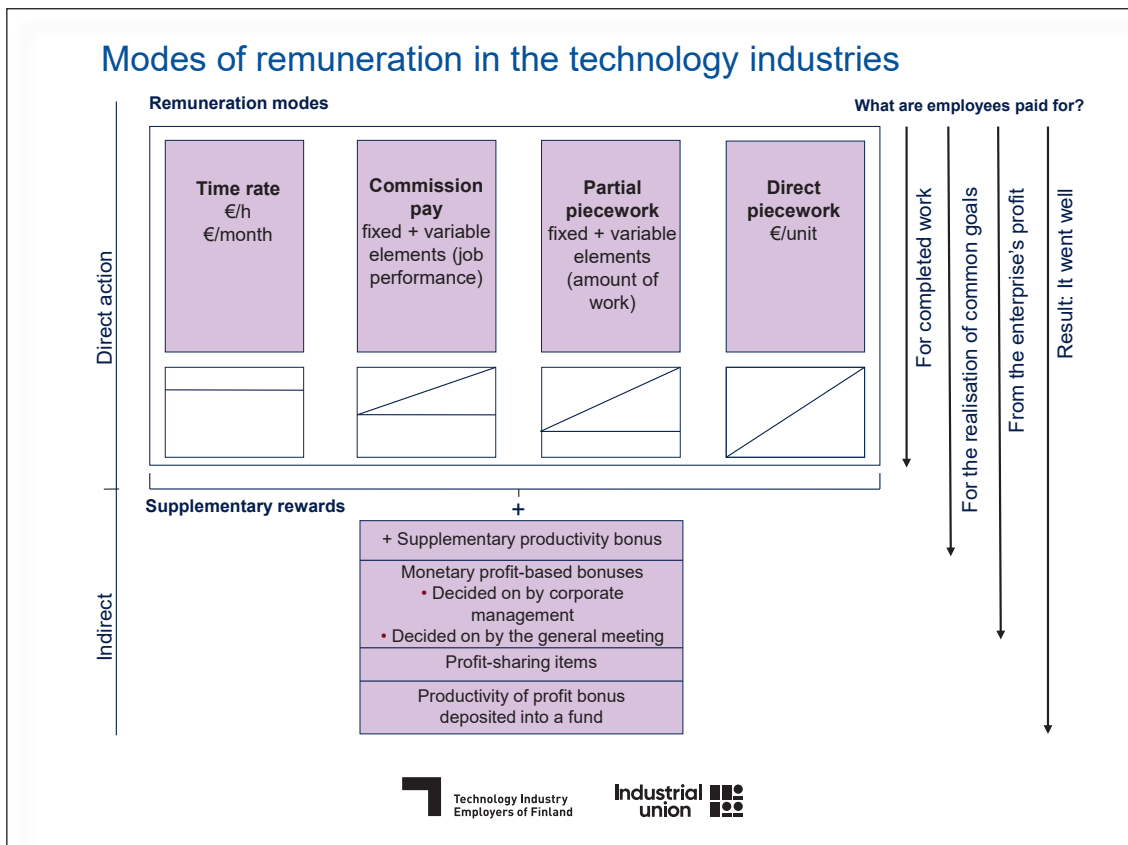


Figure 4. Monetary remuneration modes used in the technology industries.

A **time rate** is a remuneration mode in which a wage is fixed for a certain time unit (an hour or a month) and determined in advance. Job requirement and a person's competence are the basis for a time rate.

Performance-based pay i.e. piecework pay or a commission rate is based on an agreed upon unit price paid for specified performance norms. The performance norm for piecework pay is the workload, which is measured on the basis of time spent on the work when using a specific work method. The performance norm for commission rates is the work result.

The objective of **Supplementary** productivity and profit bonuses is to support the realisation of objectives derived from the enterprise's business concept and strategy and an improvement to the enterprise's profit. The operational objectives of the enterprise in question, such as productivity, reliability of supply and improvement of customer service form the basis for productivity bonuses. Profit bonuses are based on the enterprise's financial result or the key figures listed in the enterprise's financial statement. These include operating income, operating margin, etc.

The structure of remuneration modes i.e. time rate and performance-based pay are laid down in the provisions of the collective agreement. Time rate and performancebased pay are paid for work completed each salary period. Supplementary bonuses are rarely paid for the realisation of objectives The collective agreement's provisions do not apply to supplementary rewards with the exception of some stipulations concerning productivity bonuses.

Remuneration types and the collective agreement provisions that apply to these are examined in more detail in Chapter 4 and supplementary bonuses in Chapter 5.

Supplementary remuneration types and overall remuneration are examined in more extensive detail in The Technology Industry Employers of Finland and the Industrial Union's publication "Tulosta ja palkkaa – Näkökohtia teknologiateollisuuden palkkaustavoista ja niitä täydentävistä tulos- ja voittopalkkioista".

2.5 Structures of wage types

Time rates are made up of a basic wage (BW) and a possible time rate element (TRE). The basic wage is made up of a job-specific wage element (JSWE) based on job requirement and the person's individual wage element (IWE), which is based on the person's competence. The time rate element is the difference between the individual time rate and the determined basic wage.

Performance-based pay types include commission rates, partial piecework pay and direct piecework pay. Performance-based pay always includes a variable element (VE), which is determined on the basis of performance level or work result. In the case of direct piecework pay, the entire wage is variable as the performance level rises. Partial piecework and commission rates also include a fixed element (FE) that is based on the structure of the performance-based pay method. The fixed element can be further divided into the job-specific fixed element (JSFE) and the competence element (CE).

The terminology referring to different parts of a basic wage and collective agreement provisions are examined in further detail in Chapter 3 and terms and collective agreement provisions that apply to wage types in Chapter 4.

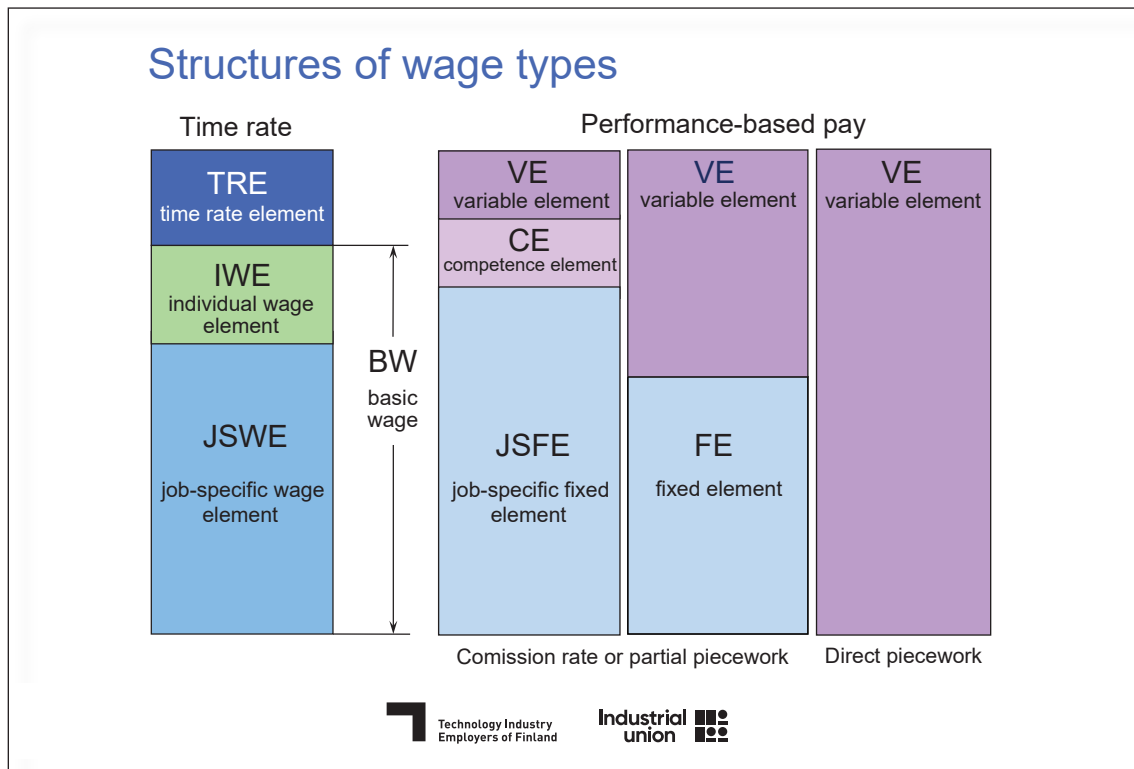


Figure 5. Structures of remuneration modes

2.6 Criteria for selection of wage type

The job-specific selection of wage type is based on the characteristics of the job and its technical requirements. These include the nature of the work, the work method and how established it is, the accuracy of performance norms, disruptions in production and other possible factors that may affect selection.

Usability of basic wage types on the basis of practical payment of wages

Nature of the work	Influence of speed	Work method	Performance norm	Disruptions to production	Applied wage payment method
Manual work	Yes	Varying occasional, not known	Cumbersome and difficult to determine	Often difficult to foresee	Time rate
Work with machinery	Yes/No				
Process control	No				
Work with machinery	Yes/No	Varying	Measured	Foreseen	Bonus pay
Process control	No				
Team work	Yes/No				
Manual work	Yes	Varying	Measured	Predicted	Partial piecework
		Default		No disruptions	Direct piecework






Figure 6. Criteria for selecting remuneration mode

Times rates are used especially in situations where work methods are not established, no performance norm can be accurately determined, or when disruptions in production or changes to working condition are great. Correspondingly, when using performance-based pay changes to work methods and working conditions are lesser, the performance norm can be determined and there are fewer production disruptions.

The scope of application for direct piecework is such that the amount of work is not limited and the employee can personally adjust the speed at which he/she works. Piecework is suited especially for established work that is executed by hand.

The scope of application of commission rates is extensive. For commission pay, the norm is determined on the basis of some production-related result. The objective of commission pay is to promote the utilisation of production rule machinery, selfreliance and team work. Commission pay is suited especially for work with machinery as well as for rewarding a larger group (working group, department).

Regardless of the mode of remuneration in use, an individual time rate must always be determined for every employee.

3 Criteria and structure of an employee's basic wage

A basic wage is determined for each employee on the basis of the requirement of the employee's job and the employee's competence. The employee's basic wage is calculated by adding his/her individual wage element to the employee's job-specific wage element. A basic wage is the employee's minimum wage. Figure 7 gives a description of wage the structure of basic wage.

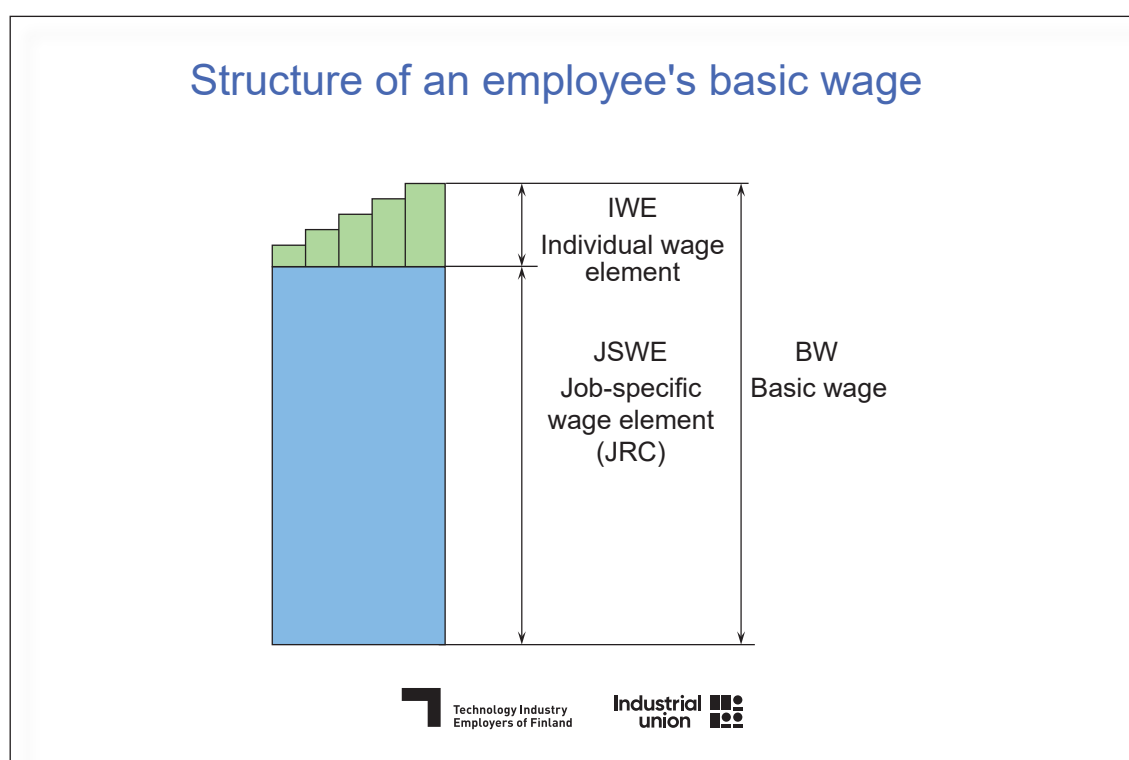


Figure 7. Structure of an employee's basic wage

3.1 Job requirement as wage criteria

According to the principles of wage structure, the more demanding a job the higher the job-specific wage is. The purpose of determining a job requirement is therefore to determine the mutual requirement of jobs and work tasks. As jobs and tasks differ at workplaces, comparisons generally requires the use of numerous requirement factors.

The methods for determining a job requirement laid down in the collective agreement for the technology industries include

- job requirement categories (JRC).
- rough classification (RC)
- other locally agreed to ways for determining job requirement

The determined job requirement shall correspond with the job's actual requirements. In the event that the work or working conditions change, the job requirement will be redetermined. The job requirement is taken into consideration in an employee's wage in the job-specific element (JSE) of time rates or in determining the pricing wage for performance-based pay.

3.1.1 Selecting a method for determining job requirement

Each workplace will only use one instrument for determining job requirements. The general instrument for determination is job requirement categories (JRC). If this job requirement classification seems a poor fit for the needs of the workplace, the use of rough classification or another way for determining job requirement can be agreed on locally. A local agreement can may be terminated for a legitimate reason at six months' notice.

3.1.2 Specifying job content

Specifying job content is an important phase in the job requirement determination process. A job may comprise one work stage, numerous work stages or tasks. A work task comprises many stages which the employee completes in the required order. Job content should be specified in great detail, e.g. the product to be produced should be named.

Work and work tasks are examined at the workplace according to established job content. During the determination of job requirement, job content is specified according to its established scope.

3.1.3 Job requirement working group and training related to determination of job requirement

When using the job requirement categories, the determination of job requirement is based on the local job requirement working group's preliminary determination of job requirement for benchmark jobs. The job requirement working group is made up of persons, who have received the appropriate training, have in-depth knowledge of job requirement determination and are familiar with local conditions and work. The employer and employees each appoint the same number of representatives to the job requirement working group. This ensures the employee representative right to participate in job requirement determination. Typically, the job requirement working group comprises four or six members.

The job requirement working group will serve as a specialist committee meeting when necessary to consider matters related to the maintenance and monitoring of job requirements. The working group shall avoid needless delay in conducting its work. In any case, the working group shall meet at least once a year.

If the job requirement working group's members change, the employer must see to it that new members receive the agreed to training. The federation provides training general, regional or workplace-specific training.

The employer must in all cases give their workers sufficient information and training on the method for determining job requirement and the principles that determination must comply with.

3.1.4 Determination of job requirement using job requirement categories (JRC)

There are two main stages to determining job requirement in the workplace. First, requirements are determined for benchmark jobs. After this, the employer determines the job requirement for all other jobs at the workplace by comparing them to the benchmark jobs.

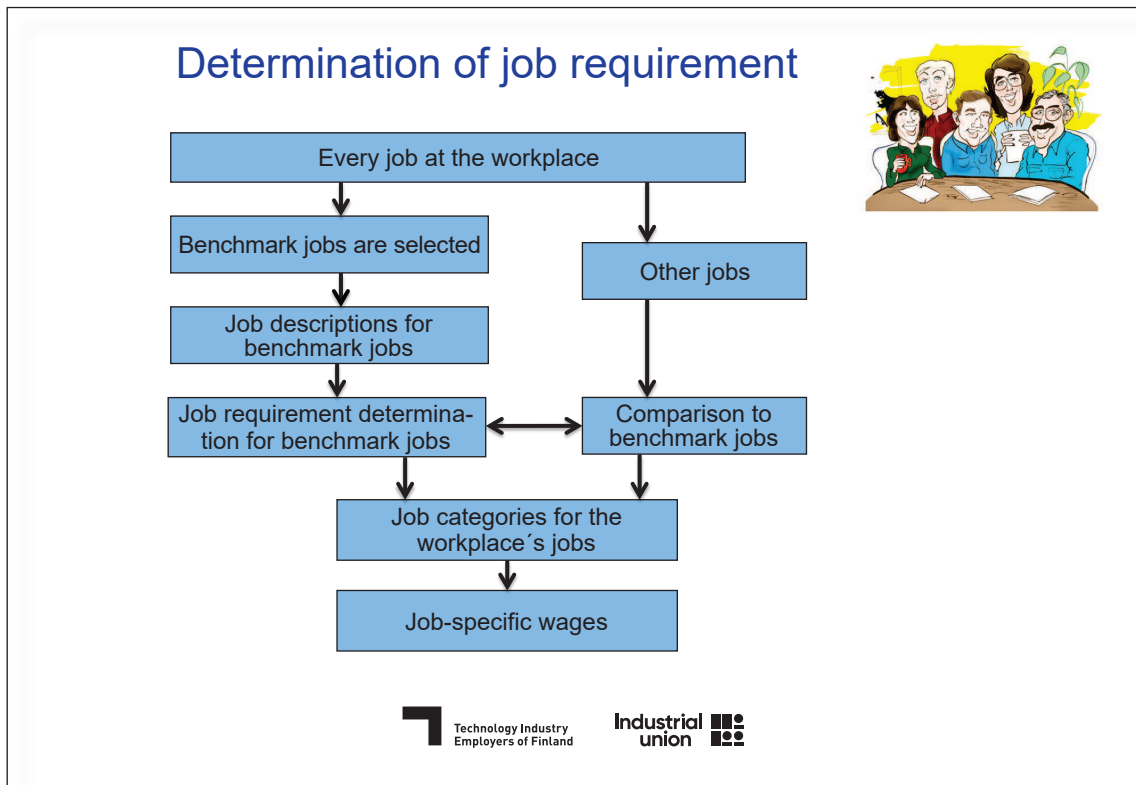


Figure 8. Stages of determining job requirement

Determination of job requirement is based on measurement not agreement. The job requirement working group reaches a determination unanimously using the requirement indicators referred to in the collective agreement and their requirement factors.

The stages for determining the job requirement for benchmark jobs is as follows:

1. Benchmark jobs are selected.
2. The job descriptions for benchmark jobs are drafted.
3. The working group determines for job requirement for benchmark jobs on the basis of requirement factors.
4. The benchmark jobs are placed in job requirement categories on the basis of points.

SELECTION OF BENCHMARK JOBS

The determination of job requirements begins with the selection of benchmark jobs. Benchmark jobs must be selected in a way that facilitates comparison of job requirements in different departments and different lines of work.

Benchmark jobs must adequately represent the workplace's different types of jobs and requirements. When work and work methods change, some benchmark jobs may be excluded and new ones might be added. Similar, previously determined benchmark job requirements may change as the nature of work and work methods change.

The job requirement working group is tasked with ensuring that the workplace's benchmark jobs are up to date and that the job requirement for benchmark jobs has been determined correctly. The job requirement working group meets when necessary and at least once a year.

JOB DESCRIPTIONS FOR BENCHMARK JOBS

The determination of job requirement for benchmark jobs must be based on accurate information on the content of the job, and for this reason it is important to draw up written job descriptions for selected benchmark jobs.

Job descriptions must be so detailed that any changes to the work can be pointed out later on and the uniform implementation of the system can be ensured. The following page contains a sample job description. Additionally, Appendix 1 of this guide includes a model for a job description form template.

Job descriptions are usually drawn up by representatives of the employer unless the job requirement working group specifies otherwise. The job requirement working group is tasked with discussing and approving drawn up job descriptions.

During workplace-specific job requirement determinations, the jobs and related work tasks are examined in an appropriate way on the basis of job content that has become established in the workplace.

Job descriptions must include the following:

1. Headings
2. Specification of job content
3. Work stages and content
4. Factors that influence job requirement

There are two stages to drawing up a job description; collection (and documenting) of information on the described job and processing of the collected material. Information on jobs is collected by making observations in the workplace, interviewing people such as supervisors and the employee or employees who hold the job.

When necessary, it is possible to go through the job description and management and the employee or employees holding the job to ensure the accuracy of the job description.

JOB DESCRIPTION

EXAMPLE

Job: Circular grinding of spur rack Drafted by: VV, JT	Department:	Date: 24 November 2006
Specification of job content:		
The work task involves the centring and grinding of a heat treated spur rack according to the tolerance measurements.		
Work stages:		
The work begins with examination of drawings and selection of the correct programme. The correct values are calculated according to measurements and tolerances in the drawing with the programme's parameters and the values are entered into the programme.		
Grinding begins with the centring of the heat treated spur rack. After this, the centring of the spur rack is inspected with a dial gauge, and, if necessary, the centring is corrected, so the measurement changes caused by heat treatment can be compensated for.		
The bearing surfaces are grinded with a grinder according to the tolerance measurements. The measurements are checked with a micrometre.		
(Duration of work: approx. 5-10 minutes)		

Learning time
– Expertise in grinding and measurement methods
– Ability to read drawings
– Learning in the workplace
– Readiness to change the programme's parameters

Responsibility
– Accurate measurement of spurs
– Accurate centring of spurs

Conditions
– Work requires employee to stand while working
– Lifting principally with a forklift, pieces weigh 10-50 kg
– Cutting liquids
– Noise

JOB REQUIREMENT FOR BENCHMARK JOBS

The job requirement working group determines the job requirements for benchmark jobs on the basis of three job requirement factors: the learning time required by the work, the responsibility required by the work and working conditions.

Learning time required by the work

Learning time refers to the time during which performance certainty required by the work, the normal performance level and the work flow are achieved on average. Learning time is determined job-specifically by determining the necessary training and practical experience time required.

Necessary training can be gained in a vocational school or in the form of courses. If the work requires a command of a vocational school's entire degree programme, half of the time used is included in learning time. If the necessary training can be gained via a shorter course-based tailored training period, e.g. continuing training in which case the entire duration of the course is included in the employee's learning time.

The basis for determination of learning time is solely the time required by the work for learning. Learning time is not determined by the amount of time the employee has worked and/or the employee's education.

Five grades are used for learning time. Jobs are placed in different grades on the basis of how much learning time each job requires.

Table 1. Learning time required for the work as a job requirement factor

Description	Learning time	Points
The work can be done by a person with no specific professional education after a brief on the job training period.	Less than 3 months	3
Employee can begin work after a short learning period. The detailed guidance of work is relatively difficult.	≥ 3-12 months	6
Sometimes the specific details of the performance must be planned and/or the work method must be selected from an assortment of possible options after the employee has already started work.	>1-2 years	9
The work requires the readiness to make decisions on the detailed description on the manner of performance.	> 2-4 years	12
The work requires careful consideration concerning its performance.	Over 4 years	15

Responsibility required by the work

The responsibility required by the work refers to the responsibility vested in the employee by the independence of the job, work safety, the product or performance.

The responsibility required by the work is divided into three categories on the basis of overall responsibility.

Table 2. Responsibility required by the work

Description	Responsibility	Points
The work requires normal diligence and precision.	Normal	1
The work requires a moderate amount of diligence and precision.	Moderate	3
The work requires a great level of diligence and precision. Independent decision-making is characteristic of the work.	Great	5

Working conditions

Working conditions refer to the disadvantage factors related to the job, which are caused by the job's physical strenuousness and conditions. Loading takes into account the disadvantages related to the physical strain of the work, its monotony and binding nature. Noise, temperature, uncleanliness and air pollution are all taken into account in working conditions.

A requirement category is determined for working conditions on the basis of the overall disadvantage caused by working conditions.

Working conditions have been divided into five grades.

Table 3. Working conditions as a job requirement factor

Description	Conditions	Points
No apparent working conditions-related disadvantages.	Good	2
The job includes some working conditions-related disadvantages, but not to the extent that they are distracting.	Normal	4
The work is relatively strenuous and/or the workplace has working conditions-related disadvantages that are distracting.	Moderately difficult	6
The work is strenuous and/or the workplace has working conditions-related disadvantages that have a negative impact on work.	Difficult	8
The work is extremely strenuous and/or the workplace has working conditions-related disadvantages that have a strong negative impact on work.	Extremely difficult	10

It is recommended that determination of job requirement proceeds as follows: first the learning time for all benchmark jobs are determined after which responsibilities and then working conditions are determined. A comparison form can be used as a tool during the determination of job requirement and mutual comparison. See the guide's appendices 2-5.

If a consensus cannot be reached on the requirement factors for a benchmark job, the job requirement working group should further examine the job at the workplace and return to the determination at later date. Ultimately, the employer is responsible for ensure that a collective agreement-based determination of job requirement is in use at the workplace, in extreme cases this can be drawn up by the employer.

PLACING OF BENCHMARK JOBS IN JOB REQUIREMENT CATEGORIES

The workplace's benchmark jobs are placed into job requirement categories on the basis of points they have scored for learning time, responsibility and working conditions.

The point limits for the nine job requirement categories are described in Table 4.

Table 4. The division of job requirement categories into job requirement factors on the basis of their points score.

Job requirement category	Points
1	6 - 8
2	9 - 10
3	11- 12
4	13 - 14
5	15 - 17
6	18 - 19
7	20 - 21
8	22 - 23
9	24 -

JOB REQUIREMENTS FOR JOBS OTHER THAN BENCHMARK JOBS

The employer determines the job requirement for all other jobs at the workplace by comparing them to the benchmark jobs. No points are given to these other jobs.

The determined job requirement must correspond with the job's actual requirements. In the event that the work or working conditions change, the job requirement will be redetermined.

If there are any ambiguities in the determination of job requirement for other jobs, the job in question can be made into a benchmark job.

MAINTENANCE OF JOB REQUIREMENT CLASSIFICATION

The job requirement category must be kept up to date. The determined job requirement must correspond with the job's actual requirements. In the event that the work or working conditions change, the job requirement will be redetermined. On the basis of this new determination, the job's placement in requirement categories is re-examined.

The employer completes the job requirement update for jobs other than benchmark jobs in accordance with normal wage determination routines. The job requirement working group is responsible for maintaining and updating job requirements for benchmark jobs.

JOB-SPECIFIC WAGES; JRC

Job-specific hourly or monthly wages are determined in the currently valid collective agreement.

When using the nine job requirement categories, the grading of job-specific wages can be presented as shown in Figure 9.

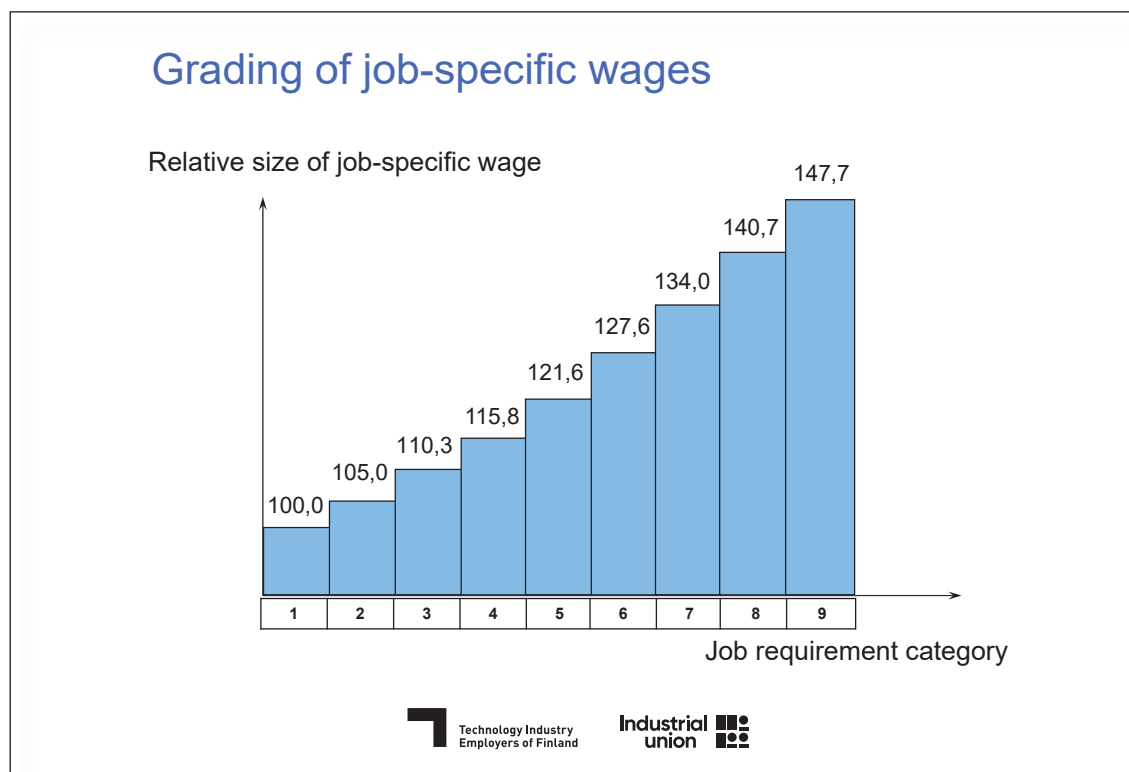


Figure 9. Grading of job-specific wages; JRC

Grades are established in such a way that the grades are at 5 per cent (%) intervals. The lowest number is 100, the next $1,05 \times 100$, the next $1,05 \times 1,05 \times 100$ etc. The proportionality factor 100 is the lowest job-specific wage.

3.1.5 Determination of job requirement using rough classification (RC)

Rough classification offers a simpler method for determining job requirement. The determination takes place in the same manner as in the job requirement classification described above, on the basis of the learning time required by the job, responsibility and working conditions, but with a simpler approach. There are only three requirement categories in use. Rough classification has been created specifically for the needs of smaller workplaces.

When using rough classification, the determination of job requirement proceeds as follows:

1. An agreement is entered into with the shop steward that rough classification will be used. If a workplace does not have a shop steward, the matter is agreed on with employees.

2. A list of the workplace's typical jobs and/or tasks is drawn up. If a more detailed specific framing and content of jobs and tasks is needed, job descriptions can be drawn up for each job, and job requirements can be determined on the basis of these descriptions.
3. The requirement categories for the jobs and/or tasks included in the list are determined according to the definitions in rough classification. The employer and representatives of employees work together to determine requirement.
4. The job-specific wages for jobs and/or tasks based on their job requirement category can be found in the collective agreement. A workplace-specific decision can be made to pay higher job-specific wages to the extent permitted by the collective agreement.
5. The requirements for new jobs are determined by comparing these to the requirements of jobs mentioned in section 2.

In rough classification jobs are placed in three job requirement categories on the basis of the following definitions. The definitions are based on the requirement factors listed in job requirement classification (JRC).

- I. Work requiring fairly brief practical experience and normal responsibility, done under ordinary working conditions.
- II. Work requiring normal vocational skill and considerable responsibility for ensuring that work progresses as well as work carried out in difficult conditions requiring fairly brief experience.
- III. Work requiring varied and effective vocational skills and great responsibility for ensuring progress of work. Work requiring effective vocational skills and moderate responsibility done under fairly difficult conditions. This category also includes work done under difficult conditions requiring normal vocational skills and a moderate degree of responsibility.

The following specifications can be used when evaluating **learning time**:

Work requiring a fairly brief period of practical experience refers to work that employees are capable of doing after no more than one (1) year of experience and/or training.

Work requiring a normal level of vocational skill refers to work that employees are capable of doing after no more than two (2) years of experience and/or training.

Work requiring good vocation skill refers to work that employees are capable of doing after no less than four (4) years of experience and/or training.

Work requiring varied and good vocational skill refers to work that employees are capable of after no less four (4) years of experience and/or training.

The responsibility required by the work is divided into three categories on the basis of overall responsibility.

A normal level of responsibility requires normal diligence and accuracy.

A considerable level of responsibility requires considerable diligence and accuracy.

A great level of responsibility requires a great deal of diligence and accuracy. Independent decision-making is characteristic of the work.

A requirement category is determined for working conditions on the basis of the overall disadvantage cause by working conditions.

Normal working conditions refers to working conditions that cause no apparent working conditions-related disadvantages, at least none that cause distractions.

Moderately difficult working conditions refers to working conditions wherein tasks are quite strenuous and/o the workplace has working conditions-related disadvantages that cause distraction.

Difficult working conditions refers to working conditions where the work is physically strenuous or extremely strenuous and/or the workplace has working conditions-related disadvantages that strongly impede work.

Figure 10 illustrates the division of work into different requirement categories in rough classification. Figure 11 in turn shows the grading of job-specific wages when using rough classification.

Rough classification

JRC	Learning time	Responsibility	Working conditions
I	Fairly brief practical experience	Normal responsibility	Standard working facilities
II	Normal vocational skills	Moderate responsibility	
	Fairly brief practical experience		Difficult working conditions
III	Versatile and good vocational skills	Great amount of responsibility	
	Good vocational skills	Moderate responsibility	Moderately difficult working conditions
	Normal vocational skills	Moderate responsibility	Difficult working conditions






Figure 10. Determination of job requirement using rough classification

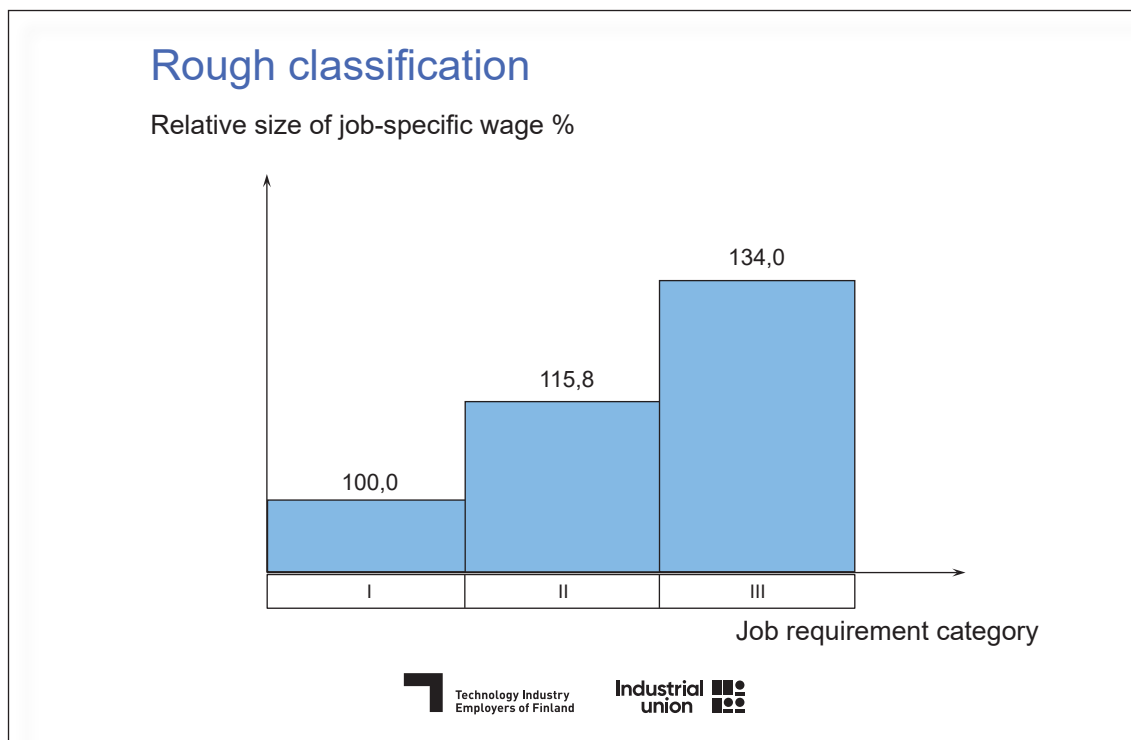


Figure 11. Grading of job-specific wages using rough classification

When using rough classification a decision pursuant to the collective agreement can be made locally on job-specific wages that are higher than those agreed to in the collective agreement.

When using rough classification especially at small workplaces, it is important to also consider the appropriate grading of the individual wage element. Evaluation of competence and performance is an important part of the incentive nature of salaries and wages, and thus the evaluation factors should be selected carefully.

3.1.6 Determination of job requirement using locally agreed ways to determine job requirement

An agreement can also be reached within an enterprise on the use of a different way of determining job requirement. Pursuant to the collective agreement the work within a workplace is placed in accordance with the method for job requirement determination in requirement categories. There will be a minimum of five categories.

The minimum limit for job-specific wages is the same as the job-specific wage for JRC category 1, and the maximum limit the same as for the job-specific wage for jobs in JRC category 9.

3.1.7 Employee's job-specific wage element

An employee's job-specific wage is determined by the work he/she carried out regularly. The size of the aforementioned wage element is determined according to the job-specific wage for the job requirement category which the majority of executed work represents. Under normal circumstances, the time weighted average of work is not taken into account in the determination of the job-specific wage element. For example, in the case shown in Figure 12, the majority of work belongs in job requirement category 7, according to which the job-specific wage element is then determined.

Determination of an employee's job-specific wage element

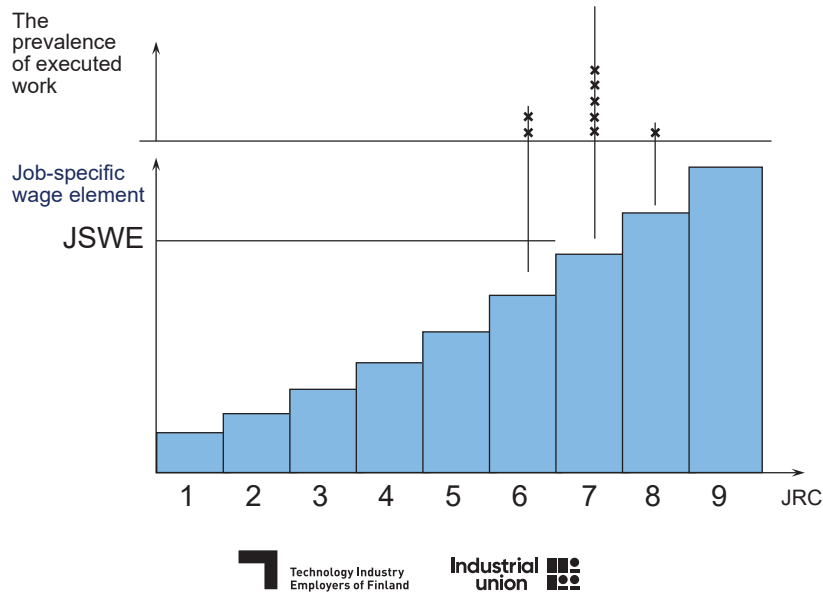


Figure 12. Determination of a job-specific wage element

Examples of determining an employee's job-specific wage element on the basis of done work

Employee	Work completed by employee	Job requirement category JRC	Share of working time %	Employee's job requirement	Job-specific wage element euros/h
1	work task x work task y work task z	2 3 4	25 35 40	3	
2	work task r work task s work task t	7 8 9	10 10 80	9	
3	work task o work task p	1 2	60 40	1	
4	work task k	5	100	5	

Figure 13. Examples of determining an employee's job-specific wage element on the basis of done work

If no job requirement category seems to cover a clear majority of the employees tasks, and the employee carries out work that is listed in more than two job requirement categories, the determination period must be six months. If even at this point, no job requirement category is a clear match for the majority of the employee's work, the job requirement category shall be determined according to the time weighted average.

E.g. In Figure 13, the job-specific wage for employees 2, 3 and 4 is determined according to the highest job requirement category due to the time spent, but the time weighted average is used to determine employee 1's wage. The following is an example of how a time weighted average is calculated:

$$\text{JRC} = (25*2 + 35*3 + 40*4)/100 = 3.2 \text{ i.e. the JRC is 3.}$$

When dividing work, the employee must be given the opportunity to execute work that corresponds with the requirement of work his/her regularly executes.

The principle for guidance of work is also that an effort is made to guide an employee to more demanding work as hi/her job performance improves.

REQUIREMENT OF WORK TASK

A work task comprises many stages, which the employee completes in the required order. In this case, the principles that have been agreed on for job-specific wage elements should be applied.

The requirement of the work task is determined either according to the work, which represents the majority of work done by the employee or according to the average of the times spent on work. A work task can also be made into a separate benchmark job.

REQUIREMENT OF GROUP TASKS

In situations where a team or group is working together they should consider whether work is rotated among group members. If this is the case, the work task is a group work task. If work is not rotated among group members or is only partially rotated the tasks in question are a cluster of individual work tasks that employees execute according to their expertise. In this case, the employees' job-specific wages are determined by the work they regularly execute.

JOB-SPECIFIC WAGE ELEMENT FOR EMPLOYEES STILL IN THEIR TRAINING STAGE

The job-specific wage element for employees still in their training stage is determined on the basis of the work the employee executes regularly.

If an employee does not execute a task in its entirety, or if the employee requires guidance and advice to execute the work, the employee's job-specific wage must be determined either by comparing the requirement of work entity said employee executes to a benchmark job or by drawing up a job description and scoring it.

3.1.8 Wage categories

Wage categories are used for different needs of wage statistics and pay administration. For example, wage categories are utilised in the gradation of the individual wage element.

An employee's wage category is determined on the basis of job requirement. As illustrated in Figure 14, the technology industries use three wage categories.

Wage category A includes those employees, who predominantly carry out very demanding professional work (JRC 7-9).

Wage category B includes those employees, who predominantly carry out demanding professional work (JRC 4-6).

Wage category C includes those employees, who predominantly carry out standard professional work (JRC 1-3).

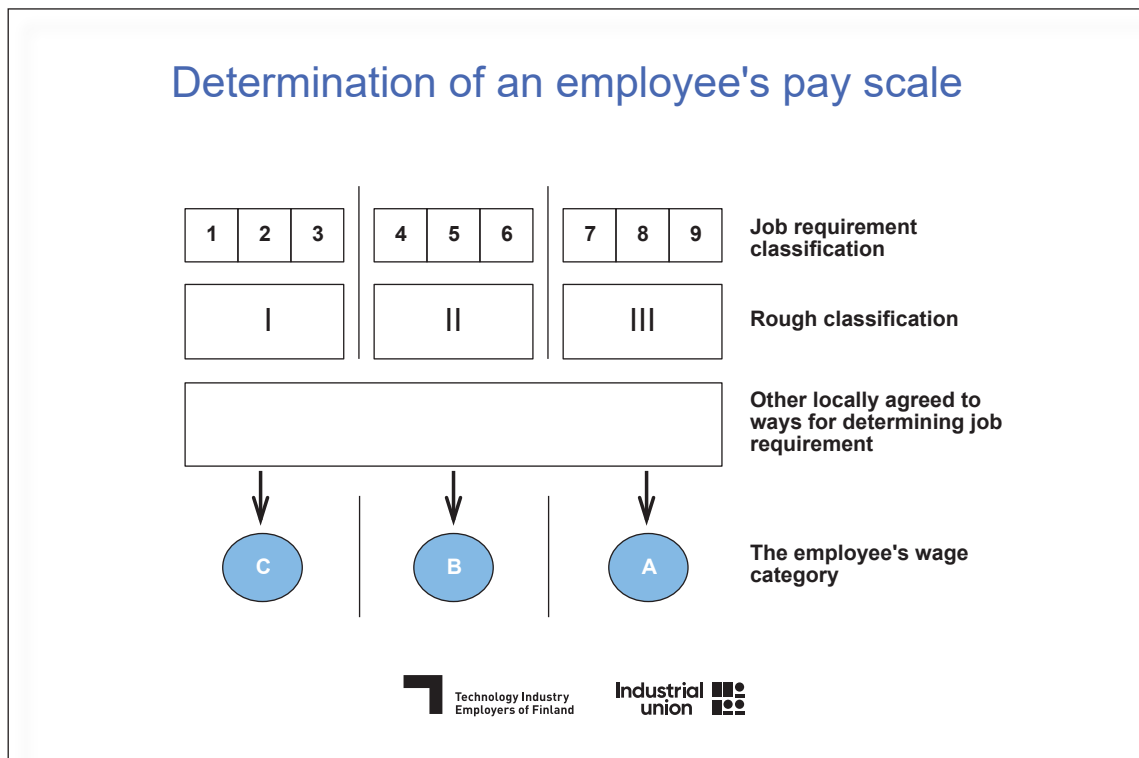


Figure 14. Determination of an employee's wage category

3.2 Individual competence as wage criteria

The competence-based wage element encourages employees to improve their personal expertise and rewards them for good job performances. Competence refers to a person's ability, skill and execution of work tasks. Different individuals vary in competence and perform their jobs with varying success, even when their job requirement is the same.

In order for an effective competence evaluation to be possible, the enterprise or workplace must have its own evaluation criteria. The premise is the jobs in a workplace and the aspects that are considered important when doing these jobs when aiming for high quality products competitive production costs. In this way, the individual salary element motivates activities that support the enterprise's operations. An enterprise cannot copy another enterprise's evaluation system, as an effective evaluation of performance is always part of corporate management.

If the a workplace has operating areas that clearly differ from one another, instead of one local evaluation system two or more local systems can be created.

A person's competence is noted in their wages in the individual wage element of their time rate or in the competence element of their performance-based pay. According to the principles of wage structure, the more competent the person the higher their individual wage element.

Figure 15 illustrates the order in which the determination of a person's competence element or individual wage element is determined.

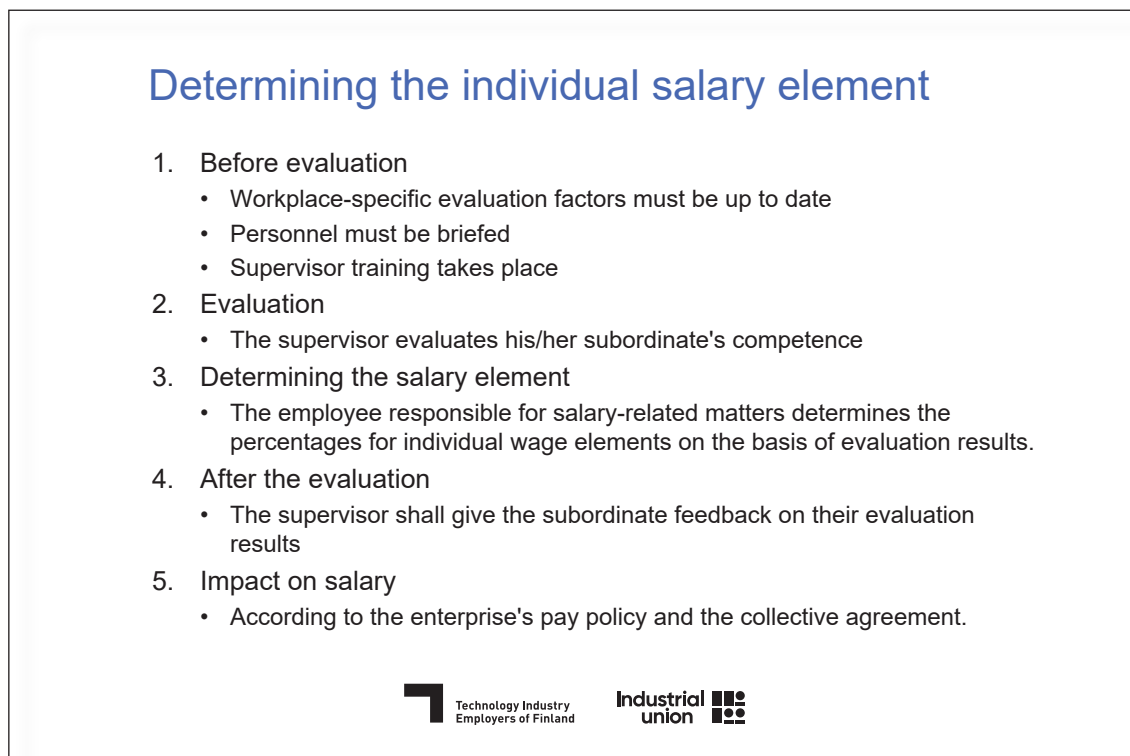


Figure 15. Determining the individual salary element

3.2.1 System for the evaluation of competence and performance

The purpose of the perspectives described below is to help an enterprise guarantee that its competence evaluation system functions in the desired manner.

Evaluation criteria should be selected carefully, so that they guide operations toward workplace success. Evaluation factors must describe aspects related to work that influence both the enterprise's and the employees' success. Evaluation criteria that are unrelated to work do not support the work of supervisors. The quality of evaluation factors is also reflected in the employees' and supervisor's experiences of how fair and encouraging the evaluation was.

Evaluation factors must be such that they vary and a person can influence the evaluated area with their own actions. E.g. job performance, in which a carefully specified work process does not facilitate differences due to a person's varying way of working is not a suitable evaluation factor. Evaluation factors must support the equal treatment of all employees.


Many of the most important factors of success are such that they cannot be measured, only evaluated. However, evaluation is also fair when evaluation factors are sufficiently concrete and easy for everyone to understand. A successful evaluation will require supervisor training to ensure that supervisors are able to apply the workplace's evaluation factors consistently according to the same standards.

Figure 16 shows a compilation of perspective which an enterprise can use to examine whether current evaluation factors are effective.


While drawing up a new competence evaluation system and implementing changes to an old system, the system's content is discussed by the employer and representatives of the employees. Each employee is given information on the principles according to which their individual wage element is graded.

Good evaluation factors

- Support the success of the enterprise and workplace
- Can be applied to the workplace's different tasks and jobs
- An employee can influence an evaluated issue with their own actions
- The area being evaluated includes different performance levels
- Evaluated areas and their different performance levels can be observed and evaluated regardless of who is carrying out the evaluation
- The factors are long-standing and permanent in nature and independent of one another



Technology Industry
Employers of Finland



Industrial
union

Figure 16. Characteristics of good evaluation factors

The competence factors listed in the collective agreement include vocational command, multiskilledness, work result and diligence. At least two of these factors are selected when drawing up a workplace-specific evaluation system. If necessary, the factor can be divided into two or more sub-factors.

- *Vocational command* is determined by examining the employee's ability to make decisions concerning the manner of work and work methods required by their job and as well development of these.
- *Multiskilledness* is determined by evaluating the employee's skills and usability in carrying out different work in the organisation and their readiness to develop these skills. Unions recommend that during the determination of vocational command and multiskilledness, the employee's skills and usability in providing guidance for other employees are also taken into account.
- *Work result* is determined by comparing the output of the employee's work to the normal work result specified for the work.
- *Diligence* is determined by taking into account compliance with instructions, maintenance of order in the workplace and compliance with working times i.e. employees do not deviate from the working hour system unless they have an acceptable reason to do so.

The evaluation factors for performance and competence are often divided into three groups that separately assess, what has been achieved, **how** it has been achieved **what expertise** made this possible. An evaluation often involves factors from all three groups.

Results can be

- quantitative or qualitative, such as work output, successful achievement of objectives, work quality, effectiveness of operations.

Practices typically describe how objectives are attained. These can be related to the following

- quality of activities
- diligence and compliance with instructions
- different situations that involve interaction with colleagues and customers
- development and developing
- helping and/or guiding others.

Expertise can also be described as vocational command or competence.

The following may be examined in connection with expertise

- vocational expertise such as the skill to work
- operational expertise, such as an in-depth understanding of the enterprise's operational processes.
- Multiskilledness is generally also linked to this perspective.
- Development of one's own expertise or providing guidance to other can also be group under this heading.

There are usually from three to five evaluation factors in use. These can be further divided into sub-factors. Sub-factors can be scored separately, or they can be used as the grounds for the scoring of principal factors. Evaluation becomes cumbersome if a very large number of scored evaluation factors are included. The more detailed content of these factors is given workplace-specifically in an appropriate manner.

GRADATION

Evaluation gradations facilitate the identification of different levels of performance in each evaluated item.

One gradation can be used for a number of different evaluation factors or different gradation can be selected for each factor depending on the gradation type that best suits the factor in question. Gradation should be drawn up as relative indicators in that the grade in the middle of the gradation corresponds with the workplace's average standard. Gradations should be drawn up in a way that ensures that there will be determination results in every grade.

Different grades are supplied with verbal and/or numerical sufficiently simple descriptions, which facilitate the uniform use of the gradation. As evaluation factors and gradations are the same for everyone in the workplace, the descriptions cannot be very detailed. In practice, it is important to highlight gradations more concretely during supervisor training. This will guarantee that gradations are applied according to the same standards in different duties.

When evaluating job performance, it is compared to the gradation's descriptions and a grade that best corresponds with the evaluated person's competence and job performance is selected.

In practice, the recommended number of grades is 3 or 5. The number of grades is influenced by the measured factor's weight, its content and the amount of fluctuation, i.e. the so-called differential threshold. The grades shall be determined so that there is a clear, perceivable difference between them that can be measured.

POINTS OF EMPHASIS BETWEEN EVALUATION FACTORS

The workplace's evaluation factors can be given different weight according to their importance. They will then influence the final evaluation in this scope.

None of the selected factors are too dominating or too insignificant. The weight of individual competence factors should be between 15 and 50%. Additionally, the selected weight must be realised in both the lowest and highest grade.

3.2.2 Evaluation of competence and performance

The competence of all employees is determined at regular intervals and at least once a year. An individual wage element will be determined for new employees as soon as possible but no later than 4 months after the employee's employment has begun.

When the evaluation process kicks off, it is a good idea to share information of the timetable and content of evaluations. Employees shall be informed on the competence evaluation system's content, instruments and workplace-specific objective in the manner decided on by the workplace.

SUPERVISOR PREPARATION AND TRAINING

The more thoroughly supervisors prepare for an evaluation the better the quality of the evaluation process. An employee's experiences of the evaluation process will influence pay satisfaction and motivation at least as much as the size of one's wage. The supervisor

should study the evaluation criteria and gradations and consider how these are visible in his/her subordinate's work. This is especially important if changes have taken place at the workplace after the previous evaluation round. The necessary information on each subordinate's performance and competence must be at hand for the evaluation.

Training is organised for both new and experienced supervisors as required. Training can also help ensure the supervisors' common understanding of evaluation factors and gradation, and guarantee their ability to compare their equal application to different duties. Training can at the same time also help boost the supervisors' skills in the areas of evaluation discussions and giving feedback.

EVALUATION

An employee's immediate supervisor will carry out an evaluation of their job performance and competence. The employee's performance of his/her duties is the premise for an evaluation. The determination is carried out in relation to the tasks and duties most often carried out by the employee. The evaluation also compares the job performance of different employees to one another. The evaluation result can vary from one year to the next depending on the employee's own or other employees' performance.

It is important to remember that the same gradation applies regardless of the job requirement. This means that job performances of varying standard can be found in jobs with both high and low requirements.

The supervisor must apply the evaluation factors and gradation according to the same standards for all his/her subordinates. A good approach would be to complete one evaluation factor at a time. When gradations have been drawn up well and are used with expertise, all the levels of a gradation will be in use and, especially in larger groups, the distribution will resemble normal distribution. The need to update gradations or give supervisors specific information on the principles of evaluations and train them further should be looked into, if for no apparent reason, the distribution of evaluations differs a great deal from normal distribution or the gradations for different factors are not comprehensively in use. When necessary, an evaluation must be redone to ensure a correct comparable result for the entire workplace.

To ensure equal and consistent evaluations the factors that may cause distortions in evaluation results should be identified. The following page include descriptions of some possible sources of error. Despite the possibility of evaluation errors, the supervisor is the best person to evaluate an employee's competence.

3.2.3 Size and grading of individual wage element

An employee's individual wage element must correspond with his/her vocational command, multiple skills, work result and attention to detail. The determination of an individual wage element is based on the determinations made by each employee's supervisor. The person appointed by the employer to be responsible for payment of salaries, shall concert the results of the competence evaluation determined by the supervisor into a percentage for the employee's individual wage element. At the time of redetermination, the employee's individual wage element can shrink, remain the same or grow. The person responsible for salary-related matters in the workplace shall monitor and guarantee that determinations made by different supervisors are comparable with one another and that the final outcome is a fair one.

Sources of error in evaluations

Various sources of error can influence the evaluation process. Identification of these and an effort to avoid them helps in the completion of equal and fair evaluations.

A person with a higher job requirement is erroneously evaluated as more competent than others.

A common error is basing the evaluation on a person's job requirement, in which case evaluation results for persons with a more demanding job are unjustifiably high and the evaluation results for persons with a lower job requirement are unjustifiably low. Job performances of varying standard can be found in duties with both high and low requirements.

Error factors related to the use of gradation

Other common evaluation mistakes are those in which evaluators do not use the entire evaluation gradation chart, but rather the evaluation results are situated in clusters at the beginning, middle or end. If the evaluation results are centred in one part of the gradation chart, there is reason to examine whether the measuring instrument has been drawn up incorrectly, an evaluation error has taken place or it is the reality of the situation.

Individual supervisors may use gradation charts in different ways. This can be avoided by implementing joint training or preparation at which time the application of gradation charts is reviewed with various exercises.

Result from one evaluation factor reflects on other factors

If an employee is especially good or poor at a specific duty, the evaluator may get the impression that the employee is very good or very poor at everything. A strong first impression may also have the same type of effect. Similarly, previous evaluation results may give a preconception that will influence the evaluation. The regular monitoring and evaluation of performance help in avoiding these distortions.

Preconceptions held by supervisors influence evaluation

Interpersonal relations at the workplace, both good and bad, may influence evaluations. For this reason, it is especially important to pay close attention to the consistent application of evaluation criteria and monitoring of job performance. It is also erroneous, from the supervisor's standpoint, to evaluate an employee's performance in relation to the supervisor's own performance. The supervisor may evaluate a person, who has many of the same characteristics as the supervisor in question, in a more positive light than other persons would. On the other hand, the evaluation gradation may be stricter or lighter than intended, depending on how highly the supervisor views his/her own vocational skills and performance.

An employee's individual wage element is at least 5% and at most 26% of the employee's job-specific wage element. To ensure the fair gradation of an individual wage element it is best to use a grading scale with four, five, or six grades. It is best to use full numbers as the percentage for the individual wage element.

The wage categories shall be used as grading categories. Wage categories shall be determined based on the job requirements in accordance with clause 8 of the collective agreement (see example on page 28, figure 14). Wage categories with fewer than 30 employees shall be combined with an adjacent wage category to form a single grading category.

The entire scope of the grading categories 5-26% must be utilised in the determination of individual wage elements. If there is a sufficiently large number of employees and the determination is implemented correctly, the determined individual wage elements will be divided according to normal distribution in the grading categories. This distribution is independent of job requirement. Based on this different levels of competence are prevalent in different job requirement areas in each grading category.

The average of the percentages for workplace-specific determined individual wage elements by grading category is between 12 and 18 per cent. The realisation of this percentage is established during the determination for all employees.

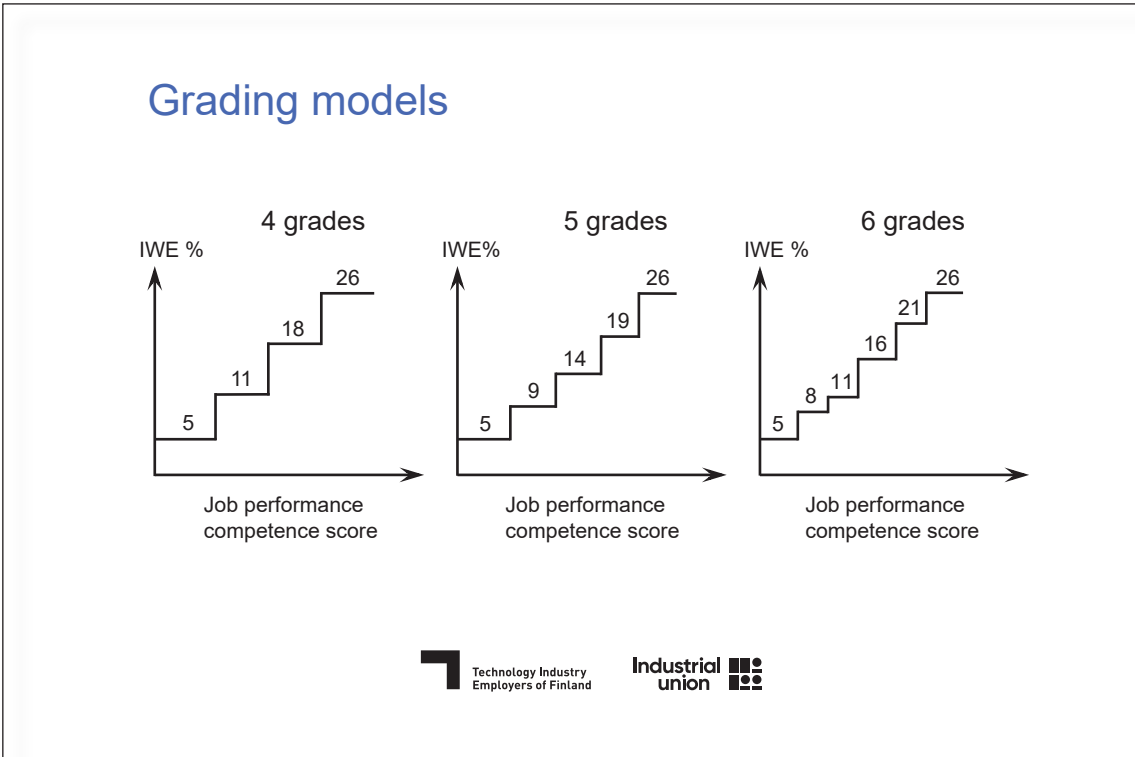


Figure 17. Grading models for individual wage element

The chief shop steward is supplied a report on the grading of the individual wage element in accordance with the shop steward agreement.

3.2.4 Feedback given to employees

The supervisor shall tell the employee the criteria for job performance and competence evaluations and the size of their individual wage element. The evaluation result, always gives the employee feedback on his/her performance. In order for feedback to have the desired effect, the supervisor must have the skills to give feedback, but the employee must also have the skills to accept feedback.

Giving feedback is part of being a good supervisor. A good approach is to integrate feedback on competence evaluations into development discussions. Enterprises may have very different ways of executing target, evaluation and development discussions. Discussion on the results of competence evaluations will emphasise the link between the competence evaluation and remuneration, as well as promote a transparent salary system. A good evaluation and feedback process also involves information on how performance and competence can be improved.

An employee's view on the fairness of an evaluation will depend on whether the evaluation is based on facts, the supervisor acts objectively, the evaluation is consistent with different supervisors and at different times, possible mistakes are corrected, the employee has the opportunity to be heard and the supervisor treats employees with respect.

4 Wage type-related collective agreement provisions

This chapter will delve deeper into the provisions and guidelines related to time rates and commission pay. The selection of wage type was dealt with earlier in Chapter 2.

Enterprises can use remuneration modes either decided on by the federation, those agreed on locally or a wage type decided on job-specifically by the employer and the employee(s) in question.

Remuneration methods devised by and agreed to by the federations:

Time rate

Performance-based pay

Bonus pay

a) fixed element	85 %
variable element	15 %
b) fixed element	70 %
variable element	30 %
c) variable element maximum	30 %

Partial piecework

a) fixed element	75 %
variable element	25 %
b) fixed element	50 %
variable element	50 %
c) variable element maximum	50 %

Direct piecework

The mode of remuneration can be agreed locally between the employer and the employees collectively. This refers to modes of remuneration that are applied more extensively in the workplace and they must be documented on. Locally agreed to remuneration types always include a notice period.

A mode of remuneration can also be agreed on job-specifically by the employer and the employee(s) in question. This shop steward must be informed of this mode of remuneration. The application of these mode of remuneration shall come to an end when work is completed.

4.1 Time rates

A time rate is a mode of remuneration in which a wage is fixed for a certain time unit (an hour or a month) and determined in advance. The structure of time rates is the same regardless of the length of the wage determination period. The basic determination period is one hour. The employer and chief shop steward shall make any decisions concerning the implementation of another determination period together. The collective agreement includes the hourly or monthly wages for different job requirement categories.

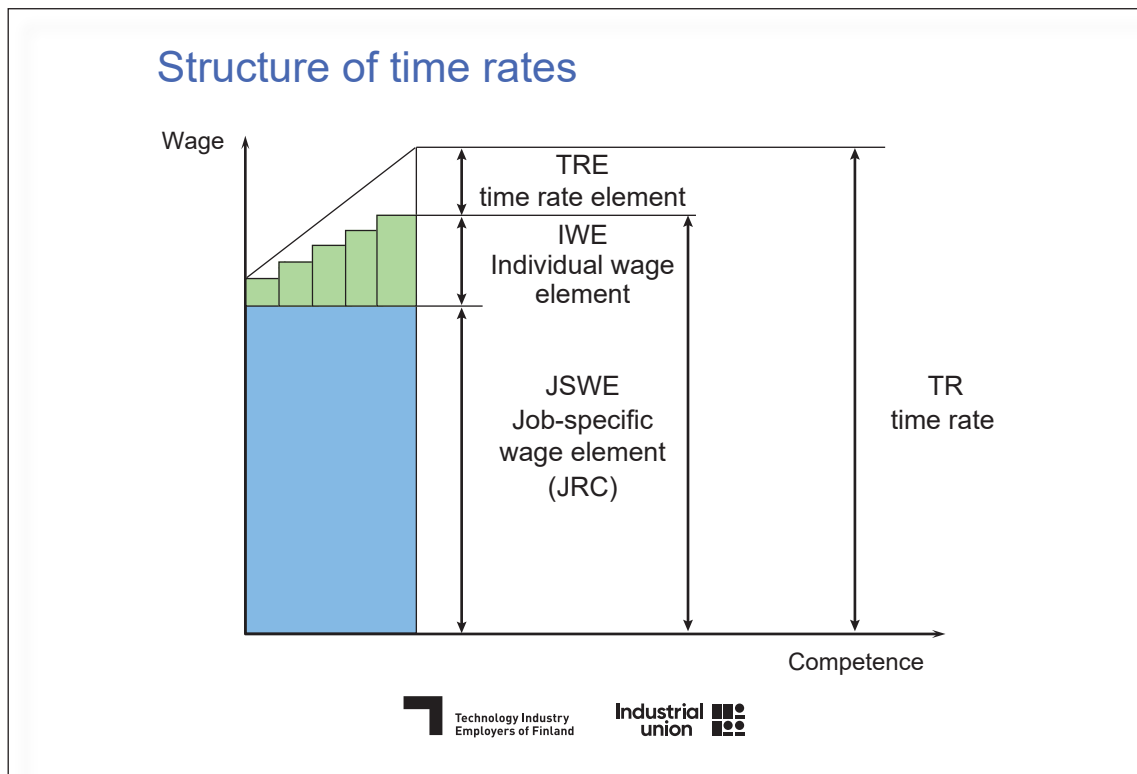


Figure 18. Structure of time rates

An employee's personal time rate comprises a basic wage and a possible time rate element. An enterprise's pay policy determines the size of time rates. The part of the time rate which exceeds the basic wage is called the time rate element.

Time rate elements must comply with the principles applied in determining the basic wage. The element can be graded e.g. according to the principle for the individual wage element. According to the principle of equal pay, the objective is to pay a high time rate element for jobs with higher requirements or an employer's higher competence.

The personal time rate set for an employee shall not be reduced when the employee's basic wage changes unless there are substantial and pressing grounds of the kind referred to in the Employment Contracts Act, unless otherwise agreed with the employee. The time rate element either increases or decreases when the basic wage changes. Figure 19 illustrates different situations in which there are changes to the time rate, basic wage or time rate element.

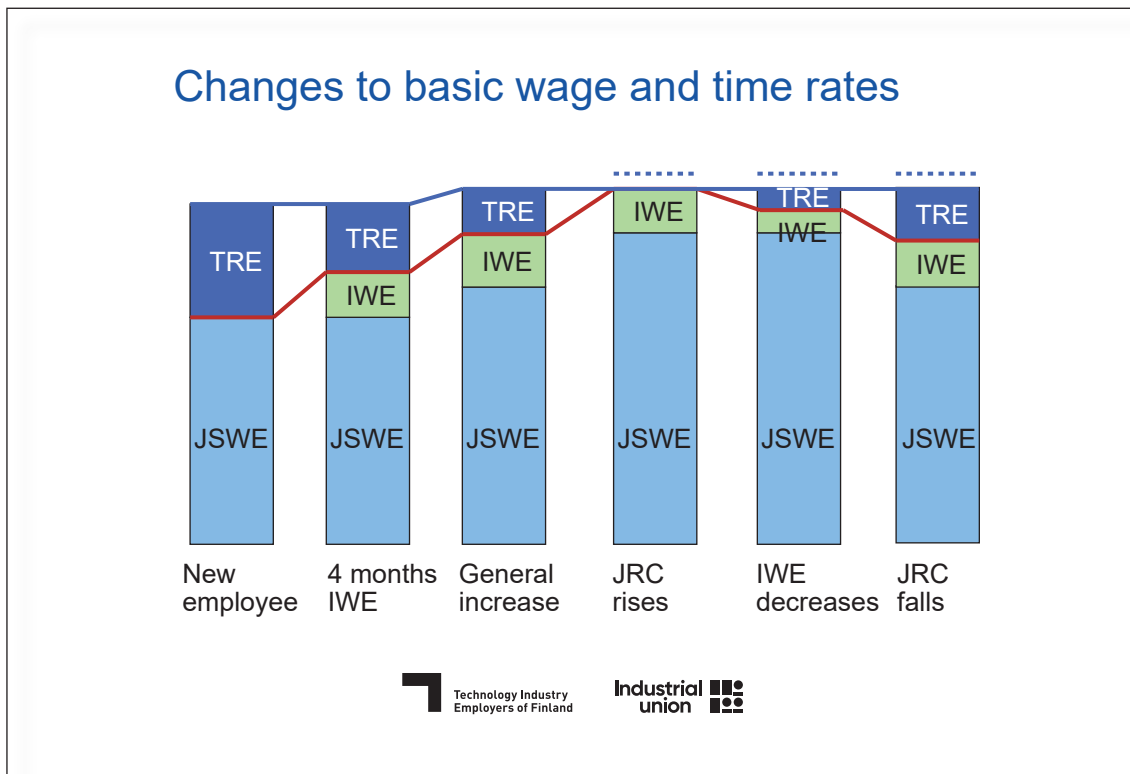


Figure 19. Example on the behaviour of time rate factors in change situations

4.2 Performance-based pay

Performance-based pay is remuneration that is based on an agreed to wage being paid for a certain performance norm. The size of the wage is dependent on the employee’s immediate job performance and the unit price is specified in advance. The unit price (i.e. piecework price or commission price) demonstrates how much the employee’s wage rises as their performance rises. An employee’s wage grows as his/her workload grows or the his/her work result improves in accordance with the performance-based pay method in use.

Performance-based pay, which is based on measurement of workload is called a piecework wage. The workload refers to the time spent on certain work when using a certain work method. Performance-based pay that is based on work result is commission pay.

Performance-based pay is a carefully outlined entity, the size of which depends on production guidance. An employee is informed of the size of his/her performance-based pay before work begins based on a determined unit price. In the case of work with performance-based pay in which the workload cannot be determined in advance, the completed amount of work is determined each wage payment period.

Employees are paid at least a basic wage for performance-based work.

PERFORMANCE NORM AND PERFORMANCE LEVEL

The performance norm for piecework pay is the normal time spent on the work (work value WV, the so-called specified time). The performance level is the work value divided by the time spent on the work. The performance level for work completed normal piecework is 20% than the normal performance level corresponding to work value.

The performance norm for commission rate work is determined on the basis of some production-related result e.g. the amount of production, the utilisation rate for machinery, output or quality. The normal work time or performance level can also be used as performance norms in commission rate work in the same way as in piecework.

PRICING OF WORK DONE FOR PERFORMANCE-BASED PAY

The pricing of performance-based pay is based on the job-specific wage and performance norm for the job in question.

The pricing wage corresponding to normal job performance in incentive pay work shall be 15 per cent higher than the job-specific wage for the work. The performance norms for this type of commission rate-based work can include the utilisation rate or output for machinery or the process, savings in raw materials or energy (e.g. water, electricity or air).

This shall also apply to commission-rate based work in which the volume of work corresponding to the employee's normal pace for contract work may be determined, for example by time and motion studies. Commission rates must be priced so that the wage at a normal piecework pace is 20% higher than the job-specific wage for the work.

Piecework shall be priced so that the wage when working at a normal pace of contract work is 20 per cent higher than the job-specific wage for the work.

UNIT PRICE

The employer shall agree the unit price of performance-based work with the employee(s) to whom it is offered before the work begins.

If no agreement can be reached on the unit price of the work to be done, then it shall be priced in accordance with the collective agreement.

THE PERMANENCE OF THE UNIT PRICE

As the factors affecting the pricing remain unchanged, the unit price remains the same. The unit price and any underlying time value of work, i.e. the work value, shall correspond to actual circumstances and methods.

INTERRUPTION OF INCENTIVE RATE WORK

An employee shall be paid his/her personal time rate during any interruption in incentive rate work unless the work that has caused the interruption can be arranged at the incentive rate.

If, at the employer's behest and without advance notification, an employee has to interrupt an agreed direct contract that the employee has already begun performing on account of other work, and the work that has caused the interruption cannot be arranged at the incentive rate, then the employee shall be paid for the said work at the employee's average hourly wage rate for up to no longer than six working days.

STRUCTURE OF PERFORMANCE-BASED PAY

The fixed element for partial piecework or commission rates can be either job-specific or job-specific and individual. The fixed element's competence element is graded on the basis of key factors related to the progress of production, such as multiskilledness. The competence element is used especially in performance-based pay for group work. The competence element facilitates rewarding of employees for their competence and expertise.

Division of fixed element into fixed element and individual fixed element (so-called competence element)

The job-specific fixed element is the same for everyone who carries out the same job.

The employer determines competence measurement instruments on the basis of which the competence element is graded. The employer specifies the size of the monetary competence element for each grade.

An amount equal to the average competence element is allocated from the fixed element for use in individual grading. The rest of the fixed element is a job-specific fixed element.

Competence elements are determined by calculating a job-specific fixed rate, average competence element and a variable element that corresponds with the target level so they are the size of a pricing wage. The employees' final wages will vary on the basis of their competence element, but the average earning level at the target performance level will be equal to the pricing wage.

The size of the competence element is determined in a manner that is different to the determination of the individual wage element, which is part of a basic wage. The competence element is a monetary sum for each grade not a percentage. The competence element changes according to what is laid down in provisions that apply to performance-based pay, whereas the individual wage element changes in accordance with what is laid down in provisions that apply to basic wage.

The competence element is not graded directly according to the individual wage element or a corresponding percentage. When performance-based work is priced, competence elements can be placed in the same categories in which the individual wage elements are placed, but after this each will change according to the provisions that apply to them.

Changes to the individual wage element shall not automatically result in a change to the performance-based pay's competence element. If the competence element is graded to corresponding grades as the individual wage element, the employer can change the competence element at the same time the individual wage element changes, if there is reason for such a change.

The competence element must correspond with the employee's expertise and competence, in the competence evaluation instruments used. If changes have taken place in the employee's expertise and competence, the competence element can be redetermined, and if the employee's expertise and competence have remained unchanged the competence element will remain unchanged. Changes can be realised when the work has been completed.

Changes to competence elements or basic wages do not affect the pricing wage determined for the work. Thus, a change in the individual wage element does not entail a change to the pricing wage in performance-based pay in which the competence element refers to an

individual wage element. Even if the individual wage element changes in this situation, the person does not receive a pay raise, but the competence element for performance-based pay remains the same.

Example:

Remuneration type is group commission rate 70/30 The pricing wage (JRC 6) is 13,39 euros/hour (1,15 * 11,64 €/hour).

A variable element that corresponds with the target level is thus 4,02 €/hour (0,3 * 13,39 €/hour), and the fixed element is on average 9,37 €/hour (0,7 * 13,39 €/hour).

The competence element i.e. the fixed individual wage element is on average 1,10 €/hour This means that the job-specific fixed element is 8,27 €/hour (9,37 - 1,10 €/hour).

Employees are placed in grades on the basis of 1-5 performance-pay competence factors.

	Grade 1 euros/ hour	Grade 2 euros/ hour	Grade 3 euros/ hour	Grade 4 euros/ hour	Grade 5 euros/ hour
Variable element	4,02	4,02	4,02	4,02	4,02
Competence element	0,50	0,80	1,10	1,40	1,70
Job-specific fixed element	8,27	8,27	8,27	8,27	8,27
Fixed element in total	8,77	9,07	9,37	9,67	9,97
Salary	12,79	13,09	13,39	13,69	13,99

Unless otherwise specified, an employee shall receive a share of the variable wage element in group-specific performance-based pay that corresponds with his/her job-specific wage element and the number of working hours he/she has spent participating in the group work. Employees can also decide among themselves on the equal distribution of the changing wage element.

TERMINATION OF PERFORMANCE-BASED EMPLOYMENT

If an employee's work that they receive commission pay for comes to an end and they will not receive a commission rate for their following job, he/she will be paid a personal time rate for this work. The collective agreement mentions termination of direct piecework with no prior notice as an exception.

MEASUREMENT OF WORK AND DETERMINATION OF WORK VALUE

Time and motion study is the general term for strategies especially for method study and work measurement, which are used for the study, planning and development of all work, and which lead to the critical analysis of all factors that influence the effectiveness and productivity of job performance in the conditions prevalent during the study.

Methods study is the systematic development of compatible production factors, in which the target is to achieve the lowest possible production costs, better productivity, lower strain on employees and improved occupational safety.

Time study refers to the measurement of time spend on a specific work task. The results for time study can be used both in the development of methods and determination of work value. Accurate work stage times are an important factor in the pricing of products, the calculation of tenders, resource planning and management, selection of methods, planning of work and as the basis of performance-based pay.

Work value refers to the normal time it takes to complete the work including a supplementary time bonus. An helping time bonus includes the time required daily for recovery due to the strenuous nature of the work and a workplace-specific daily standard. By changing the speed at which he/she works, the employee can improve their performance level i.e. work faster than the normal time, or decrease their work performance by exceeding the normal time. Work value is usually reported as time per unit.

Work value can be determined by evaluating and comparing the same types of jobs with a computational time keeping system or on the basis of the performance values for machinery or using time study methods.

Time study methods include normal time study, time use study, observational study, motion-time study and time calculations as well as the standard time systems created on the basis of these. Determination of work value must be adequately accurate taking into account changes in work method and the mode of remuneration in use.

4.2.1 Commission rates

Commission rates are a form of remuneration which comprises a fixed element and work result dependent variable commission element as illustrated in Figure 20. The size of the commission is determined on the basis of production quantity, quality or another result factor or a combination of these.

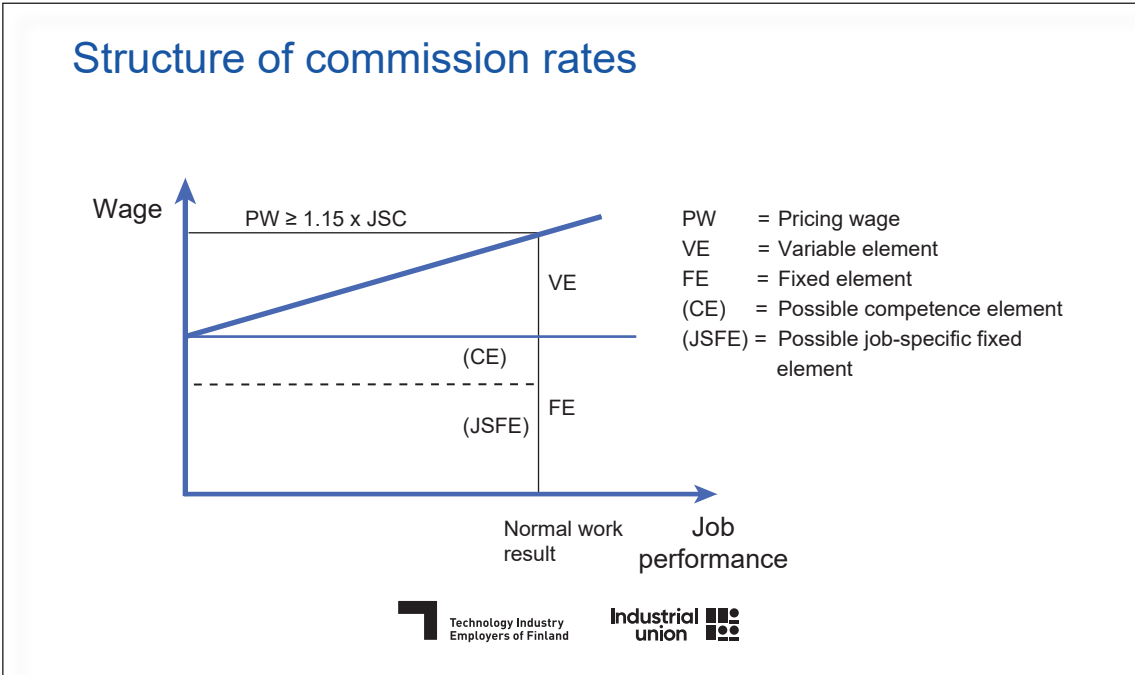


Figure 20. Structure of commission rates

Wage = fixed element + work result x commission rate

Examples of the structure of commission rates:

- | | |
|-------------------------------|------|
| 1. Fixed element | 85 % |
| Variable element | 15 % |
| 2. Fixed element | 70 % |
| Variable element | 30 % |
| 3. Fixed element greater than | 90 % |
| Variable element less than | 10 % |

The fixed element of a wage is calculated by multiplying the pricing wage with the coefficient that corresponds to the fixed element's percentage.

The fixed element of the wage can be job-specific or job-specific and individual. The fixed element's competence element is graded on the basis of key factors related to the progress of production, such as multiskilledness.

The variable wage element at a performance level that is equal to a normal work result can be calculated by multiplying the pricing wage with a multiplier equal to the percentage for the variable element.

A pricing wage which corresponds with a normal work result is at least 1.15 times that of the work's job-specific wage. However the same pricing rule is used for commission rates in which the workload corresponding with normal piecework speed can be determined using time study as for partial piecework pay.

4.2.2 Partial piecework

Partial piecework pay is a form of remuneration which comprises a fixed element and workload dependent variable element as illustrated in Figure 21.

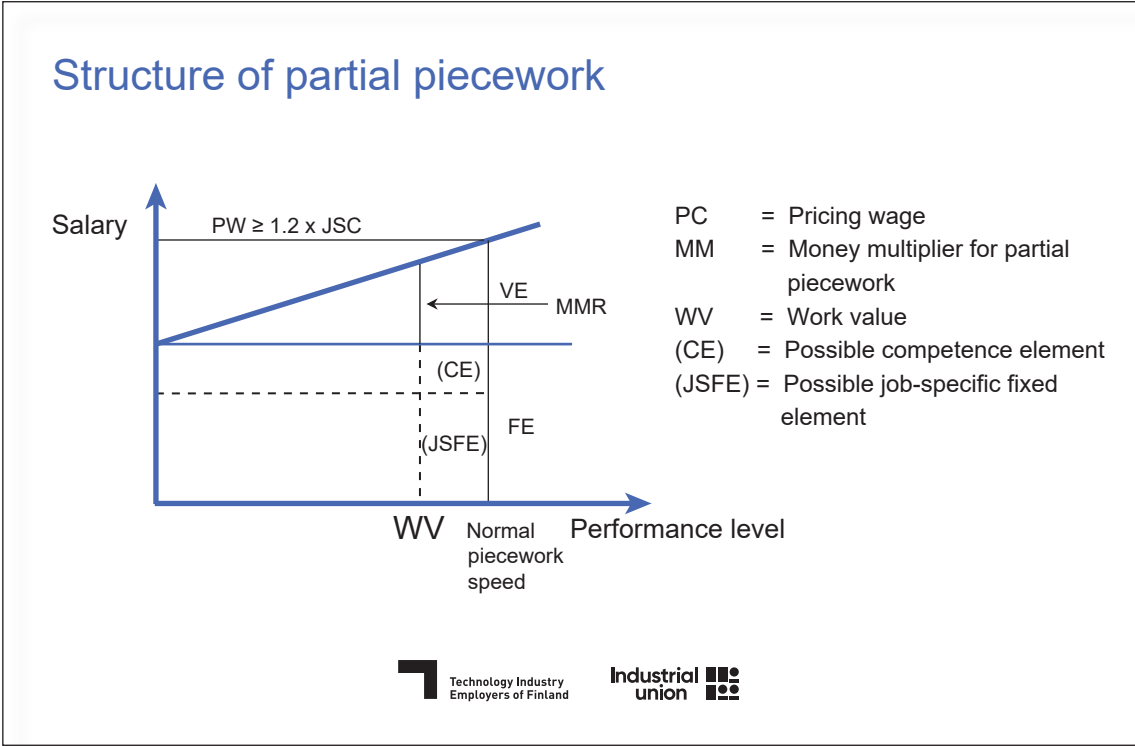


Figure 21. Structure of partial piecework

Wage = fixed element + performance level x money multiplier for partial piecework

$$\text{Performance level} = \frac{\text{work value}}{\text{realised time}}$$

Examples of the structure of partial piecework:

1. Fixed element 75 %
 Variable element 25 %

2. Fixed element 50 %
 Variable element 50 %

The fixed element of a wage is calculated by multiplying the pricing wage with the coefficient that corresponds to the fixed element’s percentage.

The fixed element of the wage can be either job-specific or job-specific and individual. The fixed element’s competence element is graded on the basis of key factors related to the progress of production, such as multiskilledness.

The variable wage element at a performance level that is equal to normal piecework speed can be calculated by multiplying the pricing wage with a coefficient equal to the percentage for the variable element. A pricing wage which corresponds with a 1.20 performance level is at least 1.20 times that of the work’s job-specific wage. Partial piecework In this case the time indicated by the work value WV is used on completion of the work.

4.2.3 Direct piecework

Direct piecework is a form of remuneration in which a wage is dependent immediately and solely on workload as illustrated in Figure 22.

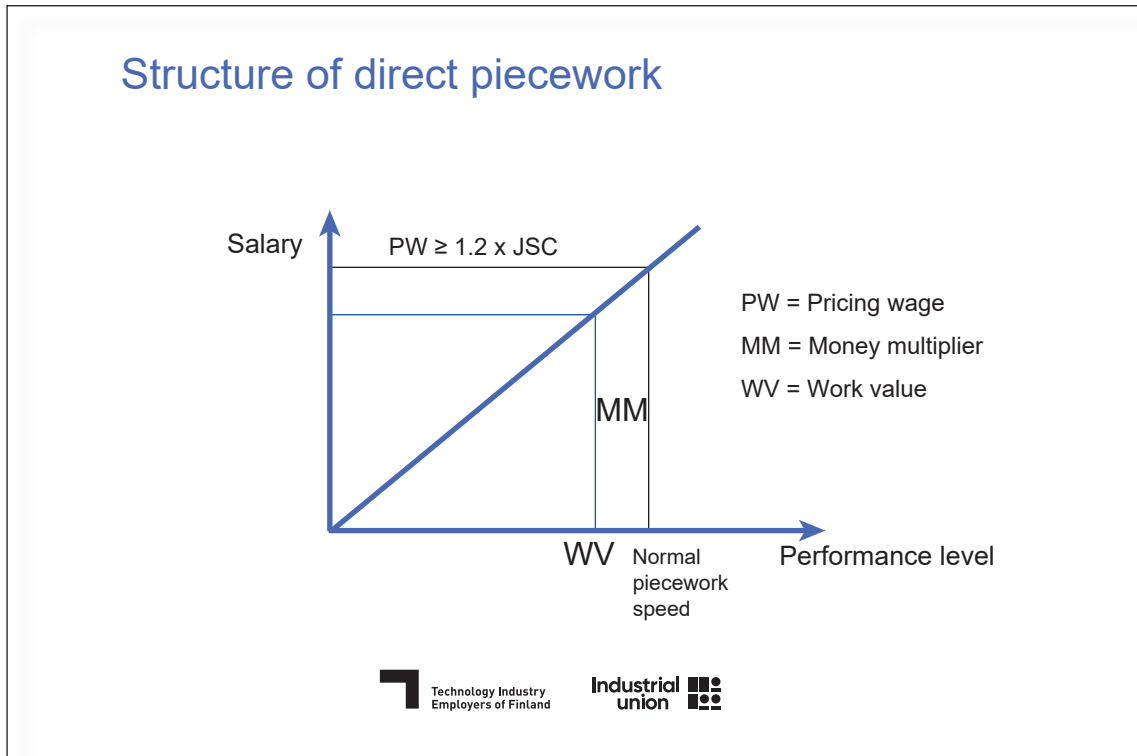


Figure 22. Structure of direct piecework

A unit price is calculated as follows:

$$\text{Piecework} = \text{WV} \times \text{MM}$$

Piecework is the unit price (contract price)

WV is work value

MM is money multiplier

$$\text{Wage} = \text{performance level} \times \text{money multiplier}$$

$$\text{Performance level} = \frac{\text{work level}}{\text{realised time}}$$

Due to the job-specific principle, the unit price is not dependent on the person executing the work. Wages may vary even between people doing the same work, if their workloads vary.

The money multiplier for direct piecework must be based on their job-specific wage i.e. the money multiplier must be higher for more demanding work than for less demanding work. The money multiplier must be at least the same as the job-specific wage laid down in the collective agreement.

A pricing wage is determined at performance level 1.2. The money multiplier corresponds with a wage for a work performance carried out at normal working speed 1.0. In this case the time indicated by the work value WV is that which is used on completion of the work.

4.3 Changes from one remuneration mode to another

The mode of remuneration is either drawn up and agreed to by the unions, locally agreed on or agreed to job-specifically with the employee as laid down in the collective agreement.

If the mode of remuneration has been agreed to locally, the local agreement shall apply in change situations. In this case, realisation of changes to the mode of remuneration in use will generally require the termination of the local agreement before the mode of remuneration can be changes or its use can be terminated. A local agreement concluded until further notice may be terminated at three months' notice, unless some other period of notice has been agreed.

The employer may select the best suited job-specific mode of remuneration from among the remuneration modes, mentioned in the collective agreement's application guidelines and created and agreed to by the unions. Changes can be implemented to the this type of remuneration mode or its use can be terminated once work has been completed.

When transitioning from one performance-based pay type to another, the new performance-based pay is priced so that the previous average earning level can be attained when working at the target performance level. New unit prices must correspond with actual conditions and methods. An individual employee's wage is determined according to the new performance-based remuneration type, and it may change in this type of situations.

When transitioning from time rates to performance-based pay, the employee's personal time rate remains the same size as previously. Performance-based pay is priced as documented in the collective agreement, which means average earning level and the individual employee's earnings are determined on the basis of the performance-based remuneration type. The pay guarantee for performance-based pay is a basic wage not time rate.

When transitioning from performance-based pay to time rates, the employee's personal time rate remains the same size as previously. The level of the time rate is determined on the basis of the enterprise's pay policy and the collective agreement, not on the basis of the old performance-based earnings.

When the remuneration mode is changed, the local parties shall negotiate before the change is implemented and strive to agree on the changes to the remuneration mode, unless the remuneration mode in question has been agreed locally, in which case the provisions of the local agreement shall be applied.

5 Supplementary rewards

The employer may supplement time rates and performance-based pay with different supplementary rewards. Productivity bonuses are usually based on operational objectives, such as improvement of productivity and success in achieving development objectives. Profit bonuses are based on business activity results or the key figures listed in the enterprise's financial statement. These include operating income, operating margin, etc. Differentiations between different bonuses are based on the nature of the award system.

Before implementation of the productivity bonus system, the employer must give employee's an adequately thorough briefing on its contents, purpose, objectives and payment criteria.

The implementation of a productivity bonus is agreed on locally and is then entered into records.

The productivity bonus paid to an employee is taken into account when calculating annual leave pay and compensation, if the calculation criteria for productivity bonuses does not yet incorporate these. Examples of such criteria include the division of the total wage for which taxes are withheld or the number of employees or a situation in which a reward accumulates and is also paid for holidays.

Profit bonuses are not taken into account when calculating annual leave pay or compensation.

Productivity bonuses are not taken into account in the calculation of an employee's average hourly earnings in accordance with the collective agreement.

The collective agreement's wage increase provisions are not applied to productivity and profit bonuses.

Aspects related to productivity and profit bonuses are examined in more extensive detail in the publication "Tulosta ja palkkaa - Näkökohtia teknologiateollisuuden palkkaustavoista ja niitä täydentävistä tulos- ja voittopalkkioista".

6 Use and maintenance of wage structure

The basis of the fair and incentive-based payment of wages in the technology industries lies in modes of remuneration and wage criteria selected according to the needs of the workplace and their consistent application. Previous chapters have focused on modes of remuneration and wage criteria i.e. the structure of wage payment. This chapter lists the aspects related to the use of the salary system. The effects of salary payment are born as a combined result of the salary system as a whole i.e. the practices related to its structure and use.

6.1 Use of wage structure - key view points

Central tasks related to the use of the wage structure include:

- selection of used remuneration modes
- selection and updating of wage criteria
- job requirement categorisation
- evaluation of competence and performance
- determination of an employee's basic wage

The used forms of remuneration and wage criteria must be kept up to date. As the work and work methods change, there is reason to review these. The mode of remuneration in use must be compatible with conditions for completion of work, the mode of operation and the enterprise's objectives. For more information on modes of remuneration and the supplementary productivity and profit bonuses please see the publication "Tulosta ja palkkaa – Näkökohtia teknologiateollisuuden palkkaustavoista ja niitä täydentävistä tulos- ja voittopalkkioista".

An employee's basic wage is based on the requirement of completed work and the employee's personal competence. Wage criteria must be reviewed regularly. The job requirement category must be kept up to date. Similarly, the competence and performance evaluation system must also be kept up to date. An employee's job-specific wage is determined by the work he/she carries out regularly. Competence determinations are evaluated at regular intervals at least once a year.

The good management of the aforementioned basic tasks requires at least the following:

- an enterprise's own pay policy
- determination of responsibilities related to payment of salaries
- good cooperation within the workplace
- sharing information on salary-related matters and training of employees, supervisors and shop stewards in salary-related matters.
- compatibility of salary payment and other management.

A pay policy based on the enterprise's business activities and personnel policy guides the selection of remuneration mode, wage grading and how wage criteria influence an employee's salary. Pay policy can also help in the determination of responsibilities and authority related to the wage process.

The appropriate administration of the enterprise's salary-payment requires that the employer appoints persons, who are task with the administration of salary-related matters. These responsibilities must be clearly specified. Numerous people head different areas of responsibility in the maintenance of the salary system. For example, the members of the job requirement working group are responsible for maintaining requirements for benchmark jobs. The person responsible for human resources ensures that the payment of salaries and the duties related to its maintenance are carries out regularly and that the necessary procedures and systems, e.g. the system for evaluation of competence, are maintained. The shop steward promotes cooperation between employees and the employer in matters related to salaries and does his/her part to supervise compliance with the collective agreement. Supervisors are responsible for tasks and duties, such as evaluation of competence and giving feedback to employees. Management is tasked with determining and maintaining the enterprise's pay policy as part of human resources policy.

Cooperation and communication improve the salary system's functionality and incentive effect in the development, use and maintenance of the system. Information sharing shall take place at different levels; in different briefings, between the shop steward and representative of the employer, as well as between the employee and his/her supervisor. Up-to-date basic information on salary payment-related matters are accessible in printed and electronic format.

The training helps to ensure that supervisors and shop stewards have a firm understanding of the salary system and that they use it according to its purpose. For example, the fair application of the competence evaluation system requires that supervisors are trained to handle this.

The compatibility of different management practices promotes the effectiveness of the enterprise's operations. A functioning i.e. encouraging and fair salary system, works best when it is closely linked to the organisation of work and other management. When work is organised, the main objective should be to allow each employee to carry out work that best corresponds with their expertise and the development of expertise should support the desire and ability to learn new things. In this way, the enterprise's productivity and the employee's motivation can be developed and employees can be rewarded according to the principles of the wage structure.

6.2. Awarding individual pay increases

A workplace has money at its disposal for individual pay increases, according to the enterprise's pay policy or as part of the collective agreement's pay solution.

Individual pay increases are a tool for managing payment of salaries in accordance with the salary structure and the enterprise's pay policy. An individual pay increase acts as an incentive and rewards a person for their competence and job performance.

Paid wages must be relative to the employees' basic wages and job performance with regard to all types of remuneration.

The purpose of individual pay increases is to support the wage grading illustrated by the dotted line in Figure 23.

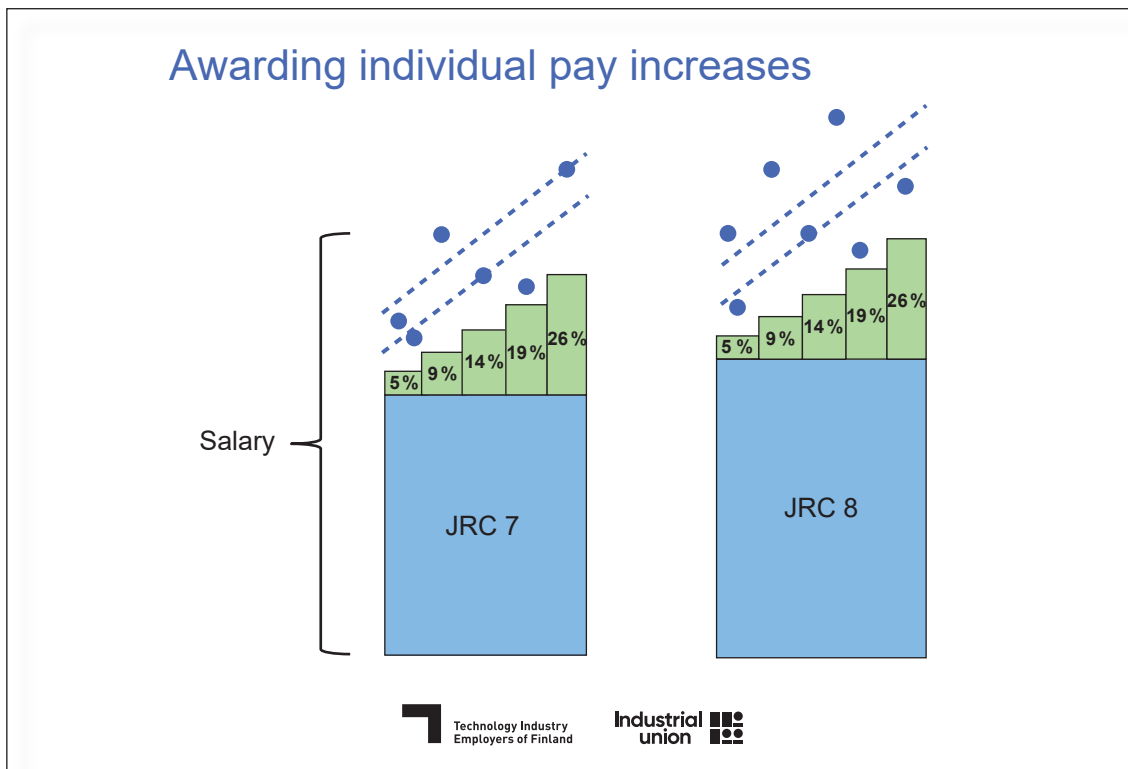


Figure 23. Awarding individual pay increases

Time rate elements must comply with the principles applied in determining the basic wage. The time rate element must be higher for persons who have higher competence and a greater job requirement. The element can be graded e.g. according to the grading principle for the individual salary element. Individual pay increases can be awarded to a person whose time rate element is small in relation to their individual salary element. An increase to the individual wage element emphasises the importance of the enterprise's pay policy and active maintenance of wages.

Table 5. An example of the allocation of the individual pay increases according to the ratio of time rate element (TWE) to the individual wage element (IWE). Amount of job-specific wage elements consistent with wages that were in force 1.3.2020.

Employee	JRC	Time rate €	JSE €	IWE %	IWE €	TRE €	TRE/IWE
1	3	11,35	10,05	5	0,50	0,80	1,59
2	3	11,95	10,05	9	0,90	1,00	1,11
3	3	14,76	10,05	26	2,61	2,10	0,80
4	3	12,66	10,05	18	1,81	0,80	0,44
5	3	13,46	10,05	14	1,41	2,00	1,42
6	4	11,29	10,56	5	0,53	0,20	0,38
7	4	13,30	10,56	14	1,48	1,26	0,85
8	4	12,43	10,56	9	0,95	0,92	0,97
9	4	14,08	10,56	26	2,75	0,77	0,28
10	5	13,20	11,09	14	1,55	0,56	0,36
11	5	13,29	11,09	18	2,00	0,20	0,10
12	5	12,12	11,09	5	0,55	0,48	0,87
13	5	13,62	11,09	14	1,55	0,98	0,63
14	5	12,41	11,09	9	1,00	0,32	0,32
15	6	16,02	11,64	26	3,03	1,35	0,45
16	6	13,52	11,64	14	1,63	0,25	0,15
17	6	12,72	11,64	5	0,58	0,50	0,86
18	6	15,04	11,64	18	2,10	1,30	0,62
19	6	12,79	11,64	9	1,05	0,10	0,10
20	8	15,63	12,83	14	1,80	1,00	0,56
21	8	14,52	12,83	5	0,64	1,05	1,64
22	8	15,74	12,83	14	1,80	1,11	0,62
23	8	16,63	12,83	18	2,31	1,49	0,65
24	8	18,14	12,83	26	3,34	1,97	0,59
25	8	15,88	12,83	14	1,80	1,25	0,70

TRE/IWE - average 0,68

The individual pay increases should primarily be allocated to employees 4, 6, 9, 10, 11, 14, 15, 16 and 19.

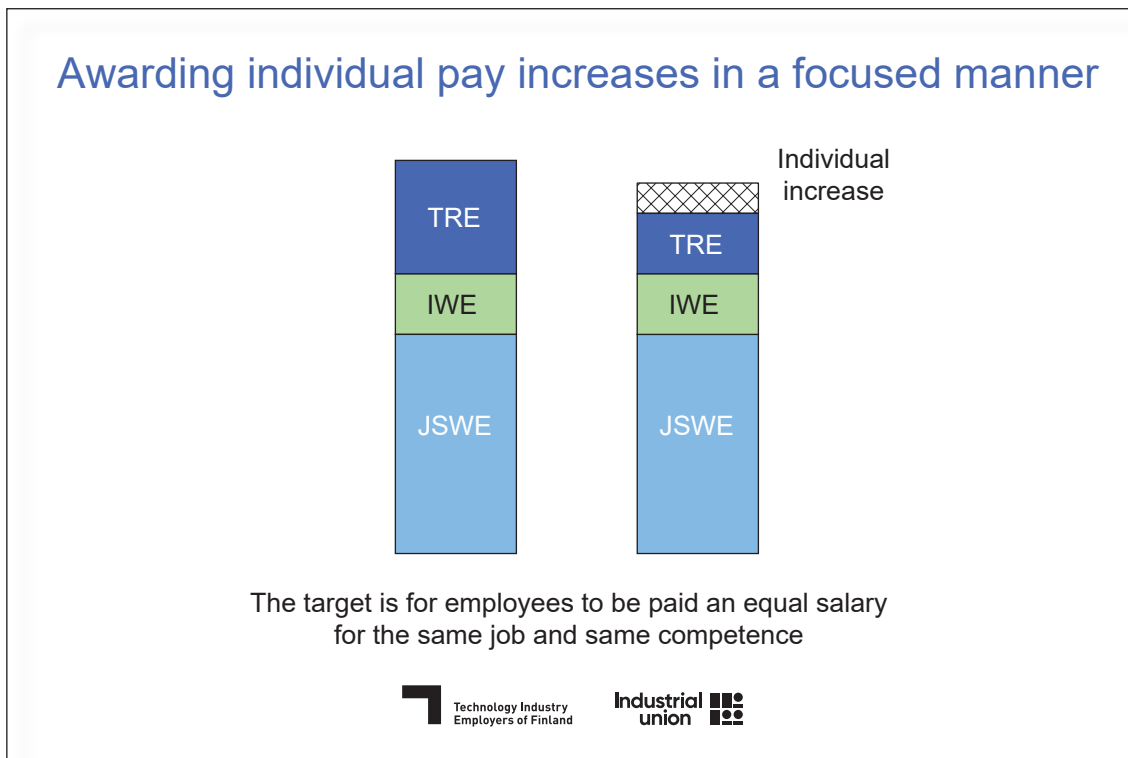


Figure 24. Individual pay increases to ensure the realisation of the principle of equal pay.

As shown in Figure 24, individual pay rises should be awarded in line with the equal pay principle and wage structure.

Individual pay increases in performance-based pay can be applied to the competence element. Pay policy-based items can also be used to correct possible distortions in the pricing of performance-based pay by applying the increase to certain job requirement categories, product groups, work tasks or specific departments. It should be noted that distortions caused by erroneous determination of norms should not be corrected with pay increases, but rather norms and the remuneration mode in use must be maintained.

6.3 Maintenance of wage structure

Even a carefully implemented and adopted salary system cannot remain functional unless it is maintained. The operational conditions, approaches and objectives of enterprises change over time. Work methods, working conditions and work content develop and the conditions for completion of work change. An employee's expertise develops and, on the other hand, the competence requirements set by jobs change.

For an enterprise to make a profit, it must be competitive and have motivated personnel. Wages and remuneration are key motivators. Fair remuneration shall require consistent management of matters related to salaries and the correction of possible distortions. The incentive nature of wages requires functional wage grading on the basis of job requirement, personal competence and job performance. It is of key importance, with regard to the incentive nature of remuneration, that every person is aware of how the work he/she has carried out and his/her competence influence the size of his/her salary.

By seeing to its maintenance, the payment wages remains fair and encouraging also when changes occur.

7 Other provisions and instructions

7.1 Instructions in collective agreement on wage increases

7.1.1 Increase in time rates

The currently valid time rates are increased in the manner agreed to in the collective agreement.

The increased time rate must be at least equal to the new basic wage.

Individual wage elements (IWE) will remain relatively the same after a general salary increase.

7.1.2 Increase in performance-based pay

As a rule, when performance-based pay is increased, it must be ensured that the increased unit prices ensure higher earnings per hour with the same job performance to the extent agreed to in the collective agreement. This means that the work in question must be carried out using the same work methods and in the same working conditions.

The increased performance-based pay must fulfil the performance-based pay pricing rule.

Increases are implemented with a so-called increase coefficient. The currently valid piecework prices, fixed elements and unit prices of partial piecework and the fixed elements for commission rates and commission i.e. unit prices are increased by multiplying them with the increase factor determined by the wage solution.

If the increase has been reported as a percentage adjustment, the multiplying factor applied to the increase is directly equal to the percentage increase.

$$I_n = 1 + (\text{per cent}/100)$$

where the reported per cent is the size of the increase reported as a percentage.

If the increase is reported in cents, the multiplying factor is calculated on the basis of performance-based pay.

Performance-based earnings are determined for a job requirement category, department, machinery unit or other entity so that the sum earned from performance-based pay during a specified time period is divided by the hours used for this work.

The performance-based earning level that are the basis for an increase is determined over a sufficiently long period where working conditions are normal and which ends on the increase date.

When determining the review period, the time used for production of one unit, the number of units and other factors should be taken into account. However, this needs to be limited to those cases in which the current method and pricing are applied, and cases that are implemented under special circumstances should be avoided. If this does not provide an

adequate foundation, for example there are few cases, the matter must be resolved using the aforementioned perspectives as guidelines so that the purpose is realised.

The multiplier for the increase to performance-based pay is calculated after the earning level for the entity in question has been determined.

Performance-based pay is increased using multiplier Mult, which is calculated as follows:

Mult. = 1 + (increase : PbE)
where the increase is realised in cents and PbE represents performance-based earnings.

7.1.3 Rounding-off rule for calculation of wage increases

When calculating wage criteria and increases to wages the normal rounding-off rule shall be applied, i.e. if a tenth of a cent is 5 or higher then the cent will be rounded up.

7.1.4 Redetermination of basic wages

Changes resulting from the redetermination of basic wages (changes to job requirement category or individual wage element) should be implemented at workplaces at such times when there are no collective agreement-based increases.

7.1.5 Performance-based pay that continues over the time wages are increased

When the payment of performance-based pay comes to an end, the manner in which the hours used for the work are distributed before and after the increase date will be examined. If the work is long-term work and the hours are clearly distributed on both sides of the increase date, the price of the performance-based pay work shall be divided in two in based on how the working hours are divided. The final price paid for performance-based work is calculated by increasing the latter portion of the divided price according to the aforementioned instructions with the former part of the price remaining as it was.

7.2. Separate bonuses

Working conditions are taken into consideration when determining job requirement.

In exceptional circumstances, the working conditions may exhibit clearly impeding temporary deviations, which are not usually prevalent in the work and which are therefore not taken into consideration in the determination of job requirement. Similarly, in some situations, the working conditions may exhibit some exceptional distraction or problems that are outside the working conditions evaluation grading scale and which cannot therefore be taken into consideration in the determination of job requirement. In these situations employees are paid a separate bonus (cents/hour) on the basis of the size of the disadvantage according to the collective agreement.

Separate bonuses are paid for those hours during which the temporary disadvantage or impediment is prevalent.

7.3 Students, employees under the age of 18, interns and disabled employees

Students shall be paid a wage that is pursuant to the collective agreement's student wage table on the basis of their skills, experience and competence. The wages of employees under the age of 18 shall be scaled according to their year of birth.

Wage provisions shall not be binding in the case of employed trainees, who lack the experience required for the work in question.

For more detailed information, please see the currently valid collective agreement.

7.4 Calculation of monthly wages

Subject	Calculation formula
Decreasing the number of unpaid leaves	Time rate or fixed element – $\frac{(\text{time rate or fixed element}) \times \text{hours absent}}{\text{RWT}}$
Payment of paid leave (such as disability pay, wage for training period)	Wage for completed working time = $\frac{(\text{time rate}) \times \text{completed working hours}}{\text{RWT}}$ Wage for absences = $\frac{(\text{time rate}) \times \text{hours of absence}}{\text{RWT}}$
Payment of basic elements for overtime and Sunday pay	$\frac{(\text{Time rate or fixed element}) \times \text{overtime hours}}{\text{SH}}$
Payment of bonuses for overtime and Sunday work	$\frac{(\text{Time rate}) \times \text{hours worked} \times \% / 100}{\text{SH}}$
Payment of wages for work outside of working hours (e.g. seniority bonus)	$\frac{(\text{Time rate}) \times \text{hours}}{\text{SH}}$

Time rate = individual monthly wage as a time rate

Fixed element = monthly wage that is the fixed portion of performance-based pay

RWT = regular working time in the working hour system for the month in question including the hours for averaging working hours the same month

SWH = 169 = the standard number of working hours in a month when the work day is 8 hours long

8 Abbreviations and terminology

- TR Time rate** Form of remuneration in which the a wage is fixed for a certain time unit, typically one hour or one month, and determined in advance. The basis for a time rate is the job requirement and the person's competence and job performance. Time rates are made up of a basic wage (BW) and a possible time rate element (TRE).
- TRE Time rate element** The portion of a time rate that can be calculated by subtracting the specified basic wage (BW) from the time rate (TR).
- IWE Individual wage element** Time rate (TR) and basic wage (BW) elements, which are determined on the basis of the employee's competence. The size of the individual wage element is determined as a certain percentage of the job-specific wage element (JSWE).
- PW Pricing wage** The wage level used in the pricing of performance-based pay (PbP), which is equal to the target performance level and work result. The minimum pricing wage is determined on the basis of the job-specific wage (JSW) and the pricing rule laid down in the collective agreement.
- ILO International Labour Organization** The international organisation that aims to develop life in the workplace globally. The ILO is a UN agency tasked with establishing and monitoring international labour norms. In Finland, the Ministry of Employment and the Economy is responsible for coordinating matters related to the ILO.
- AHE Average hourly earnings** Average hourly earnings are determined on the basis of the collective agreement. It is used as a calculation factor for the payment of certain compensation types determined in the collective agreement to employees with an hourly rate.
- FE Fixed element** A portion of performance-based pay the size of which is dependent on the structure of the used form of remuneration and the size of the pricing wage (PW). The fixed element can be further divided into the job-specific fixed element (JSFE) and the competence element (CE). The fixed element is applied to partial piecework and commission rates.
- RC Rough classification** An alternative manner for determining the job requirements for a workplace's jobs pursuant to the collective agreement. The collective agreement also permits the use of enterprise-specifically realised and locally agreed to job requirement classification methods. The purpose of determining job requirement is to distinguish one workplace's jobs from one another on the basis of their jobs requirements.
- VE Variable element** A portion of performance-based pay that is determined on the basis of performance level or work result. The size of the variable element is dependent on the structure of the used form of remuneration and the size of the pricing wage (PW). All forms of performance-based pay include a variable element.

Mode of remuneration The wage types utilised by the technology industries include time rates and performance-based pay.

Remuneration mode. Remuneration modes comprise wage types i.e. time rate and performance-based pay, as well as rewards that supplement these.

CE Competence element A portion of the fixed element (FE) for performance-based pay, which is determined on the basis of competence and the size of which is dependent on the structure of the performance-based remuneration type used and the size of the pricing wage (PW). The competence element is used in forms of performance-based pay in which the fixed element is graded based on job requirement and the person's competence, from the perspective of the progress of production based on key factors.

BW Basic wage A part of the wage structure which determined the minimum wage paid to an employee. The basic wage is made up of a job-specific wage element (JSWE) based on job requirement and the person's individual wage element (IWE), which is based on the person's competence. The time rate (TR) paid to an employee always includes the basic wage element and changes to the basic wage influence the size of the time rate element (TRE).

Wage structure Wage structure comprises forms of remuneration and their parts and criteria. For example, the structure of time rates is made of job-specific and personal wage elements and a possible time rate element. The size of job-specific and individual wage elements is based on separately determined factors.

WC Wage category A category that is dependent on job requirement and thus the job requirement category (JRC), which is determined employee-specifically. There are three wage categories. These are used a grading categories for the individual wage element and for collection of statistics.

MM Money multiplier A factor used in performance-based pay (PbP), which corresponds with the variable wage element in job performance that is at normal level of speed. The size of the money multiplier is dependent on the pricing wage (PW) and the structure of the used mode of remuneration. The money multiplier doe partial piecework is indicated separately with the Rosa footnote.

PL Performance level The time value i.e. work value (WV) given to a job divided by the time used for completion of the work. The target level for piecework pay is a normal piecework speed that corresponds with performance level 1.2.

PBP Performance-based pay A form of remuneration in which the wage is determined on the basis of some performance norm. Typically, the size of the wage depends on the immediate job performance or work result. Performance-based pay is further divided into piecework pay, partial piecework pay and commission rates.

WV Work value The normal completion time determined for a specific job including helping time bonuses. The work's time value i.e. work value is typically

determined for the pricing of piecework. Working faster than the normal time will increase the employee's performance level. While exceeding the normal time will decrease the effectiveness. Work value is usually reported as time per unit. Work value can be determined by evaluating and comparing, with a computationally, on the basis of performance values or using time study methods.

JSFE Job-specific fixed element The fixed element (FE) for performance-based pay, which is determined on the basis of job requirement and the size of which is dependent on the structure of the performance-based remuneration type used and the size of the pricing wage (PW). The job-specific fixed element is used in performance-based remuneration modes in which the fixed element is graded on the basis of job requirement and the person's competence (CE).

JSE Job-specific element The part of an employee's basic wage (BW) and time rate (TR), which is determined on the basis of the requirement of the work he/she regularly executes. The size of the employee's job-specific wage element depends on their job-specific wage.

JSW Job-specific wage The job-specific wage for work is determined on the basis of job requirement determination. The size of job-specific wages are given in the collective agreement. Job-specific wages (JSW) are the basis for both the determination of an employee's job-specific wage element (JSWE) in time rates and determination of minimum level for the pricing wage (PW) according to the pricing rule in performance-based pay.

JRC Job requirement classification The principal manner for determining the job requirements for a workplace's jobs pursuant to the collective agreement. In addition to this basic determination method, rough classification (RC) or another locally agreed to determination method can be used when agreeing locally. The purpose of job requirement classification is to distinguish one workplace's jobs from one another on the basis of their job requirement.

JRC Job requirement category A job requirement category pursuant to job requirement classification (principally JRC), which influences the size of time rates (TR) and basic wage (BW) via the job-specific wage element (JSWE) and the job-specific wage (JSW).

PWP Piecework Price The unit price determined for piecework pay for a specific product unit. The piecework price is not dependent on the employee carrying out the work, and it must correspond to actual conditions and methods. Piecework pay is the result of work value and money multiplier.

More information

Collective Agreement between Technology Industry Employers of Finland and Industrial Union.

Tulosta ja palkkaa – Näkökohtia teknologiateollisuuden palkkaustavoista ja niitä täydentävistä tulos- ja voittopalkkioista, Technology Industry Employers of Finland and Industrial Union, 2023.

Appendices

Appendix 1	Job description form
Appendix 2	Job requirement factor comparison form: learning time required by the work
Appendix 3	Job requirement factor comparison form: responsibility required by the work
Appendix 4	Job requirement factor comparison form: working conditions
Appendix 5	Collection form

JOB DESCRIPTION:

Job:	Department:	Date:
Specification of job content:		
Work stages:		

Learning time

Responsibility required by the work

Working conditions

Processing

Date: _____

Total points: _____

JOB REQUIREMENT FACTOR COMPARISON FORM

JOB REQUIREMENT CLASSIFICATION

1 Learning time required by the work

JOB		PROCESS- ING DATE	LEARNING TIME	POINTS	COMMENTS
NUM- BER	NAME				

JOB REQUIREMENT FACTOR COMPARISON FORM

JOB REQUIREMENT CLASSIFICATION

2 Responsibility required by the work

JOB		PROCESS- ING DATE	RESPONSI- BILITY	POINTS	COMMENTS
NUM- BER	NAME				

