



+PlusLøn

INTRODUCTION

WORK SYSTEMATICALLY WITH THE PAYROLL

– for hourly-paid and salaried employees



Dansk Industri

Foreword

This folder is a brief introduction to working with the payroll in companies in the industrial sector.

The development of the principles for remuneration is a major and important task in cooperation between employers and employees and the basis is in the industrial sector's collective agreements.

PlusLøn is the name of the framework that is developed by the Confederation of Danish Industry and the Central Organization of Industrial Employees in Denmark. The two organizations have several years of experience with the development of the principles for the determination of wage rates in a vast number of companies - large as well as small.

Draw on our experience and get good advice to work systematically with the payroll or take a look at the company's current principles for remuneration so you are sure that the wage is both fair and motivating.


The labour market is developing rapidly and it places new demands on remuneration and flexibility.

When seen in the light of general market conditions and the desire to increase productivity, companies may have different needs to acknowledge and reward the employees' performance.

In this booklet, you will have an overview of the many options that exist to tailor the remuneration according to your needs.

Read in brief about the principles on the next couple of pages and read on in the in-depth folders (merit pay, payment by results, Wage Thermometer, etc.) or draw on our wage system consultants for a chat about how you can get started.

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Remuneration is a strong tool to create productivity and esprit-de-corps

People would like to provide a good and thorough performance, but they would also like to be rewarded and acknowledged for it.

Remuneration is a strong tool to motivate the majority of employees. Some also weight other factors in daily life (security, well-being, challenges, etc.). But a well-functioning, fair and modern wage system can motivate all employees in a company - and can also create esprit-de-corps through shared results.

A good wage system will also develop the employees and increase productivity, improve cooperation and create dynamic in the company.

In other words: It is worth your while to have remuneration under control.

With the term “wage system” we do not mean an administrative IT system, but the frameworks and principles behind the company’s determination of wage rates.





PlusLøn could be the framework for the entire company's wage system in companies in the industrial sector.

PlusLøn is a flexible tool that can be adapted to the individual company and can be used for both hourly-paid and salaried employees. If employees are to be rewarded and acknowledged for having special qualifications, taking extra education or delivering special results - all this can be taken into account in the setup of the wage system, all depending on the company's needs.

You complete the framework yourself when you develop the wage system. You adjust it when it needs adjusting and you take its temperature every year so the company always has a fair, current and motivating wage system.

Become wiser about PlusLøn on the next pages where you can see how the system can be tailored to all types of companies.

There are many options to combine the remuneration and weight the various elements according to the company's needs.

The basic wage will always be a part of the wage system as a kind of foundation that can stand alone or be combined with the other wage types (either merit pay, pay by results or job-based pay)

You can also easily imagine a company where all the wage elements are in play together with the basic wage.

ELEMENTS IN PLUSLØN



MERIT PAY: Merit pay is a pay supplement for qualifications relevant to a job, profession or person. Merit pay is a personal pay supplement and follows the individual employee.



PAYMENT BY RESULTS: Payment by results can either be individual, group-based or a combination of both. Payment by results is variable, which depends on the results achieved.



JOB-BASED PAY: Job-based pay is a pay supplement in order to perform a special function or task, possibly for a temporary period.



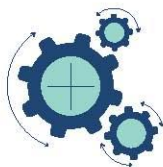
BASIC WAGE: Basic wage is remuneration for fundamental job and qualification requirements. The basic wage can be the same for all employees, or it can vary between broad groups.

TOOLS IN PLUSLØN



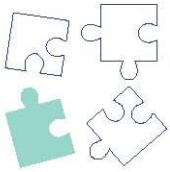
WAGE THERMOMETER:

Every year the company should take the temperature of its wage system in order to assess whether it functions as intended.



WAGE WHEEL:

In the course of the year, the company goes through a number of activities, plans and processes that keep the wage system and relevant interested parties updated.



Basic wage

Basic wage is the foundation in the wage system. It is remuneration for fundamental job and qualification requirements for a further defined field.




Many companies use a shared basic salary/basic wage.

Depending on the size and complexity of the company, the basic wage can be the same for everyone in an area, the same for

everyone in a specific employee group or the same for all employees throughout the company.

The same basic wage is a good beginning to ensure a superstructure with a wage distribution that matches the company's production and combination of employees.

Moreover, it is an expression of equal treatment.

MERIT PAY	PAY BY RESULTS	JOB-BASED PAY
		

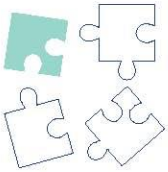
BASIC WAGE: Basic wage is remuneration for fundamental job and qualification requirements. The basic wage can be the same for all employees, or it can vary between broad groups.

All employees are treated the same without concern of gender, education or professional status. This helps to strengthen team work and flexibility.

It also becomes easier to develop clear wage structures and determine the job and profession-related factors that are added to the basic wage.

If you choose the same basic wage for everyone in the company or in a single field, a number of advantages follow - also purely in terms of administration.





Merit pay

Merit pay is a pay supplement that is added to the basic wage where the employee is assessed and rewarded for having or acquiring special qualifications.

The purpose of merit pay is to attract, retain and develop good employees. By drawing attention to the qualifications the company needs, you can encourage current and future employees to improve their qualifications and thus improve the company's conditions to reach its targets.

Each employee will be assessed based on a number of qualifications that are in demand in the company.

The qualifications are categorised into a number of factors or characteristics/attributes that are important to be able to master the job (e.g. a special education, flexibility or ability to cooperate).

The factors can be categorised into three types:

- **Relevant to the job:** Working knowledge, Complexity, Flexibility
- **Relevant to profession:** Theoretical and practical education, Relevant continuing education, Experience and Training
- **Relevant to person:** Ability to cooperate, Initiative, Self-dependence

The company then works out the various job types into a number of levels according to degree of difficulty.

It may be a good idea to gather the job-related and profession-related qualifications into one single overview schema, which hangs in a visible place in the company.

The process then begins in all earnest in the company because now the supervisors must be trained so they can conduct the individual

interviews and assess each employee's qualifications in relation to the qualifications listed in the schema.

It must be very clear to all employees which qualifications are required to achieve a higher assessment.




Advantages of merit pay:

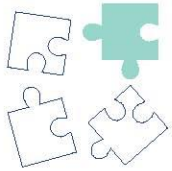
- Each employee is remunerated according to their own qualifications
- Everyone can improve their assessment
- The system is open for dialogue with every single employee
- A fair wage distribution

Disadvantages of merit pay:

- It can be time-demanding to have to set aside time for many interviews.
- In some companies, there may be resistance to change or resistance towards what has been changed wage distribution.

For further information, see the booklet: Merit pay - competencies and conduct.

<p>MERIT PAY: Merit pay is a pay supplement for qualifications relevant to a job, profession or person. Merit pay is a personal pay supplement and follows the individual employee.</p>	<p>PAY BY RESULTS</p> 	<p>JOB-BASED PAY</p> 
<p> BASIC WAGE</p>		



Pay by results

Pay by results is a management tool for management and a strong means of communication between managers and employees. It motivates both parties to create better results and greater value for the company as it is extra profit that is paid out.

Pay by results is thus payment for a better performance and varies with the achieved, predetermined results, e.g. a business goal or results/production data from a previous/special period.

The company can calculate the pay by results based on:

- Quality goals
- Financial goals
- Quantity goals

To pay wages according to the results can create correlation between the company's

selected business goals and thus improved management and development of the company in line with the results being achieved.

For the employees, pay by results entails greater job satisfaction by way of, e.g. better cooperation to realise the specific goals. Finally, pay by results typically leads to more in remuneration.

Strengthen cooperation and performance with shared remuneration

In many companies, it makes good sense to introduce an individual or collective pay by results.

This may be in companies where new procedures, processes and products are developed or companies that quite specifically want to increase productivity and improve the bottom line. If a group of employees cooperate as opposed to each one performing an isolated task, the value increment will also be improved.




Advantages of pay by results:

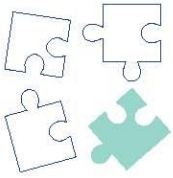
- Employees and management feel solidarity and ownership of the creation of the results
- Minimises waste
- Strengthens esprit-de-corps
- Better results
- Can be introduced quickly and is self-financing

Disadvantages of pay by results:

- Requires ongoing adjustment of the agreement
- Clear agreements on when and how you regulate

For further information, see the booklet: Pay by results - rewarding and acknowledgement.

<p>MERIT PAY</p> 	<p>PAY BY RESULTS: Pay by results can either be individual, group-based or a combination of both. Pay by results is variable, which depends on the results achieved.</p>	<p>JOB-BASED PAY</p> 
<p> BASIC WAGE</p>		



JOB-BASED PAY

Job-based pay is a supplement in order to perform a special function or temporary task. Job-based pay is only linked to the task and is thus not a personal pay supplement.

The labour market is constantly developing: this could be in the form of more flexible working hours and shorter periods of employment, but it could also be product development, process optimisation, new systems and more demands for documentation.

The frequent changes on the labour market place greater demands on both companies and employees and this is where job-based pay comes into play as a flexible remuneration element.

The companies must be good at utilising the existing resources and compensate for those competencies that are in demand when introducing new routines. Even though they are not of a general nature and can be rewarded in merit pay.

Some functions require a little more and, therefore, it can be a good idea to pay the employees who can, and will, take on the execution of more demanding tasks - possibly for a period.

If this is about a temporary task, it is not expedient to activate a permanent pay supplement.

Since the job-based pay follows the task and is only paid as long as the employee performs the task, it also discontinues when the task is completed or does not need to be performed anymore.

Thus, job-based pay ensures better consistency between requirements for the execution of the task and the individual employee's supplement payment.

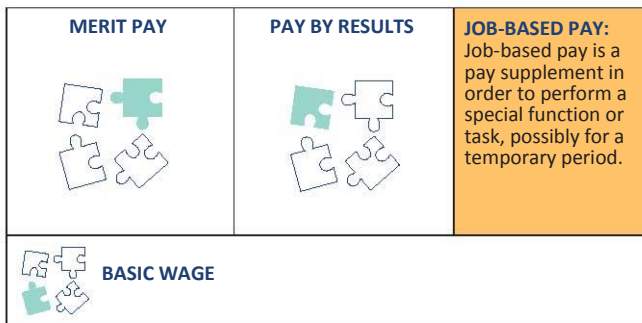
Advantages of job-based pay:

- It attracts employees for specific functions/tasks
- Creates visible evidence that management has focus on a specific field
- The company has exclusively the wage expense while the relevant task is executed
- The company pays for special personal or professional requirements to the employee
- It has an effect from the moment it is introduced.

Disadvantages of job-based pay:

- Job-based pay is more demanding in terms of administration
- There may be a lack of willingness to take on tasks without special function allowance.

For further information about job-based pay see, in particular, the chapter in the merit pay booklet.





Wage Thermometer: Take the temperature of the wage system every year

A wage system is not static by nature, but has to be maintained and adapted so it reflects the company's current situation.

A company should carry out a measuring or a survey every year so employer and employees can indicate whether the wage system functions as intended. The Wage Thermometer from the Confederation of Danish Industry and the Central Organization of Industrial Employees can assist.

The Wage Thermometer is developed in cooperation with more than 50 companies where almost 2,000 managers and employees have contributed with input and facts so other companies have something with which to compare.

To be able to compare with other companies, it is necessary to enter your own data.

The measurements indicate which areas are of the greatest importance to the employees' satisfaction and motivation, e.g.:

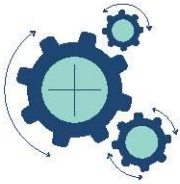
- Information concerning important decisions related to the daily operations
- Possibility to develop
- The quality of the planning of the daily operation
- Cooperation with mid-level management
- Acceptance of wage distribution
- Faith in the qualification assessment
- Faith in the Wage System Committee

Use the Wage Thermometer to become wiser about the level of satisfaction or whether you should adjust the wage system.

If this concerns minor adjustments, the company can take action immediately and thus ensure that the employees feel heard and fairly treated.

Read more in the folder: Wage Thermometer
– maintain your wage system.





Wage Wheel: Keep control of the process

In the course of the year, the company goes through a number of activities, plans and processes that keep the wage system updated. This is done via the Wage Wheel.

A lot can change in the course of a year - on the market and in the labour market and in the company itself. New products, new competitors, new colleagues, new leaders, new education programmes.

Ensuring that the wage system is kept updated is an ongoing process.

Thus, the Wage Wheel ensures that you have control of the wage system - and that you regularly adjust according to the new conditions.

Management, employees and wage system committee, which play an active role here when they are to review a number of set routines and processes.

The Wage Wheel does not automatically follow the calendar year, but may vary from company to company.

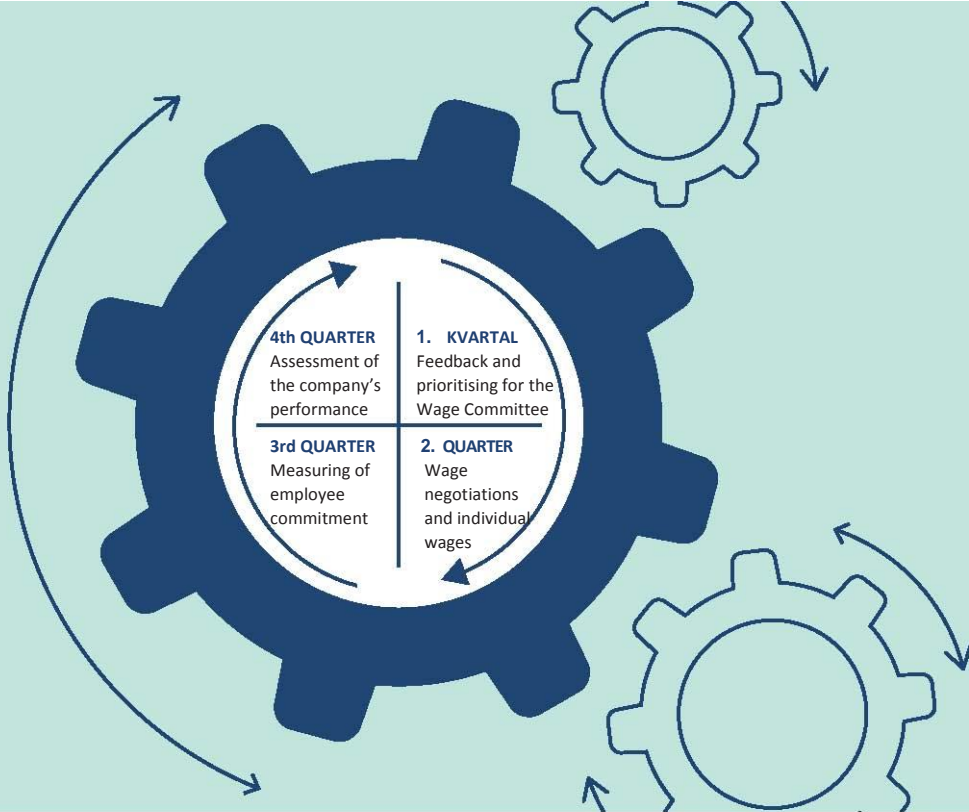
See the four phases - or partial tasks - here:

Feedback and prioritising

- The annual qualifications interview with every single employee
- Registration of results and assessment of all employees
- Training of new and experienced mid-level managers/enthusiastic employees
- Possibly add new members to the Wage System Committee

Wage negotiation and individual wages

- This is where you conduct local wage negotiations in the company and write down your agreements
- Inform employees



Measuring of employee commitment

- Conduct mid-term interviews
- Use the Wage Thermometer - measure the satisfaction with the wage system and gather the results

Assessment of the company's results

- Assess changes in qualifications and update the overview of qualification factors
- Get new input from management about the market – helicopter perspective

How to go further

Wage systems are a cooperation task, which must be developed jointly between employer and employee and shop steward and You have the key to get going with the process.

Regardless of whether you want to establish an entirely new wage system or just want to update the current one, you can perform the preliminary “diagnosis” yourself.

Ask widely in the organisation - e.g. with three to five questions to managers and employees:

Examples of questions to management:

- Does our current wage system support the right goals?
- Which weaknesses/problems does our current system have?
- What do you think our wage system lacks?

Examples of questions to employees:

- Is the wage determination easy to understand and fair?
- Is there cohesion between performance and wages? (For the individual/for groups)
- Is there good dialogue between management and employees?
- What do you think our wage system lacks?

When you have conducted the survey, you should be able to answer these three questions:

1. Why should the company have a new wage system? (purpose)
2. Which value must the wage system ensure the company? (Direction and frameworks)
3. How should it be put into practice? (elements, methods, year wheel, etc.)

The formal decision must, at the outset, be made in the company's Liaison Committee. If you then decide to initiate the process, there is a task in informing the entire organisation that the work with a new wage system is in progress (e.g. that you form a Wage System Committee, that the work will proceed over xx months and that everyone will be informed along the way).

Assistance for the process

If you get stuck or have difficulty answering the three questions, then please draw on the Confederation of Danish Industry and the Central Organization of Industrial Employees in Denmark to move on in the process.

We have comprehensive knowledge of wage systems in many types of companies and we have both advised with the establishment of entirely new wage systems and when it comes to updating an existing system.

We can also give you a sense of how much time and which resources you should set aside for the task.

How long does it take to introduce a new wage system?

Generally, it is slightly faster to introduce pay by results. It can basically be done right away provided you can agree on the criteria.

Merit pay is the long tough haul where we often see greater complexity in the tasks. There may be several levels in each job and often several employees. So it is a more time-demanding process for the company. but a useful investment as the wage system can subsequently be adjusted year after year.

WHAT DO OTHER COMPANIES DO?

It is difficult to say anything precise about which wage system would suit which type of company.

Generally, it applies that the slightly larger companies with many job functions typically choose merit pay, as the system takes into consideration the diversity in the organisation.

Small companies choose pay by results more frequently.

When the market conditions are good, many companies prefer merit pay.

This booklet gives you a brief overview of the possibilities to set up the company with a wage system that is fair, dynamic and motivating.

Read more in the booklets

Wage Thermometer - maintain your wage system

Merit pay - competencies and conduct

Pay by results - rewarding and acknowledgement

The booklets can be downloaded from **co-industri.dk** and **di.dk**



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