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## **PAYROLL**

**How does it work?**

**Thesis**

**CENTRIA UNIVERSITY OF APPLIED SCIENCES**

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## ABSTRACT

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PAYROLL. How does it work?		
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<p>In this thesis the author will present the basics of payroll and how it works in practice. There will be information about taxcards, vacations and how the payroll process works. How you get your money to your accounts on payday. There will also be information presented about our vacation law as well as about collective agreements.</p> <p>It is a practical based thesis, so the author has done an assignment for a company called Norlic, which also was the commissioner. The practical assignment was a manual about the payroll programs used within the company. A step by step guide for new employees so they learn it correctly from the beginning and in this way eliminate the risk of faults in the salaries.</p>		
<b>Key words</b> Collective agreements, Laws, Payroll, Regulations, Taxes		

## CONCEPT DEFINITIONS

Collective agreement = A rulebook to follow, different for every field

Föpl = a owner of a company

Kela = a company under the Finnish government helping people financially

Holiday allowance = if a worker quits during the vacation year, the company will pay out a holiday bonus which is an amount of money which represents the amount of vacation days earned

Holiday bonus = 50 percent of the holiday pay, paid when returned to work after the vacation

Holiday pay = your salary when on vacation

Tax card = a piece of paper with a percentage that is being subtracted from your salary each time and paid to the government and an income limit what you can earn with that percentage.

Tax-at-source = special arrangement for people coming from another country with taxpaying

Vacation year = the vacation year is from first of April to the last of March the following year ex.  
1.4.2018-31.3.2019

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## 1 INTRODUCTION

Pay-roll is something I work with everyday, since I work as a payroll accountant at a company called Norlic in Pietarsaari. In this thesis the main focus will be on payroll and the laws and regulations that you have to follow when working within the field. I will also tell about different kind of tax cards and collective agreements and what it means having different kind of tax cards and collective agreements. In the part of the collective agreements I will tell briefly what every agreement has in common with each other, but I will focus on the Fur-collective agreement and the Paper- collective agreement. These two are quite special in their own separate ways in comparison with all the others.

The aim of the thesis is for myself to learn more about my job and learn the different laws that are important for me to have a grasp on at work. Also, to get others to know what an important and valuable work the people do that work within payroll. It is an underappreciated working title, the importance of payroll is much greater than you might think. Without it, you would not get any money to your account on the day of your salaries.

The objective of the thesis is learning more about the process and learning about laws and regulation in relations with this topic. For my work I need to know these things and need to know about all laws and special rules so that I do the job correctly. I wish to learn as many new things as I can, because it feels safer knowing what you do. The objective is also that I could maybe inspire or help someone else in the same type of job, if they read the thesis.

Payroll is such a big topic, I could tell so much about it, but I will only take it as a whole very briefly, but then focus on some smaller areas more deeply, otherwise you would not have the will to read this thesis to the finish. A limitation is that every company has their own rules and regulations and ways to do this, so it is hard to put forward different rules because of the fact that it might be different from company to company. But I will tell about the main rules and laws that should affect every company with a few or more employees. The first theory chapter will contain information about what payroll is, what taxcards are and different kinds of taxcards and also about the income register, which is a new thing from 1 January 2019. The second theory chapter will contain information about collective agreements and focus on two different special collective agreements. And the second part of the chapter will contain information about the vacation law and working time law in Finland.

This is a practice-based thesis, so it will not contain any research and diagrams, but a secret manual will be included in the end of the thesis. My commissioner is Norlic Ab Oy, the company where I work. For my practical part I will make a manual for Norlic. This manual will have all information needed to use our payroll programs at work, instructions, information and pictures step-by-step in the payroll process. This will be saved there so every new and old pay-roll worker can read it and learn from it. It will be very easily written and not much text but many pictures so that it is easy to follow and find the right thing you are searching for. As already stated, it will be a secret manual, which means it will not be published with the thesis due to security regulations.

My commissioner Norlic is quite a big accounting company with the headquarter located in Jakobstad. They have around 120 employees and expand more and more. With 11 different offices around in Ostrobothnia they reach a lot of people in different ages and stages in their lives. Also, it is a good thing for the contact with the customers to have people close to where you live so you can walk in to the office and ask for help or give some material. Many do not like using email or internet in these kinds of situations, they appreciate the close contact with people. At Norlic we are 3 main groups; accounting, payroll and IT. Accounting is the biggest one and payroll the second biggest. My practical assignment for Norlic, the process and my conclusions about the whole thing will be presented in the last chapters of the thesis.

## **2 PAYROLL**

Payroll is the process which gives you money to your account on payday. Starting from receiving the hours you have worked, to sending out the payslips to your homes on payday. This is a big business, specially from 1 January 2019 when every little amount needs to be reported to the income register through the internet services. This might be a hard thing to do for some older people or actually anyone who does not know anything about payroll services and processes. So, in this case, payroll is a very important thing that many people are in need of. More here below on what it really is.

### **2.1 Different stages in the payroll process**

Payroll is a continuous cycle of development, everything becomes more and more online and new programs are being developed all the time. But there are always these ground rules to follow and thing to do in the process. When you work, you get something in return, which we call salary. To get your salary you need to have a payroll department who do it for you, or if you can do it yourself. From 1 January 2019 in Finland, we have a new system that affect everyone more or less. In this system everything is being reported and through this you can see everything you have earned, it is called Income register, but more about that later. (Vero 2018.)

The basics of payroll are that in some way, we get the hours or days you have worked to begin the process. If you have not gotten any salary from this place before, it is important to also give your taxcard, salary, bank account number and all other important information needed to give you money. Then when we have all the information, it is time to begin the real process. All stages are equally important, because they all need to be done to get it right and to have everything documented. You need to put in all numbers, salary and hours and working days. Working days are important for the calculation of vacation days and vacation salary. Then when you have put in all numbers, you need to check so that the program calculates the pension and taxes and everything right. Then you pay it, and send the payslips, and lastly you send it to the income register and sends the document from the salary to the bookkeeper. This is the payroll process made simple.

Other than your hourly pay or monthly pay, you can have many different kinds of other benefits and compensations. Payment (benefit) in kind, is a compensation that an employee gets in another form than

money. (Vero 2018 b.). It can be a phone payment in kind, or a car payment in kind. The payment in kind must be owned by the company and can be given to the employee as a compensation. When having a car payment in kind, it means that you get a company car as your own, and the company pays you a compensation for the fact that you drive the car and you pay for the gas and so on. There are many different kinds of payments in kind. but they all work the same way, you can have phones, lunch tickets, cars etc. But these are also taxable incomes. (Vero 2018a.)

When talking about salaries and different kinds of allowance/additions, it means the total amount of money you get. Salary is the amount of money you get when doing some work. Net cash is the amount that come to our accounts on payday, after all subtractions. This amount can change very much if you are being paid by the hour or if you have a monthly salary. With a monthly salary you usually get the same amount each month, but of course this is not always the case. Some who have a monthly salary also gets a variety of additions depending on what kind of collective agreement and what kind of field you are working in. When working by the hour, you get that fixed amount for each hour you work, but then you also usually get extra additions such as morning addition, evening addition, night addition, dirty job addition, age addition etc. there are so many different kinds of additions that a worker can get. These additions add only a few extra euro to your hourly salary but make a big difference in the long run. (Työeläkelakipalvelu 2014.)

When working overtime, outside your regular working time you get a compensation for that. Then your hourly salary is being multiplied by 50% or 100% depending on the overtime and collective agreement. For example: if working 8 hours days, 5 days a week. Then one day you are 11 hours at work, that usually means that from 8 hours to 10 hours you get 50% more salary, and from 10 hours to 11 hours you get 100% more salary. If you come to work on a Sunday, outside you regular working hours, you get weekly overtime, which usually then means that the first 8 hours are 50% and then after that 100%. Also, on a Sunday you get Sunday compensation which is 100%. But in some collective agreements you get 100% directly when being overtime, it depends on the agreement. Some also do not pay any overtime in money, instead you get to keep it as days of from work later on. (Vero 2018 a.)

If an employee gets sick, the company have got to pay for their sick leave for a various number of days, these days depend on how long the person has been employed by the company, if it is the same sickness that comes again within 30 days or if it is an accident at work or off work. All those things affect on for how long a person is being paid by the company for the sick leave. When those days have been maxed out, the person can apply for some financial help from Kela, and then he will get an amount each month



from Kela instead of from the company. If a person has been under 6 months employed, the first day of the sickness is a waitingperiod, which means the person will not be paid anything for that day. It can be a variety from 9 to 60 days on how long you can be payed sick leave from your employer. (Kela 2012.)

When going on maternity leave, you can go before the baby is born, 5-8 weeks before if you want to. If your employer is paying salary to you during that time when you are on maternity leave, the employer can get a compensation from Kela for that time. If the employer chooses not to pay any salary for that time, you will get an amount from Kela to help financially. Just to apply 2 months before going on maternity leave to get the compensation. You can be on maternity leave for 4 months, after that you will be on parenting leave, for that you can also get an amount of money from Kela. After this, you can start working part time and get something called flexible care money, also from Kela. If the father wishes to be home as well, you can share the parenting leave between you two. A father usually gets paid 1 week salary from the employer and then Kela pays the rest. (Kela 2015.)

For everything you earn you need to pay taxes, more about different taxcards later on. But taxes are not the only thing that will be subtracted from your salary. One thing is unemployment insurance premium. Every person working between 17-65 years old are obliged to pay it (some special rules can apply to owners), it is 1,5% (2019) of your salary each time. (Työllisyysrahoisto 2019.) Pension is another thing that is subtracted from your salary. It is also in percentage calculated, and if you are between 17-52 and 63-67 years old it is 6,75% of your salary each time you get payed, and if you are between 53-62 years old it is 8,25% from your salary. So in this case it is a different percentage depending on your age. (Veritas 2019.). And then of course the regular taxes are being subtracted from your salary. There you have an individual percentage that is being subtracted each time you get some salary.

For example: You are 27 years old, with a tax percentage of 18,5%. And your monthly salary on 2500€. You get  $2500€ - 18,5\% - 1,5\% - 6,75\%$ . A total subtraction of 26,75% which then gives you an amount of 1831,25€ after the subtractions. Then there can be other subtractions too, for eating lunch, church taxes or something like that.

So there are many things to be included or subtracted from the amount of money you have earned. The government decides about these amounts and which things are being subtracted and they are being updated each year.

## 2.2 Tax cards

A tax card is a piece of paper that says how much taxes you have got to pay during the year when you work. For every income you get, you have got to pay taxes to the government in Finland. In earlier years there have been a few different kinds of tax card, but from 1.2.2019 there is only one kind of tax card available. Earlier you could have a different one for your side business or if you had two jobs and so on. Now you get only one, one percentage and income limit for the whole year. It is possible to change the limits and percentage during the year. The first taxcard you get in December for the next year is calculated automatically based on your income 2 years back. Eg. The tax card in 2019 is based on the income you had in 2017. But you can apply for a new tax card with higher or lower limits and percentages. (Vero 2018d.)

The tax card needs to be delivered to your employer so that they know how much to take off your salary. If they do not get your tax card in time they will automatically take 60 percent of your salary in taxes. That is the rule. Now you can give the same tax card to each employer if you have more than one job. When you are old enough to get pension, you will need to apply for a different tax card for that. If you do not have that, there will go about 40 percent of your pension amount in taxes. (Vero 2019b.) If you are studying you only need a tax card if you have a job on the side, for your study grant you do not need a tax card. But your tax card is based on the amount of study grant you get each month. (Vero 2019c.)

In Finland we have a tax system that works like this: each person who have a job, pay taxes. We have a few different kinds of tax cards depending on the aim the person have. Something called Tax-at-source or limited taxable is tax cards that are bound to some tough rules and are meant for people who live abroad but come to Finland for a few months to work and then go back home. When they have a tax at source card, you take a specified amount of their salaries, and also a percentage that is being announced on the taxcard. With the Limited taxable taxcard it is just the percentage that is being reduced. (Vero 2014.)

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FIGURE 1. Taxcards (Ukko 2019.)

As shown in figure 1, this is how a taxcard looks in 2019. There you see the person's name and personal ID. The first percentage is in the example 22 percent, that means that 22 percentage of the persons salary goes to taxes, this is the amount inside the black lines on figure 1. The second column which is lined with red contains the total amount the person is allowed to earn during the entire year to just pay 22 percent taxes. If the person earns more than that, the last column becomes active. Then they need to pay taxes with the higher percentage, in this case 38. You also see the date the taxcard is active, often from 1<sup>st</sup> of February to last December. If you think your percentage is too low, you can apply for a new taxcard for the rest of the year.

After the New Year, the standard tax cards that are automatically sent to all individual taxpayers become effective on February 1st. This means that your card for the previous calendar year continues to be valid

in January. However, the accumulation of income towards your income ceiling has started from zero after New Year, although you continue to use the tax card for the previous year. When you get your salary, you have a few things that are reduced from your salary. Usually these things: unemployment insurance, pension, taxes and if you have something else such as enforcements (debts). (Vero 2018d.)

## **2.3 Enforcement**

Enforcement means that you owe money, and are in big debt and through this process each month a part of your salary will go to enforcement and be collected to get the money needed. (Stenbacka & Söderström, 2018, p 95) This means that a certain amount, depending on your net salary, is reduced in the payroll process. For every time you get your salary, a special amount goes to the enforcement, every month. Or in some cases there can be that a few months you get your whole salary, they pause it for a while and then continue later on. (Stenbacka & Söderström, 2018.)

When in for enforcement it is often a collection of judgment debts. This looks a lot like court procedures and in court it is decided if needed to pay with enforcement. If the person does not want to pay it back on their own will, this procedure is taking place, then the amount will be drawn straight from the salary. If refusal to pay you could also get a ticket for this as a punishment, then you owe more money. And if you do not succeed in paying it, they can take your material belongings and put them up for sale. The court will also decide if an eviction is in order or if you have kids the custody could be questioned. (Oikeus 2019.)

This is not something you want to be involved in, this is the last way out in money debt. Someone has made a notice to the government that you owe a lot of money and need to pay it. If you pay it happily nothing will happen. But if you refuse, they will make you pay it by simply taking it from you before you have your salary on your account. Most people get a fixed amount per day as safe amount, this is often about 23 euros a day. This amount you will get every day from your salary, but this depends a lot on whether you have children or not and if you have many jobs and so on. A form is being sent to the company you work or to the person who pays your salary about all this. So they know what to take of your salary and knows the fixed amount per day. (Oikeus 2019.)

### Protected portion per calendar month as of January 1st, 2017:

Single debtor: €672,30

Debtor

+1 dependent: €913,50

Debtor

+2 dependents: €1154,70

Debtor

+3 dependents: €1395,90

FIGURE 2. Enforcement from salary (Ulosotto 2019.)

As shown in figure 2, you have a fixed amount you will get each month depending on if you live alone or have a family of children. So each month you will definitely get 672,30€ if you live on your own. But if you have a family of two, you will get at least 1154,70€. And if the fixed amount is so high and your salary very low, they can not subtract anything from your salary, then they will sell some of your material things instead, because they need to get the money in one way or another. (Ulosotto 2019.)

## 2.4 Income register from 1.1.2019

The income register is a new thing that came from the government, this started 1 January 2019. For every accounting firm that has payroll services and for every person who work within payroll, this meant a big amount of extra work. The whole idea of the income register is that it would save a lot of time for everyone and it would be a place online where all your payslips and income is collected in one single place. Where you easily find how much salary you have gotten from different places and what extra bonuses or km-compensation you have gotten and so on. Everything in one place, easily accessed, online. (Vero 2018a.)

Well, it wasn't so easy to get everything done in the accounting firms around in our country. Many changes needed to be done in the payroll programs, many updates and lessons for the employees and settings behind every company and every person. So, what should have been easy seemed really demanding from the beginning. To the income register everything you get in pay or some compensation in real money needs to be reported, everything has its own payroll number. You see each little tiny bit of everything you have earned from 1 January 2019 that has been reported. (Vero 2018c.)

The reporting is being done through a technical interface directly from the payroll programs. Some programs do not have it yet which means that they need to create a file from the payroll program and then upload it to the income register manually. Every salary paid needs to be reported within 5 calendar days after payday, if not, an extra fee can come. Also, every month before the fifth day in the month after, a monthly report needs to be sent in. In this report is the amount of taxes and the health insurance contribution specified. (Tulorekisteri 2018.)

Now, the things that are reported to the income register, are being forwarded to 5 different platforms, such as pension platform, unemployment insurance etc. but from 1 January 2020 it will reach about 500 platforms around our country. So for that it would be very good to have all the right numbers and all the right information already in the income register, because it is very hard to change it now, imagine how hard it will be then to change it at 500 different places. Some important changes are easily dropped out along the way. (Vero 2019a.)

### 3 COLLECTIVE AGREEMENTS AND LAWS

A collective agreement is a rulebook, different for every field. With rules about salary, working hours, salary for sick leave and different kind of compensations and so on. These rules are negotiated between the union and the employers' association. (Teollisuusliitto, 2019.). Every field needs to follow their own collective agreement, some small companies choose not to follow them but usually the companies go by the rulebook of the collective agreements. There are about 165 different kinds of collective agreements on Finlex, one for each special field. There might be a different collective agreement depending on if you are an hourly worker or a monthly salary worker, higher and lower in order in the company. Finlex is a webpage where you can find all collective agreement, government rules, Finnish laws and other such things. There are two different kinds of bindings of the collective agreements; generally binding and normal binding. Generally binding collective agreements are the standard ones, which are published on Finlex. (Finlex 2019a.).

In the next two chapters the fur collective agreement and the paper collective agreement will be presented and compared with each other. There will come forward some differences and some things that are handled the same way. The things that will be compared are the most regular things, such as; salary, vacation, working time and parenting leave.

#### 3.1 Fur and paper collective agreements

In this chapter there will be a comparison and examples on how different collective agreements can be. Here as examples I have the fur industry and the paper industry. It is not a coincidence that these two are the chosen ones, these two are so different from each other and also have some extra special things included in each other. Often when talked about these collective agreements in general, the paper collective agreement is the toughest and most complicated one of all. They have so many different kinds of rules, vacations and extra things that make it so complicated and very hard to get a grip on. I will present how each of these works first in each small category and then compare them with each other. There is no chance of comparing every bit of it so I will just take up the most relative and central part of the collective agreements.

### 3.1.1 Fur collective agreement

Starting with the working time in the fur business. There are a lot of different variations as always, but most common is shift work, morning and evening. During the pelting season there is also a lot who is working on accord. That means that they get payed per each skin a certain amount. For example, if they skin 2350 pcs, and get 0,95 each, they will be paid in accord salary a total amount of 2232,5€. The ordinary working time is 8 hours per day and 40 hours a week. You can also have company specific working hours and shifts. Some companies have a flexing system, so that all overtime is being saved to the flex account, which means that you will not be payed when working overtime, instead you can takes these hours as days off later on. A person who works 40 hours per week, and 8 hours a day will also get a thing called shortening of working hours. This means you get about 1 day/ month as a day off that you can use when you like. If you do not use these days you could also get a special addition of 4,2 percent on each salary, but this depends on how the company have chosen to do it. (Finlex 2018.)

The salary depends on your background and experience and also the company's salary standards. But in the collective agreement there are tables with the basic salary one must pay. It consists of a ground part and a personal part, and from 1 February 2019 they look like this:

**Kravgruppernas timlöner och personliga löneandelens miniminivå är fr.o.m. 1.2.2019 följande:**

<i>Kravgrupp</i>	<i>€ /h</i>	<i>Pers. löneandelens miniminivå (3 %)</i> <i>€ /h</i>	<i>Tabelllönen inkl. pers. löneandelen (3 %)</i> <i>€ /h</i>
1	8,99	0,27	9,26
2	9,83	0,29	10,12
3	10,69	0,32	11,01

FIGURE 3. Standard salary. (Finlex 2018.)

So, you must be paid, according to the collective agreement, a base salary of 8,99€. Then you also get evening and night additions when working shift work. (Finlex 2018.) The evening addition is 10% on your salary for your worked hours, and the night addition is 20%. If working overtime, the same day that you have been in a shift already you will get the first 2 hours 50% salary and the next hours 100%



salary. And if you come to work on a day off, the first 8 hours will be 50% and the rest 100%. Sundays always with 100% salary. (Finlex 2018.)

The vacation is according to the vacation law. They have 30 days of vacation if they are working full time and has been for over a year. 24 days of summer vacation and 6 days of winter vacation, these days including 5 Saturdays. You calculate the daily salary during you vacation by dividing worked hours and salary that has been paid during the qualification year. If you have a monthly salary you will be paid the same amount when on vacation as well as when working normally. But if needed, you also get the pay for one day by dividing the monthly salary with 25. (Finlex 2018.)

### **3.1.2 Paper collective agreement**

This collective agreement is being ranked as the hardest one. They have so many different kinds of special rules and regulations that are very hard to keep track on and a very complicated written collective agreement.

The working time here depends on if you are a TAM37 or TAM15 or some other group, but these two groups will be in focus here. TAM37 means that they work 12 hours a day in a pattern for 7 days. For example: morning, morning, evening, evening, free day, shift vacation and 3 free days. That means, on a period of two weeks the working hours can be between 60-96 hours depending on your shift. TAM15 means that you work Monday to Friday, 8 hours per day. Much easier. TAM37 works 12 hours a day, 7 am to 7 pm, and 7 pm to 7 am, these people earn shift vacation days, which are also being consumed each period. That means that they get worked hours for that day even though they have the day off. (Finlex 2016.)

The salary for these two groups consists of a period salary, meaning that they get the same salary each period of two weeks even though they might have worked only 60 hours and the period before 84 hours. In addition to this period salary, they get shift additions and payed for extra days and overtime and so on. The lowest period salary for a standard working person is around 900 euros. But most often it is around 1100 euro per period of two weeks. (Finlex 2016.). The additions they get according to the collective agreement are: shift additions, Sunday additions, dirty job additions, sauna addition, as some examples. (Finlex 2016.). They have many different kinds of overtime rules. For example, one is called the fifth day rule. That means if you work a cycle of 5 days straight, 12 hours a day, the fifth day will be

with higher percentage salary. Another one is called the switched pay period rule. Which also means that all hours over 82 hours worked will be with higher pay if moved between shifts. These two rules only affect the ones working 12 hours a day. When continuing after your shift on overtime, the first 2 will be 50% and the next 100% pay. Unless it is during the night, then it is automatically 100 % directly. If working overtime on a weekday you normally would be free, the first 8 hours are 50% and then the rest 100%, if you are TAM15, working 8 hours a day. If you are a TAM37, working 12 hours a day, you get 100% pay right away when starting your weekly overtime. (Finlex 2016.)

There is something called Seisokki also, that means the holiday times; Christmas, new years, easter and midsummer. During these holidays the factory can be closed, or if working, you will get 200% or 300% higher pay for about 3-4 days. Also, if working during one of these you will get free days according to how much you have been working, and if you also have your shift free days during this holiday you will still get the days off. (Finlex 2016.)

As already mentioned, they have many days off during their work weeks if working 12 hours a day. That means they work 4 days and have 5 days off. As regular vacation, they then have a bit less than regular. Regularly you have 24 days of summer vacation, these have around 15-20 days depending on their shifts. These days are already chosen for them in their working schedule which comes from the union. So, they can not choose for them self when having vacation, the whole shift have it at the same time. And gets payed the same period salary when on vacation. But the extra things they get is something called, going on vacation money and equalization. Going on vacation money is like the bonus that regular working people get, but they all get this in May. The Equalization money they get is the difference between their period salary payed during their vacation and the going on vacation pay. And this is being payed in August. During the fall the rest of the vacation days are just pricked off on regular days of, so they will not use them. (Finlex 2016.).

### **3.1.3 Differences**

The differences are many, but I will only take up a few. The working time is quite different, 12 hours versus 8 hours a day. And also working only four shifts and 5 days off compared with continuous shift working every day, 5 days a week or more. The salary is often much higher in the paper field than in the fur sector, when talking about working by the hour. I did not take up about the monthly salaries, because

they are generally speaking the same. But both fields can have periods of 2 weeks or period of a month when paying the salary.

Overtime and vacation have the same general idea, even though there are some things that are very different. In the paper collective agreement there are many different kinds of rules depending on how the worker has been working, and things outside the normal overtime rules. The vacation is perhaps then a bit more special in the paper field, due to the fact that they can only hold about half of their vacation, the rest is just put on their regular days of during October- November, and they can also not chose when having vacation, it is chosen for them by the union. While the fur collective agreement follows the vacation law. It is quite hard to compare them because they are quite same but still so different. The paper collective agreement is very complicated and long, it is now about 200 pages long with rules and tables and regulations that need to be adapted when working within the field or paying their salaries.

There are always the same things included in a collective agreement, it just differs from each other with how they are being adapted and changed. But all contains the same information but specified for each field.

### **3.2 Vacation law**

The term vacation easily means days off work with full pay. Each vacation year you earn vacation days depending on how long you have been working and how much you are working. You earn vacation days from 1.4-31.3 each year. For every month that you work for at least 14 days or 35 hours you get 2 or 2,5 days vacation. You get 2 days if you have been working for less than a year and 2,5 days if you have been more than a year there. In some cases, if the employee has been working for a very long time and started in the 80's, they might have 3 vacation day per full qualification month. As mentioned earlier, you get vacation days both for days and hours. But you can not get from both, you must choose one that you keep throughout the whole year. Either by day, 14 days per month minimum. Or by percentage, at least 35 hours a month. (Finlex 2019b.)

In Finland we have something called vacation law. It is the red thread that every company should follow, but each collective agreement might have some special arrangement. But the under subchapter that comes here to follow is the one most companies follow.

If an employee decides to quit and have earned vacation days if the days this person has earned will be paid as holiday allowance. So that he/she will get the money even though they did not keep the vacation. When getting the holiday pay you also get something called holiday bonus, which is 50% of the holiday pay. This amount is usually payed when the person returns to work. A kind of carrot for the employee to have the will to go back to work. (Arbets och näringsministeriet 2019.)

If a person has earned full vacation, means  $12 \cdot 2,5 = 30$  days, it is placed like 24 days of summer holiday and 6 days of winter holiday. Out of those 30 days, 5 will be Saturdays. In some companies they want to keep the holiday bonus as vacation days. That means that the 50% of 30 days is 15 days of vacation in holiday bonus days. During the summer 2.5-30.9 it is mandatory to keep you summer vacation days. At least you should strive to that, some days may be saved for later but most days during the summer holiday period. (Finlex 2019.b.)

From this year's vacation year (1.4.2019-31.3.2020) we have a new kind of vacation law. It benefits those persons who are on long term sick leave. (Arbets och näringsministeriet 2019.) (Finlex 2019. b.). The vacation law on Finlex has a paragraph, 7 § and 7a §, in which it defines the new rules according to the new vacation law. Time which is qualified as working time, such as payed sick leave, is giving so called extra days to the vacation if the vacation days at the end of the qualification year is under 24. Then the person will be getting extra days to the vacation days which you will not be payed as vacation days but as extra days using hourly pay or a salary comperable with your ordinary pay. And for this you will not be paid any holiday bonus either. If a person is over 12 months away from work, this will no longer be valid. (Finlex 2019b.)

## **4 PRACTICAL PART**

As mentioned, this thesis is a practice-based thesis. And that means that I will not be doing some research and analyzing some result according to some questionnaire or something like that. It was an option, but I chose to not do the research. It felt easier and more rewarding for me when choosing to do a practice-based thesis, I learn best by doing. So, I learned a lot during this thesis, due to the fact that I have had to use the things I told about here in the theoretical part also in the practical part. Instead of research, this practical part will be about me doing an assignment for the company where I work.

### **4.1 Presentation of Norlic and the assignment**

Norlic Ab Oy is a company located in Ostrobothnia Finland. It is a semi large company with about 120 employees and expanding more and more all the time. Norlic is an accounting firm and payroll company, offers services in 3 different languages: Finnish, Swedish and English. Most people that work at Norlic are bookkeepers, but they also have an IT-team and payroll services. About 20-25 people work with the payroll services, 10 people within the IT team and then the rest are bookkeepers and of course one VD and HR manager and other bosses. Norlic was founded in 1985, one of the founders is still working there even though he has already gotten his pension many years ago. They have 11 different offices around in Ostrobothnia, the head office is located in Jakobstad, where most people are stationed. (Norlic 2017.)

The assignment for Norlic came from the payroll team. They wished to get a new updated manual for the payroll programs used in the daily process. So that is the assignment. An easily understood manual that goes through the whole payroll process step by step. From getting the material from the customers to sending out the pay slips to everyone when the salary has already been payed. There are many stages in the payroll process, step-by-step in the manual should every little thing be included. Also, some extra information about the income register settings and pictures how to do everything and many other extra things should also be included in the manual, that is not directly a part of the payroll process but should be done either way sometime during the month. In the manual, you will also get information about different thing one should do each month for every company, monthly reports and so on.

## 4.2 The process

When choosing what to write about, I wanted to write about something I find interesting, and my job is very interesting and never the same even though you do the same thing every month. But you face different problems and new things every month, so it is never boring. I wanted to do something for Norlic since that is the company I already work in, so in that way I would learn my job at the same time. When asking my supervisor if they would have something for me to write about, she immediately said I could update and make a new manual for the programs, for me it was the perfect task. A fun task, where I could use my own imagination and design it the way I wanted to.

The process started by learning the whole entire payroll process. Luckily, I needed to learn it either way because I just started working there. So, it was a win-win situation. I examined and tried to figure out a way to make a complicated process seem as easy as possible, and easy to understand. So, I went with a step by step – manual, with screenshots, arrows and explanations so that it would be as simple as possible. Norlic had some rules about how it should look and what should be included, but other than that I had free hands designing and doing it.

I then started with checking old instructions, so I would know what kind of instructions they have had earlier. There was different kinds of layouts and information on each kind, so I got a lot of ideas from them. Also, some routines were still accurate so I could get the idea on how to do it from them. When starting the writing process, I began by going through and making notes during the process when doing my own job, counting salaries to companies. Every time we do our job, we go through this process, all the same steps need to be done, so it was a simple task to get the whole process put together.

I talked with my supervisor and with others on how they would wish for the material would be. I thought mostly actually about myself, as a new person in the company, how I would learn and how I would like the instructions to be built up. I also fixed my computer so I could get a VPN contact from home to the program so I could work from home as well. In this way I could easily do the instructions on my freetime, so I could finish faster.

The whole manual was finished within a few weeks, because of the fact that the company was bringing in more people which meant that I needed to get it finished quickly. After that I finished it, I had my foreman to read through it and check so that I had every step included and had the right order of everything. I also had another person who works in the same department as me to check it through before

handing it to the new employers. Checking in also with the new persons about what they thought about the way it was built up and what they thought. It seems like it is a quite well done manual for the purpose it is going to be used. It is easy to follow and you can see everything that is needed to be done during the process.

### 4.3 Example of the payroll process and how the manual looks

First the material is being sent in by email or some other way. Then after that the process start. In the material are the hours that Peter Petersen has worked, 168h and his hourly salary is 11,65€. He is 54 years old and has a taxcard with a percentage of 17,5 %. So, his calculation will be done like this:

$$168 * 11,65€ = 1957,20 €$$

$$1957,20 - 17,5 \% = 1614,69 €$$

$$1614,69 - 1,5 \% - 8,25\% = \text{net sum}$$

The net sum is paid to his account, when he does not have any other subtractions or additions. 1,5% is the unemployment insurance percentage, and 8,25% is the pension percent drawn from the salary in his age.

His workmate, Matty Mattson, is also being paid now at the same time, his working hours are 110h but he has been sick for 5 days (and he will not be getting any subtraction days). His hourly salary is 12,2 €. He is 32 years old with a taxcard percentage of 12,5 %. He is also a worker that comes and goes, so he will get his holiday allowance on every salary he gets. So, his calculation will be done like this:

$$110 * 12,20€ = X$$

$$5 * 8 = \text{hours sick} , * \text{MTF (commonly hourly salary, in this case his hourly salary)} = Y$$

$$(X+Y) * 9\% (\text{vacation allowance}) = A$$

$$A - 12,5 \% = B$$

$$B - 1,5 \% - 6,75 \% = \text{net sum}$$

In Matty's case we calculate his worked hours and his hours sick. The hours he is sick are being paid with MTF, his common hourly pay. When putting these sums together, you get his salary, when he does not have any additions or subtractions. Because he is working off and on, he will be getting his holiday

allowance right away on every salary he gets, in this case he will be getting 9 percent of the whole salary in holiday allowance. So, this is also being added to the total amount. From this the rest of the subtractions are being made, such as the tax, pension and unemployment insurance.

In the manual, these steps would be in only one point. But all the things before and after will be separately described. As already mentioned, the manual is built up out of simple steps, with arrows pointing where to go next. I have made it as simple as possible. So that it is just to follow all steps and get all the information from that directly. The programs are built up with different tabs which open up more and more sides in the program. Because of this it is very important to have each arrow so you would know where to go next. It was a bit hard to get all the steps right, but I had help from some of the other ones working within payroll to help with getting all the steps in the right order. An example here below on how the manual looks. This is from step 2 and 3.

2. **Kontrollera så att det är rätt månad enligt betalningsdatum.** Om inte, uppdatera den via Månad → Uppdatera månad → ok
3. **För att påbörja löneräkningen, bilda en ny Period → ny period → fyll i utbetalningsdag → förfallodag alltid dagen före utbetalningsdag OBS! Måste vara en vardag → löneperiod = månaden/införtjäningsperioden t.ex. 1.5 – 31.5 → ok (kolla så månaden stämmer nere på sidan)**

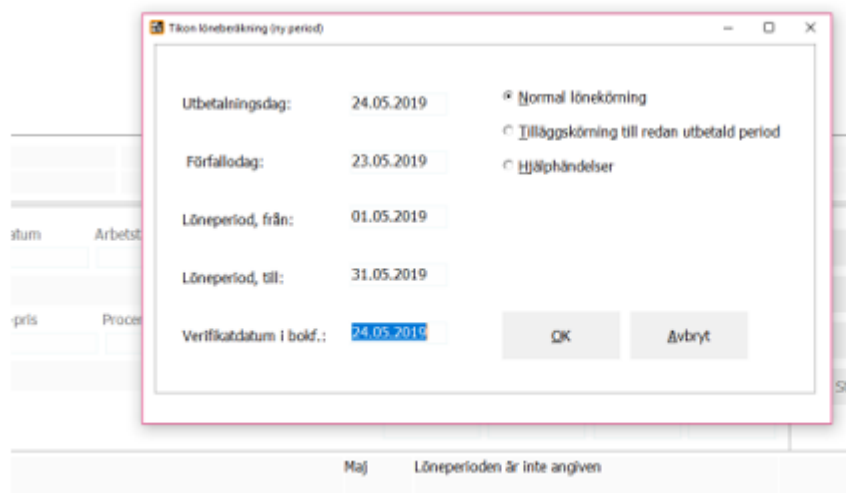


FIGURE 4. The manual screenshot

In this way the whole manual is built up. If there is something special to think about in certain steps, I have that mentioned as well and drawn on the screenshot if there is something there to observe. Also if



some steps need to be done in some certain order this is also marked on the picture with number so that it is easy to figure out what to do next.

The second part of the manual is a manual for other thing than the payroll process for our programs. In this part I have presented how to update taxcards, how to do different kinds of settings and how to get certain information out of the program and so on. As seen in figure 4, this is one part how to get some certain information out of the programs. So that part of the manual is also built up on the same way, easily step by step information to easily get all the information needed.

- Syns alla löneuppgifter inom de datum man fyller i
- Rapporter→lönekort→omfattande (alla händelser)/ kompri
- Fyll i arbetstagarnas nummer, eller lämna tomt för att få al
- Fyll i de datum du vill ha för→skriv ut

TIKON Lönekort (omfattande)

Arbetstagare, från - till

1	3
5	7

Utbetalningsdag, från - till

01.01.2019 08.08.2019

☐ Löneslag sammalagt

Skriv ut Avbryt

FIGURE 5. Screenshot from manual.

The first part goes through the whole process in payroll, what to do and in which order everything is being done, and how it works. Everything from opening up a new payment period to paying and sending out payslips, and all things needed to do each month outside of the daily payroll process and information about that. The second part is then all the other things, this part will be updated all the time. Here you find information about updating information on a person level as well as on company levels, where to find different things and how to do other things that are needed to be done to get all the things right in the process.

The first part of the manual is 9 pages long with information and screenshots. The second part is now 6 pages long, but more information is being added to this one all the time. It was both fun and hard making the manual, because it needed to be perfect and everything completely correct so everything goes right in the process. But now it is finished and I am really happy with the result.

## 5 CONCLUSIONS

I am happy with the result, for me it is a very clear and easily understandable manual for the everyday payroll work. We have tested out the manual on the new persons coming to the payroll department and I have also been asking them some questions regarding how easy and well made they thought it was. It was a good thing that I had old manuals to get some information from, it was a really great help for me especially when I am relatively new still within this field. In that way I got some information about the order of the steps, and what to do when, but most of them had changed a bit so I needed to walk through the process step by step when doing the instructions so that I would get every step and screenshots right.

I wanted it to be very easily understandable, and that I succeeded. It contains very little text, just what is necessary to get the point, instead I used arrows and key words so they would quickly get what was the next step. I also took a lot of screen prints so they would get the information quickly on how to correctly fill in the information on the right places. In payroll it is very important to move quickly on forward but still to get every little thing correct at once.

The theoretical part was formed throughout the Thesis process. The way I planned it to be is not the way it now is. But some way I think it became better. When started thinking about what to write about, this was not my first or second or third idea, but it took its time and I am happy with the way it became. When choosing the theoretical chapters, I thought about the things I need to learn more about and the things that interest me most in this field. The basics of payroll is a must to master, also some tax rules, working time law and vacation laws and so on. But I think the collective agreements that I have chosen are so interesting, they are so different and so complicated, so I wanted to focus on those two, paper and fur. Completely different from each other but still so interesting and have the same red thread throughout them even though they are in different fields.

I chose to also take part of the income register in the thesis, this is a fascinating and interesting process that affects our whole country. That is why I chose to have it in the thesis, it is evolving now in the beginning all the time, every time something new.

Over all, this thesis has taught me so much about payroll and about myself. It has been a long journey and finally I have gotten it done. Working fulltime alongside of writing the thesis and doing a practical part is quite tough. But here it now is, ready and presented. Thank you to all who have been a part of it!

**6 SECRET MANUAL (IN SWEDISH)**

**7 CONFIDENTIAL INSTRUCTIONS (IN SWEDISH)**

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