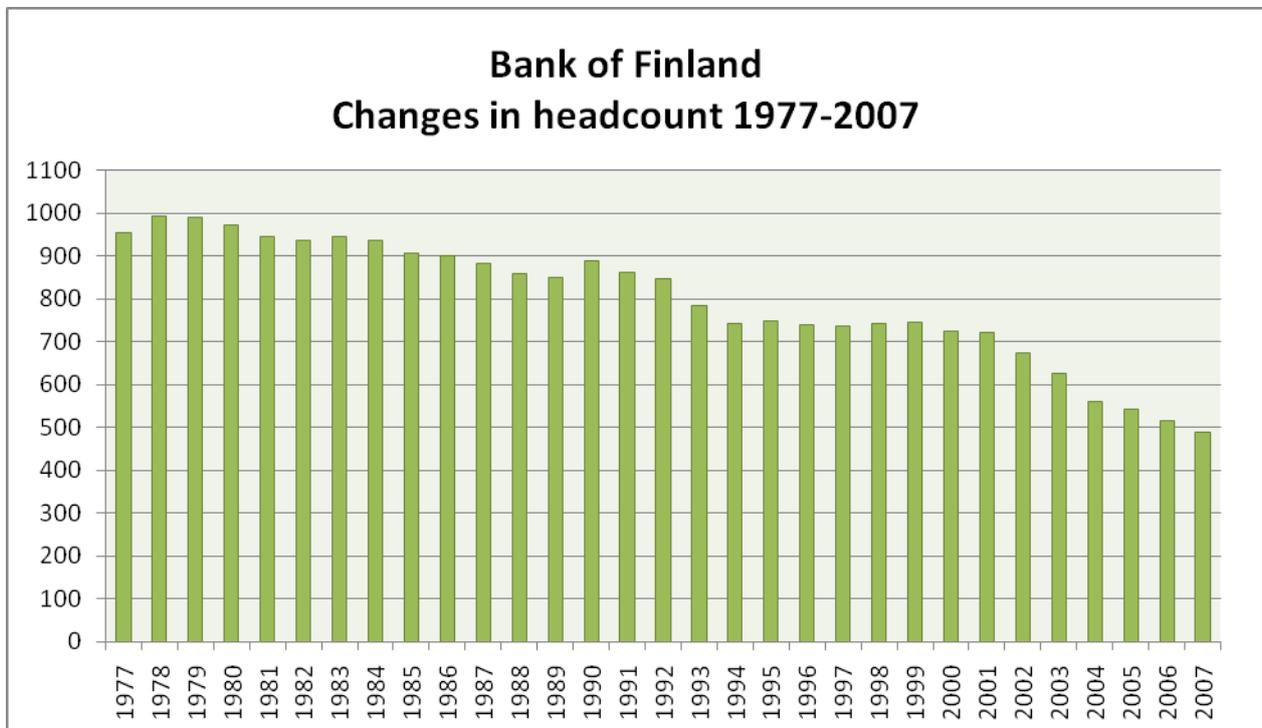


Bank of Finland Personnel Audit 2007



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PERSONNEL AUDIT 2007

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PERSONNEL AUDIT 2007

Introduction

Functional and consistent HR management provides the basis for motivation and wellbeing at work.

In 2007, the Bank's HR vision was adopted and the Bank's strategic HR policy for 2007–2009 adjusted. The HR policy focuses on competitive skills, versatile mobility and job rotation, as well as interactive management skills, as the Bank's key factors for success.

In 2007, the Bank planned and introduced a considerable number of measures in line with the new HR policy, including introduction of a fixed-term scheme for senior manager and expert positions, a coaching programme for managers and a performance-related remuneration scheme with a negotiated performance-related pay rise.

Next year we will already be able to assess whether these measures have reformed the Bank's management culture so as to improve motivation and strengthen the staff's commitment to their duties and employer.

The 2007 personnel audit of the Bank of Finland is the twelfth of its kind. The annual benchmarking and analysis of key figures conveys a clear picture of the status of the Bank's HR management and future development needs.



Head of Personnel

1. MANAGEMENT SYSTEMS

1.1 Organisation

The Bank of Finland's operations have been divided between six departments and the internal audit unit. The aim is to concentrate functions into sufficiently comprehensive operational units to allow for efficient implementation of the strategy, use of resources and cooperation and flow of information across functions, together with a clear management system and management responsibilities.

1.2 Bank of Finland's strategy and management system

In accordance with the strategy, the Bank's activities aim at promoting price stability, the stability and efficiency of the payment and financial system and European integration of financial markets. The strategy has been formulated as a development programme and it is presented in the form of effective objectives for the Bank's influence and service competence, economy of resource use, efficient internal processes and work capacity and competence building in keeping with the aspects of the objectives and results framework.

In addition to the strategy, the objectives and results framework and its staffing and budgetary ceilings, action planning, overall risk evaluation and goals achievement feature are prominent in the Bank of Finland's management system. Performance and appraisal discussions with the employees are an important part of the management system.

The strategy and the objectives of the objectives and results framework lay the basis for binding staffing and budgetary ceilings for the departments, which are set before the start of the annual action planning process. As a result of the action planning process, more precise objectives and key development projects for the following period are set out in the objectives and results agreements for the departments. Governance under the objectives and results framework is guided by the staffing and budgetary ceilings and takes place at the medium term of three years. The medium-term time horizon intensifies preparations for change and serves to create the conditions for long-term operational development.

Goals achievement is reported to the Board semi-annually in accordance with the objectives and results framework. The outturn of the budget and human resources plan and the Bank's result and balance sheet are reported on a quarterly basis.

1.3 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. Collective bargaining negotiations were conducted at the Bank in the autumn for the period 15 February 2008–28 February 2010. A key new feature in the new contract is the so-called wage negotiation model, where an agreed percentage from the negotiated overall wage increase percentage is channelled to personal wage increases based on the employee's performance. The wage negotiation model is also used in the financial sector as a whole. The first bilateral wage negotiations within the context of this new model will be conducted in spring 2008.

In addition to a full-time union secretary, the Bank has a full-time chief shop steward and 5 shop stewards. Shop stewards also represent staff in the Bank's occupational safety and health scheme.

1.4 Human resource management

The Bank of Finland's HR management guidelines serve to promote the implementation of the Bank's strategy so that there is a balance between operational objectives and staff resources in both quantitative and qualitative terms.

In spring 2007, the Bank of Finland's board approved the Bank's long-term HR vision and key HR policy areas and objectives for 2007–2009. HR management is based on common policy decisions, strategic HR objectives and prioritised policy actions.

The Bank's human resource planning continued to be guided by the staffing ceilings adopted and a tight recruitment policy. Drawing from the Bank's strategy and international comparisons, the middle-term personnel number target until 2011 was set at approximately 440. Achievement of the staffing ceilings is supported by a proactive approach to personnel planning. Key areas in planning for the next three years are management of retirements, exploitation of synergies between departments and personnel competence and structure. HR planning makes use of the SAP HR system, which now has a new functionality that supports management in continuous HR planning.

2. STAFF SIZE AND STAFF STRUCTURE

The share of full-time employees in the Bank was 98%. In 2007, there were 12 persons working on a part-time basis or on contracts involving reduced working days. Persons paid on an hourly basis were generally employed in service functions to help relieve pressure during rush periods. The majority of the employees were employed in a permanent contract of employment, with the proportion of employees on fixed-term contracts representing 6%. At the end of the year 31 persons, or 6% of staff, were on leave of absence. Of these, 12 persons were employed by the European Central Bank (ECB).

2.1 Staff size

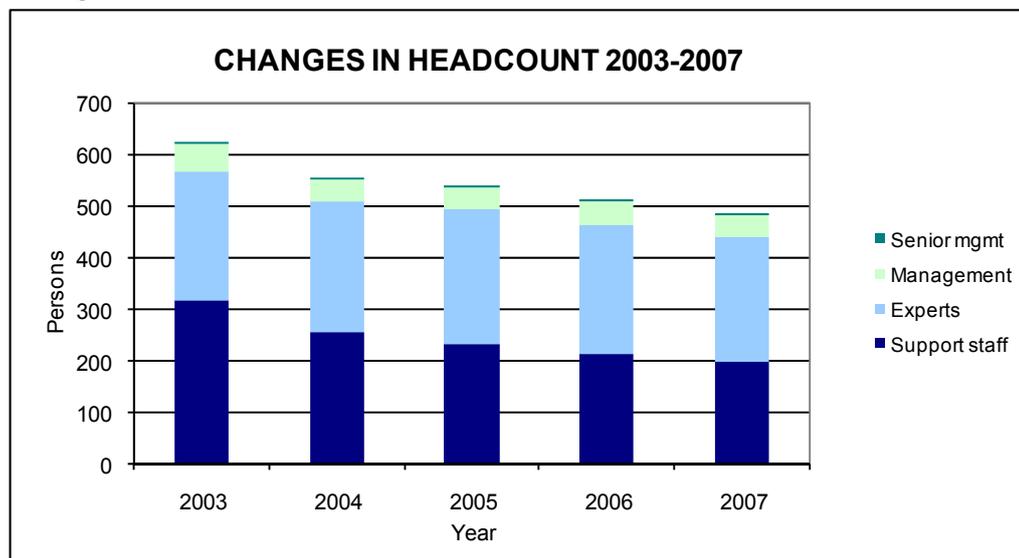
At the end of the year, Bank employees numbered 521. The manager to employee ratio, ie the average number of employees per manager, is around 10 at the Bank.

Breakdown of staff size by category, 31 Dec 2007

| | Full-time | | Part-time | | Total | % |
|-----------------------------|------------|------------|-----------|------------|------------|------------|
| | Permanent | Fixed-term | Permanent | Fixed-term | | |
| Support staff | 192 | 8 | 6 | | 206 | 40 |
| Experts | 240 | 19 | 6 | | 265 | 51 |
| Management | 46 | | | | 46 | 9 |
| Senior management | | 4 | | | 4 | 1 |
| Total staff strength | 478 | 31 | 12 | 0 | 521 | 100 |
| On leave of absence | 31 | | | | 31 | |
| Headcount | 447 | 31 | 12 | 0 | 490 | |

Those working shorter hours, having a part-time post or drawing a part-time pension qualify as part-time employees. In the Table, part-time employees have been included in the total staff strength and headcount in proportion to the agreed working hours.¹

Changes in headcount, 2003–2007



¹ Total staff strength: Permanent and fixed-term employees in attendance, including those on leave of absence but excluding trainees, holiday substitutes, persons paid by the hour and short-term researchers.

Headcount: Permanent and fixed-term employees in attendance, excluding those on leave of absence, holiday substitutes, trainees, persons paid by the hour and short-term researchers.

Changes in headcount by staff category, 2003–2007

| | 2003 | | | 2004 | | | 2005 | | | 2006 | | | 2007 | | |
|---------------|-------|-------|------------|-------|-------|------------|-------|-------|------------|-------|-------|------------|------|-----|------------|
| | Perm. | Fixed | Total | Vak | Mää | Yht. |
| Support staff | 302 | 17 | 319 | 246 | 11 | 257 | 229 | 6 | 235 | 212 | 5 | 217 | 193 | 8 | 201 |
| Experts | 239 | 12 | 251 | 241 | 13 | 254 | 244 | 18 | 262 | 229 | 20 | 249 | 224 | 19 | 243 |
| Management | 53 | 0 | 53 | 45 | 0 | 45 | 43 | 0 | 43 | 45 | | 45 | 42 | 0 | 42 |
| Senior mgmt | | 4 | 4 | 0 | 4 | 4 | 0 | 4 | 4 | | 4 | 4 | 0 | 4 | 4 |
| Total | 594 | 33 | 627 | 531,5 | 28 | 560 | 515,5 | 28 | 544 | 486 | 29 | 515 | 459 | 31 | 490 |

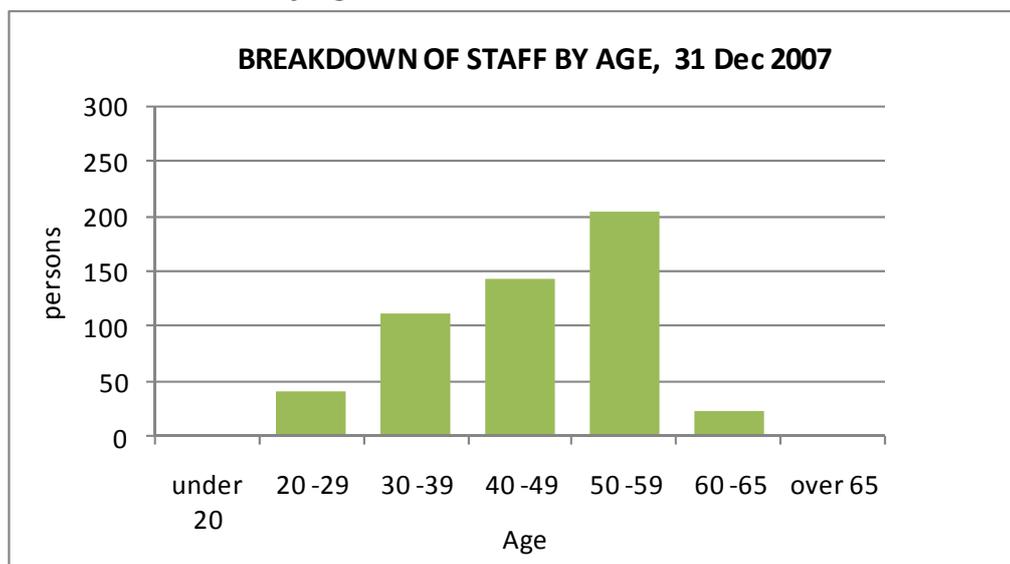
The number of staff in attendance fell by 22% over the period 2003–2007. At the end of 2007, support and service staff accounted for 41% and experts and management (incl. senior management) for about 59% of the staff in attendance.

The desired development of an increasingly expert-oriented staff structure has continued in the period under review. The proportion of experts has increased by 10%, with the proportion of support staff having declined equally much. In the period under review, management accounted for 8–9% and senior management for about 1% of staff.

2.2 Age composition

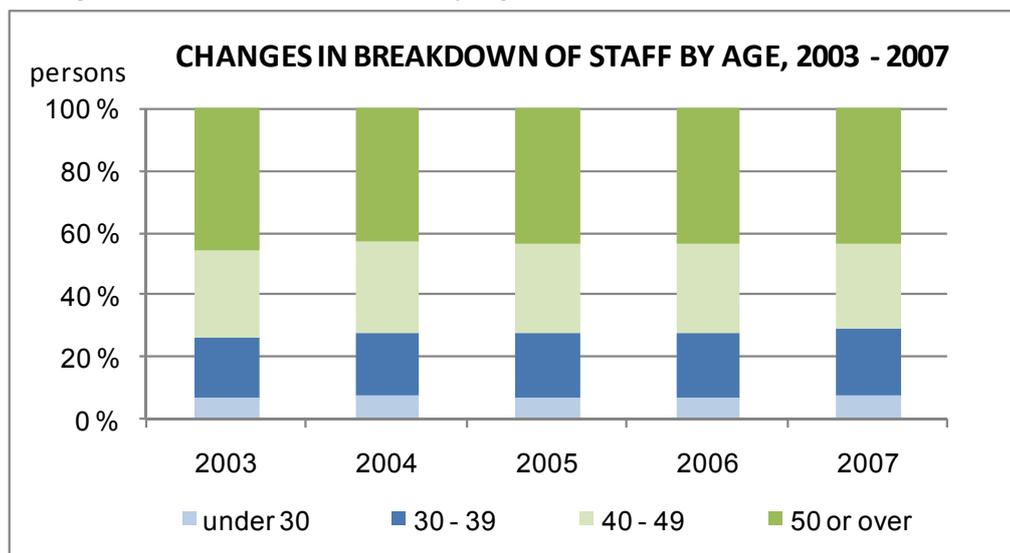
The average age of employees in 2007 was 45.8 years (46.3 for women and 45.4 for men). Corresponding figures for 2006 were 45.7 years (46.4 for women and 45.3 for men).

Breakdown of staff by age, 31 Dec 2007



The breakdown of staff by age has remained more or less constant, although the number of personnel has declined by 22% over the period under review. The proportion of employees over the age of 50 has remained virtually unchanged at 43–46% during the whole period under review.

Changes in breakdown of staff by age, 2003–2007



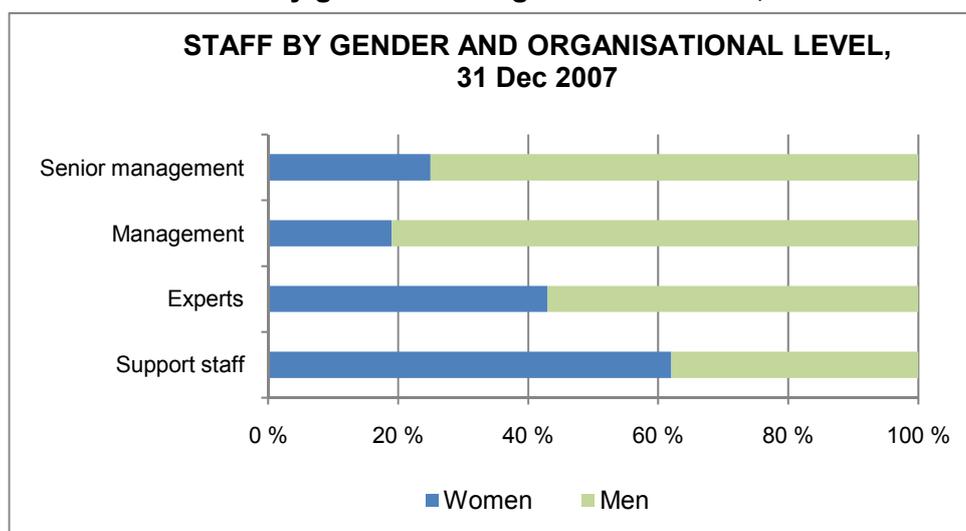
2.3 Gender composition

Of the Bank's staff, 48% are women and 52% men. At the end of 2007, the proportion of women was higher than that of men for the first time in the history of the Bank's Personnel Audits. In the development of an organisational structure with equal rights for women and men, the Bank should continue to focus its attention on the most demanding expert and manager appointments and the equal gender spread of external recruitments.

Breakdown of staff by gender, 31 Dec 2007

| | Women | | Men | | Total | |
|-------------------|------------|------------|------------|------------|------------|------------|
| | persons | % | persons | % | persons | % |
| Support staff | 127 | 51 | 79 | 29 | 206 | 40 |
| Experts | 112 | 45 | 153 | 56 | 265 | 51 |
| Management | 9 | 4 | 37 | 14 | 46 | 9 |
| Senior management | 1 | 0 | 3 | 1 | 4 | 1 |
| Total | 249 | 100 | 272 | 100 | 521 | 100 |

Breakdown of staff by gender and organisational level, 31 Dec 2007



2.4 Educational background

The Bank of Finland's educational level index has increased slightly from the year before and is now 5.5 on a scale from 1 to 8 (5.4 in 2006). The educational level indices calculated for individual departments have risen from the previous year. The staff's basic level of education has increased over the past few years and 57% of staff now has an academic degree, with 32 persons having a doctoral degree. Recruitments have focused on persons with academic degrees and researcher training.

Breakdown of staff by level of education, 31 Dec 2007

| | Persons | | | % breakdown by educational level |
|----------------------------------|------------|------------|------------|----------------------------------|
| | Women | Men | Total | |
| Secondary education | 15 | 33 | 48 | 9 |
| Upper secondary education | 42 | 50 | 92 | 18 |
| Lowest tertiary ed. | 63 | 19 | 82 | 16 |
| Lower-degree level tertiary ed. | 43 | 21 | 64,0 | 12 |
| Higher-degree level tertiary ed. | 74 | 111 | 185 | 36 |
| Doctorate or equivalent ed. | 12 | 38 | 50 | 10 |
| Total | 249 | 272 | 521 | 100 |
| Educational level index | | | 5.5 | |

The educational level index is calculated on staff's basic level of education as follows

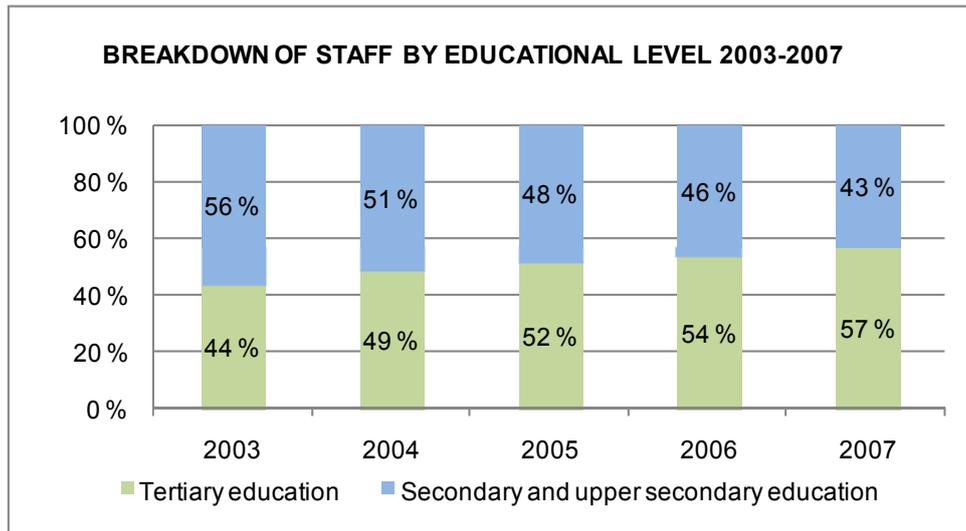
- Primary education = 1.5 x number of employees at this educational level
- Upper secondary education = 3.5 x number of employees at this educational level
- Lowest level tertiary education = 5 x number of employees at this educational level
- Lower-degree level tertiary education = 6 x number of employees 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 ranges between 1 and 8.

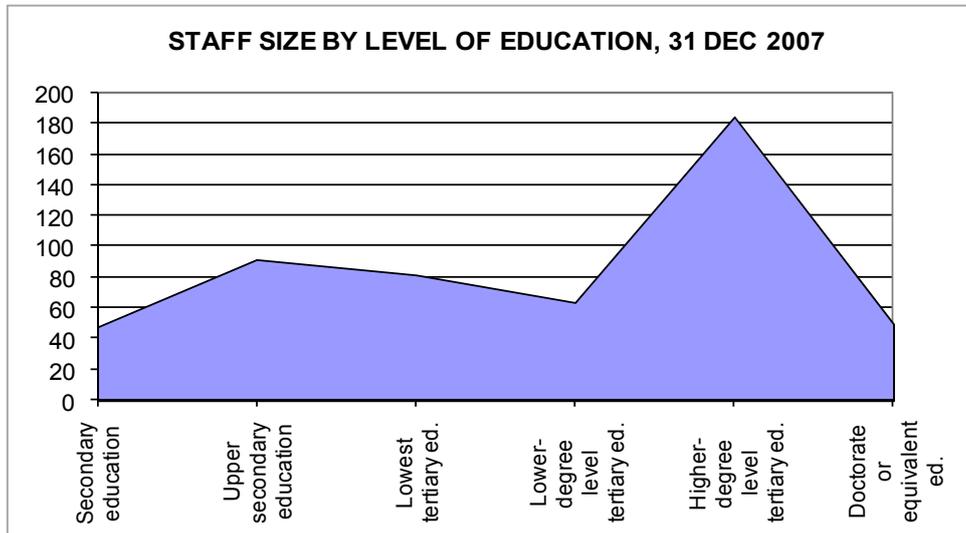
Degree and educational details are classified in six different categories, ie

- **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 1–3 years' 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.
- **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.

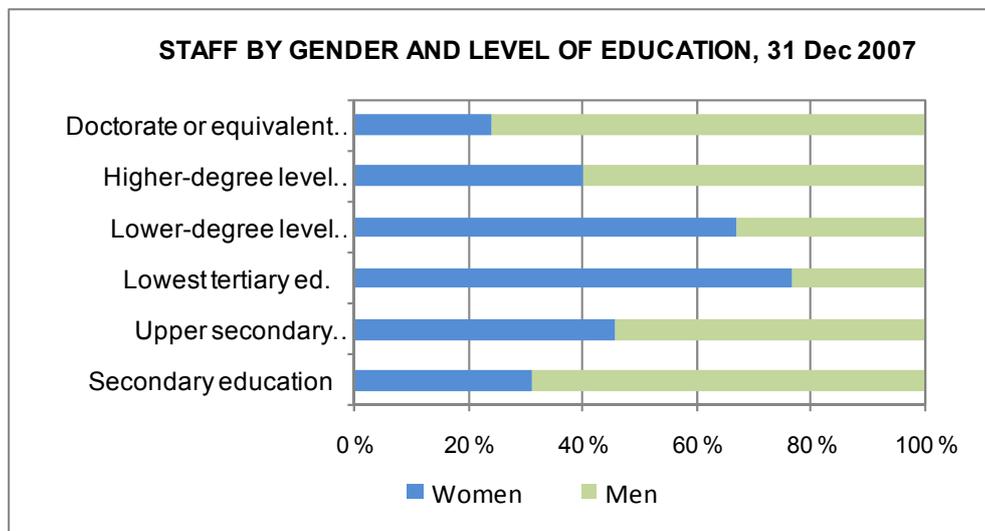
Changes in level of education, 2003–2007



Staff size by level of education, 31 Dec 2007



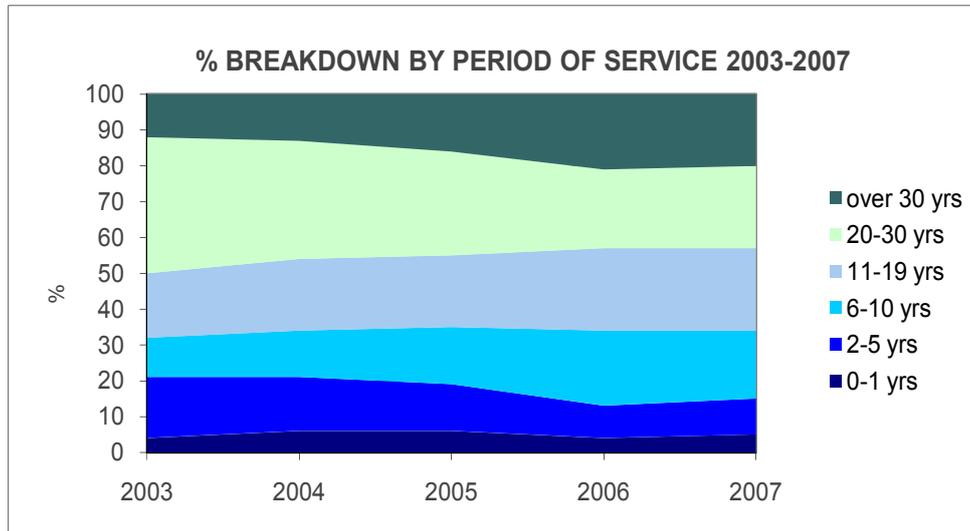
Staff by gender and level of education, 31 Dec 2007



2.5 Length of service

Of the Bank's staff, 43% have been in the Bank's service for more than 20 years. As a consequence of the large number of retirements, the proportion of staff with at least 20 years of service with the Bank has declined by 7% over the years 2003–2007. The proportion of employees with less than 20 years of service has increased equally much (50% → 57%).

Changes in breakdown of staff by length of service, 2003–2007



3. STAFF EFFICIENCY

3.1 Working hours

The daily regular working hours at the Bank of Finland are 7 hours and 40 minutes. The majority of staff is covered by the flexitime scheme.

In early 2007, the Monetary Policy and Research Department introduced a new tailored flexitime scheme on probationary basis. The economists and researchers in the department were pleased with the results and thus, in early autumn, 47 employees in the department adopted the new scheme. Based on mutual trust, the tailored flexitime scheme increases flexibility and evens out the work load distribution at peak times.

3.2 Use of working time

The following table sets out the changes in the number of man-years² by regular working hours. During the past three years, the number of man-years has declined by 6.7% in the Bank.

Changes in man-years, 2006–2007

| Man-years | 2006 man-years | 2007 man-years | change /m-y 2006-2007 |
|----------------------------|-------------------|-------------------|--------------------------|
| Permanent | 498.3 | 473.5 | -24.8 |
| Fixed-term | 24.7 | 32.1 | 7.4 |
| Sub-total | 523.0 | 505.6 | -17.4 |
| Holiday substitutes | 11.8 | 13.9 | 2.1 |
| Trainees | 2.7 | 3.4 | 0.7 |
| Employees paid by the hour | 1.8 | 1.2 | -0.6 |
| Employees taxed at source | 2.8 | 3.2 | 0.4 |
| Total | 542.1 | 527.3 | -14.80 |

Amount of additional and overtime work and related costs, 2007

| Overtime worked | | | Overtime compensation | |
|-----------------|--------------|----------------|-----------------------|---------|
| Year | Hours, total | Employees, No. | Hours in lieu | EUR |
| 2003 | 19334 | 407 | 1534 | 627.554 |
| 2004 | 23630 | 484 | 904 | 816.424 |
| 2005 | 16539 | 310 | 831 | 541.617 |
| 2006 | 16928 | 273 | 648 | 521.535 |
| 2007 | 11935 | 245 | 382 | 382.412 |

The amount of additional and overtime work declined by 4993 hours (29.4%) in comparison with last year. The number of persons doing overtime declined by 10%.

² Man-year: All pay earners converted into whole working years.

3.3 Annual leave

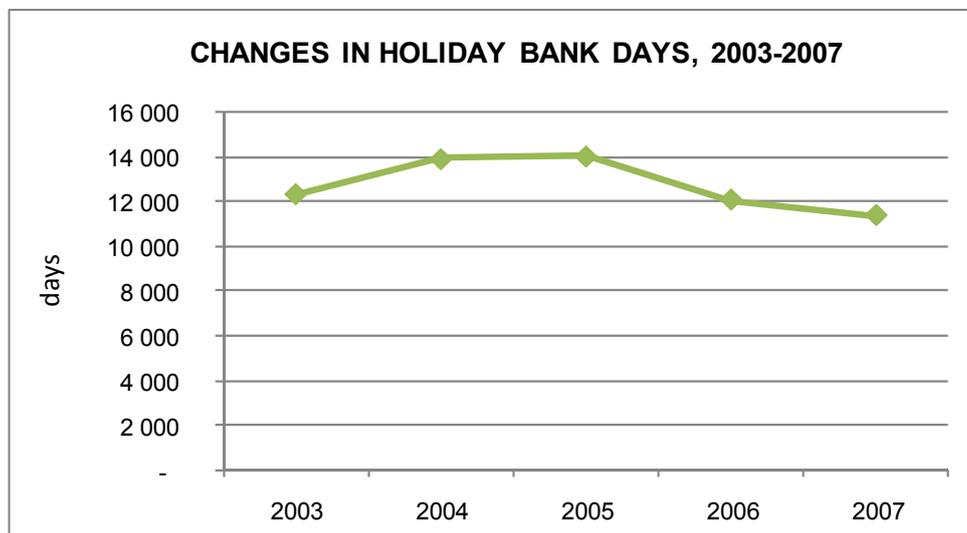
Annual holiday rights amount to 32–40 days, depending on years of service.

The Bank of Finland has a holiday bank, which allows for the deferral of accrued holiday days to be taken in future years. Annually, 1–10 holiday days may be banked. The maximum number of holiday bank days per employee is 50 days.

The total number of days banked declined by 5.9% (712 days) in the year. The days banked correspond to approximately 45 man-years. The total number of days in the holiday bank averages 29 days per employee, which represents 1.4 months of working time per employee. For around 24% of the employees, no holiday bank days have been registered.

Changes in holiday bank days, 2003–2007

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|--------|-------|--------|--------|--------|
| Persons | 394 | 427 | 430 | 436 | 397 |
| Total days held in the holiday bank | 12 345 | 13951 | 14 072 | 12 101 | 11 389 |



3.4 Labour costs

The Bank of Finland's labour costs for 2007 amount to approximately EUR 36.8 million/527.3 man-years (EUR 69,863/man-year). Staff costs include paid salaries, indirect salary-related expenses, statutory social security costs and other indirect costs arising from, for example, training, optional social security and occupational health services.

Labour costs 2007

| Labour costs | EUR | % of pay for hours worked | % of payroll 2007 |
|---|-------------------|---------------------------|-------------------|
| I. PAYROLL | 27.260.577 | 130.6 | 100.0 |
| II. PAY FOR HOURS WORKED | 20.874.583 | 100.0 | 76.6 |
| A. INDIRECT PAY | | | |
| Holiday pay | 3.525.899 | 16.9 | 12.9 |
| Holiday bonus | 1.943.502 | 9.3 | 7.1 |
| Sick pay | 822.486 | 3.9 | 3.0 |
| Pay for training periods | 286.445 | 1.4 | 1.1 |
| Other paid days off | 31.759 | 0.2 | 0.1 |
| Pay during accident-related absence | 7.533 | 0.0 | 0.0 |
| Pay related to child birth and child care | 0 | | |
| Daily allowances under sickness insurance | 111.565 | 0.5 | 0.4 |
| Daily allowances under sickness insurance | -343.194 | | |
| Total | 6.385.994 | 30.6 | 23.4 |
| B. STATUTORY SOCIAL SECURITY | | | |
| Employer social security contributions | 1.092.604 | 5.2 | 4.008 |
| Unemployment insurance contributions | 785.105 | 3.8 | 2.8 |
| Imputed pension insurance contributions | 5.155.071 | 24.7 | 19.0 |
| Statutory occupational health service | 292.782 | 1.4 | 1.1 |
| Other statutory contributions | 62.905 | 0.3 | 0.2 |
| Total | 7.388.467 | 35.4 | 27.1 |
| C. OTHER INDIRECT EXPENSES | | | |
| Training | 829.969 | 4.0 | 3.0 |
| Voluntary social security contributions | 1.359.724 | 6.5 | 5.0 |
| Total | 2.189.693 | 10.5 | 8.0 |
| III. INDIRECT LABOUR COSTS | 15.964.154 | 76.5 | 58.6 |
| IV. TOTAL LABOUR COSTS | 36.838.737 | 176.5 | 135.1 |

Purchased staff resources at the Bank of Finland represented 39 man-years in 2007, with purchased staff being employed at the Bank mainly in administrative services.

The pay accounting functions of the Bank of Finland and the Financial Supervision Authority were outsourced to Aditro and administrative pension services to the State Treasury Office.

4. STAFF REQUIREMENTS

4.1 Human resource planning

Human resource planning is an integral part of the action planning process, which extends over a three-year-period since the autumn of 2005. Human resource planning sets resource objectives for the departments and monitors their achievement on a quarterly basis. Human resource planning serves to govern a controlled reduction in staff size, based on the high rate of exit through retirement, which will continue during the next few years, and the development of an increasingly expert-oriented staff structure.

The human resource planning process is supported by medium-term resource forecasting (known as proactive human resource planning). The annual planning process starts with the setting of resource forecasts for the departments, which serve as a basis for the Board's decision on the staffing ceilings that will govern the resource planning of the departments in the following three-year-period.

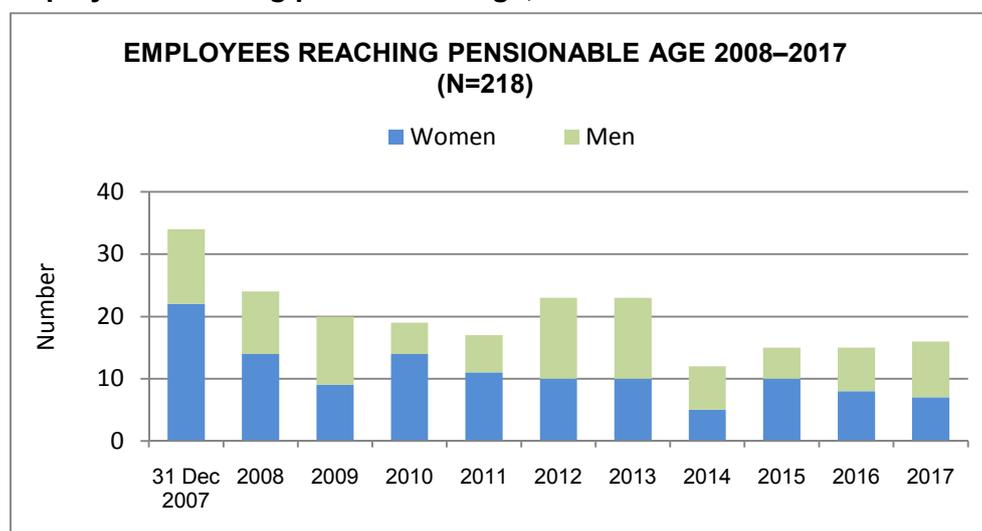
4.2 Retirement of current staff

In the course of 2007, 26 employees retired from the Bank. The average effective retirement age was 58 years.

Employees reaching pensionable age, 2008–2017

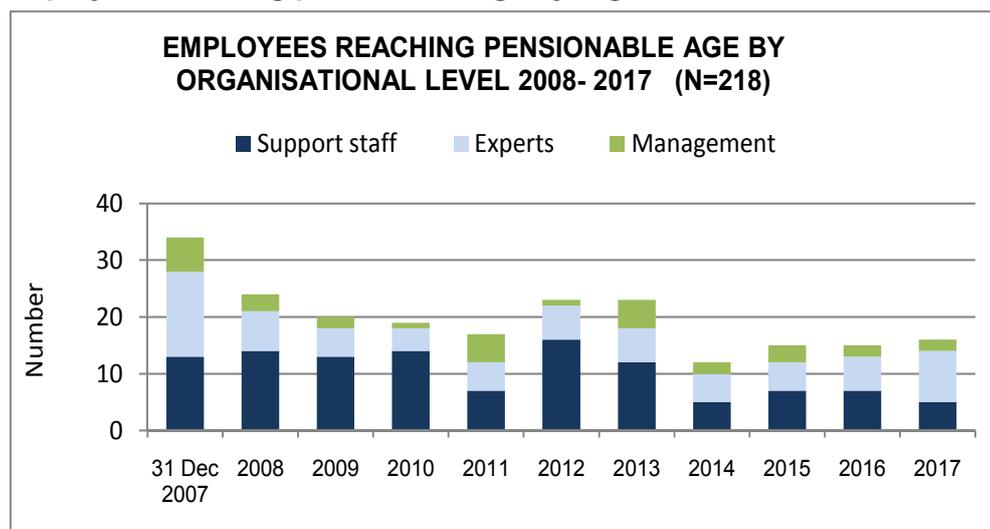
| Year | Women | Men | Total | Cumulative |
|--------------|------------|-----------|------------|------------|
| 31 Dec 2007 | 22 | 12 | 34 | 34 |
| 2008 | 14 | 10 | 24 | 58 |
| 2009 | 9 | 11 | 20 | 78 |
| 2010 | 14 | 5 | 19 | 97 |
| 2011 | 11 | 6 | 17 | 114 |
| 2012 | 10 | 13 | 23 | 137 |
| 2013 | 10 | 13 | 23 | 160 |
| 2014 | 5 | 7 | 12 | 172 |
| 2015 | 10 | 5 | 15 | 187 |
| 2016 | 8 | 7 | 15 | 202 |
| 2017 | 7 | 9 | 16 | 218 |
| Total | 120 | 98 | 218 | |

Employees reaching pensionable age, 2008–2017



As before, a considerable number of employees will reach pensionable age over the next few years. The relatively large exit through retirement provides an opportunity for allocation of staff resources in accordance with strategic priorities and skills objectives.

Employees reaching pensionable age by organisational level, 2008–2017



4.3 Appointments and staff turnover

There were 31 appointments in all (44 in the year before), of which 8 were made internally and 23 externally. A total of 49 employees were recruited as summer holiday substitutes.

The turnover rate of those leaving the Bank declined slightly from the year before, to 8.5%. Due to the strict recruitment policy, the turnover rate of those entering the Bank remained at 4.5%, at the same level as in the year before.

Staff turnover rates, 2003–2007



The internal mobility rate for 2007 was 5%, or slightly lower than in the year before (7.5% in 2006). The figure includes internal hirings and appointments by the management. Over the period 2003–2007, the internal mobility rate has been in the region of 5–8% despite a reduction in staff. The average age of externally recruited employees was 31 years.

4.4 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. The survey, conducted among students of economics, has revealed that the Bank of Finland has ranked among the 16 most sought-after employers during the ten-year-history of the survey. The survey covers more than 100 Finnish organisations. In 2007, with 10th position, the Bank of Finland's ranking improved somewhat from the year before.

The Bank of Finland's annual ranking in the student survey

| Year | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Ranking | 8 | 8 | 6 | 14 | 10 | 6 | 6 | 4 | 16 | 13 | 10 |

The central banks of the other Nordic countries ranked in respective studies in each country as follows: Sveriges Riksbank 20th position, Danmarks Nationalbank 15th position and Norges Bank 7th position.

For a few years, Universum Communications has also conducted a survey of young professionals. The subjects of the survey are 25–35 years of age and have less than eight years of labour market experience. The Bank of Finland participated in this survey for the second time in 2007 and ranked 21st (15th in the year before).

5. SALARIES AND BONUSES

The principles of the Bank of Finland's pay policy are derived from the duties and responsibilities assigned to the Bank of Finland as the monetary authority of Finland and as an independent member bank of the European System of Central Banks (ESCB). The objective of the Bank of Finland's pay policy is to establish that the average target wage level is set according to market median, derived from the HAY pay comparison (basic pay + benefits).

The Bank's remuneration practices are based on the definition of skills requirements, performance appraisal and market salary comparisons. All the posts at the Bank of Finland have been subjected to a Hay point-factor evaluation system when determining wage and pay levels. The Bank has also in place a discretionary bonus scheme covering all employees.

The fringe benefits provided by the Bank include meals (EUR 105.00/month), use of a mobile telephone (EUR 20/month), housing and car benefits. Every Bank employee has the right to meals. Individual employees have been afforded other benefits according to their tasks.

Changes in average monetary pay (basic pay + fixed supplements) by organisational level, 2003–2007

| | 2003 EUR | 2004 EUR | 2005 EUR | 2006 EUR | 2007 EUR |
|---------------|-------------|-------------|-------------|-------------|-------------|
| Management | 5 825 | 6 239 | 6 503 | 6 659 | 6 604 |
| Experts | 3 852 | 3 966 | 4 015 | 4 111 | 4 223 |
| Support staff | 2 264 | 2 361 | 2 447 | 2 477 | 2 507 |
| Total | 3 200 | 3 419 | 3 568 | 3 680 | 3 716 |

Average monetary pay by requirement levels (basic pay + fixed supplements), 2006–2007

| Skills category | 2006 | | | 2007 | | |
|-----------------|------|--------------------------------------|---|------|--------------------------------------|---|
| | No. | Average pay for men and women EUR | Average pay women/ Average pay men % | No. | Average pay for men and women EUR | Average pay women/ Average pay men % |
| 22 | 5 | 8 641 | | 5 | 8 812 | |
| 21 | 9 | 7 764 | 95 | 8 | 8 051 | 98 |
| 20 | 8 | 6 935 | | 8 | 7 109 | |
| 19 | 26 | 6 152 | 104 | 24 | 6 051 | 105 |
| 18 | 32 | 5 382 | 97 | 32 | 5 341 | 98 |
| 17 | 81 | 4 553 | 98 | 84 | 4 582 | 100 |
| 16 | 68 | 3 925 | 101 | 72 | 3 889 | 105 |
| 15 | 51 | 3 458 | 104 | 54 | 3 420 | 101 |
| 14 | 33 | 2 928 | 101 | 28 | 2 923 | 95 |
| 13 | 53 | 2 762 | 96 | 52 | 2 780 | 100 |
| 12 | 62 | 2 588 | 102 | 48 | 2 601 | 101 |
| 11 | 58 | 2 365 | 99 | 52 | 2 404 | 98 |
| 10 | 29 | 2 290 | 97 | 29 | 2 244 | 92 |
| 9 | 9 | 1 996 | 88 | 7 | 2 082 | |
| 8 | 10 | 1 899 | | 10 | 1 936 | |

The findings indicate substantive pay equality between men and women at the Bank of Finland, with the average pay for women in proportion to the average pay for men at the same requirement level averaging approximately 98% and the maximum deviation by skills category being +/- 10%. The ratio of women's to men's pay levels, not calculated by skills category, is 83%.

5.1 Pay increases and bonuses, 2007

The general pay increase according to the current two-year (2006–2008) collective civil service agreement was 1.95%. Of the Bank's annual payroll, 0.413% (coefficient 3) was used for personal pay increases and 0.70% for bonuses.

The findings of the market pay survey conducted in July 2007 showed that the basic wages of the Bank and the FIN-FSA, including benefits, are 2.4% above the market median. The basic pay of the Bank of Finland alone, including benefits, is 2.1% above the benchmark.

6. COMPETENCE DEVELOPMENT AND WELLNESS AT WORK

6.1 Competence development

Competence development is undertaken to ensure the Bank's future performance and the quality and efficiency of the processes of importance to the operation of the Bank's departments and units. Continuous learning is integrated with all tasks, the aim being updated knowledge and staff skills. In addition to training courses, the focus lies increasingly on job circulation and networking, as well as on research, literature, common knowledge building, information sharing and problem solving and argumentation skills which are not directly reflected in the training budget. Each employee is responsible for updating his own knowledge and skills.

In 2007, the decision was taken to broaden the management training opportunities with an individual coaching programme. In 2008, the coaching programme will be extended to senior-level experts. The training for economists was dominated by emphasis on methodological competences in key areas of the bank's strategy. Particular emphasis was placed on tools for the construction and use of macroeconomic models, such as the statistical and econometric methods that modelling work requires. More extensive opportunities for secondment between the central banks of the Eurosystem were offered, and the Bank of Finland employees took an active part in the common training offered by the Eurosystem.

In 2007, the Bank's training expenditure totalled EUR 0.83 million (3.0% of payroll). Of the training budget, 75% was allocated to experts, 8% to support staff, and 12% to management, while 5% was spent on training directed at all staff categories.

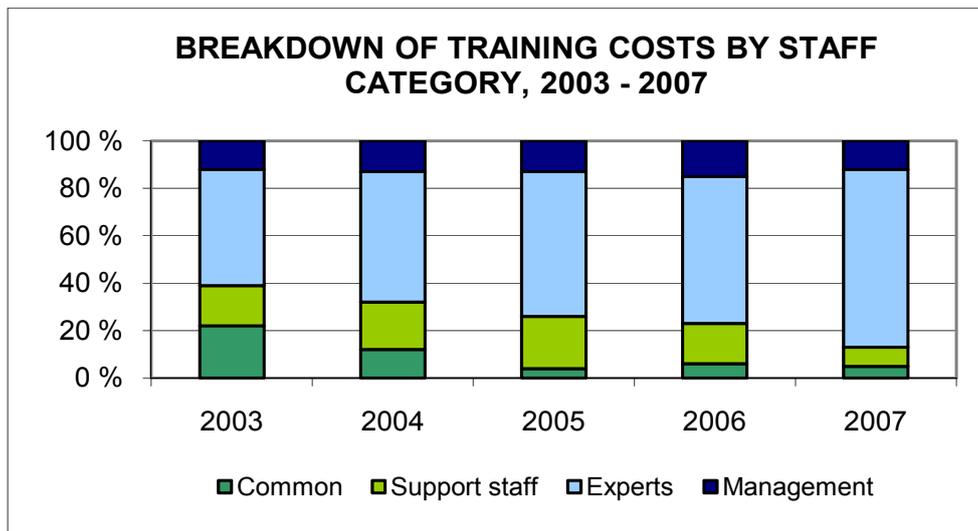
Time and costs allocated to training, 2003–2007

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------|------|------|------|------|------|
| Total use of time, days | 3581 | 2996 | 2399 | 1936 | 1407 |
| days/man-year | 5.6 | 5.2 | 4.4 | 3.6 | 2.7 |
| % of working hours | 2.2 | 2.0 | 1.7 | 1.4 | 1.1 |

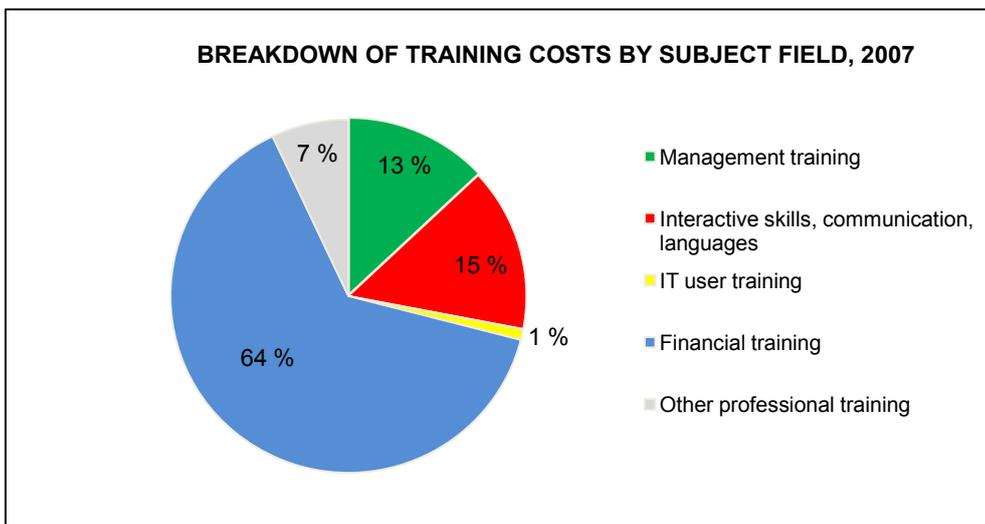
| | | | | | |
|------------------|-------|-------|-------|-------|-------|
| Total costs, EUR | 1.26 | 1.08 | 0.93 | 0.78 | 0.83 |
| EUR/man-year | 1 967 | 1 884 | 1 713 | 1 435 | 1 574 |
| % of payroll | 4.2 | 3.7 | 3.2 | 2.8 | 3.0 |

*) Not all days of external training are recorded.

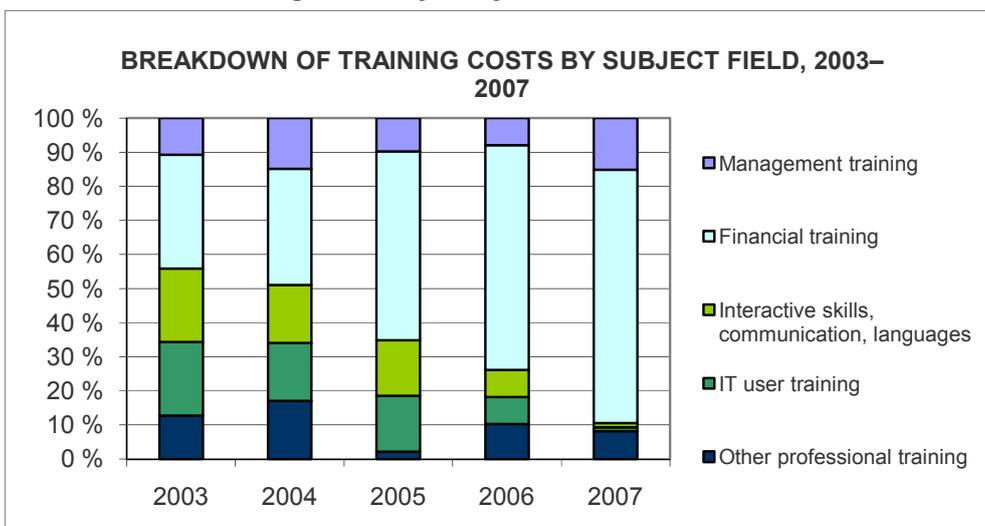
Breakdown of training costs by staff category, 2003–2007



Breakdown of training costs by subject field, 2007



Breakdown of training costs by subject field, 2003–2007



6.2 Research as a tool of competence development

Analytical, quantitative skills were further developed in research focus areas, ie monetary policy modelling, financial market and payment system innovations, efficiency and stability analysis and research on economies in transition and their economic policies. In the two research units of the Monetary Policy and Research Department, economists from four different departments were involved in fixed-term research projects spanning periods of six to twelve months.

Competence development was also fostered through networking, which improves the quality of research. The visiting scholars' programme continued and Finnish and foreign high-level researchers were recruited for the Bank's research units for various lengths of time. Common research projects with visiting scholars or other external researchers were continued. The Bank's researchers continued to take an active interest in academic and central bank research networks. International scientific meetings were arranged as in previous years, also in cooperation with international organisations. The Bank's employees conducted successful research again last year and their papers were admitted to many scientific conferences and accepted for publication in scientific journals.

With a view to increasing networking and expertise, regular research seminars were introduced in September 2007, to which internationally renowned speakers were invited to discuss research topics in macro economics and financial markets. The BOFIT seminars continued and dealt with corresponding issues as related to economies in transition. Both seminars are also open to external experts.

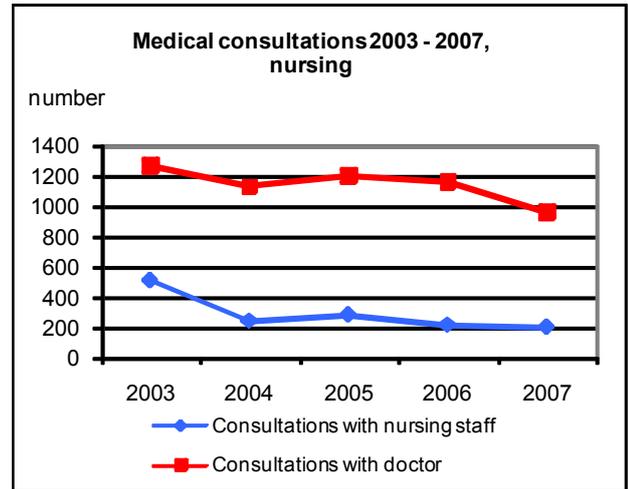
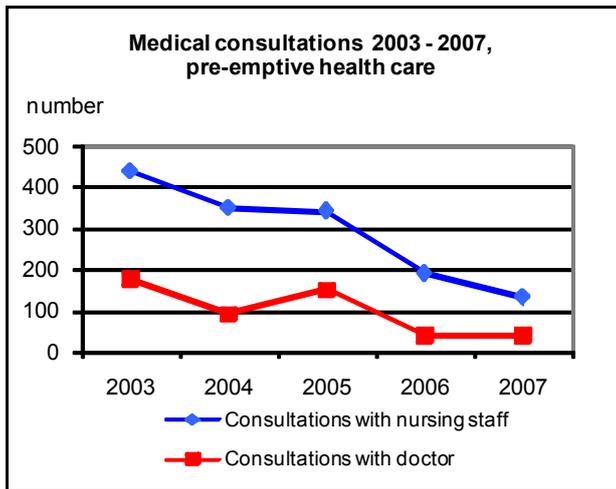
6.3 Wellness at work

The Bank of Finland caters for the health and wellbeing of its staff in many different ways, for example by providing catering, sports and equivalent services and occupational health services, in addition to other activities designed to promote working capacity. 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 staff has access to sports hall and club facilities in Kruununhaka, Helsinki, a villa at Vuosaari in Helsinki and holiday cottage facilities at Saariselkä in Lapland. The facilities are also used for training, meeting and representation purposes. 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.

Occupational health services focus on improving pre-emptive health care, and the Bank has put particular emphasis on early rehabilitation and developed cooperation with a sports service provider. Pre-emptive health care includes medical examinations upon service entry and age-related check-ups as well as assessments of working capacity, including follow-up. Consultations with the doctor because of illness have decreased further.

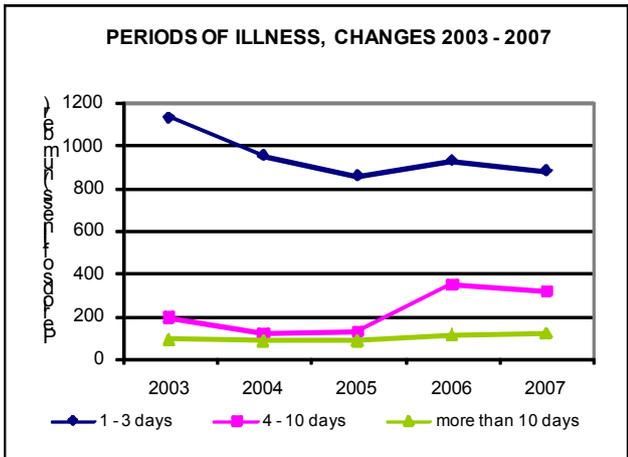
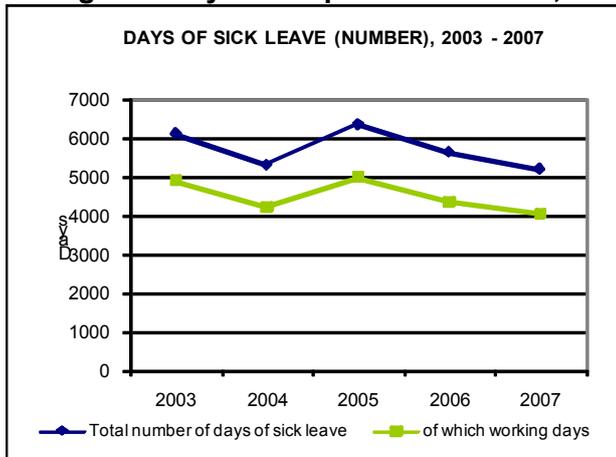
The Bank's occupational health service scheme also covers dental care costs, subject to a fixed annual ceiling.

Health care visits, pre-emptive health care and nursing 2003–2007



The number of days of absence from work because of illness totalled 5182 (of which 4040 business days) and involved 393 employees. The total number of days of absence because of illness has declined by 7.7% from the year before. Short spells of absence accounted for 67% of all absence spells and their proportion has remained on the same level as the year before. There were 97 persons for whom no absences from work because of illness were registered (the corresponding figure for the year before was 105). The health rate³ was 19%, which is slightly lower than in the year before (20% in 2006).

Changes in days and spells of absence, 2003–2007



At 3.19%, the absence rate remained almost the same as the year before (3.18% in 2006). The absence rate is calculated using a ratio of regular working days based on man-years.

³ Health rate: Percentage of man-years accounted for by those for whom no absence from work due to sickness was registered.

6.4 Job satisfaction

The Bank monitors job satisfaction through an employee satisfaction survey undertaken every other year. A job satisfaction index constructed of 12 key questions among the survey question series was introduced as an indicator monitoring changes in job satisfaction. The selected questions are directly connected with the Bank's goals of competence building and wellness at work. The job satisfaction index for 2007 was 3.24 (on a scale from 1 to 5).

The findings of the survey undertaken in October were, in some respects, not as good as before. Criticism was addressed particularly to the remuneration practice, the prospects for competence development and the corporate culture. Internal communications had improved, and activity at division level seems to be one of the strengths of the organisation.

As a measure of workplace development, the Bank adopted new HR policy objectives in spring 2007. They were supported by a value-based HR vision and defined concrete measures (incl. the introduction of fixed-term senior manager and expert positions and greater versatility in career prospects). To develop management, a coaching programme was launched, which will be extended to senior-level experts, as well as managers, in spring 2008. It was further decided to strengthen the connection between performance and remuneration by introducing a performance-related evaluation scheme and wage negotiations.

The following employee satisfaction survey will be carried out in autumn 2009.

7. PENSION FUND OF THE BANK OF FINLAND

7.1 Pension fund of the Bank of Finland

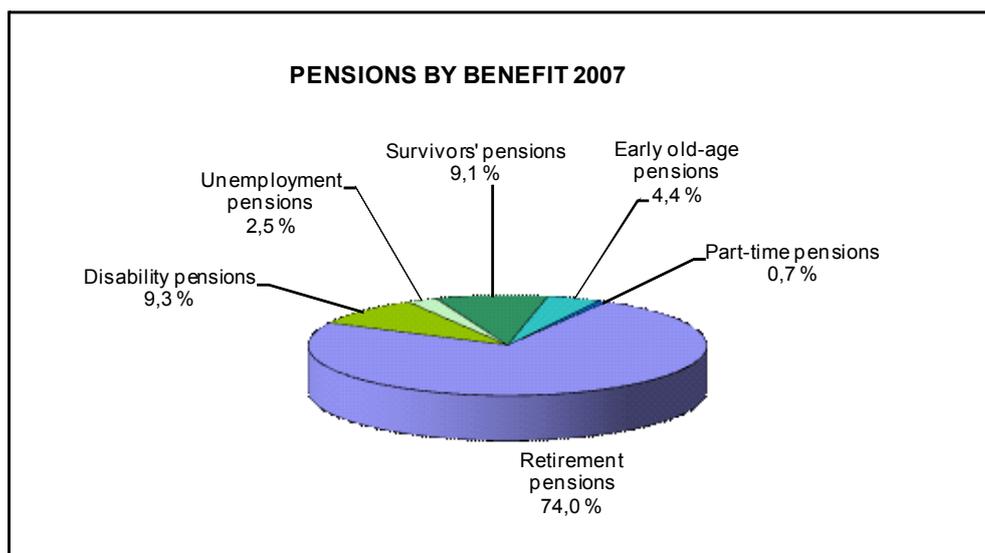
The Bank of Finland operates an independent pension fund, which provides and decides on the employees' retirement benefits in line with the State Employees' Pension Scheme. The public-sector pension reform was implemented at the Bank of Finland as of 1 January 2005 and 1 January 2007 in accordance with the changes in the State Employees' Pension Act, where applicable. The State Treasury Office is responsible for the Bank's pension determinations, prepares pension decisions and pays out the pensions, whereas the Bank of Finland is responsible for financing the pensions.

7.2 Number of pensioners

As of 31 December 2007, the Bank of Finland paid pensions to 1007 persons in the total amount of EUR 18,880,955.

EUR 26,030 was paid out in rehabilitation allowance.

Pensions by benefit



8. SUMMARY OF KEY FIGURES⁴

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|--|------------|------------|------------|------------|------------|
| STAFF SIZE | | | | | |
| Total staff strength | 521 | 544 | 565 | 582 | 652 |
| On leave of absence | 31 | 29 | 21 | 22 | 25 |
| Headcount | 490 | 515 | 544 | 560 | 627 |
| Turnover rate of those entering the Bank's service | 4,5% | 5% | 5% | 5% | 3% |
| Turnover rate of those leaving the Bank's service | 8,5% | 10% | 8% | 18% | 12% |
| Internal mobility | 5% | 7,5% | 8% | 7% | 6,5% |
| External appointments | 23 | 29 | 27 | 29 | 20 |
| TOTAL MAN-YEARS | | | | | |
| Own staff | 527.3 m-y | 542.1 m-y | 565.4 m-y | 601.2 m-y | 674.3 m-y |
| Purchased staff resources | 39 m-y | 40 m-y | 43 m-y | 42.9 m-y | 45 m-y |
| STAFF STRUCTURE | | | | | |
| Average staff age | 45.8 years | 45.7 years | 45.8 years | 45.6 years | 46 years |
| Proportion of women | 48% | 51% | 50% | 51% | 53% |
| Proportion of experts and managers | 60% | 58% | 57% | 55% | 49% |
| Proportion of fixed-term employees | 6% | 5% | 5% | 5% | 5% |
| SALARIES AND BONUSES | | | | | |
| Payroll | EUR 27.3 m | EUR 27.9 m | EUR 28.9 m | EUR 29.4 m | EUR 30.1 m |
| Bonuses as a proportion of payroll | 0.70% | 0.60% | 0.23% | 0.64% | 0.25% |
| Salaries compared to market level (total remuneration ⁵) | 98.3% | 101.1% | 102.0% | 101.8% | 104.8% |
| Salaries compared to market level (basic pay + benefits ⁶) | 102.1% | 105.1% | 105.9% | 106.1% | 107.7% |
| Average pay for women/average pay for men | 98% | 98.4% | 98.8% | 99.6% | 99.6% |
| COMPETENCE | | | | | |
| Training costs | EUR 0.83 m | EUR 0.78 m | EUR 0.93 m | EUR 1.08 m | EUR 1.26 m |
| Training costs/payroll | 3.0% | 2.8% | 3.2% | 3.7% | 4.2% |
| Educational level index | 5.5 | 5.4 | 5.4 | 5.3 | 5.0 |
| WELLNESS AT WORK | | | | | |
| Total number of days of absence | 5182 days | 5616 days | 6346 days | 5304 days | 6100 days |
| Absence rate | 3.19% | 3.18% | 3.5% | 2.8% | 2.9% |
| Health rate | 19% | 20% | 22.2% | 26.4% | 30.7% |
| STAFF COSTS | | | | | |
| Own staff | EUR 36.8 m | EUR 37.8 m | EUR 39.7 m | EUR 41.1 m | EUR 42.6 m |
| PENSIONS | | | | | |
| Pensions paid | EUR 18.9 m | EUR 17.5 m | EUR 16.6 m | EUR 15.7 m | EUR 14.5 m |
| Number of retirements | 26 | 29 | 25 | 36 | 51 |
| Average effective retirement age | 58 years | 58 years | 57 years | 57 years | 57 years |
| Number of pensions currently paid | 1007 | 983 | 917 | 875 | 838 |

⁴ Figures excluding the Financial Supervision Authority for which an own personnel audit is prepared.

⁵ Total remuneration includes basic pay + benefits as well as discretionary bonuses (incentive pay).

⁶ Basic pay + benefits includes fringe benefits (mobile phone, meals, car, housing and telephone) in addition to monetary salary.

9. CONCEPTS AND DEFINITIONS

| | |
|---|--|
| Absence rate | Sick leave as a percentage of regular annual working hours. |
| Basic pay + benefits | Includes fringe benefits (mobile phone, meals, car, housing and telephone) in addition to monetary salary. |
| Educational level index | <p>Calculated on staff's basic level of education as follows</p> <ul style="list-style-type: none">• 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 <p>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 ranges between 1 and 8.</p> |
| Headcount | Permanent and fixed-term employees in attendance, excluding those on leave of absence, holiday substitutes, trainees, persons paid by the hour and persons taxed at source. |
| Health rate | Percentage of man-years accounted for by those for whom no absence from work due to sickness was registered. |
| Internal mobility | Percentage of average headcount accounted for by those having changed jobs within the organisation. |
| Man-year | Man-year refers to regular normal annual working hours, excluding overtime and any other working time in excess of normal working hours. The man-year of one person is always one at the most. In the calculation of man-years, all pay earners converted into whole working years are considered. |
| Part-time employment | Those working shorter hours, having a part-time post or drawing a part-time pension qualify as part-time employees. |
| Total remuneration | Includes basic pay + benefits as well as discretionary bonuses (incentive pay). |
| Total staff strength | Permanent and fixed-term employees in attendance, including those on leave of absence but excluding trainees, holiday substitutes, persons paid by the hour and persons taxed at source. |
| Turnover rate of those entering the Bank's service | Percentage of average headcount accounted for by those entering the organisation (excluding contracts of service under 3 months). |
| Turnover rate of those leaving the Bank's service | Percentage of average headcount accounted for by those leaving the organisation (excluding contracts of service under 3 months). |