

# **Basic Agreement**

**Senior salaried employees  
- matters concerning  
employment relationship**

**TT – YTN**

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## **TT – YTN BASIC AGREEMENT**

### *Introduction*

### **Purpose of the Agreement**

Co-operation between a company and its senior salaried employees has a growing importance in the operations of companies. Therefore, and in order to promote in the labour market an active and individual employment relationship policy concerning senior salaried employees, the Confederation of Finnish Industry and Employers (TT) and the Delegation of Professional and Managerial Employees (YTN) have concluded the following Basic Agreement in which “the parties” refer to TT and YTN.

### **Negotiation relationships**

TT and YTN shall negotiate together in confidence over issues that arise in the sector of activity of the organisations and shall otherwise strive jointly to develop co-operation and negotiation relationships concerning senior salaried employees.

### **Freedom of association**

Freedom of association, which is one of the fundamental rights of citizens, is an inviolable right. This applies to both employers and senior salaried employees.

## **Scope of the Agreement**

This Agreement shall be applied in the member companies of the Confederation of Finnish Industry and Employers (TT), subject to the restrictions set forth in the signing minutes.

## **General conditions of employment relationship**

The parties shall endeavour to promote an active, motivating and individual employment relationship policy concerning senior salaried employees by means that the general terms and conditions of employment for senior salaried employees shall as a whole follow the general terms and conditions of employment for salaried employees in industry, unless provided otherwise by virtue of the position or tasks of the senior salaried employees.

In addition, the parties accept that the general principles concerning development, training and labour protection which are observed in the labour market shall also be applied to senior salaried employees.

The parties shall together follow actively the overall development of terms and conditions of employment for senior salaried employees and, when necessary, seek to influence it.

## **Position and tasks**

Taking into account the significance of the position, training, experience and responsibility of senior salaried employee, the parties underline that the relationship between the company and its senior salaried employee shall be one of trust and that the company shall support the senior salaried employee as he attends to his tasks, develops himself and acts as a representative of the company in general as well as in relation to other personnel groups.

## **Representation system for senior salaried employees – senior staff representative**

The purpose of the representation system for senior salaried employees is to promote more cohesive local co-operation and negotiation relationships. The system with senior staff representatives also provides a way of carrying out the functions referred to in the Act on Co-operation within Undertakings and this Agreement.

The parties recommend that the negotiation procedure be further specified locally and that, when necessary, the senior salaried employees elect a senior staff

representative and a deputy for him. The deputy shall act as the substitute if the senior staff representative is prevented from attending to his duties for a prolonged period.

Regarding the need for a senior staff representative as well as the specification of the local procedure for communicating and negotiating, discussions shall first be held between the management of the company and the representatives of the senior salaried employees. The need to appoint a senior staff representative shall be noted together with the management of the company, taking particular account of the size and organisation of the company as well as the nature of its operations. In addition, practical arrangements connected with the election procedure shall be sorted out.

It shall be required for the election of a senior staff representative for the workplace that a significant proportion of the senior salaried employees are in favour of it. The senior staff representative shall be elected from amongst the senior salaried employees of the workplace and he shall be well acquainted with the conditions in the workplace. All the senior salaried employees in the workplace shall have the possibility of participating in the election. The length of the term of office shall be a minimum of one year.

Notification shall be made to the employer of the election of a senior staff representative for the workplace.

In employment relationship matters that jointly concern senior salaried employees, senior staff representative shall act as the representative of senior salaried employees and, in co-operation matters as the representative of the personnel group pursuant to the Act on Co-operation within Undertakings. In terms of scope for action, the senior staff representative shall be considered equal with the representatives of other personnel groups. The employer shall furnish the senior staff representative with the information that is necessary for attending to local co-operation or for discharging, at given time current matters specified above in this Agreement, doing so according to the same principles that are common practice for other personnel groups.

Upon his request, senior staff representative shall be given, once a year, information on the first and last names, the time of commencement of the employment relationship as well as the department or equivalent of the senior salaried employees working in his territory and, in addition, upon a separate request, information on new senior salaried employees.

In his employment relationship, the senior staff representative shall not be placed, as a consequence of his position as a senior staff representative, in an inferior position to the other senior salaried employees in the company.

## **Training**

It is important for the success of a company that the personnel have adequate know-how and skills and the requisite continuous training. The parties shall seek, for their own part, to promote professional training that is appropriate for the needs of companies and senior salaried employees. Joint training occupies a central importance in the development of co-operation in the workplace. For this reason, the parties shall develop joint training in a way that is agreed between the parties.

## **Negotiation procedure**

The parties agree that matters concerning an employment relationship of senior salaried employee shall be treated in an individual and systematic manner at the workplace level between the company and the senior salaried employee. In respect of an issue concerning an individual employment relationship, senior staff representative can act as the representative of the senior salaried employee on the basis of an authorisation granted separately for that purpose.

In employment relationship matters that jointly concern senior salaried employees, senior staff representative shall act as the representative of the senior salaried employees.

If an agreement is not reached locally in a disagreement concerning employment relationship matters, the matter shall be referred to the sectoral level for negotiation between the employers' association in question and YTN if both or one of the parties to the disagreement proposes so.

## **Validity and binding nature of the Agreement**

This Agreement shall enter into force on 1 February 2002 and shall remain in force for the time being. The Agreement shall be binding upon all the member associations of the Confederation of Finnish Industry and Employers (TT) as well as of the Delegation of Professional and Managerial Employees (YTN) which have not notified, by 18 January 2002 at the latest, that they shall remain outside the scope of the Agreement.

TT's branch associations and YTN can agree on diverging from the stipulations of this Agreement.

A branch association of TT bound by this Agreement can withdraw from the Agreement following a 6-month period of notice. The notice of withdrawal shall be given in writing to both the parties to this Agreement.

Should a party wish to terminate this Agreement, a written notification thereof shall be given to the other party and the validity of the Agreement shall cease six months thereafter.

Helsinki, 20 December 2001

**CONFEDERATION OF FINNISH INDUSTRY AND EMPLOYERS (TT)**

Johannes Koroma

Seppo Riski

**DELEGATION OF PROFESSIONAL AND MANAGERIAL EMPLOYEES  
(YTN)**

Heikki Kauppi

Matti Viljanen



## **TT – YTN CO-OPERATION AGREEMENT**

### **Objectives**

The competitiveness of a company and the well-being of its employees call for continuous development of the operations of the company. Accordingly, the parties shall contribute to developing co-operation and to utilising the resources of the employees.

The purpose of development activities is to lead to a growth in productivity as well as to rational work tasks that motivate development.

### **1 Scope of the Agreement**

This Agreement shall be applied in the member companies of the Confederation of Finnish Industry and Employers (TT). Section 3 of the Agreement shall be applied in those member companies of the Confederation of Finnish Industry and Employers (TT) whose number of employees is regularly at least 30.

The Act on Co-operation within Undertakings (725/78) is not a part of this Agreement.

### **2 Co-operation body**

It can be agreed locally on the establishment of a co-operation body that considers, among other things, matters related to development activities. The co-operation body can replace separate co-operation and labour protection committees as well as other comparable committees. The same co-operation body can also account, to

an extent to be agreed locally, for actions and plans in accordance with the Act on Co-operation within Undertakings, the Act on Supervision of Labour Protection, the Act on Occupational Health Care and the Act on Equality between Women and Men.

### **3 Information activities**

#### **3.1 Internal information activities of the company**

The employer shall present to senior salaried employees or their representatives:

1. Following the approval of the financial statements of the company, an overview of the financial and economic situation of the company.
2. At least twice during the financial year, an overview of the financial and economic situation of the company, setting forth the development outlook for production, employment, profitability and cost structure.
3. An annual human resources plan including estimates of the expected changes in the number, type and position of employees.
4. The company shall indicate without delay essential changes in all the above-mentioned information.

Upon request, the information on the financial statements of the company referred to in the Act on Co-operation within Undertakings, chapter 11, section 2, shall be given to the representatives of senior salaried employees in writing.

Whenever a justifiable obstacle to the disclosing of information stems from weighty and unforeseeable factors causing damage to production operations or finances of the company, the employer shall inform the employees of the matter without delay after the above-mentioned obstacles to disclosing the information no longer exist. In addition, the employer shall present the grounds for the divergent procedure.

Senior salaried employees shall bring to the attention of their supervisors matters of significance for the operations of the company or for the co-operation between the employer and the employees.

The parties recommend that when presenting the information concerning the finances of the company in accordance with section 3.1.1 above, there should also be an overview, as far as possible, of the general business-cycle and economic outlook for the branch.

The representative of the senior salaried employees shall receive the above-specified information under terms of confidentiality for the purpose of attending to his tasks. The information shall not be handed over to the representatives of

employees (shop stewards) of other companies nor shall it be disseminated otherwise.

### **3.2 Information activities among the employees**

The personnel group comprising senior salaried employees shall have the right to arrange meetings in the workplace or some other agreed place over labour market issues or matters concerning employment relationships in the workplace or questions falling under the Act on Co-operation within Undertakings.

The personnel group comprising senior salaried employees shall also have the right to hand out to its members notices of meetings as well as notices connected with employment relationships in the workplace or labour market issues.

Apart from labour market issues, the personnel group shall also have the right to inform employees of matters related to general issues, making use of the notice board of the workplace.

## **4 Non-disclosure obligation**

Whenever senior salaried employees of a company or their representatives have, under this Agreement, received information concerning business or professional secrets of the employer, this information shall be dealt with only amongst those employees or personnel representatives whom the matter concerns, unless agreed otherwise between the employer and those entitled to receive the information. In informing of the non-disclosure obligation, the employer must specify what information the non-disclosure obligation covers and what period of confidentiality the obligation entails. Before the employer discloses said business or professional secret, the grounds for maintaining secrecy shall be explained to the senior salaried employees concerned or to the representative of said employees.

## **5 Negotiation procedure**

Under the Basic Agreement, a senior staff representative acts in co-operation matters as the representative of the personnel group referred to in the Act on Co-operation within Undertakings.

Should disagreements arise in the interpretation or observance of this Agreement, and an agreement is not reached locally, a memorandum shall be prepared on the procedure if either party to the disagreement so demands.

A matter of disagreement shall be referred to the sectoral level for negotiation between the employers' association concerned and YTN if both or one of the parties to the disagreement proposes so.

## **6 Validity and binding nature of the Agreement**

This Agreement shall enter into force on 1 February 2002 and shall remain in force for the time being. The Agreement shall be binding upon all the member associations of the Confederation of Finnish Industry and Employers (TT) as well as of the Delegation of Professional and Managerial Employees (YTN) which have not notified, by 18 January 2002 at the latest, that they shall remain outside the scope of the Agreement.

TT's branch associations and YTN can agree on diverging from the stipulations of this Agreement.

A branch association of TT bound by this Agreement can withdraw from the Agreement following a 6-month period of notice. The notice of withdrawal shall be given in writing to both the parties to this Agreement.

Should a party wish to terminate this Agreement, a written notification thereof shall be given to the other party and the validity of the Agreement shall cease six months thereafter.

Helsinki, 20 December 2001

### **CONFEDERATION OF FINNISH INDUSTRY AND EMPLOYERS (TT)**

Johannes Koroma

Seppo Riski

### **DELEGATION OF PROFESSIONAL AND MANAGERIAL EMPLOYEES (YTN)**

Heikki Kauppi

Matti Viljanen

## SIGNING MINUTES

### TT – YTN BASIC AGREEMENT AND CO-OPERATION AGREEMENT

Date	20 December 2001	
Place	TT, Eteläranta 10, Helsinki	
Present	Koroma, Johannes, TT Riski, Seppo, TT Kauppi, Heikki, YTN Viljanen, Matti, YTN Kähkönen, Pekka, YTN Solovjew, Aleksei, YTN Hotti, Pekka, TT Alanko, Risto, TT	chairman       secretary

- 1 It was agreed that the signing minutes would be examined at this meeting and all those present would sign it.
- 2 The TT-YTN Basic Agreement and the TT-YTN Co-operation Agreement were approved and signed. At the same time, the following agreements with their signing minutes, other minutes and annexes were repealed:
  - TT-YTN Basic Agreement of 17 December 1993
  - Agreement on the Promotion of Co-operation and Information Activities Within Undertakings, STK-SAK-STTK-TVK-YTN, 8 May 1989
- 3 It was observed that the TT-YTN Basic Agreement is not an agreement pursuant to section 1 of the Collective Agreements Act and that the recommendatory entries included in it do not entail an effect of a collective agreement. Further, it was stated that the TT-YTN Co-operation Agreement is an agreement pursuant to section 1 of the Collective Agreements Act.

4 The Agreements shall be binding upon all the member associations of the Confederation of Finnish Industry and Employers (TT) and, on the other hand, of the Delegation of Professional and Managerial Employees (YTN), which have not notified, by 18 January 2002 at the latest, that they shall remain outside the scope of the Agreements.

It was observed that to the extent that a TT branch association and YTN have agreed separately on matters included in the Basic Agreement or the Co-operation Agreement, the Basic Agreement or the Co-operation Agreement shall not be in force in the branch in question.

The above-mentioned also pertains to the negotiation procedure that has been entered into the Basic Agreement and the Co-operation Agreement, in respect of which the negotiating procedure entered into the collective agreement between a TT branch association and YTN shall be observed.

5 It was noted that the right to arrange meetings pursuant to section 3.2 of the Co-operation Agreement pertains to time outside working hours. In addition, it was observed that the Agreements signed today do not involve amendments to negotiating procedures between TT and YTN nor to sector-specific or local negotiation practices.

6 It was stated that TT and YTN have negotiated separately on matters connected with the election of an authorised representative pursuant to section 13:3 of the Employment Contracts Act and in particular regarding the relationship between an authorised representative and a senior staff representative and observed, as their joint position statement, among other things, the following:

- The election of an authorised representative is not possible in the sectors of those TT branch associations in which there is a collective agreement concerning senior salaried employees.
- If one or more senior staff representative is elected within the company in accordance with the Basic Agreement, the elected senior staff representative or one of these representatives can be elected as the authorised

representative referred to in the Employment Contracts Act. The intention is that the election of an authorised representative does not lead to an increase in the number of representatives of senior salaried employees in companies where senior staff representative or representatives have already been elected before the entry into force of the Employment Contracts Act.

- The employer must be notified in writing without delay of the election and term of office of an authorised representative. The recommended length of the term of office is 1-2 years.
- The tasks of an authorised representative are determined in accordance with section 13:3.1 of the Employment Contracts Act. It is recommendable that these tasks be observed between the employer and the authorised representative, with particular attention to whether the authorised representative has the right, pursuant to the above-mentioned provision to represent, by virtue of his authorisation, the salaried employees who have elected him, in matters concerning employment relationships and working conditions. If the company has one or more senior staff representatives, it is recommended that the employer and the representatives of the senior salaried employees jointly recognise the division of responsibilities between the authorised representative and the senior staff representative(s).

7

It was recorded that the Agreements have been negotiated in a working group in which the participants from TT have been Risto Alanko, Ismo Äijö and Pekka Hotti, and from YTN Aleksei Solovjew and Pekka Kähkönen.

In fidem

Risto Alanko

Examined by

Johannes Koroma

Seppo Riski

Heikki Kauppi

Matti Viljanen

Pekka Kähkönen

Aleksei Solovjew

Pekka Hotti

## **MATTERS CONCERNING EMPLOYMENT RELATIONSHIPS OF SENIOR SALARIED EMPLOYEES**

**– instruction course material**

### **1 Introduction**

The revised recommendatory Basic Agreement between the Confederation of Finnish Industry and Employers (TT) and the Delegation of Professional and Managerial Employees (YTN), dated 20 December 2001, defines the principles of dealing with the employment relationship matters of senior salaried employees. The underlying objective is an active, motivating and individual employment relationship. The terms and conditions of employment relationship are set out in an employment contract.

From the above perspective, this instruction material discusses certain general employment conditions and salary issues as applicable to senior salaried employees.

### **2 Position and tasks**

**The Basic Agreement does not define the tasks of senior salaried employees.**

The scope of the agreements is defined in the sectoral collective salaried employee agreements (office and technical salaried employees). The areas of application relate to specific tasks.



The tasks of senior salaried employees differ in nature from the duties covered by collective salaried employee agreements concerning other salaried employees and the tasks in general are more demanding. The tasks of senior salaried employees call for knowledge and skills requiring a higher education diploma from a university or polytechnic.

A position of senior salaried employee typically involves a relatively large degree of independence and responsibility. In practice, within companies a position of senior salaried employee involves assisting the management of company, or it is a middle-management supervisory position or an expert or planning and design position requiring the capabilities mentioned in the previous paragraph. The formal competence of an educational background or the lack of it nevertheless do not in themselves determine whether a person is or is not included in the category of senior salaried employees.

On the basis of the above considerations, the company defines the category of senior salaried employees.

### 3 Salary

**The terms and conditions of salary to be observed are agreed in the employment contract. With the aim of ensuring a motivating salary policy, the parties to the Agreements consider the principles set out hereinafter to be of central importance.**

#### Salary policy

Each company defines the salary policy to be applied to its senior salaried employees.

A successful salary policy supports the objectives of company, functions as a management tool, motivates people for good job performance and contributes to job satisfaction.

The cornerstones of salary policy are:

- up-to-date information on the content of different tasks
- development discussions between supervisor and subordinate
- internal and external salary analysis at regular intervals.

It should also be clearly set out who is responsible for determining the salary policy of senior salaried employees. This involves defining both the participation of the management of company and the authorisations of supervisors.

Job requirements, competence of the person (education and experience) and personal job performance form the foundation for determining the salary paid to a senior salaried employee. Requirements, competence and performance measured together describe the “value of the work” of the person.

It is important that salaries are scaled adequately according to the job requirements and degree of responsibility and that they are in the right proportion to the other salaries and wages which the company pays.

### **Evaluation of job requirements**

An evaluation of the requirements for a post is carried out in order to define the relative value of tasks. The result of the evaluation is used primarily in setting pay scales. The analysis focuses on the content of the tasks and the requirements which they set for the employee. Personal characteristics are not examined in this connection.

Requirement factors used in evaluating the requirements for a post are, for example knowledge, skills and experience (the know-how) needed for the post, the position within the organisation and the effect of the post on results as well as the responsibility which the post entails.

Job requirements of a senior salaried employee can also be evaluated by means of various classification systems.

Whenever the company uses a position-based job requirements classification system as the basis of determining salaries, this should be made known to the people to whom the task classification pertains. Further, the structure of the system should be set out, also showing how the system is linked to pay scales.

It is a duty of the supervisor to explain to subordinates what the relative level of demand of the position is and how employees, acting within the system, can influence their salary, for example by improving their job performance.

### **Evaluation of competence and performance**

A personal pay rise is based mainly on a competence and performance evaluation that is made by the supervisor.

The supervisor's evaluation of his subordinate's performance can concern, for example, results obtained on the job, the quality of the work, the person's skills for various tasks, the degree of job independence and development ability.

In order for the evaluation to be of benefit, the supervisor must discuss it with the person concerned. The discussion will involve the setting of targets and a review of how previously set targets have been achieved.

The evaluation of performance and the comparing of accomplishments with the targets set often make it necessary to examine the person's on-the-job development, working requirements and need for development and training.

### **Pay based on goals or results**

Incentive-building pay maintains good job motivation. The success of a company can be improved by making use of a compensation system that is linked to the objectives of the company. In order for goal- and result-based pay to deliver the desired result, pay scales and the other bases of pay must be in good state.

It is also recommended to develop various incentive-giving bonus systems that are tied to the profits of a company. Personnel funds operate along the same lines as other profit-based bonus systems.

In a well-functioning goal- and result-based pay system the objectives are measurable or assessable systematically at specified intervals on the same bases. The measurement objects of result-based pay – which should not be altered retroactively – must be linked to the job and be of such a kind that the person through his own actions can influence the end result. The setting of benchmarks and objectives leads to the best results when the supervisor and subordinates address the issue jointly.

Goal- and result-based pay has yielded good results. In the light of experiences, positive factors include an increase in economic and financial awareness and entrepreneurship and the fostering of thinking in business terms.

The rewarding of good performance on the job should be increased. This can be done, for example, by paying a one-time bonus for an especially well executed project or for some other exceptional merit.

### **Trend in earned income**

It is reasoned to define and inform in an appropriate manner of the fundamental principles and procedures concerning salary reviews. The company sees to it that senior salaried employees are treated as well as other salaried workers.

In conducting personal salary reviews, account shall be taken of the person's job performance, achievement of objectives, individual characteristics and development in the job. The company must have well-defined procedures for an evaluation of this kind.

It is to be recommended that company-specific average income trend data be used at appropriate intervals to establish the trend in the income of senior salaried employees, compared with the trend in the company's other pay and compensation and that any disproportion in the income trend be remedied.

### **Starting salary**

In determining the salary payable in the first job after graduation, the primary pay factors are the job requirements, responsibility and the person's educational background. The general level of pay on the labour market also has an influence on the level of starting pay.

### **Supervisory tasks**

A supervisory position increases the requirements for the post and thus affects the salary paid for the post. Attention is also paid to supervisor/subordinate pay relationships, which should be fair.

### **Expert positions**

Advancement in a supervisory position is not the sole way of achieving pay increases. Expert positions as well must offer an opportunity for increasing pay.

### **Disclosure and information**

In order for the pay policy for senior salaried employees to have the best effect, information on it must be provided, besides when the person is hired, at appropriate intervals after that. Senior salaried employees or their representatives shall also be informed of the effect of labour market settlements on salary revisions.

If there are any other revisions of salaries, supervisors must make this known to the persons whom the pay rises concern.

The principles in determining pay and the bases of pay rises as well as how a senior salaried employee can influence his salary through his own job contribution are matters that should be made known to the supervisors concerned and their subordinates.

## **4 Principles in determining terms and conditions of employment relationship**

### **General conditions of employment**

The main employment laws from the standpoint of the terms of employment for senior salaried employees are the Employment Contracts Act, the Annual Holidays Act and, with certain restrictions, the Working Hours Act. Apart from the legislation in force, the definition of the terms of employment for senior salaried employees is generally affected by the general terms of employment for salaried employees. The Basic Agreement, which was drafted to serve as a recommendation and does not contain provisions with an effect of a collective agreement, observes the following in this respect:

“The parties shall endeavour to promote an active, motivating and individual employment relationship policy concerning senior salaried employees by means that the general terms and conditions of employment for senior salaried employees shall as a whole follow the general terms and conditions of employment for salaried employees in industry, unless provided otherwise by virtue of the position or tasks of the senior salaried employees.”

Differences deriving from the work and the nature of the work are justifiable in the terms of employment and salary. An individual and motivating employment relationship policy presumes that the job requirements as well as the job performance and development ability of the person are reflected in the terms of employment and salary.

## **5 Employment contract**

**Agreement on the terms and conditions of employment relationship for senior salaried employee is made in the employment contract. Unless agreed otherwise in the employment contract, the parties to the Agreements recommend that the following terms and conditions of employment be observed in respect of senior salaried employees.**

### **Drafting the employment contract**

Drawing up a written employment contract clarifies the terms and conditions of employment and helps prevent disputes from arising.

TT and YTN recommend that employment contracts for senior salaried employees be prepared along the guidelines given in the employment contract model annexed to this publication. This substitutes the need to provide a separate statement of the central terms and conditions of employment under chapter 2, section 4 of the Employment Contracts Act.

The employment contract should state that it pertains to the position of a senior salaried employee.

## **Working hours**

### ***Length of regular working time***

Regular working time is generally either 37.5 hours a week and 7.5 hours a day or 40 hours a week and 8 hours a day.

The provisions of the Working Hours Act generally apply to senior salaried employees. Outside the scope of the Working Hours Act, however, is the work of senior salaried employees which, on the basis of the duties it entails and otherwise in view of the position of the employee, is to be considered as management of a company, institution or foundation or an independent part of it, or as an independent task that is directly akin to such a management post.

The taking of a decision on the scope of application requires overall consideration on the basis of the tasks and position. The job title is not of decisive significance, but instead the decision must be taken on the basis of the actual tasks and the actual position of the senior salaried employee.

According to the preamble to the Working Hours Act, within a simple business organisation, tasks falling outside the scope of the Act are performed by the administrative, technical and commercial managers who report directly to the top executives.

Nor is the Act applied, according to its preamble, to those senior salaried employees whose posts, on the basis of the persons' position, job tasks and the independent nature of the work, are akin to the above-mentioned management positions.

By contrast, according to the preamble of the Act, middle management falls within the scope of the Working Hours Act even though the jobs of employees belonging to this group can involve various management and planning or design tasks that are demanding.

As a consequence of the programme for reducing annual working time that was agreed in the collective agreements in 1984 and 1986, TT and YTN have recommended the implementation of the programme also in respect of those senior salaried employees whose regular weekly working time, as specified in their employment contracts, is 40 hours. According to the recommendation, it can also be agreed, if necessary, that the curtailments of annual working time may be exchanged for a cash payment or for so-called flexible leave.

### ***Compensating overtime and extra work***

The Working Hours Act specifies when and how overtime work is compensated. Compensable overtime presumes an order from the employer and, on the other hand, a consent of the salaried employee to do the overtime.

Owing to the nature and independence of the work performed by senior salaried employees, these persons often themselves influence the time they spend on the job. The nature of the work affects both the monitoring of working time and the practices of compensation for extra work.

### **Annual leave**

Annual leave is determined in accordance with the Annual Holidays Act. Holiday bonus is paid in accordance with generally observed terms of employment.

### **Sick pay**

For employment relationships that have continued for less than one month, senior salaried employees are paid 50 per cent of their salary as the sick pay pursuant to chapter 2, section 11, paragraph 1 of the Employment Contracts Act, unless otherwise provided for in a collective agreement of the relevant branch.

For employment relationships that have continued for at least one month, the following periods are observed in respect of the salary benefits during the period of sickness:

<i>Uninterrupted duration of employment relationship</i>	<i>Salary</i>
less than 1 year	for 4 weeks
1 year but less than 5 years	for 5 weeks
5 years or more	for 3 months

If the sickness reoccurs within 30 days, the general practice for salaried employees will be observed in respect of salary benefits for the period of sickness.

## **Family leaves**

The period granted as maternity and parental leave is the time for which maternity and parental allowances are paid under the Sickness Insurance Act. Three months of salary is paid for the period of maternity leave. The period granted as paternity leave is the time for which a paternity allowance is paid under the Sickness Insurance Act. Salary is not paid for the period of paternity leave.

## **Compensation for work-related travel**

The employer shall compensate for all necessary work-related travel expenses. Unless provided for otherwise in the travelling compensation regulations for senior salaried employees of the company, the general terms and conditions of employment for salaried employees shall be observed in respect of the level and principles of determination of daily and meal allowances as well as kilometre allowances.

If necessary, agreement should be made between the supervisor and subordinate concerning the compensation of time spent travelling outside regular working hours. This is the case, for example, in situations in which the compensation payable for travel time under the relevant collective agreement results in a disproportionate salary level. It is important that the supervisor explains to senior salaried employee what constitutes travel-related compensation and that this is adequate in amount.

Unless the company has some other practice, the compensation of travel time can be arranged, for example, in the following ways:

- 1 If continuous or regularly recurrent travel outside regular working hours is an essential part of job tasks, this factor shall be taken into account in the bases of pay.
- 2 If a temporary or a project work involves an exceptionally large amount of travel, the amount of travel time which the senior salaried employee has accumulated shall be monitored. This will then be compensated by way of a one-time payment at specified intervals.

## **Employment security**

The provisions of the Employment Contracts Act shall be followed when an employment contract is terminated or dissolved. Unless otherwise agreed, the periods of notice to be observed by the employer are:



<i>Duration of employment relationship</i>	<i>Period of notice</i>
maximum of 1 year	14 days
more than 1 but a maximum of 4 years	1 month
more than 4 but a maximum of 8 years	2 months
more than 8 but a maximum of 12 years	4 months
more than 12 years	6 months.

Unless agreed otherwise, the period of notice to be observed by the senior salaried employee is 14 days if the employment relationship has continued up to 5 years, and 1 month if the employment relationship has continued for over 5 years.

Lay offs are subject to the provisions of the Employment Contracts Act and the practice followed by the company concerned.

From the standpoint of managing termination and lay off situations, it is to be recommended that for implementing them there are consistent procedures which are appropriate in view of the position of senior salaried employees and which are based on general statutory provisions and terms of agreements.

**CONFEDERATION OF FINNISH INDUSTRY AND EMPLOYERS (TT) MODEL  
DELEGATION OF PROFESSIONAL AND MANAGERIAL EMPLOYMENT  
EMPLOYEES (YTN) CONTRACT**

On the basis of the Employment Contracts Act and the Basic Agreement between TT and YTN, the below-mentioned employer and salaried employee have agreed on the following terms of salary and employment. In addition, the provisions of any applicable collective agreement shall also be taken into account.

**EMPLOYER**

**SALARIED EMPLOYEE**

Name	Name
Address	Address

**1. POST AND WORKPLACE OR -PLACES**

Post and place or places of work at the start of the employment relationship

**2. EMPLOYMENT RELATIONSHIP**

Starting date	The employment relationship is in effect after a probationary period of ___ months <input type="checkbox"/> for the time being <input type="checkbox"/> up to _____ <input type="checkbox"/> until the task mentioned below has been completed
Task	

**3. PERIOD OF NOTICE**

Period of notice

To be observed by the employer     months    or  under the Employment Contracts Act

To be observed by the employee     months

## Model employment contract

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### 4. SALARY

Starting salary	Salary revisions shall be determined in the manner prescribed in the Basic Agreement by taking particular account of the requirements of the post and personal factors.
Salary not based on a time rate is determined on the following basis	
Other factors related to the compensation	
The salary is payable <input type="checkbox"/> to a bank account. Account number: <input type="checkbox"/> directly to the salaried employee	
At the end of the employment relationship the payoff shall be paid <input type="checkbox"/> on the normal payroll day following the end of the employment relationship <input type="checkbox"/> at the end of the employment relationship	

### 5. WORKING HOURS

Working hours
Compensation to be paid over and above the working hours mentioned here <input type="checkbox"/> is to be paid in money or given as time off in accordance with the Working Hours Act (see Instructions for completion, point 5.1). <input type="checkbox"/> is to be paid as separate monthly compensation as follows (see Instructions for completion, point 5.2): <input type="checkbox"/> has been taken into account in determining the salary (this terms of contract can only be applied to persons who are not covered by the Working Hours Act. See Instructions for completion, point 5.3).

### 6. ANNUAL LEAVE

The length of the annual leave on the basis of the current holiday determination year is _____ days. The length of the annual leave is determined otherwise as provided by law. Holiday bonus, see "Other terms of employment", point 11.
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### 7. SICK PAY

Sick pay is payable:  Unless agreed otherwise, sick pay will be determined in the manner prescribed in the Basic Agreement (see Instructions for completion, point 7).
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**8. INVENTIONS**

In addition to the provisions in the Act on the Right to Employee's Inventions, the following is agreed:

**9. TRAINING**

The employer shall provide the salaried employee with the orientation, in-service and advanced training or retraining that is necessary for this work. In addition, the following has been agreed:

**10. TRAVEL EXPENSES**

Compensation for travel expenses is determined

- in the manner prescribed in the Basic Agreement
- according to the company's travelling compensation regulations
- as follows:

**11. OTHER TERMS OF EMPLOYMENT**

- holiday bonus:
- maternity leave pay:
- pay during military reserve training course:
- employer's liability insurance:
- travel insurance:

Unless agreed otherwise, the above-mentioned terms of employment are determined in the manner prescribed in the Basic Agreement.

This contract has been drawn up in two identical copies, one for each of the parties.

Place and time	
Signature of the employer	Signature of the salaried employee

Disagreements arising from the application of this contract shall be resolved in accordance with the negotiation procedure specified in the Basic Agreement.

## **INSTRUCTIONS FOR FILLING IN THE EMPLOYMENT CONTRACT FORM**

When drawing up an employment contract, account should be taken, apart from this model form, of the collective agreement regulations in those branches in which there is a collective agreement covering senior salaried employees.

In filling in the employment contract form, we pay particular attention to the following points:

### **1 Post and workplace(s)**

In this item should be entered the post and the main tasks it entails. If possible, the principal area of responsibility of the post should also be defined. In addition, the name of the immediate supervisor can be entered in this item. The workplace is the locality or localities from which the post is exercised.

### **2 Employment relationship and probationary period**

A probationary period requires an agreement in accordance with chapter 1, section 4 of the Employment Contracts Act, and it can be agreed for a maximum of four months. When an uninterrupted period of training lasting more than four months is arranged in connection with the work, it can be agreed that the probationary period be a maximum of six months.

In the case of a fixed-term employment contract shorter than eight months, the probationary period can be a maximum of half of the duration of the employment contract.

The item "Task" is filled in here in cases involving a fixed-term employment contract whose duration is defined otherwise than as a calendar period.

### **3 Period of notice**

The length of a period of notice can be agreed regardless of the length of the employment relationship and it can be longer for the employer than for the salaried employee. The period of notice can be agreed to be a maximum of six months.

Unless another period of notice has been agreed, the period of notice which the employer is to observe is determined under the Employment Contracts Act as follows:

<i>Duration of employment relationship</i>	<i>Period of notice</i>
maximum of 1 year	14 days
more than 1 but a maximum of 4 years	1 month
more than 4 but a maximum of 8 years	2 months
more than 8 but a maximum of 12 years	4 months
more than 12 years	6 months

Unless other terms have been agreed, the period of notice to be observed by the employee under the Employment Contracts Act is 14 days if the employment relationship has continued for a maximum of five years, and one month if the employment relationship has continued for more than five years.

#### **4 Salary**

In the item “Other factors related to the compensation” an entry can be made, for example, for any fringe benefits which are to be agreed.

At the end of the employment relationship it can be agreed that the payoff is to be paid on the normal payroll day following the end of the employment relationship.

#### **5 Working hours**

When drawing up an employment contract, the number of regular working hours of the salaried employee is agreed on and the application of the Working Hours Act is determined (in respect of working hours issues, see the booklet on the Basic Agreement and matters concerning employment relationship of senior salaried employee).

##### **5.1**

Under the Working Hours Act, overtime work is compensated by overtime compensation that is defined in law. By separate agreement, overtime can also be compensated by corresponding time off. Unless agreed otherwise, overtime compensation is paid in money. Compensable overtime requires an order by the employer and a consent of the employee.

##### **5.2**

Under the Working Hours Act, it can be agreed that the increased rate of pay that is payable for overtime and Sunday work hours shall be paid as a separate monthly compensation. When agreeing on a separate monthly compensation, its grounds and amount are entered in the contract.

### 5.3

Outside the scope of the Working Hours Act are the work of a managing director and work which, on the basis of the duties belonging to it and otherwise owing to the position of the employee, is to be considered as management of a company, institution or foundation or an independent part of it, or as an independent task that is directly akin to such a management post. In respect of those outside the scope of the Working Hours Act, the compensation of overtime can also be taken into account in determining the salary. In this case, the employer and the salaried employee should determine jointly how said compensation has been taken into account and the way in which it will be taken into account in the course of the employment relationship by way of salary revisions.

## 7 Sick pay

Unless agreed otherwise, sick pay shall be determined in the manner prescribed in the Basic Agreement and in the Employment Contracts Act as follows:

For employment relationship that has continued for less than one month, the salaried employee has the right to receive 50 per cent of his salary.

<i>Duration of employment relationship</i>	<i>Sick pay</i>
over 1 month and under 1 year	4 weeks
at least 1 year and less than 5 years	5 weeks
at least 5 years	3 months.

In addition, account must also be taken of any applicable collective agreement stipulations by virtue of which it can have been agreed for the payment of sick pay by exception to the above.

## 8 Inventions

The employer's right to an invention made by an employee is determined in accordance with the provisions of the Act on the Right to Employee's Inventions. If a divergent arrangement concerning certain matters is agreed in a manner which is permitted by law, this shall be entered in the employment contract.

## 9 Training

In respect of exceptionally expensive training, it may be agreed, for example, to split the costs.

## **10 Travel expenses**

Unless agreed otherwise, compensation for travel costs will be determined in the manner prescribed in the Basic Agreement such that the general terms of employment for salaried employees shall be observed in respect of the level and the bases of determination of daily and meal allowances as well as kilometre allowances.

## **11 Other terms of employment**

Unless agreed otherwise, holiday bonus, maternity leave pay and pay during military reserve training course as well as the employer's obligation to take out the necessary liability insurance and travel insurance shall be determined in the manner prescribed in the Basic Agreement such that the general terms of employment for salaried employees are observed.

## **12 Collective agreements**

In addition, the provisions of any applicable collective agreement must be taken into account.



## THE MEMBER ASSOCIATIONS OF YTN

### **Finnish Association of Academic**

Agronomists  
P. Makasiinikatu 6 A 8, FIN-00130 Helsinki  
Tel. int. +358 9 171 201  
[www.agronomiliitto.fi](http://www.agronomiliitto.fi)

### **Central Union of Special Branches within Akava**

Maistraatinportti 4 A, VI kerros,  
FIN-00240 Helsinki  
Tel. int. +358 201 235 340  
[www.aek.fi](http://www.aek.fi)

### **Akava's General Group AYR**

PL 130, FIN-00531 Helsinki  
Tel.int. +358 500 918 730  
[www.akavanyleinenryhma.fi](http://www.akavanyleinenryhma.fi)

### **Association of Swedish Speaking Engineers in Finland**

Banvaktsgatan 2, FIN-00520 Helsingfors  
Tel. int. +358 9 476 7717  
[www.diff.fi](http://www.diff.fi)

### **Finnish Pharmacists' Association**

Iso Roobertinkatu 7 A, FIN-00120 Helsinki  
Tel. int. +358 6962 270  
[www.farmasialiitto.fi](http://www.farmasialiitto.fi)

### **Union of Professional Engineers in Finland**

Ratavartijankatu 2, FIN-00520 Helsinki  
Tel. int. +358 201 801 801  
[www.insinooriliitto.fi](http://www.insinooriliitto.fi)

### **Finnish Union of Experts in Science**

Akavatalo, Rautatieläisenkatu 6,  
FIN-00520 Helsinki  
Tel. int. +358 9 15021  
[www.luonnontieteidenakateemiset.org](http://www.luonnontieteidenakateemiset.org)

### **Society of Finnish Professional Foresters**

Kruunuvuorenkatu 5 F, FIN-00160 Helsinki  
Tel. int. +358 9 6840 810  
[www.metsanhoitajat.fi](http://www.metsanhoitajat.fi)

### **Finnish Union of University Professors**

Rautatieläisenkatu 6, FIN-00520 Helsinki

Tel.int. +358 9 15021

[www.professoriliitto.fi](http://www.professoriliitto.fi)

### **Union of Finnish Psychologists**

Bulevardi 30 B 3, FIN-00120 Helsinki  
Tel. int. +358 9 6122 9177  
[www.psyli.fi](http://www.psyli.fi)

### **The Finnish Association of Graduates in Economics and Business Administration**

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[www.sefe.fi](http://www.sefe.fi)

### **The Union of Finnish Lawyers**

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### **The Finnish Association of Graduate Engineers**

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