

Bank of Finland

Personnel Audit
2001



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PERSONNEL AUDIT 2001

Introduction

The organisation increasingly recognises that a competent, motivated and committed staff is a vital component in the Bank's success.

The strategic importance of internal resources has been extensively debated in recent years. Leadership skills, competence development, appropriate resource allocation, bonuses and the well-being of the organisation are key to the Bank's human resources management.

Human resources management has been systematically monitored during the past six years (1996–2001) using the personnel audit and an external set of benchmarking indicators. Time series and objective information have provided us with the means for assessing the advisory nature of personnel strategy choices, the success of management and operational efficiency. Internal and external benchmarking with regard to the effectiveness of the Bank's human resources management helps make the correct conclusions and draw up operational guidelines.

EU enlargement, structural changes within the ESCB and globalisation of the sector also influence the aims of the Bank's human resources management. I hope that management, supervisors and the entire staff will find the Personnel Audit 2001 to be an asset in the discussion of the future challenges and aims of human resources management at the Bank of Finland.

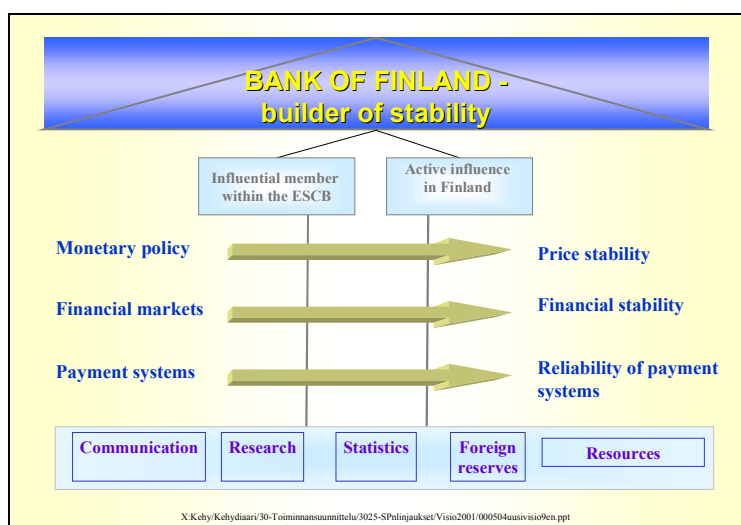
Sincerely

Aura Laento

1. MANAGEMENT SYSTEMS

1.1. Bank of Finland as part of the ESCB

The Bank seeks to contribute to the creation of the wealth and prosperity of Finns by working to secure monetary and financial stability. We contribute to the definition and implementation of the Eurosystem's single monetary policy with the primary objective of maintaining price stability throughout the euro area. At home, we support economic policies that seek to ensure that the Finnish economy remains stable, adaptable and competitive, and an attractive place for investment. We also assume national responsibility for international financial and foreign exchange issues.



1.2. Organisational structure of the Bank of Finland

The Bank of Finland has a relatively flat-structured organisation; there are three or four supervisory levels, varying to some extent by function. Heads of departments and units (19) and advisers to the Board (4) report directly to Board members, each of whom is responsible for a specific area. Decisions are however made on a collegial basis. The administrative decision-making power has been further delegated within the organisation, primarily to department heads.

The Board of the Bank of Finland had three members until the end of 2001. At the end of November 2001 the President of the Republic of Finland appointed a fourth member with effect from 1 February 2002.

No changes were made to the Bank's organisational structure in 2001.

1.3. Bank of Finland's personnel strategy

The Bank of Finland's current personnel strategy, which dates back to 1996, was revised in 1999. The core strategic areas are reform and development of the Bank's staff structure, competence, management, practices and procedures.



We promote staff motivation and readiness for change by an active and proactive personnel policy, professional supervisory work and reform of practices and procedures, as well as appropriate competence allocation. We work to increase the share of experts in the staff and perform staff reductions mainly through natural wastage. We seek to ensure that our staff will gain international experience eg from service at the ECB or other international posts.

Assessment of the effectiveness of the personnel strategy

Changes in staff structure

There have been few changes in the Bank's staff structure during the past five years. Total staff size has remained practically unchanged, while the number of purchased services has increased, representing 38 man-years in 2001. The proportion accounted for by experts in the Bank's own staff has increased by 8%. The representation of middle aged staff in the Bank's age structure is growing. The average age of employees has increased by 0.8 years during the past five years and is currently 44.8 years.

Competence development

The personnel strategy has been most effective in the areas of competence development and acquisition of international experience. Training and development measures were, as a rule, targeted at core areas of strategic competence. The time and monetary resources devoted to training and development have been in line with the strategy. Time allocated to training currently accounts for 2.4% of total working time, whereas training costs represent 4.6% of the payroll.

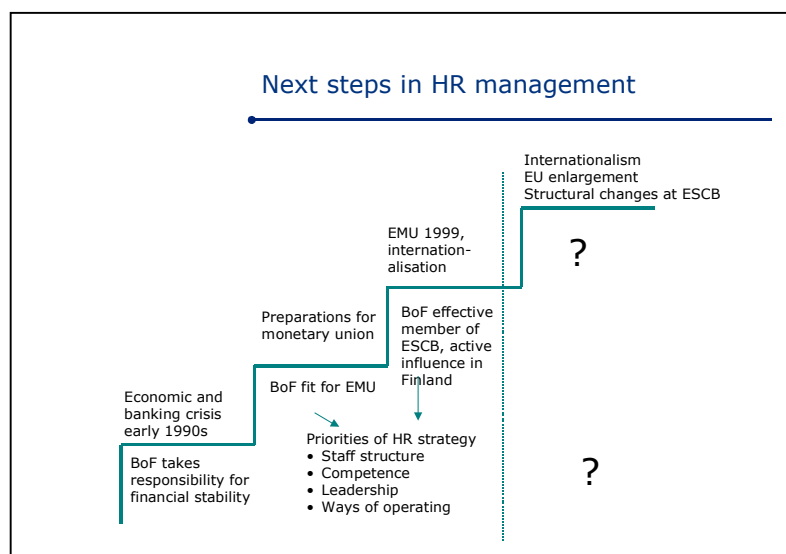
Management development

Systematic efforts have been devoted to management development in line with the strategy. Management tools and processes are continuously updated and performance discussions, for example, currently cover almost 100% of staff. Both in-house and external leadership-training programmes have been available at the Bank. All categories of supervisors are eligible for leadership training.

Reform of practices and procedures

EMU brought about a marked change both in the Bank's practices and procedures and in staff skill requirements. There has been an upsurge in international working groups, projects, tightly scheduled responsibilities and IT applications, all of which pose continuous challenges to both supervisors and employees. The reform of practices and procedures is not completed by far and the rate of adoption still leaves much to be desired.

New priorities in the human resources management strategy?



In spring 2002 the strategic debate focused on EU enlargement, structural changes within the ESCB and the globalisation of the financial sector. This has prompted the reassessment of the Bank of Finland's human resources management strategy. A cross-administrative working group is currently working on a proposal for a new human resources management strategy covering 2002 - 2006.

1.4. Personnel Department processes

Personnel management services, HR management support services and organisation-wide reform and development projects represent the basic processes of the personnel department.

Personnel management services are provided in line with the Bank's personnel policy and the related codes of procedure are uniformly applied to the Bank's staff. The production, coordination and administration of personnel management services are concentrated within the personnel department. The services are available both to the Bank's and to the FSA's staff.

Personnel management services include salary and pension payment, pension fund services, occupational health services, collective bargaining negotiations and related employer services, maintenance of a personnel management system and personnel management reporting.

HR management support services are provided in line with the Bank's personnel strategy and personnel policy. Strategic policies are drafted in cooperation with the line organisation, and the codes of procedure may vary within the organisation. The personnel department is responsible for the development, production and coordination of support services. The services are available both to the Bank's and the FSA's staff.

HR management support services at the Bank of Finland include support for human resources planning, staff recruitment and staff introduction as well as training services and performance discussion and bonus processes.

The reform and development projects in the field of human resources management comply with the Bank's general management and human resources management strategies. The personnel department cooperates with management and the line organisation in deciding on project prioritisation and preparing related necessary strategic changes. The reform and development projects concern the Bank of Finland's staff and the FSA's staff where applicable.

Development projects involving resource allocation, management practices, pay and bonus schemes, competence development and wellness at work are planned jointly by the personnel department and the line organisation. It is the responsibility of the personnel department to make management and supervisors aware of development needs and therewith initiate arrangements within the organisation. Line supervisors have implementation responsibility.

1.5. Collective civil service agreements and shop stewards

Collective civil service agreements are concluded between the Bank of Finland and the Employees Association representing the Bank's staff. In addition to a full-time union secretary, the Bank has a full-time chief shop steward, a part-time chief shop steward for employees engaged in currency distribution and a deputy chief shop steward acting as a substitute for both of them, as well as 12 part-time shop stewards. Shop stewards also represent staff in the occupational safety and health scheme.

In 2001 a three-year collective civil service agreement was concluded. The agreement provides for an overall pay rise and includes some textual adjustments as regards eg announcement of available positions, rules for calculating holiday pay and rules governing Ascension Day. The civil service collective agreement on the principles of cooperation and the shop steward's agreement were also revised for greater ease of understanding.

In connection with the signing of the civil service agreement, working groups were set up to reform pay schemes and working time practices.

2. STAFF EFFICIENCY

2.1. Use of working time

There has been a 0.4% increase in time worked and a 0.6% increase in time allocated to training, coupled with a corresponding decrease in time used for purposes other than work, especially annual leave and absence from work because of sickness. The reduction in annual leave time was partly attributable to new recruitment in the year, especially the young fixed-term employees recruited for the payments instrument sector.

Use of working time by activity, 2001

Activity	Working days, Number	Man-years Number	Days/ man-year	Hours/ man-year	Breakdown of working time 2001 %
A. Time worked (=C-a-B)	149532.5	595.7	200.31	1542.40	79.81
a. Training	4343	17.3	5.82	44.80	2.32
B. Other use of working hours	33496	133.5	44.87	345.50	17.88
* Annual leave	26095	104.0	34.96	269.16	13.93
* Illness	6162	24.5	8.25	63.56	3.29
* Paid maternity leave	182	0.7	0.24	1.88	0.10
* Accidents	370	1.5	0.50	3.82	0.20
* Illness of a child	416	1.7	0.56	4.29	0.22
* Other leave under the agreement on terms and conditions of employment 1)	271	1.1	0.36	2.80	0.14
C. Regular time worked	187371.5	746.5	251.00	1932.70	100
D. Overtime worked	3814	15.2	5.11	39.34	2.04
E. Total time worked (=A+D)	153346.5	610.9	205.42	1581.74	81.84
Average length of working days (hours)					7.7
Number of working days a year					251

1) Examples: wedding day, moving day and matriculation day.

Use of working time by activity, percentage breakdown, 1999-2001

Activity	Breakdown of working time	Breakdown of working time	Breakdown of working time
	1999 %	2000 %	2001 %
A. Time worked (=C-a-B)	80.51	79.42	79.81
a. Training	1.70	1.75	2.32
B. Other use of working hours	17.79	18.83	17.88
* Annual leave	13.99	14.29	13.93
* Illness	3.33	3.58	3.29
* Paid maternity leave	0.10	0.29	0.10
* Accidents	0.03	0.36	0.20
* Illness of a child	0.22	0.21	0.22
* Other leave under the agreement on terms and conditions of employment 1)	0.12	0.11	0.14
C. Regular time worked	100	100	100
D. Overtime worked	2.09	1.55	2.04
E. Total time worked (=A+D)	82.60	80.97	81.84
Average length of working days (hours)	7.7	7.7	7.7
Number of working days a year	252	251	251

The number of days entered in the holiday bank and the number of days taken as overtime leave increased by a mere 198 days (2%) in 2001. The marked decline in the increase witnessed during the past two years is found to be attributable to less work pressure, on the one hand, and to the withdrawal of 'holiday bank' days in connection with retirement, on the other. Withdrawal of days from the holiday bank is in fact most common immediately prior to retirement.

The holiday bank also includes the flexitime balance, which represented 1,560 days at the end of 2001. However, as of spring 2000 the flexitime balance is no longer entered in the holiday bank.

The total number of days in the holiday bank averages 29 days per employee, which represents approximately 1.5 months of working time per employee and altogether 46 man-years.

The maximum number of holiday bank days per employee is 125 days.

Number of days entered in the holiday bank, 1997 - 2001:

1997	309 persons	6,744 days
1998	331 persons	7,977 days
1999	375 persons	9,257 days
2000	386 persons	9,804 days
2001	395 persons	10,002 days

2.2. Purchased staff resources

In 2001, purchased staff resources represented 38 man-years, with the costs for purchased services representing EUR 1.2 million. Purchased staff resources refer to non-employees of the Bank working in the Bank more or less on a daily basis.

Office and restaurant services, cleaning, occupational health services, translation and graphical design are examples of purchased services used by the Bank.

	2001 man-years	2001 €mill.
Own staff	746.5	41.4
Overtime worked	12	0.9
Purchased services	38	1.2
Total	796.5	43.5

In addition to this, the Bank commissioned professional and consultant services in the value of EUR 1.5 million in 2001. Consultant services were for example used for IT consulting, human resources, auditing and legal services.

2.3. Extra and overtime work

Amount of extra and overtime work and related costs, 2001

Overtime worked			Overtime compensation	
Year	Hours, total	Employees, number	Hours, leisure	€
1997	28599	421	2042	753,797
1998	27151	384	1543	754,827
1999	31870	447	1711	875,304
2000	22644	412	1341	624,557
2001	29365	478	1653	856,741

The amount of overtime work increased by 6,721 hours (30%) in comparison with last year. Most of the increase was attributable to work pressure resulting from the cash changeover in the payments instrument and IT departments and in the security unit. A substantial increase in overtime was further recorded for the administrative department, following IT system changes and removals. Several other departments also reported increases in overtime as a result of the cash changeover.

2.4. Labour costs

Labour costs	€	% of pay for hours worked	% of payroll, 2001
I. PAYROLL	29,554,540	134.8	100.0
II. PAY FOR HOURS WORKED	21,931,481	100.0	74.2
A. INDIRECT PAY			
Holiday pay	4,116,025	18.8	13.9
Holiday bonus	2,033,362	9.3	6.9
Sick pay	971,947	4.4	3.3
Pay for training periods	524,460	2.4	1.8
Other paid days off	42,745	0.2	0.1
Pay during accident-related absence	58,361	0.3	0.2
Pay related to child birth and child care	94,324	0.4	0.3
Daily allowances under sickness insurance	-218,165		
Total	7,623,059	34.8	25.8
B. STATUTORY SOCIAL SECURITY			
Employer social security contributions	2,009,709	9.2	6.8
Unemployment insurance contributions	924,073	4.2	3.1
Imputed pension insurance contributions less employee's share	5,556,254	25.3	18.8
Statutory occupational health service	101,571	0.5	0.3
Compensations by the Social Insurance Institution	-35,834		
Other statutory contributions	144,646	0.7	0.5
Total	8,700,418	39.7	29.4
C. OTHER INDIRECT EXPENSES			
Training	1,358,890	6.2	4.6
Health and safety at work	4,886	0.0	0.0
Voluntary social security contributions	1,641,286		
Occupational health service	232,080	1.1	0.8
Compensations by the Social Insurance Institution	-89,508		
Total	3,147,634	14.4	10.7
III. INDIRECT LABOUR COSTS	19,471,111	88.8	65.9
IV. TOTAL LABOUR COSTS	41,402,592	188.8	140.1

Labour costs as a % of the payroll, 1998 - 2001

	1998	1999	2000	2001
Bank of Finland	% of payroll	% of payroll	% of payroll	% of payroll
Labour costs				
I. PAYROLL	100.0	100.0	100.0	100.0
II. PAY FOR HOURS WORKED	74.6	75.1	74.5	74.2
A. INDIRECT PAY	25.4	24.9	25.5	25.8
B. STATUTORY SOCIAL SECURITY CONTRIBUTIONS	29.5	29.7	29.4	29.4
C. OTHER INDIRECT EXPENSES	10.9	11.7	11.1	10.7
III. INDIRECT LABOUR COSTS	65.8	66.3	66.0	65.9
IV. LABOUR COSTS FOR OWN STAFF, TOTAL	140.4	141.3	140.5	140.1
PURCHASED SERVICES				4.1
ALL LABOUR COSTS, TOTAL				144.2

Breakdown of labour costs, 1998 - 2001

Labour costs	% of labour costs			
	v. 1998 %	v. 1999 %	v. 2000 %	v. 2001 %
1. Pay for hours worked	53.2	53.1	53.0	53.0
2. Indirect pay	18.1	17.6	18.1	18.4
3. Social security contributions	21.0	21.0	20.9	21.0
4. Other indirect expenses	7.8	8.3	7.9	7.6
Total costs	100.0	100.0	100.0	100.0

3. PAY AND BONUSES

3.1. Pay and incentive schemes

The Bank of Finland's employees fall into one of two pay schemes depending on the organisational level: experts and supervisors are compensated under the ESA pay scheme and operative staff under the P pay scheme. Both schemes are based on job requirements and assessment of performance in relation to such requirements. The schemes are governed by the pay policy approved by the Board on 5 January 2001, establishing that the average target wage level is set according to the market median derived from the HAY pay comparison, subject to wide dispersion.

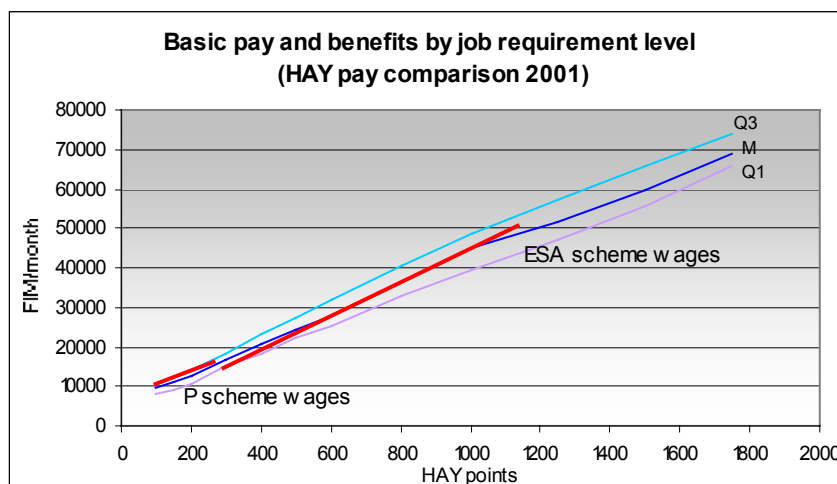
Job requirements under the ESA pay scheme are based on the HAY system tailored especially for the Bank. As regards job requirements under the P pay scheme, the Bank has developed a system of its own, which, nevertheless, owing to its similarities, enables participation in national HAY pay comparisons.

The Bank also has in place a bonus scheme covering all employees. Supervisors may award bonuses to subordinates primarily on the basis of excellence in key projects, outstanding individual performance that is significant from the point of view of the Bank and the FSA or performance that continually meets or surpasses goals.

3.2. Pay increases and bonuses, 2001

A three-year collective civil service agreement covering the whole staff was concluded in March. The agreement will raise wages by about 3% in a year. Following the agreement, an overall 2.25% pay rise was effected in February and in May a 0.5% sectoral allowance was distributed as personal pay increases and accorded to individual employees at the supervisor's proposal.

A comparative study of HAY pay schemes conducted in 2000 showed that pay under the ESA pay scheme was 5 -7 % below the market median, whereas pay under the P pay scheme was clearly above the market median. In an effort to bridge this gap, personal pay rises were awarded in spring 2001 where 55% of the employees belonging to the ESA pay scheme (174 persons) was given a pay rise. The findings of a market pay survey conducted in July 2001 after the pay rises showed that the market level had been attained and that pay under the ESA pay scheme was, on average, only 2.8% below the market median. The chart below illustrates a comparison of the Bank's pay schemes and the market median.



In 2001 bonuses were awarded to 77 employees, half of which were in the P pay scheme. Altogether, EUR 77,030 was used for bonuses, with the Target project being the largest single project to have been awarded a bonus. Bonuses represented 0.3% of the Bank of Finland's annual payroll.

3.3. Average pay by organisational level

The change in average pay by staff category reflects the focus of the spring pay rises, which was on employees covered by the ESA pay scheme.

Average monetary pay (basic pay + fixed supplements), 1997-2001

	1997 €	1998 €	1999 €	2000 €	2001 €
Supervisors			5,017	5,360	5,469
Experts	3,217	3,183	3,286	3,359	3,562
Operative staff	1,882	1,936	2,018	2,025	2,058
All	2,385	2,432	2,708	2,790	2,873

Experts and division heads were in the same category in the personnel audits for 1997 and 1998. From 1999 onwards, department and division heads have been classified under 'Supervisors'.

3.4. Average pay by job requirement level

Experts and supervisors

The table includes monetary pay for both permanent and fixed-term employees (basic pay + fixed supplements)

Level	2000		2001	
	Number	Average pay €	Number	Average pay €
290 - 385	54	2,637	54	2,674
395 - 475	108	3,227	115	3,395
510 - 610	93	3,881	97	4,082
660 - 790	37	4,768	37	5,024
875 - 1135	25	6,199	24	6,580
	317	3,733	327	3,898

Operative staff

The table includes monetary pay for both permanent and fixed-term employees (basic pay + fixed supplements)

Level	2000		2001	
	Number	Average pay €	Number	Average pay €
2	41	1,448	42	1,464
3	29	1,702	24	1,703
4	43	1,865	42	1,886
5	54	1,979	57	2,012
6	110	2,073	100	2,124
7	93	2,253	85	2,325
8	55	2,363	59	2,403
9	2		3	2,493
	427	2,025	412	2,058

Categories of less than three persons are not included in the table.

3.5. Taxable fringe benefits

The fringe benefits were meals (EUR 91.77/month), use of a telephone (EUR 20.18/month), housing and car benefits. Every Bank employee has the right to meals, while the use of a telephone and other benefits are accorded to individual employees on the basis of their duties.

4. STAFF AND STAFF STRUCTURE

4.1. Human resources planning

Human resources planning at the Bank is carried out both in connection with annual action planning and on a medium-term basis in cooperation with the management groups of each department to produce three-year plans setting out the department's human resources and skill requirements.

4.2. Forms of employment

The share of full-time employees was 99%. In 2001 there were 14 persons working on a part-time basis or on contracts involving reduced working days. Persons paid on an hourly basis were basically employed in service functions to help relieve pressure during rush periods.

Permanent employees accounted for 89% of all staff (compared with 90% in 2000) and fixed-term employees for 11% (compared with 10% in 2000). At the end of the year 42 persons, or 5% of staff, were on leave of absence. Of these, 21 persons were employed by the European Central Bank (ECB).

4.3. Staff size

At the end of 2001, Bank employees numbered 764, of whom 8% were heads of departments or divisions, 37% experts and 55% other employees. The two last-mentioned categories include 32 team leaders. The number of experts has increased by about 8% over the past five years (about 3% on the previous year). The number of operative staff decreased slightly from the previous year.

Concepts used to describe staff size

In the 2001 personnel audit, staff size is described in terms of the following parameters:

Total strength: permanent and fixed-term employees in attendance, including those on leave of absence but excluding trainees and holiday substitutes.

Operational strength: permanent and fixed-term employees in attendance, excluding those on leave of absence, holiday substitutes and trainees. The operational strength is governed by the staff budget approved by the Board.

Man-year = all pay earners converted into whole working years.

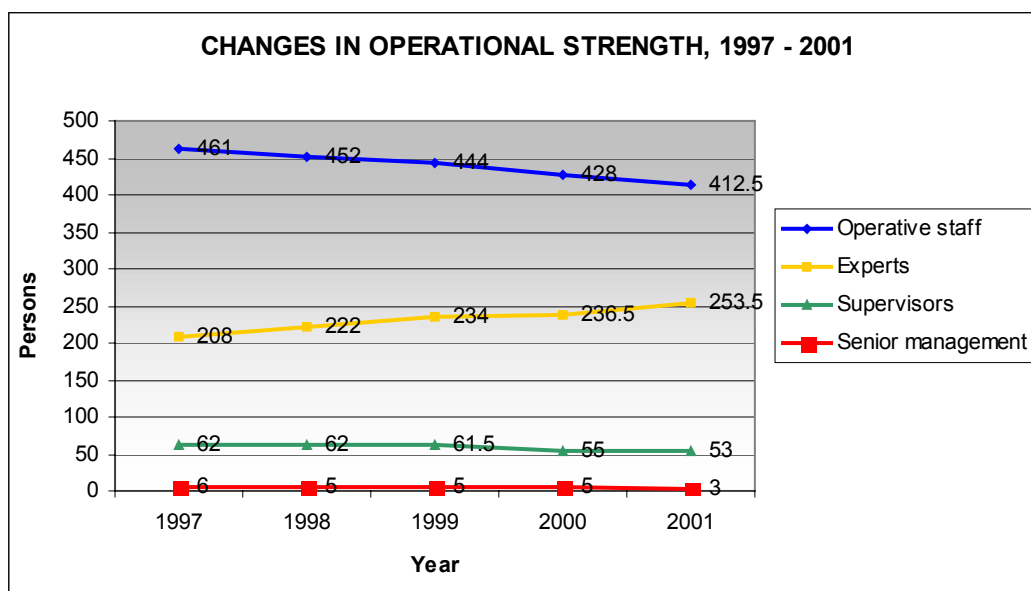
Breakdown of staff size by category, 31 Dec 2001

	Full-time		Part-time		Total	%
	Permanent	Fixed-term	Permanent	Fixed-Term		
Operative staff	362	53	5.5	0	420.5	55
Experts	251	27	4.5	0	282.5	37
Supervisors	58	0	0	0	58	8
Senior management	0	3	0	0	3	0.4
Total staff strength	671	83	10	0	764	100
On leave of absence	-39	-3	0	0	-42	
Operational strength	632	80	10	0	722	

Those working shorter hours, having a part-time post or drawing a part-time pension qualify as part-time employees. In the column part-time employees have been included in the figures representing total staff strength and operational staff strength in proportion to their agreed working hours.

Changes in operational staff strength, 1997 - 2001

	1997			1998			1999			2000			2001		
	Perm.	Fixed	Total	Perm.	Fixed	Total	Perm.	Fixed	Total	Perm.	Fixed	Total	Perm.	Fixed	Total
Operative staff	422	39	461	417	35	452	396.5	47.5	444	382	46	428	360.5	52	412.5
Experts	173	35	208	200	22	222	216	18	234	214.5	22	236.5	228.5	25	253.5
Supervisors	61	1	62	62	0	62	61.5	0	61.5	55	0	55	53	0	53
Senior management	6	0	6	1	4	5	1	4	5	1	4	5	0	3	3
Total	662	75	737	680	61	741	675	69.5	744.5	652.5	72	724.5	642	80	722.0

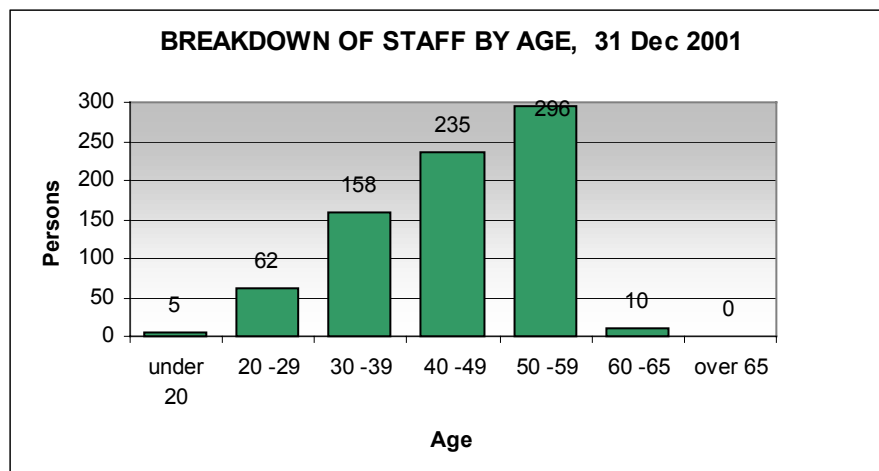


Of the staff in attendance, the proportion of operative staff has decreased by 5% during the past five years, whereas that of experts has increased by 7%. At the end of 2001, operative staff accounted for 57% and experts for 35% of the staff in attendance. The proportion of supervisors has remained the same (8%) during the whole period under review, while that of executive management has represented a little less than 1%. In the period under review, the changes have mainly concerned staff structure, with the reduction in operational strength being only 2%.

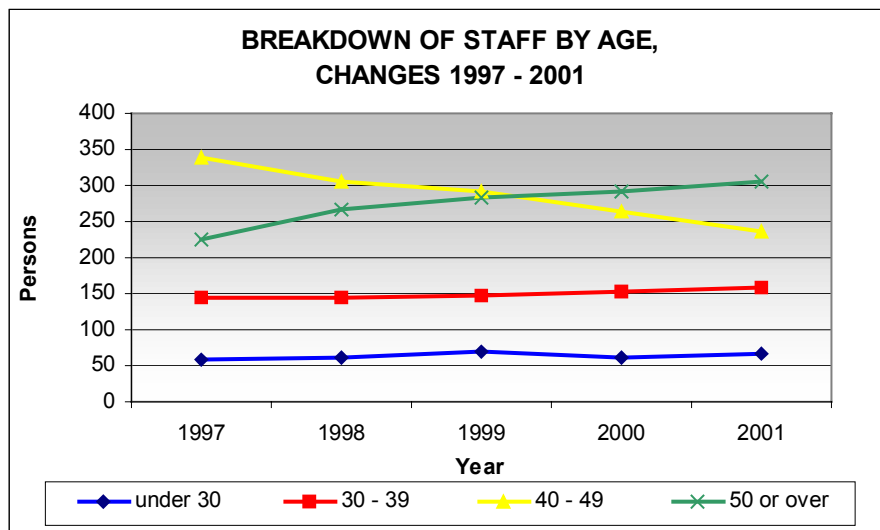
4.4. Age composition of employees

The average age of employees was 44.8 years (45.4 for women and 44 for men). Corresponding figures for 2000 were 44.7 (45 for women and 44.2 for men).

Breakdown of staff by age, 31 Dec 2001



Changes in breakdown of staff by age, 1997 - 2001



In the course of the 2000s, the breakdown of staff by age has started to show increasing distortion. The Bank's age structure is heavily weighted towards over 50-year-olds, their representation being 40% in 2001. Over the past five years the proportion of over 50-year-olds has increased by 10%. External recruitment has not led to an increase in the share of younger age groups, as recruitment has mainly focused on people with labour market experience.

4.5. Recruitment

Recruitment takes place within the agreed operational strength. Recruitment decisions by the line management are subject to assessment of recruitment needs and permission from the Board.

Appointments and staff turnover

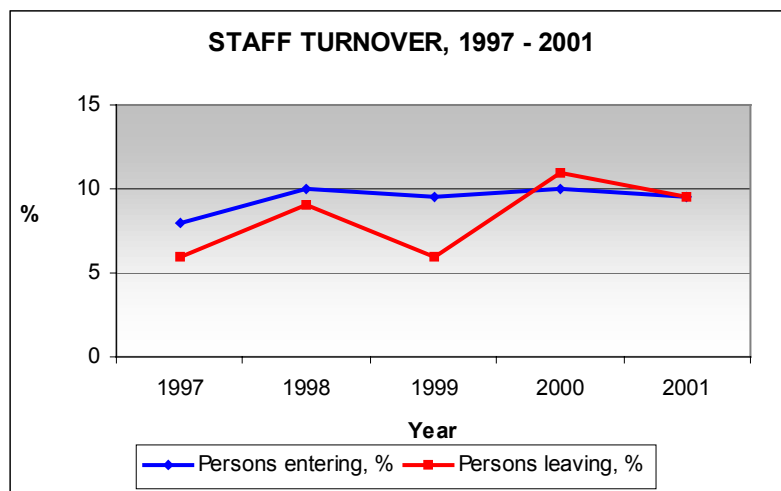
Recruitment numbers remained at the same level as in previous years. In 2001, there were 377 applicants for vacant posts, the average number of applicants being 7 per vacancy. The number of applicants was only half of that in 2000, which was attributable to the higher proportion of internal appointments and the continued scarce labour force availability still prevailing in the early part of the year. There were 81 appointments in all, of which 15 were done internally and 66 externally. Aptitude tests were employed in connection with four individual recruitments, to a total of 7 persons. External appointments remained on the same level as the year before as a result of the cash changeover, which called for the recruitment of new staff, including 35 fixed-term cashiers for currency supply maintenance.

A total of 112 persons were employed as holiday substitutes out of a total of about 600 applicants. The work input of holiday substitutes, converted into man-years, amounted to 30.

The turnover rate was much the same as that for the year before, with both the rate for those leaving the Bank and that for those entering the Bank being 9.5% in 2001.

Turnover rate for those entering the Bank's service = Number / Average operational strength of staff * 100

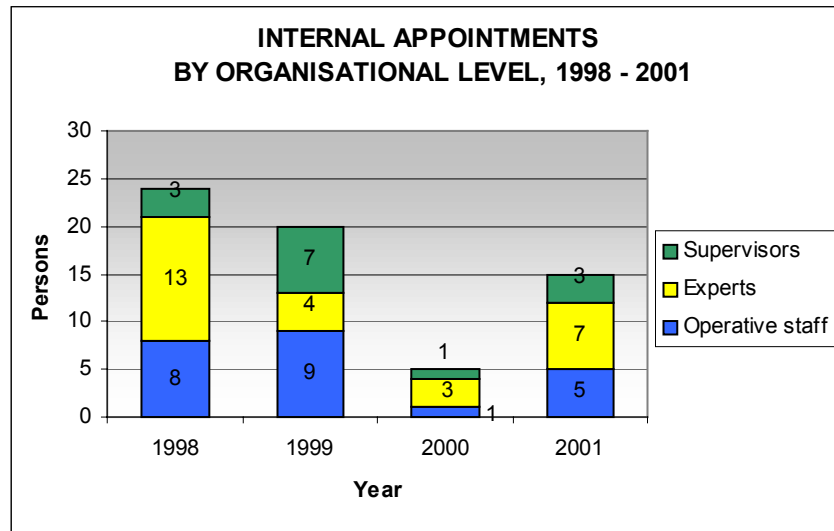
Turnover rate for those leaving the Bank = Number / Average operational strength of staff * 100.



Calculations of staff turnover include all persons who have been employed by the Bank for more than 3 months.

Internal mobility and job rotation

The permission requirement for recruitment contributed to internal mobility within the Bank, with 15 appointments made internally. In 2001, the number of internal appointments grew almost to the level witnessed in the late 1990s, as employees with the required skills for supervisory, expert and secretarial duties could be found in-house.

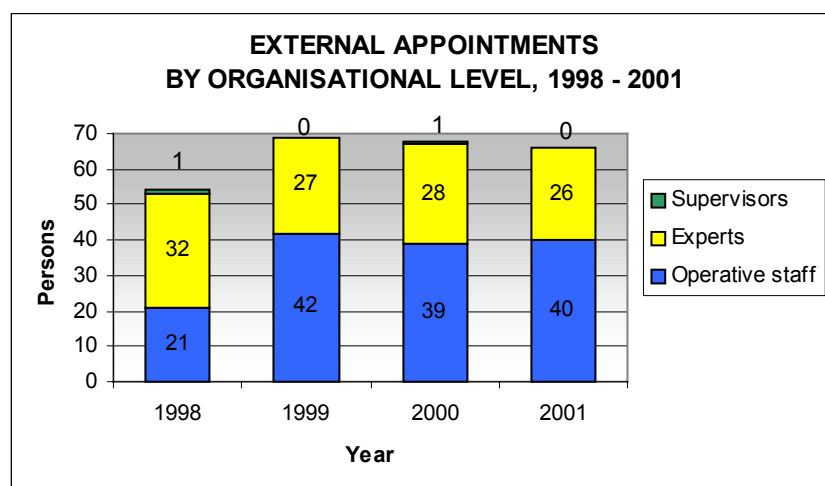


In addition to the internal appointment of 15 persons, internal mobility also picked up in response to internal assignments to research projects and reassignment decisions by the Board or individual departments. A total of 33 persons changed jobs within the Bank in 2001, which gives an internal mobility rate in the range of 5%. To this figure comes the 70 persons involved in systematic job rotation in the payments instrument sector.

External appointments

In 2001, there were 66 external recruitments, including 26 for expert and 40 for operative positions. Of the recruitments, 13 were for permanent and 53 for fixed-term positions. The 35 persons employed as cashiers on a fixed-term basis made up the majority of the staff recruited for operative positions. Overall, external appointments reflected the recruitment focus on experts, which is well in line with the Bank's strategy to reform staff structure. The majority of the persons recruited for expert positions had a university degree, while most of those employed as operative staff in the main office had the polytechnic degree of Bachelor of Business Administration (BBA). The average age of externally recruited employees was 30 years. There were 11 trainees in the Bank's service in 2001 (secretarial students, BBA students and university students).

All newcomers were subject to a probationary period of 4 to 6 months.



Persons having resigned from the Bank's service

The number of persons having left the Bank's service and the factors underlying their resignation are analysed to establish the reasons for resignation. The findings are complemented by interviews with those leaving the Bank. Reports on the findings are sent to the management to enable further development of practices and procedures and the organisation as a whole.

The findings indicate that two-thirds of those 67 having resigned the Bank's service in 2001 had either taken retirement or left the Bank's service upon completion of a fixed-term contract in the note and coin handling service. Other reasons for resignation mostly related to employment or studies abroad or termination of a fixed-term contract (fixed-term research projects, temporary posts). The number of Bank employees taking up service with other Finnish employers is declining.

Employer image

Since 1997 the Bank of Finland has participated in a student survey conducted by Universum Communications and mirroring the Bank's appeal as employer among university students. Students of economics ranked the Bank of Finland among the top Finnish employers, the rankings being 8th in 1997, 8th in 1998, 6th in 1999, 14th in 2000 and 10th in 2001.

5. STAFF COMPETENCE AND COMPETENCE DEVELOPMENT

Plans for competence development are related to the Bank's existing vision and personnel strategy. Competence development is targeted at specifically defined strategic areas, also addressing gaps in competence due to retirements. Competence development is often long term, ranging beyond the plan period.

Development plans are integrated with the department's action plan and serve as a basis for training budgets. Personal development plans covering the next two or three years are drawn up for the Bank's experts and supervisors and individual development targets are set accordingly in connection with performance discussions. Implementation of the plans is monitored both at individual and at unit level.

The in-house supervisor training programme carried out in 2001 gave rise to an extensive debate on the role played by the supervisor in opening up prospects for employees to renew and develop their skills. At the same time the view gained ground that performance discussions are key to change management and competence development. Performance discussions have long been part of the Bank's management system and annual action planning. Supervisor-employee discussions are designed to communicate a concrete understanding of the Bank's strategy and convert the department's action plan into individual targets and projects, also identifying individual skill requirements. Performance discussions are also employed for monitoring job effectiveness at both individual and unit level.

In the course of the year 90% of staff participated in performance discussions. The corresponding figure for 2000 was 90%, for 1999 87% and for 1998 90%.

Educational background

The registration of the educational details of the Bank's entire staff was revised in summer 2001, when degree and educational details were reclassified according to a code consistent with the educational classification generally employed in Finland. The classification enhances the comparability of educational details (eg comparisons by Statistics Finland, benchmarking survey of human resources management).

Educational background 2001

	Persons	% breakdown by educational level
Primary education	153	20
Upper secondary education	154	20
Lowest level tertiary education	175	23
Lower-degree level tertiary education	55	7
Higher-degree level tertiary education	178	23
Doctorate or equivalent level tertiary education	51	7
Total	766	100
Educational level index	4.7	

Degree and educational details are classified in six different categories, ie

Primary education, covering comprehensive and elementary school education, former lower secondary school education and levels of education unknown.

Upper secondary education, covering matriculation examination and vocational studies of 1 - 2 year's duration, basic vocational studies, vocational studies and specialised vocational studies, eg studies of mechanics, basic IT studies, basic nutritional studies.

Lowest level tertiary education, covering eg technical school and business school degrees other than polytechnic degrees.

Lower-degree level tertiary education, covering polytechnic degrees and lowest level university degrees and eg the degree of engineer. At the end of 2001 there were 14 employees with a polytechnic degree in the Bank's service (BBA, Bachelor of Business Administration).

Higher-degree level tertiary education, covering higher-level university degrees (master's degrees) and degrees of medical specialisation.

Doctorate or equivalent level tertiary education, ie doctoral and licentiate degrees.

The Bank of Finland's educational level index is 4.7 (on a scale from 1 to 8) for the whole staff and 6.3 for those in expert positions.

The educational level index is calculated on the staff basic educational level as follows

Primary education = 1.5 x number of employees at this educational level

Upper secondary education = 3.5 x number of employees at this educational level

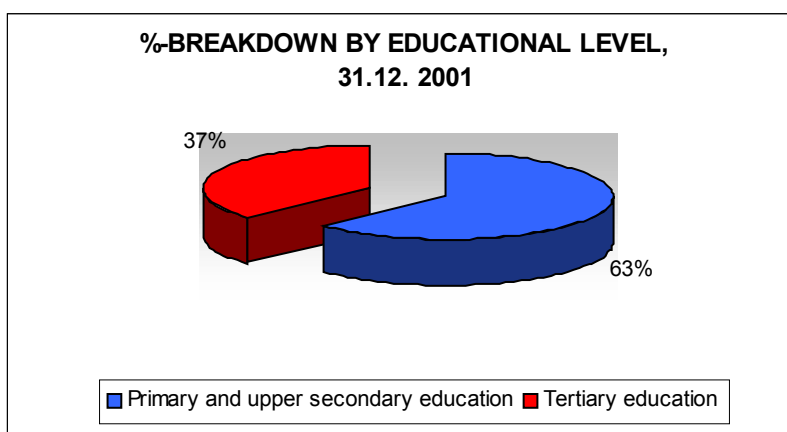
Lowest level tertiary education = 5 x number of employees at this educational level

Lower-degree level tertiary education = 6 x number of employees at this educational level

Higher-degree level tertiary education = 7 x number of employees at this educational level

Doctorate or equivalent level tertiary education = 8 x number of employees at this educational level

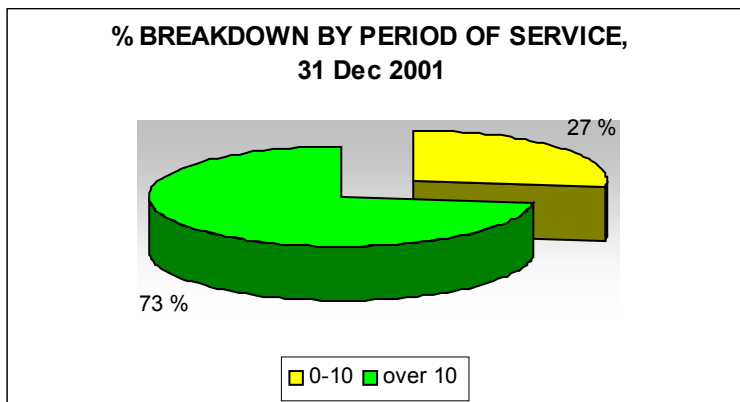
The educational level index is obtained by adding up the numerical values and dividing the sum with the total number of persons. The educational level index varies between 1 and 8.



5.1. Employment record

Number of employees by period of service, 1997 - 2001

Period of service at BoF, years	31 Dec 1997 Persons	31 Dec 1998 Persons	31 Dec 1999 Persons	31 Dec 2000 Persons	31 Dec 2001 Persons	% breakdown by period of service, 2001
0-1	59	75	78	42	41	5
2-5	78	77	85.5	98	91	12
6-10	81	84	95	80	76	10
11-19	155	150	132	135	140	18
20-30	350	344	343	357	347	45
over 30	45	49	52	58	71	9
Total	768	779	785.5	770	766	100



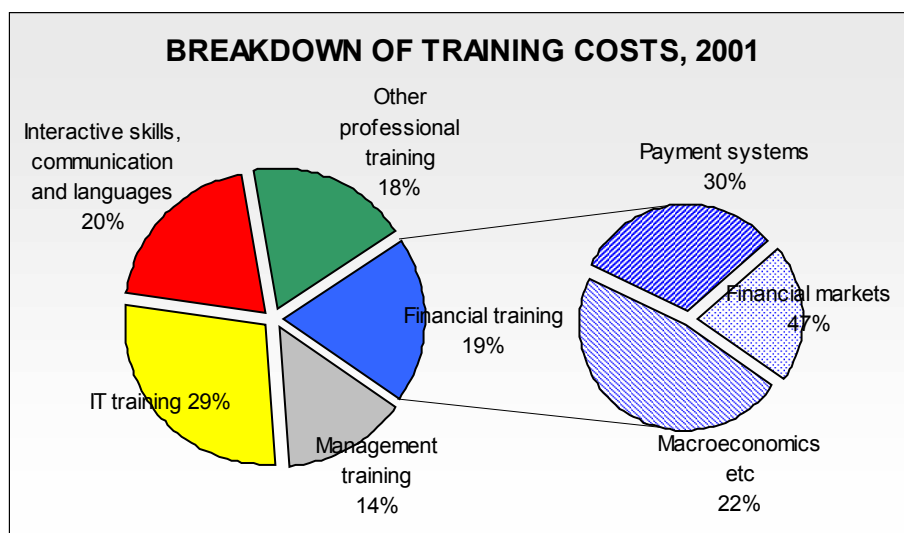
5.2. Competence development priorities

The Bank’s training expenditure amounted to EUR 1.36 million (4.6% of payroll) in 2001. The slight increase is partly attributable to the extensive in-house leadership-training programme. EUR 0.3 million was used for financial training, EUR 0.4 million for IT training, EUR 0.3 million for interactive skills, communication and languages and EUR 0.2 million for leadership training. There were considerable differences in training expenditure between departments.

The following table indicates the time and costs allocated to training

	1997	1998	1999	2000	2001
Time allocation, days	4,000	3,400	3360	3325	4343
Days/person	5.2	4.3	4.3	4.6	6.1
% of working time	1.8	1.7	1.7	1.8	2.4
Total expenses, EUR million	1.13	1.14	1.19	1.28	1.36
EUR/person	1,424	1,447	1,525	1,752	1,917
% of payroll	4.3	4.0	4.0	4.4	4.6

Breakdown of training costs, 2001



Leadership training

The leadership-training programme focused on personnel leadership. About 80% of the target group (ie heads of department and division and advisers to the board) participated in the programme, with 3 - 5 training days recorded for each participant in 2001. Before start of the programme, the supervisors' leadership and working style was analysed using the 360 degree assessment method.

In-house communications and interactive skills training

In 2001 in-house training in communications and interactive skills focused on spoken and presentation skills as well as interactive communication skills. To promote contacts with the ESCB, **language training** continues to be a significant area of staff training. In the year, close to 400 Bank employees attended courses designed to improve interactive, communications and language skills.

Training cooperation within the ESCB

There has been an increase in training cooperation with the national central banks within the ESCB. The Bank's employees took part in leadership training programmes, courses in negotiating skills and economic seminars.

IT training

Staff IT training in office systems focused especially on revised document models and courses leading up to the computer 'driving license', as well as on introduction into the new IT systems designed to support the cash changeover and wider use of the electronic archiving system. The Bank's IT professionals were trained in new technology and new standard system packages necessitated by the ongoing modernisation of the Bank's IT architecture. Overall, the growing importance of IT for Bank's functions is reflected in increasing and more versatile IT training, ranging from side-by-side learning to distant learning, from self studies to learning in teams, passing of professional certificates to consulting development.

In-house economic and legal training

In 2001 in-house economic and legal training was more than usually geared towards providing basic skills to large experts groups. The topics included macroeconomic analysis as viewed from the perspective of the ECB Monthly Bulletin, the basics of financing, time series analysis, payment systems and capital market institutions. Advanced courses addressing eg the labour market and fiscal policy in monetary union, the consequences of electronic money and pricing of credit derivatives were arranged to foster employees' research skills. The economists were also offered courses in financial writing.

Research projects

RESEARCH PROJECTS	1997	1998	1999	2000	2001
Projects	8	7	10	12	6
Man years	5	5	5.5	8	4

Research projects related to post-graduate studies are an essential element in the development of cutting edge skills at the Bank of Finland. In 2001 these projects required about 4 man-years, involving the preparation of altogether 6 licentiate and doctoral thesis.

5.3. Other professional development

The Bank's role as an expert organisation can be illustrated by the staff's publication activities, use of the library, the frequency of external professional contacts, visiting scholars and in-house seminars.

RESEARCH PUBLICATIONS	1997	1998	1999	2000	2001
Published books and articles	166	172	197	189	189
of which in widely-cited professional journals	1	5	13	16	11

The Bank's experts contribute to publications at home and abroad on a large scale. In 2001, 189 papers or books written at the Bank were published, 11 of them in widely-cited professionals journals.

USE OF LIBRARY	1997	1998	1999	2000	2001
Loans	16636	13496	12 453	12955	14680

Use of the library has remained stable during the past few years despite the fact that the Bank's experts increasingly access external electronic sources of information via the Internet. In 2001, loans to the Bank's staff amounted to 14,680.

IN-HOUSE SEMINARS	1997	1998	1999*	2000	2001
Number of seminars	30	37	59	59	50
Average number of participants/seminar	33	35	19	16	17

* The figure for 1999 includes seminars arranged by the Institute for Economies in Transition.

Brief seminars are regularly arranged for the Bank's experts. In 2001, 50 seminars were held, attracting an average of 17 participants.

VISITING SCHOLARS	1997	1998	1999	2000	2001
Persons	5	8	12	15	17
Man years	1	3	4	5	6

The number of visiting scholars at the Bank of Finland has clearly grown in recent years, with 17 Finnish and foreign scholars visiting the Bank of Finland's research department and the Institute for Economies in Transition in 2001. Their contribution represented 6 man-years.

6. WELLNESS AT WORK

The Bank of Finland caters for the health and wellness of its staff in many different ways, for example by providing catering, physical training and occupational health services. With a view to contributing to employees' ability to cope with work stress and promoting the conditions for a balanced life, the Bank also supports hobby activities, library services and leisure services and facilities. The Bank's staff has access to sports hall and club facilities in Kruunuhaka, Helsinki, a villa at Vuosaari in Helsinki and cottage facilities at Saariselkä in Lapland.

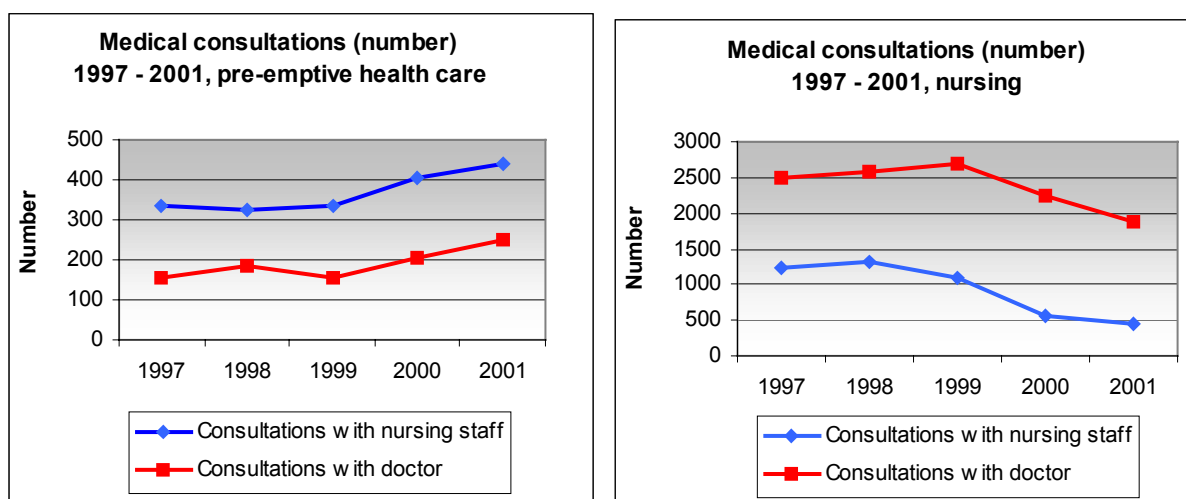
6.1. Occupational health service

The Bank of Finland purchases occupational health services for the main office and the FSA from Diacor Terveyspalvelut Oy (Diacor Health Services). The Aikatalo Medical Clinic is the primary clinic. Under exceptional circumstances, Bank and FSA employees have also visited the Aleksi, Diakonissalaitos and Tikkurila medical clinics.

The branch offices have made agreements with local providers of occupational health services.

Occupational health services focus on pre-emptive care and the design of long-term plans to implement health care measures.

Number of medical consultations under the occupational health service scheme



The number of consultations reflects the shift of focus towards pre-emptive care since 2000. Consultations because of illness have continued to decrease, whereas pre-emptive care has increased correspondingly. Pre-emptive care includes medical examinations upon service entry and age-related check-ups as well as assessments of working capacity, including follow-up.

Absence from work because of illness

The number of days of absence from work because of illness totalled 7,761 (of which 6,162 business days) and involved 612 employees (73% of all persons employed at the Bank in the year). Absence from work because of illness as a percentage of total working days was 2.7, against 3.0 in 2000).

No absence from work because of illness was registered for 172 persons, which gives a health rate of 22%, which is 5 percentage points lower than the year before.

The number of days of absence decreased by almost 13% from the year before. The reduction could partly be attributable to the new policy established in 2001 according to which employees with more than 20 days of absence from work because of sickness are instructed by their supervisor to consult occupational health service staff. Furthermore, long-term absence from work was registered for several employees in 2001, with some of them subsequently qualifying for disability pension.

Absence because of accidents at work

During the year under review there were 30 accidents at work or on a journey to and from work, 18 of which were accidents at work. Of the accidents 6 led to absence from work. The number of days of absence amounted to 370. Corresponding figures for 2000 were 27 accidents and 685 days of absence.

Cost of occupational health service

The Bank operates a fully experience-rated industrial accident insurance scheme, the costs of which amounted to EUR 169,000 in 2001. The annual costs are dependent on the number of accidents.

The costs of the occupational health service at the Bank amounted to EUR 430,000 in 2001, ie EUR 595 per person. The costs include the Bank's imputed operating costs (administrative duties, costs for premises and cleaning). Dental services accounted for EUR 85,500 of the total, ie about EUR 118 per person. Occupational health service expenses compensated by Finland's Social Insurance Institution amounted to EUR 125,000, ie EUR 173 per person. This includes compensations for dental care payable since April 2001 to persons born after 1945.

Occupational health service costs have decreased by approximately 8.5% from the year before when equivalent costs represented EUR 471,000 or EUR 650 per person. The major reductions were recorded for the fees payable for the services of the occupational health care nurse, laboratory fees and physiotherapy.

The breakdown of costs reflects the stronger focus on pre-emptive services as targeted.

Bid for dental services

The Bank invited dental clinics to present bids for dental services in autumn 2001. Following evaluation of the bids, the Bank decided to continue its cooperation with Hammaslääkäriasema Fossa Oy (Fossa Dental Clinic) and enter into a contract for the services of Hammassairaala Oral Oy (Oral Dental Hospital). With a view to cutting down on administrative work, the Bank decided that only dental services provided by these two clinics would fall under the Bank's compensation scheme as of 2002.

Maintenance of working capacity

Work environment reviews were undertaken on three units.

Age-related medical check-ups were carried out on 100 employees. The check-ups included measurement of the working capacity index. The employees' performance in terms of working capacity is outlined below:

Excellent working capacity	44.3 %
Good working capacity	42.3 %
Fair working capacity	11.3 %
Poor working capacity	2.1 %

Of those examined, 53% were women and 47% men, and the majority was over 35 years of age. The breakdown by level of working capacity has remained practically unchanged since 1998. The occupational health service will establish whether special measures are needed for those with fair or poor working capacity.

All employees undergoing medical check-up also took part in a functional ability test undertaken by an occupational physiotherapist.

The division heads received open rehabilitation under the ASLAK scheme at Suomen Selkäinstituutti (The Finnish Back Rehabilitation Centre), at the expense of the Social Insurance Institution (KELA). The group included nine division heads from the Bank and the FSA. Following the actual rehabilitation programme, the Bank agreed to support further rehabilitation measures for the members of the group. The rehabilitation programme met with a very favourable response, and encouraged by this experience the Bank applied for and was granted a new KELA rehabilitation programme for experts in 2002.

Individual rehabilitation programmes (KELA rehabilitation programme designed to maintain working capacity for six persons and open rehabilitation provided by the occupational health service for several persons) were fostered through cooperation between the person undergoing rehabilitation, supervisors, the occupational health service and the personnel department.

6.2. Physical training

At the beginning of the year the Bank's own physical training instructor led stretching and back stretching exercises at the staff sports hall and tested the physical fitness of employees undergoing regular age-related check-ups. In spring a sports day was arranged to commemorate the 20th anniversary of the sports hall.

In keeping with the Bank's strategic directions, bids were invited for physical training services in summer 2001 following the retirement of the Bank's own physical training instructor. On the basis of the bids received, the Bank entered into a cooperation agreement for the services of the Finnish Sport for All Association. Cooperation got off to a smooth start and participants were pleased with the quality of physical exercise classes, physical fitness tests and physical exercise programmes. The theme of the latter part of the year was 'Correct nutrition and exercise'. Staff was invited to attend a lecture on the subject and take part in a health and nutrition fair in the sports hall.

There are two promoters and organisers of physical training in the Bank, ie the Bank of Finland sports club and the tennis club. In practice all Bank employees are automatically members of the sports club, whereas membership of the tennis club is subject to a fee. The Bank supports both associations with an annual grant.

In 2001 the sports hall was regularly used by 180 employees.

6.3. Leisure services and facilities

The Bank has leisure facilities in Helsinki and at Saariselkä in Lapland, which are available to the Bank's units and clubs for informal functions. The facilities are also used for training, meeting and representation purposes. Altogether 112 functions were held at the club facilities at Snellmaninkatu, attracting 2,723 persons. At the Kallvik villa in Vuosaari, 36 functions were arranged during the summer and attended by 1,811 persons. The attendance rate of the villa and club facilities was 59%, while the occupancy rate of the Saariselkä cottages was 38%.

There are 16 hobby clubs at the Bank to which the Bank allocates a small grant annually. Some of the clubs also charge a membership fee.

7. PENSIONS

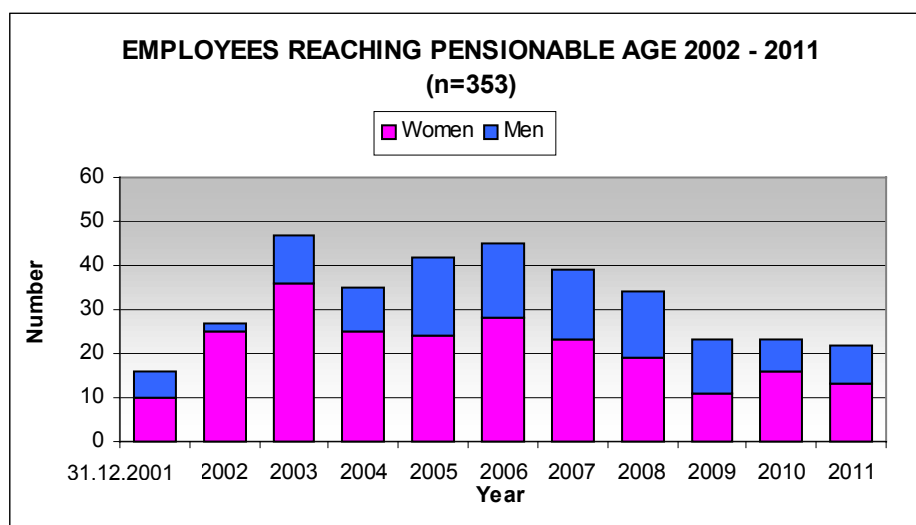
7.1. Retired employees and employees reaching pensionable age

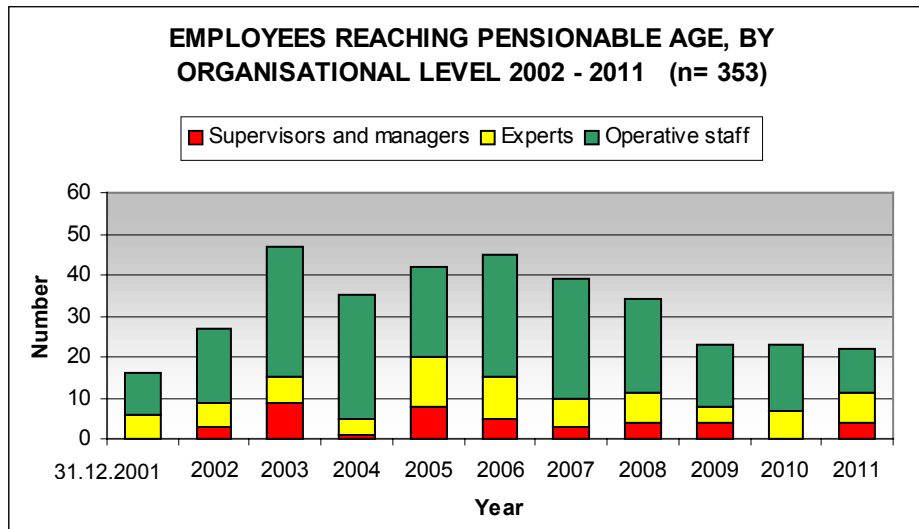
Retirements increased in 2001. Over the year, the number of direct retirements from the Bank totalled 22, with 18 employees retiring upon reaching pensionable age (1 of whom on the grounds of equality of pension provision); 1 on the basis of a general early retirement pension scheme and 3 on the basis of the disability pension scheme. There had been 15 retirements due to pensionable age and 1 due to general early retirement in 2000. One part-time pension was awarded.

The average effective retirement age was 57.6 years in 2001. This figure has been gradually increasing: from 55 years in 1998 to 56.5 years in 1999 and to 57.4 years in 2000. There were 16 persons over pensionable age in the Bank's service at the end of the year.

Employees reaching pensionable age, 2002 -2011

Year	Women	Men	Total	Cumulative
3.12.2001	10	6	16	16
2002	25	2	27	43
2003	36	11	47	90
2004	25	10	35	125
2005	24	18	42	167
2006	28	17	45	212
2007	23	16	39	251
2008	19	15	34	285
2009	11	12	23	308
2010	16	7	23	331
2011	13	9	22	353
Total	230	123	353	





7.2. Pension fund of the Bank of Finland

The Bank of Finland operates an independent pension fund, which is responsible for financing employees' pensions, providing retirement benefits in line with the State Employees' Pension Scheme, taking pension decisions and effecting pension payments. The rate of funding has been raised, in that the assets representing the pension provision have been entered as a pension fund in the balance sheet and are separately administered.

Like other Finnish pension providers, the Bank of Finland's pension fund cooperates with pension providers and the Central Pension Security Institute. The pension fund purchases pension calculation and medical expert services from the pension service unit of the State Treasury Office, occupational health services from Diacor Oy and pension provision calculations necessary for the maintenance of pension provision from SILTA Oy. The personnel department has partly outsourced payment of pension. In addition, short-term jobs have been insured with the Pension Fund for performing artists and certain other groups of employees (TaEL).

7.3. Number of pensioners

As at 31 Dec 2001, the Bank of Finland paid pensions to 767 persons, of whom 70.4% were women. Of the pensioners, 505 had retired from the service of the Bank or the FSA. The rest are either survivor's pension beneficiaries or deferred pensioners, ie people who previously worked at the Bank but have retired from the service of another company.

Seven (7) of the pensioners receive retirement or part-time retirement from the FSA.

Breakdown of retirement benefits in current payment in 2001:

<u>Retirement benefit</u>	<u>Number of persons</u>	<u>Payment</u>
Retirement pensions	532	10,480,044 €
Disability pensions	70	552,784 €
Unemployment pensions	17	28,979 €
Survivors' pensions	113	1,339,998 €
Early old-age pensions	28	489,536 €
Individual early retirement pensions	3	4,245 €
Part-time pensions	4	45,785 €
Total	767	12,941,371 €

In Finland approximately FIM 57,000 million (almost EUR 10,000 million) was paid out in earnings-related pensions in 2001. The breakdown is:

Retirement pensions	71%	(BoF 81%)
Disability pensions	22%	(BoF 8%)
Unemployment pensions	6%	(BoF 0.2%)
Part-time pensions	1%	(BoF 0.4%)

Revised eligibility conditions for part-time pension will be introduced at the beginning of 2003. Persons born before 1947 will be eligible for part-time pension on the same grounds as before, whereas the eligibility age for the pension will be raised from 56 to 58 years for those born after 1946.