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**IMPROVEMENT OF MANAGEMENT AND THE SALARY SYSTEM AT
FINNISH CUSTOMS**

Governing for Performance in the Public Sector

OECD-Germany High-Level Symposium, Berlin, 13-14 March 2002

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Governing for Performance in the Public Sector
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**IMPROVEMENT OF MANAGEMENT
AND THE SALARY SYSTEM AT FINNISH CUSTOMS**

By Mr. Tapani ERLING, Director General, Finnish Customs

IMPROVEMENT OF MANAGEMENT AND THE SALARY SYSTEM AT FINNISH CUSTOMS

1. INTRODUCTION

1. The working environment of Finnish Customs has changed drastically during the past few years. Customs work has become more international and global mainly because of the EU membership of Finland and the developments in Russia and the Baltic States, and this has been reflected in the requirements for higher occupational qualifications from the Customs' personnel. Also the need for increased customer orientation at work, parallel with justness and reliability required for good administration, has gained more emphasis.

2. Customs has met these challenges by renewing its organisation, management and rewarding systems, and the occupational basic training.

3. The organisation was improved according to the matrix model by delegating power and responsibility. At the same time equal and uniform modes of proceeding were reinforced within those activities where uniformity is absolutely necessary, e.g. at car taxation.

4. The organisation of the National Board of Customs was adapted to comply with the main tasks of Customs: smooth flow of foreign trade, protection of society, and fiscal tasks. The reform reduced the number of the departments (then called units) at the National Board of Customs to four: Administration, Customs Clearance, Enforcement, and Taxation. The number of Customs Districts has been diminished from seven to five in 1999. The Districts are operatively independent, and profit responsibility is emphasised in their activities. The principle is that responsibility and freedom of action be entrusted to Customs Offices according to their capacities to assume those.

2. DEVELOPMENT POLICY AND STRATEGY

5. The values and mission Finnish Customs were determined in 1998-99 by a process in which the entire personnel participated. After the confirmation of the Customs' values: vocational competence, reliability, service-mindedness, and appreciation of the individual, the process was to integrate them into each customs official's daily work e.g. by means of result and development discussions. The discussion between the superior and an individual employee starts by evaluating the presence of the values at the work of each department, team, and the employee.

6. The strategies defined by the management of Customs as well as the Balanced Score Card and the business ideas were discussed at two-day seminars with the entire personnel. The personnel strategy of Customs was prepared by the Steering Group of Training, which consists of the persons responsible for personnel administration and training, the Heads of the Customs Districts, and the Chairpersons of the employees' organisations.

7. Finnish Customs has a Board of Directors, where the relevant two Ministries, the central interest groups as well as the customers and the personnel are represented. The Board of Directors meets approximately 8 times a year. In addition, Customs has both national-level and customs district-level advisory customer co-operation groups, which meet regularly. Co-operation agreements have been concluded on the co-operation of Police, Customs and the Border Guard, and steering groups have been established on the national and district levels. Joint strategies and practical co-operation between these authorities are prepared and co-ordinated by them.

8. The management system of Finnish Customs is based on the result steering system being applied since 1989 (Finnish Customs was one of the four pilot public agencies in which the system was then introduced).

9. Result steering is based on an agreement concluded annually with the Ministry of Finance. It sets qualitative and quantitative target results for Customs and states the appropriations allocated for the financial year.

10. In addition to this agreement, Customs prepares a strategic plan for 1 + 3 years, of the basis of which the Ministry of Finance confirms the appropriations to be allocated to Customs for those years.

11. National Board of Customs prepares corresponding result agreements with the Customs Districts, and these with their customs offices/result units. Result and development discussions are carried out with all employees and their salaries are determined on the basis of these discussions. At the result and development discussion, the participants review how the values, strategies and objectives have been realised. In this connection, the superiors also get feedback and also agree with the employee on training and development of other kinds.

12. National Board of Customs and the Customs Districts have steering groups, in which also the personnel is represented.

13. The Customs Districts have internal Boards of Directors (Director-General, Steering Group of the National Board of Customs + the Steering Group of the District). The internal Boards of Directors convene in the spring to two-day strategy meetings and towards the end of the year to result agreement negotiations and result assessment. The most significant results relating to the result agreements are reported three times a year. The whole management of Finnish Customs (the directors of the National Board of Customs, the district directors and the chairpersons of the employees' organisations, approximately 50 people) has every spring a two-day meeting with a view to discussing the strategies.

14. The leadership of Finnish Customs presents the strategies of Customs and the topical issues at the annual meetings of the employees' organisations and at other occasions arranged by those unions.

15. The reporting, the system of performance follow-up, and the result indicators are since the 1999 reform based on critical success factors.

3. BALANCED SCORECARD

16. Since 1998 the strategies of Customs have been implemented on the basis of the Balanced Scorecard, in which management and personnel policy were determined as one of the three principal strategies of Customs.

Table 1. **RESULT MATRIX -- Strategies and Objectives of Customs**

	Target Orientation	Customer Orientation	Leadership
Customs	<ul style="list-style-type: none"> ▪ Risk analysis ▪ Model on customer 	<ul style="list-style-type: none"> ▪ Model on customer-tailored simplified procedures 	<ul style="list-style-type: none"> ▪ Key values ▪ Methods of management
Customs District	District specific <ul style="list-style-type: none"> ▪ Application ▪ Targeting 	<ul style="list-style-type: none"> ▪ Coverage of consultation ▪ Coverage of tailor-made procedures 	<ul style="list-style-type: none"> ▪ Management by processes ▪ Assumptions of values
Customs Office	<ul style="list-style-type: none"> ▪ Targeting ▪ Results 	<ul style="list-style-type: none"> ▪ Customer management ▪ Customer feed-back 	<ul style="list-style-type: none"> ▪ Progress of delegating ▪ Progress management
Customs Official	<ul style="list-style-type: none"> ▪ Multiple readiness ▪ Competence 	<ul style="list-style-type: none"> ▪ Multiple readiness ▪ Competence ▪ Team work 	<ul style="list-style-type: none"> ▪ Development discussions ▪ Engagement

4. PERSONNEL STRATEGY OF CUSTOMS

17. The personnel strategy of Customs includes a more accurate definition of the BSC leadership strategy.

18. The values of Customs -- vocational competence, reliability, service-mindedness and appreciation of the individual - define Customs' mode of operating in all its activities and at all levels of organisation. The personnel strategy of Customs defines the principal priority fields of personnel development and ensures consistent courses of action at National Board of Customs, Customs Laboratory and the Customs Districts. The central objective is to upgrade the competitiveness of Customs as an employer and to improve the working atmosphere.

4.1. FIELDS OF ACTIVITIES

- Internationalisation, globalisation, EU membership, and developments in Russia and in the Baltic States keep making the tasks more demanding which requires a constant upgrading of skills.
- Customer orientation has to be improved constantly. Demands for just and reliable administrative work are increasing.

4.2. LABOUR MARKET

- There is an ever-increasing competition for skilled employees, which can lead to a shortage of their availability in a couple of years.
- During the next few years Customs will experience an exceptionally high turnover of employees, due to the age distribution.
- A tight budget framework and the general latitude of the state pay policy restrict the employer's chances to compete for employees at an individual level on a large scale.
- Commitment to the place of work is not as strong as earlier, the turnover and mobility are increasing.
- The employer's image and other features of the working atmosphere are becoming more important.

4.2.1 DEVELOPMENT OF CUSTOMS' TASKS AND COMPETENCE REQUIREMENTS

- The volume of tasks is increasing, foreign trade is growing, and crime is increasing. The developments in Russia and the Baltic States do not affect the number of tasks as a whole. The envisaged EU membership of Estonia is moving the focus of the activities towards enforcement and crime prevention.
- Fiscal tasks
 - these tasks are becoming more automatic and efficient,
 - the contents and impact of the legislation, as well as computer skills are being emphasised and
 - to ensure correctness, the application of information technology is increasing at the processing of data used to target controls
 - Smooth flow of foreign trade
 - customer consultations and tailor-made procedures are increasing,
 - customs officials need to deepen their knowledge on the logistic chain as a whole,
 - upgrading of smoothness requires very sound and comprehensive knowledge of customs matters,
 - customers need smooth and service-minded solving of problems
 - need to develop company-specific information services is going to increase.
- Protection of Society
 - border-crossing criminal action is increasing and becoming more professional
 - drug trafficking is the most serious concern
 - technical equipment is becoming more complicated, which requires a reinforced work contribution, and
 - cooperation between authorities and international cooperation are increasing.

4.3. STRATEGIC CHOICES

4.3.1. MANAGEMENT

- Systematic management training and rotation of tasks improves the skills of the superiors.
- Managing requires multi-faceted experience of many different Customs activities and tasks.

- Management systems, result and development discussions, and the work of steering groups are being developed at all levels.
- Management is evaluated regularly on the basis of the reached results and also by measuring the personnel's ability to work and their job satisfaction. If required, the results of the study will lead to measures towards improving the quality of management.

4.3.2. UPGRADING OF SKILLS, TRAINING OF PERSONNEL

- Systematically planned long-term rotation of tasks and personnel is supported and increasingly emphasised in personnel development.
- The Customs School is concentrating on vocational training and its development. The emphasis of other training is shifting towards tailor-made training in the Customs Districts.

4.3.3. ROTATION OF TASKS AND PERSONNEL

- Rotation of tasks and officials home and abroad is being supported at all levels. A multi-faceted work experience and interpersonal skills are expected from every superior.

4.3.4. RECRUITMENT

- Permanent and long-standing employees constitute the basis of Customs' activities.
- First stage of recruiting is to ascertain whether any appropriate customs official is interested in new tasks within Customs.
- Recruiting methods are going to be developed and the image and visibility of Customs improved.

4.3.5. CONDITIONS OF EMPLOYMENT, REWARDING

- Customs continues to invest in the implementation of the new salary system and the development of the conditions of employment with a view of permanent competitiveness.

4.3.6. PERSONNEL RESOURCES: VOLUME AND TASKS

- Customs seeks to balance personnel resources and tasks.
- Customs Districts place their personnel on consistently, in accordance with locally needed enforcement and services, and taking natural loss in account.

4.3.7. MAINTENANCE AND DEVELOPMENT OF WORKING ABILITY

- Working atmosphere is continually and sustainably being improved everywhere, and the development is systematically monitored. The administration shall react swiftly to any problems and doings which violate the values of Customs.

- Measures towards improving the mental and physical ability to work are supported by all available means.
- Occupational health care is upgraded with an emphasis on the maintenance of working ability and the prevention of problems.

4.3.8. CO-DETERMINATION AND DISTRIBUTION OF INFORMATION

- Co-determination and the personnel's influence on decisions shall be developed primarily within normal management systems, with a special emphasis on developing increased influence at the local level.
- A culture of open communication and discussion is upgraded in accordance with the principles of the communication strategy.

4.4. FOLLOW-UP OF PERSONNEL STRATEGY

19. Customs' final accounts concerning personnel provide information on the volume and quality of the personnel and on the educational level and job satisfaction as well as an assessment on the need for the development of the personnel. This information will support the follow-up measures and aid the management. The objectives are set and the implementation is monitored at the result negotiations between National Board of Customs, Customs Laboratory and the Customs Districts and at the meetings of the internal boards. In the Districts and customs offices the follow-up takes place at the result and development discussions.

5. DESCRIPTION OF THE SALARY SYSTEM

NEW SALARY SYSTEM APPLIED THROUGHOUT CUSTOMS

20. During 1999-2001 customs officials entered the new salary system. Now Customs is the first major agency attending to the nucleus tasks of State which applies the new salary system comprehensively.

21. The development of the salary system was a tremendous task which would not have been possible without the good cooperation of all the Units and the employees' organisations. It involved the level assessment on the tasks incorporated in more than two thousand posts and the drafting of the competence charts on the tasks.

22. The application of the salary system calls for a new method of management from the superiors. Personnel management skills are thus being upgraded by means of systematic training. All the some three hundred superiors within Customs were trained to conduct result and development discussions and estimate the performances of their subordinates. Within the Customs Districts, longer training programmes for superiors were also started, and this training is being extended gradually to all the Units.

23. The time and energy devoted to the development of the salary system have not gone wasted. The new salary system is more just than the earlier one, since salaries now comply with the requirements of the individual task and the ability to discharge it. Already now salary statistics and recruiting experiences show that thanks to the new salary system Customs is competitive as an employer for the tasks at all competence levels.

5.1. THE SALARY SYSTEM AND THE RESULT AND DEVELOPMENT DISCUSSIONS

24. The implementation and maintenance of the new salary system (NSS) is carried out in accordance with the principles of the values of Customs as part of the result and development discussions between superior and employee. An essential precondition for a successful implementation of the salary system is that the result and development discussions function well.

25. The objectives of the result and development discussions are dealt with at the result and development discussions file (the R&D-file) and every superior within Finnish Customs is under an obligation to participate in the training on result and development discussions. The main objective of the result and development discussions is to:

- evaluate the achieved results and make an assessment of the salary
- agree on the target results for the next result period
- define the individual development needs

26. Another objective of the result and development discussions is to

- develop the cooperation between superior and employee
- improve the general working environment and working atmosphere of the organisation and promote an open interaction

5.2. THE OBJECTIVES AND PRINCIPLES OF THE SALARY SYSTEM

27. The objective of the salary system is to support the competitiveness of Customs in salaries and to encourage the personnel to take up more demanding tasks and to develop their skills and knowledge.

28. The salary system supports the objectives of Customs; it stems from them and is uniform for all employees. The salary system is based on the following principles:

- the more demanding the job, the higher the salary
- the better the individual command of the job/the better the performance, the higher the salary
- the salary system fulfils the requirements of justness when it is
 - acceptable
 - encouraging
 - equitable
 - objective
- the salary system is as simple and as easily applied and maintained as possible
- the components of the salary must be such that everyone is aware of their content, and everyone must have the possibility to influence the development of one's own salary.

5.3. SCOPE OF APPLICATION

29. The new system is applied at the salaries of those Customs employees who work in a civil service relationship, except the officials in the highest superior posts (Director-General, Heads of Departments at National Board of Customs, Heads of Customs Districts, Director of Customs Laboratory, Head of Personnel, and Head of Data Management at National Board of Customs, as well as the Deputy Director of Personnel and Financial Management at the Southern Customs District).

30. The salary system is not either applied in question of the following employees: those employed by employment appropriations, trainees or others taken on, because of the nature of the work or because of temporary work arrangements, for temporary employment relationships of a maximum of 6 months. Appointment to such civil service relationships is always stated in the letter of appointment. On the other hand, the system is applied at other temporary civil service relationships.

31. Finnish Customs follows, where applicable, the principles of the new salary system also in the question of customs employees in employment relationships at whom the collective agreement is not applied, e.g. some employees in the Data Technology Unit at the National Board of Customs. The part-time work of an employee who goes on part-time retirement, shall primarily be arranged so that his/her requirement level will not be lowered.

5.4. STRUCTURE OF SALARY SYSTEM

32. According to the new salary system, the monthly salary consists of the following parts:

- "requirement" part based on how demanding the task is
- "individual" part based on the individual performance
 - experience part
 - guarantee part
 - conditions compensation

33. Furthermore, Finnish Customs pays some other increments and bonuses, as separately agreed or decided. The new salary system has no effect on the bases of the working time compensations either.

34. In addition to the requirement part, the new salary model thus consists of the individual part based on the individual performance and professional expertise, of the individual guarantee part representing the difference between the old and the new salary, of the experience part determined on the basis of the duration of the period of service, and of the conditions compensation paid for work carried out in exceptionally strenuous or inconvenient conditions.

35. The assessment of the work requirements is carried out using the SALARY SCALES - a system for assessing the work requirements. The criteria for assessing the requirements are

- knowledge, skills and experience required by the tasks
- nature and scope of the tasks
- preparation and fundamental questions involved in the tasks
- essential content of the tasks

36. The size of the individual part is max. 30 per cent of the requirement part, and the individual part is paid in addition to the requirement part and experience part.

37. The size of the experience part is max. 10 per cent of the requirement part, and the experience part is paid in addition to the requirement part. After the first year in service the experience part is 5 per cent and after the third year 10 per cent.

38. The guarantee part is paid if the monthly salary determined according to the new system is lower than the employee's earlier salary (old salary). In the salary reform, the salary for the regular working time is not lowered for any of the employees. The guarantee part remains, though decreasing, until the monthly salary according to the new system (according to the regular working time) is as high as or higher than the old salary, in euros.

39. The conditions compensation is max. 4 per cent of the requirement part. The conditions compensation is paid for such straining environmental factors or such strain factors at the work that cannot be removed entirely by work safety measures. Furthermore, it is required that the factor has not yet been taken into account as a requirement factor or as an individual factor, included in the regular content of the work.

40. The new salary system does not change the bases for certain task-based increments and bonuses which are dealt with in item 9.

Table 2. **Example of the composition of a monthly salary:**

MONTHLY SALARY		
Language proficiency bonus		
Guarantee part		Represents the difference between old and new salary
Conditions bonus		Determined based on separate grounds
Experience part	10%	Determined according to the period of service
Individual part	30%	Determined base on the work performance (using the matrix)
Requirement according to task		Is always paid in full according to the table

NB In the example, the individual part is 30 per cent of the requirement part and the experience part is 10 per cent of the requirement part

5.5. IMPLEMENTATION OF SALARY SYSTEM

5.5.1 Evaluation of the work requirements

41. The superior and the employee analyse the content of the tasks to be assessed, either by using the result and development discussion form or by preparing a separate description on the tasks.

42. A separate task description is prepared using a model document that is included in the data processing system (Applix) of Customs. The task description determines the purpose of the tasks, the essential content of the tasks i.e. what the employee does, the knowledge and skills the tasks require, the difficulty of decision-making, and exceptional working conditions. The task description shall be based on the employee's real tasks that are in accordance with the established practice or with the rules of procedure. The superior confirms the task description with his/her signature.

43. How demanding the employee's tasks are is determined according to the principles of the SALARY SCALES requirement assessment system, primarily directly by using the requirement level table of Customs (alternative A); or by assessing the task requirements with the help of the most comparable tasks in the requirement level table (alternative B); or if no comparable tasks can be found in the requirement level table, the task requirement points are given using the SALARY SCALES system (alternative C).

44. The superior's superior confirms, in principle separately for each employee, the task requirement assessment undertaken by the superior. In practice, the superior's superior shall try to confirm simultaneously the assessments of an employee group that is led by one superior, unless it appears that there are particular reasons to confirm the assessments of the employees in the same group at different times.

(A) Requirement level directly from requirement table

45. Using the requirement level table, the superior establishes the requirement level of the tasks, based on the content of the tasks, at least once a year in connection with the result and development discussions and also at other times when the content of the tasks changes fundamentally. At the appropriate place on the assessment form, the superior completes the requirement level indicated for the tasks in the requirement level table.

46. The superior answers for determining the level and that the task description and the requirement category correspond to the person's real tasks. Of the tasks, only the main tasks are taken into account. The only other tasks included in the task description are the ones that differ from the actual main tasks but are regular tasks requiring over 5 per cent of the work performance. The kind of recurring deputyships that have an essential effect on how demanding the tasks are, are taken into account, but e.g. not a second-deputyship for the head/the superior.

47. When assessing a change in the content of the tasks, attention is paid expressly to the changes in the requirements of the tasks. The tasks are viewed as a whole and what is essential is how significant the change is to the whole task. The change in the content of the tasks can also lead to a lowering of the requirement level. However, the requirement part payment is lowered only if the employee, on his/her own initiative, in writing, requests a transfer to lower requirement level tasks e.g. if studies or some other situation in his/her life requires it, or the transfer can take place by the employee's written consent.

(B) Best comparable task in the requirement level table

48. The superior assesses how demanding the tasks are, when exactly the same tasks are not found in the requirement level table but there are tasks corresponding and comparable to the tasks being assessed. For the assessment, a separate task description on the content of the employee's tasks is needed. The content of the tasks is assessed irrespective of the person who is carrying out these tasks. If the superior, on the basis of the task description, finds that the tasks with regard to their content are comparable to the reference tasks in the requirement level table, the requirement level is assessed on the basis of the reference tasks.

(C) Individual point-giving according to the SALARY SCALES system

49. Regarding tasks that cannot be found directly in the requirement level table or when the requirement level cannot be assessed by means of the most comparable tasks, as described above under A and B, the requirement level is determined by giving points according to the SALARY SCALES system. It is primarily the Salary Team or the Customs' Salary Working Group that gives the points and determines the requirement level. The superior shall send the employee's separate task description in the first place to the Salary Team and in the second place to the Salary Working Group for determining the requirement level of the tasks.

50. In the new salary system, the starting point is the assumption that carrying out the tasks of a certain requirement level always requires that the employee directly masters at least the basics. Thus the right to a salary according to the requirement level with a 8 per cent differentiation in the salary table arises immediately when a person employed by Customs starts carrying out his/her new task.

51. The right to a salary according to the requirement level arises also immediately when a person who is in the service of Customs transfers, permanently or as a deputy when the deputyship lasts over one month, to a new task. The measure of time "a month" is calculated so that the deputyships are added up. The raised salary is paid from the beginning of the deputyship.

5.5.2. Determination of the experience part

52. The experience part is paid to the employee for full-time service at Customs or for corresponding service in the employment of a Finnish or a foreign employer, 5 per cent after the first year and 10 per cent after the third year. The experience part has been included in the salary table.

53. The following full-time service entitles the employee to the experience part:

- service at Customs
- service in the employment of a Finnish or foreign employer in a comparable line of work or in tasks that are of considerable use to the employee at carrying out he/she his/her tasks.

5.5.3. Evaluation of the individual part

54. The target of the evaluation of the individual performance is how the employee performs his/her tasks and achieves the jointly agreed objectives. The individual target results and development objectives are defined in the result and development discussion arranged at least once a year between superior and employee, while also registering the results that have been achieved during the past period.

55. When the employee starts carrying out his/her new tasks, the evaluation is made within six months at the latest from the start of the tasks. The salary according to the evaluated individual part is paid

from the beginning of the month following the completion of the evaluation. The evaluation has been completed when the superior's superior confirms the evaluation made by the superior. Until then, the individual part of the salary is paid according to the evaluation of the individual part of the salary in the previous task. However, the employee's salary may not be lowered in connection with the change of tasks. When transferring to a new task which has a corresponding requirement level, the employee has the right to have at least the salary according to the individual evaluation of the previous task, for two years from the transfer to the new task.

56. In cases of deputyship, the aim is to carry out the evaluation of the employee's individual performance before the deputyship begins. The deputy's individual part of the salary can be, at the most, the same as that of the actual holder of the office.

57. When evaluating the individual part, the command of the work, the quality of work, the completion of tasks and the co-operation or the work of an superior are taken into account.

58. The individual part is 30 per cent maximum of the requirement part, and it is paid in addition to the requirement part and the experience part.

59. The individual work performance is assessed by the superior, using a matrix. The matrix consists of the following parts, each of which is an independent entity, the maximum amount of which cannot be exceeded:

- (1) Command of the work, max. 15 per cent of the requirement part
- (2) Quality of the work and completion of the tasks, max. 9 per cent of the requirement part
- (3) Co-operation or work as a superior, max. 6 per cent of the requirement part.

60. Every main factor is divided into subfactors, of which the assessment of the main factor is composed. The assessment of the entire individual part is composed according to the given assessments (scale 1-5). Decimal numbers can also be used, so e.g. points 2.50, 2.75, 3.25, 3.50 etc. can be used in the assessment. The calculation works automatically at the Applix system that is used.

Scale

Five points

61. The employee's performance in the field in question is of an exceptionally high level and groundbreaking. The employee has tough and demanding objectives, which he/she clearly exceeds. The employee teaches others and develops his/her own work and the work of others as well as the entire working community. One cannot reasonably expect more of anyone - the employee is simply excellent.

Four points

62. The employee's performance in the field in question clearly exceeds all the central requirements. The employee works laudably - his/her performance does not leave anything to be desired and at times the work performance exceeds the expectations set on him/her. The employee's work performance gives a picture of him/her as a versatile worker. The employee has a creative attitude about his/her work and presents development ideas concerning his/her work; the employee guides other members of the working community.

63. With a four-point performance it is possible to achieve full points for the individual part, which corresponds to an individual part of 30 per cent. Thus five points have a significance if the performance of the employee varies in different fields.

Three points

64. The employee has a good command of his/her work in all the different fields both in theory and in practice. All the tasks are carried out but nothing is particularly exceeded. The employee is good and fulfils the expectations placed on him/her. The employee carries out his/her tasks well - but does not often present development ideas concerning his/her work.

Two points

65. The employee's performance in the field in question fulfils the central requirements only partially, but does not correspond to the expectations placed on the employee or to the requirements set by the field in question. Being the superior of the employee causes extra work for the superior. The work performance is satisfactory - it barely fulfils the expectations. The performance requires concentrating on improving the performance/The employee is learning a new task.

One point

66. The work performance is not sufficient, except for completely new employees. The work performance requires a joint plan by the superior and the employee to improve the performance level. The work performance is not even tolerable and it does not fulfil the expectations in any sense. The employee knows the basics and not always even them.

67. When assessing, one has to take into account that the system is not based on an assumption of an automatic annual increase of points. It is perfectly normal that a person's performance objectives and the realisation remain the same and accordingly the individual part and its factors remain on the same level. A superior has to be able to justify to his/her own superiors the changes in the various factors immediately if needed, without any particular time for consideration.

5.5.3.1. Command of the work

68. Command of the work covers both the theoretical and practical knowledge and skills. The subfactors of the main point are chosen according to the knowledge/skill level and the selection that the team/group and its individual members should have command of in its entirety. The starting point is that the development of these competence areas improves the work of both the employee in question and of the whole team/group. The objective is to develop the versatility, which e.g. in a small working place can be illustrated by the versatility matrix below.

Table 3. **Versatility matrix**

VERSATILITY	LEARNING AREAS					
	Points	A	B	C	D	etc.
5. advises and guides others						
4. has versatile competence						
3. does his/her work well						
2. is learning						
1. knows only the basics						
Total						

69. The learning areas A,B,C, are determined, and points are given in each area, using the scale 1-5. If needed, the extent of versatility can be taken into account at “point scaling”.

Example:

70. Subfactors for the special examination group of audit activities

- tariff and knowledge of goods
- other customs legislation
- customs procedures, legislation on excise duties and on agricultural subsidies
- command of information technology
- command of bookkeeping

71. Every subfactor of this point is assessed according to the following scale:

- 1 = definite development area, knows only the basics
- 2 = satisfactory level
- 3 = good level, carries out his/her work well in all the different fields both in theory and in practice
- 4 = laudable level, guides others
- 5 = command extensively exceeds the level required by the task

72. The separate weighting of each subfactor is determined depending on how many subfactors there are. The mutual weightings of the subfactors can be unequal in size, as long as the sum of them is one. **The minimum number of subfactors is four.**

73. What is central in the evaluation of the factors is scaling: persons whose tasks are at the same level shall be evaluated similarly, using similar valuation principles. If a person's task in the team has a lower or higher requirement level than the tasks of the others, this is taken into account also in the evaluation of subfactors and in the set requirements in order to achieve a certain value, even if the subfactors for all the members of the team/group were expressed with the same words. The requirement levels may not affect the values of individual performance so that on higher requirement levels higher performance points would be given on the basis of the requirement level than on lower requirement levels.

74. The basis of the model is that everyone, even those who have started with assisting tasks, has to have a possibility to develop his/her competence in the central competence areas of the team/group and in this way the employee has a possibility to develop his/her own salary and advancement.

5.5.3.2. Output (quality of the work, completion of tasks)

75. In the entire Customs, the following subfactors are used and they are evaluated according to the scale presented below:

Subfactors

- output (quality, quantity and impact (works effectively, usually completes an assignment in one go / works ineffectively -- gives feedback to other phases of the process or to other customs districts e.g. on the inspection observations he/she has made/ does only what is most necessary))
- activity and initiative (is able to develop new solutions and carry them out/works routinely and is content with the prevailing circumstances)

- taking care of work equipment (if the task is not included in the task description, it is not included as a subfactor)

76. The weighting of each subfactor is equal. If the subfactor 'taking care of work equipment' is not central to the work, it can be removed and, accordingly, the weightings of the other subfactors increase automatically in the formula.

77. Basis of evaluation

- 1 = distinctive development area, has to be often reminded of the matter
- 2 = satisfactory performance
- 3 = good performance
- 4 = laudable performance
- 5 = works in an exemplary manner and encourages others

5.5.3.3. *Cooperation (and working in a team/group) or work as a superior*

Cooperation

78. In the entire Customs, the following subfactors are used and they are evaluated according to the scale presented below:

- committing to the objectives of the group
- cooperating with the group/the interest groups
- promoting a good working atmosphere

79. Basis of evaluation

- 1 = distinctive development area, has to be often reminded of the matter
- 2 = satisfactory performance
- 3 = good performance
- 4 = laudable performance, clearly exceeds the normal performance
- 5 = works in an exemplary manner and encourages others

Work as a superior

80. The point "work as a superior" is applied as an alternative to the point "co-operation" depending on whether the employee has mainly tasks of a superior or not.

81. In the entire Customs, the following subfactors are used and they are evaluated according to the scale presented below:

- leading the activities (development, taking care of cooperation relationships)
- leading the personnel (developing the personnel, handling conflicts, promoting the working atmosphere, giving feedback)

82. Basis of evaluation

- 1 = distinctive development area, has to be often reminded of the matter

- 2 = satisfactory performance
- 3 = good performance
- 4 = laudable performance
- 5 = works in an exemplary manner and encourages others ...

83. If the individual part after a new evaluation is lower than the previous time, the salary is not immediately lowered to the sum indicated by the new evaluation. In the result and development discussion an objective plan and the necessary follow-up are prepared to improve the level of the individual part. A new evaluation (intermediate evaluation) is carried out within six months at the latest. If the individual part is lower even then, the salary is lowered accordingly. For an exceptional and justified reason, e.g. an illness affecting the work, one extra intermediate evaluation can be carried out before the salary is lowered, and then the actual evaluation where, at the latest, the determination of the salary according to the evaluation is implemented.

Table 4. **Example: The effect by the size of the individual part (= IP) on the salary**

					Evaluation dates			
		1.4.1999	1.9.1999	1.1.2000	1.4.2000			
I 20 %	I 15 %		I 15 %	I 15 %				I 15 %
	- IP not lowered		- IP lowered from 20 per cent		- IP lowered unless there are particular reasons (illness)			- IP confirmed 15 per cent
	- objective plan							

5.5.4. Procedure and power of decision in determining the salaries

84. In order to guarantee a uniform implementation of the new salary system of Customs, the matters are settled in the different phases of the determination of the salary as follows:

Table 4. The phases of salary determination

The Phases	Who assesses?
1. Clarifying the content of the task	1. Superior and employee
2. Determining the requirement level of the task.	2. Superior and Employee. The superior carries out the assessment in the result and development discussion directly or by assessing using the requirement table
3. Determining the subfactors of the individual part more specifically.	The head of each responsible unit and the salary team.
4. Evaluating the individual part and determining the conditions compensation.	4. The superior in the result and development discussion, the matrix (Applix table) for the individual part as the basis.
5. Confirming the requirement level, the experience part, the individual part and the conditions compensation.	5. The superior's superior confirms the salary factors in question and sends the data electronically to the administration unit and sees to it that the superiors carry out the result and development discussions annually.
6. Adjusting the salary factors and possibly scaling the individual part unit-wise.	6. An official from the Administration Unit who is appointed to this task, in accordance with the disposable appropriations and the personnel policy of Customs.
7.1. Adjusting the requirement level table. 7.2. Giving points to a task when there is no corresponding task in the requirement level table.	7.1. Salary working group of Customs. 7.2. The salary teams of National Board of Customs, the Customs Districts and Customs Laboratory, as well as the salary working group of Customs.
8. Establishing the guarantee part, increments and bonuses and registering them in the HeVi system. Salary payment.	8. The personnel administration of National Board of Customs, the Customs Districts and the Customs Laboratory.
9. Registering data, other than that mentioned in point 8, in the HeVi system.	9. The personnel administration of National Board of Customs, the Customs Districts and Customs Laboratory.

85. The National Board of Customs has issued instructions about approving and reporting the salary factors and about transferring the data for paying the salaries; No. 268/131/00 of 30 November 2000.

5.5.5. Salary table of Finnish Customs

86. In the entire Finnish Customs, both a minimum level and a maximum level according to the salary table has been determined for each requirement level. For work according to a requirement level, a salary according to the basic level at the least is paid.

87. Immediately after the change-over to the salary system, however, everyone has the right to a differentiation according to 8 per cent.

88. If the employee has experience years, they are included in the individual salary immediately from the moment he/she starts carrying out the task, even though the evaluation of the individual part is made later. Also, it is to be noted that the size of the conditions compensation is calculated according to the basic level.

89. The amount of the employee's salary according to the salary table is determined using the table as follows:

90. The requirement levels of the tasks have been placed at the levels 5-22 in the table. Regarding the determined requirement level, the so-called "salary for the task" is established according to the salary differentiation 8 per cent.

91. In budgeting, the salary sum of National Board of Customs, the Customs Districts and Customs Laboratory has been dimensioned in accordance with the requirement levels of the tasks, the starting point being that the average size of the individual part is 22 per cent without the experience part. This forms the salary payment reserve for each unit and is the economic and salary technical objective at National Board of Customs, in the Customs Districts and in Customs Laboratory. The preliminary unit-wise assessments of the realisation of the 22 per cent salary payment reserve are made in the sub-units of the units. The employees whose number of points one has had to change will be informed of the scalings that have been carried out.

92. The salary is paid for each calendar month, according to Section 4 of the General Collective Agreement for Civil Servants, on the 15th day of each month.

5.6. APPEAL

5.6.1. Salary Working Group of Customs and Salary Teams

93. In Finnish Customs, there is for the salary system a **Salary Working Group (SWG)** of Customs, which operates in connection with National Board of Customs. In addition, National Board of Customs has appointed **Salary Teams (ST)** for National Board of Customs, for each Customs District and for Customs Laboratory.

94. The seven **Salary Teams** have the task of promoting a uniform application of the new salary system in Finnish Customs, handling conflicts and other unclarities that are due to the new system and arbitrating in them, as well as acting as an open forum for discussion on the application and development of the salary system of Customs. Another task of the salary teams is to give points to tasks and to determine requirement levels using the SALARY SCALES system. Also a salary team has the task of spreading information about the salary system within the District and to develop its own skills and knowledge regarding the salary system. At National Board of Customs, the Deputy Director of the Administration Department acts as the chairman of the Salary Team, in the Districts the Head of each District and in the Customs Laboratory the Director of Customs Laboratory. The employee organisations operating at Finnish Customs are also represented in each salary team. Each Salary Team makes the decisions on the member changes proposed by the represented parties.

95. The **Salary Working Group** of Customs also has the task of promoting a uniform application of the new salary system at Finnish Customs, handling conflicts and other unclarities that are due to the new

system and arbitrating in them, as well as acting as an open forum for discussion on the application and development of the salary system of Customs. Another task of the Salary Working Group is to give points to tasks and to determine requirement levels using the SALARY SCALES system. In order that a disagreement might be dealt with appropriately in the Salary Working Group of Customs, it should be brought up first in a Salary Team.

96. The Director of the Administration Department is the chairman of the Salary Working Group of Customs. The employee organisations operating at Finnish Customs are also represented in the Salary Working Group.

5.6.2. *Negotiation procedure according to the Collective Agreement of State*

97. The negotiation procedure for collective issues concerning civil servants has been agreed on in the Principal Agreement of 21 December 1993 on collective agreement issues concerning the civil servants. According to Section 5 of the Principal Agreement, the aim is to solve by negotiations a disagreement between the employer and civil servants on the validity, content or extent of the Collective Agreement for Civil Servants or on the correct interpretation of a certain clause of the Agreement. In practice, the negotiation procedure in Customs proceeds so that first the superior and the employee or the employees' representative discuss the matter among themselves. If needed, the matter is taken after negotiations at the site (between National Board of Customs and the organisations representing the employees of the administrative sector) to the central negotiation level (between the State Employer's Office and the principal contracting organisation). Lastly, action concerning economic benefits from a civil service relationship can be instituted in Labour Court within a specified time-limit.

5.6.3. *Procedure recommended by negotiating parties*

98. An employee who is not satisfied with the decision made by the superior can appeal within one month calculated from the service of the decision on the assessment, at the latest, however, calculated from the day of receiving the payslip. From the petition of appeal shall appear which part of the decision is at issue in the appeal and what changes are demanded, as well as the grounds for the appeal. The petition of appeal is addressed and sent to the unit involved (National Board of Customs, Customs District, Customs Laboratory).

99. **At the first phase the negotiation** shall take place between the employee, the employees' representative and the superior within one month at the latest of the service of the petition of appeal.

100. **If the matter cannot be solved in the negotiations of the first phase**, it can be transferred to the local negotiation level, to be handled in accordance with the normal negotiation procedure, i.e. the matter can be transferred to be handled in a negotiation between the employer and the personnel organisation in question, but the negotiating parties that reached the agreement on the new salary system recommend that the matter be referred to **a Salary Team for handling**. It is important to gather experiences of how the new salary system works, and the salary teams have a central role in the application of the new salary system.

101. The petition of appeal addressed to a salary team shall be accompanied with a memorandum on the negotiations, showing the object of the disagreement and the viewpoints of the parties. The matter should be taken up in the Salary Team within one month at the latest from the institution of proceedings.

102. **If the matter cannot be solved by the Salary Team**, the matter can be referred **for handling to the Salary Working Group** which operates in connection with National Board of Customs. The matter

will be taken up in the Salary Working Group at the written request of either the representative of the employer, the employee or the employees' representative. The records of the negotiations prepared at an earlier stage, petitions of appeal and other written material which the appellant thinks will influence the matter shall be enclosed to the written request for proceedings. The matter should be taken up at the Salary Working Group within one month at the latest from the institution of proceedings.

103. The units and the Salary Teams shall send their solved disagreement matters and the records of negotiations on these matters to the Salary Working Group of Customs for information.

104. A person who has participated in the handling of an appeal in a Salary Team cannot participate in the decision-making concerning the appeal in the Salary Working Group.

Diagram 1. **The Salary Working Group of Customs and the Salary Teams**

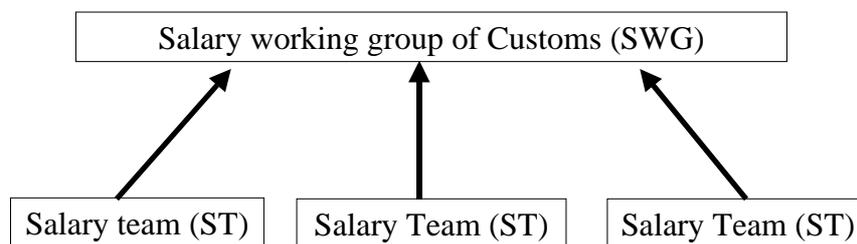
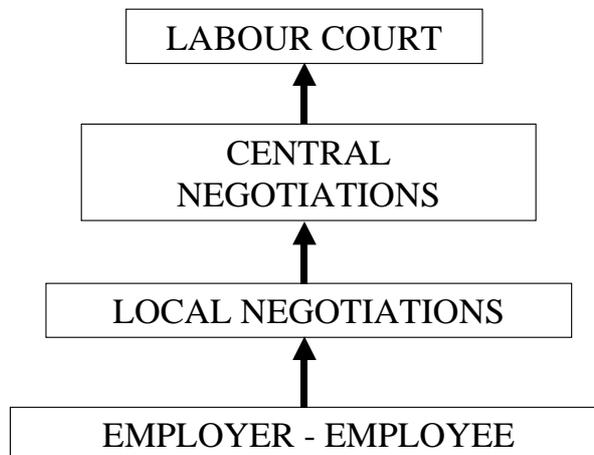


Diagram 2. **Negotiation procedure**



5.7. IMPLEMENTATION OF THE SALARY SYSTEM AND ITS ENTRY INTO FORCE

105. Since 1 April 2001 all the personnel of Finnish Customs are included in the salary system.

106. A precondition for changing over to the new salary system is that the superior of the group or unit has participated in the training on the new salary system and in the training course on result and development discussions.

107. The specifying collective agreement for civil servants is applied at an employee according to the salary table in force at the time, from the beginning of the following month after his/her salary basis has been determined in accordance with the new salary system.

108. The NSS salary table in force is adjusted every year during the changeover period. Before the salary table enters into force, the contents of the salary table are dealt with jointly between the employer and the personnel organisations. After the first salary table, that of 1 April 1999, the salary tables enter into force from the beginning of March each year during the changeover period, unless the parties agree on another arrangements or unless the general increases based on the central level agreements cause a need for adjusting the salary table at another time. The employer and the associations of civil servants can more specifically agree on how the adjustments are carried out.

5.7.1. *Confirming and reporting the salary information*

109. The employees' assessment information (requirement level, experience and individual part and possible conditions compensation) is sent as an approved and signed NSS report to the Administration Unit, to the person who answers for the personnel administration. The Customs Districts and Customs Laboratory send their respective summaries of the NSS report to the Administration Department of National Board of Customs. The individual assessment information, including the result and development discussion forms, is kept in the work places. National Board of Custom has issued specifying instructions concerning the matter, by a letter of 30 November.2000, No. 268/131/00.

110. The requirements of the tasks and the individual performance level of new employees joining the group also have to be assessed. At the appointment stage, the personnel administration decides the new employee's right to the experience part for other service than service in Customs. The employee is immediately entitled to a salary according to the requirement part and possible experience part. The size of the individual part is assessed within six months.

5.8. RECEIVING INFORMATION

111. The superior informs the employee of the principles of the requirement assessment, which are the basis of the salary, and of the justifications for the assessment results of the individual part of the salary. Also the employees' representative has the right to receive information if the employee consents to it.

112. A HeVi-document-based decision on the change in the salary is made for every employee. This is important particularly with regard to appeal; to the petition of appeal, the appellant shall enclose a copy of the decision on the change.

113. In connection with the result follow-up reporting and with the government department-specific negotiations, the chief employees' representative has the right to receive information about the salary distribution of the personnel, per functional unit, gender and age group, and with each requirement level divided into the requirement part, experience part, individual part, and conditions compensation. The employees' representative has the right to receive information about the salaries of the employees he/she represents, when the preconditions for providing such information are fulfilled.

114. The information is provided under taking in account the privacy protection requirements.

5.9. VALIDITY OF THE AGREEMENT ON THE SALARY SYSTEM

115. The agreement on the salary system is valid from the signing of it until 31 January 2003. After this, the validity of the agreement continues one year at a time until the contracting parties give notice on the agreement at least six weeks before the end of the agreement period or the end of the continuation year.

6. REALISATION OF THE OBJECTIVES OF MANAGEMENT AND SALARY SYSTEM

6.1. POSITIVE FEATURES

- support in the implementation and other development of strategies
- (Balanced Score Card)
- has changed superior culture and management
- increased cooperation and interaction at all levels
- management and work satisfaction have improved (Work Satisfaction Survey 2001)
- has forced the organisation to weigh and assess all its tasks
- increased knowledge on the different tasks and made them transparent
- just and rewarding for right things
- improved incentiveness
- flexible system
- better comparability with private labour market
- competitiveness of Customs improved at all levels of requirements, particularly for young people
- salary is paid according to the real exactiveness of the tasks and work
- performance

6.2. PROBLEMS AT IMPLEMENTATION

- change in culture is involved; there is an effort to turn general management
- problems into problems of the new salary system
- takes an enormous amount of work, benefits come later
- engagement of superiors and leadership in the new course of action
- lacking courage of groups in key positions
- motivation of those receiving so-called guarantee share (earlier salary of abt).
- 20 percent of personnel was higher than new salary).

6.3. KEY TARGETS OF DEVELOPMENT

- no system is so good that it cannot be spoiled by bad application
- a system gets never ready
- confidence between personnel and leadership constantly at high level
- maintenance and updating of task requirement chart

- assessment of individual performance to be developed
- continuous development of the management skills of superiors
- newness of system: operative practices must be created and developed
- by oneself