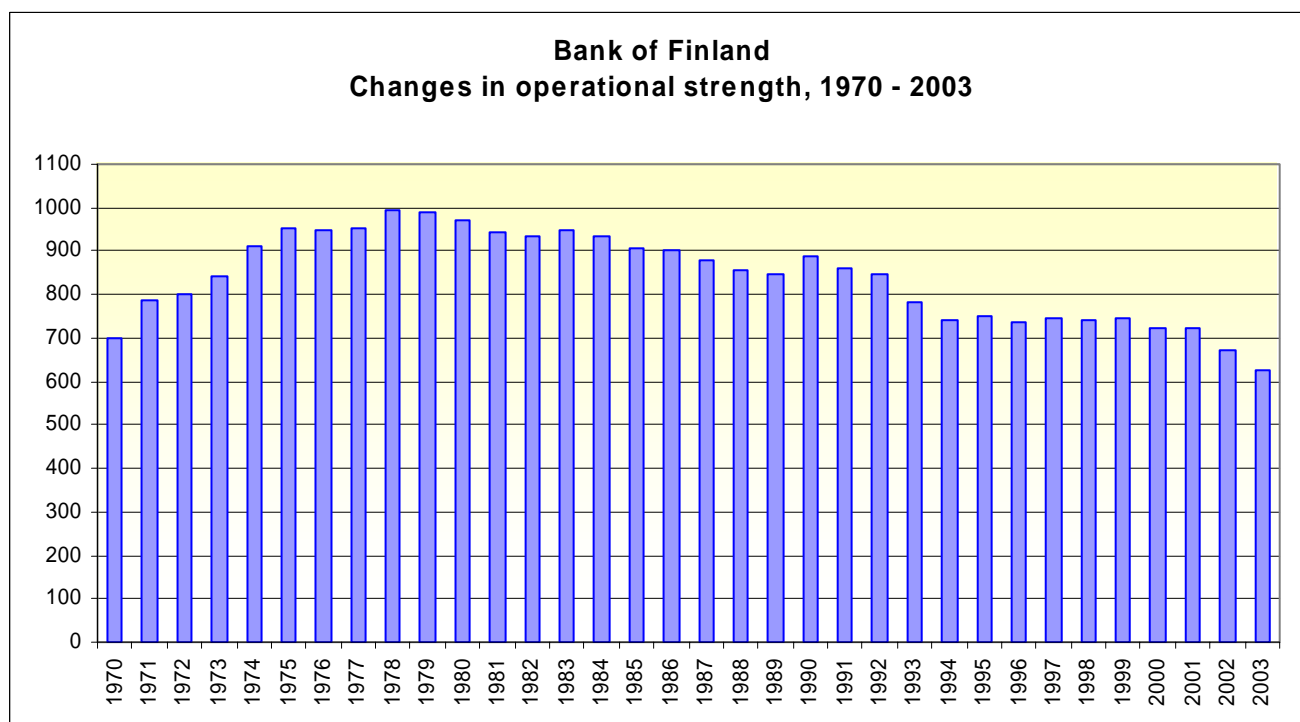


Bank of Finland

Personnel Audit 2003



Contents

PERSONNEL AUDIT 2003.....	3
Introduction.....	3
1. MANAGEMENT SYSTEMS	4
1.1. Bank of Finland – promoter of stability	4
1.2. Organisational structure of the Bank of Finland.....	4
1.3. Evaluation of personnel strategy implementation, 2003	5
1.4. Collective civil service agreements and shop stewards.....	7
2. WORKING HOURS	8
2.1. Additional and overtime work	8
2.2. Holiday bank.....	9
2.3. Purchased staff resources.....	9
3. PAY AND BONUSES	10
3.1. Pay and incentive schemes	10
3.2. Pay increases and bonuses, 2003	10
3.3. Average pay by organisational level.....	11
3.4. Average pay by skills level.....	11
3.5. Taxable fringe benefits	12
4. STAFF AND STAFF STRUCTURE.....	13
4.1. Human resources planning	13
4.2. Forms of employment.....	13
4.3. Staff size	13
4.4. Age composition of employees	15
4.5. Recruitment.....	17
5. STAFF COMPETENCE AND COMPETENCE DEVELOPMENT	22
5.1. Educational background	22
5.2. Employment record	23
5.3. Competence development priorities	24
5.4. Other professional development.....	27
6. WELLNESS AT WORK	28
6.1. Occupational health service.....	28
6.2. Physical training	32
6.3. Leisure services and facilities.....	32
7. PENSIONS.....	33
7.1. Retired employees and employees reaching pensionable age.....	33
7.2. Bank of Finland pension fund.....	34
7.3. Number of pensioners.....	35

PERSONNEL AUDIT 2003

Introduction

The Bank of Finland's human resources management objectives are based on a skilled staff, efficient and effective operations and staff resources that are gauged in accordance with strategic objectives.

By employing key personnel figures, management and supervisors can assess their own human resources management performance and therefore identify and make appropriate allocation of development measures. Achievement of the Bank's strategic objectives in terms of staff size and structure (age and competence) requires that the next round of strategy discussions address, for example, the following aspects of human resources management.

- How to commence external recruitment in a controlled manner?
- How to ensure maintenance of staff structures and staff competence in the light of the ongoing retirement process?

The 2003 personnel audit of the Bank of Finland is the eighth of its kind. The same key figures have been used over successive years, in order to ensure a reliable analysis of the Bank's human resources work. We have sought to improve the contents of the audit to allow for more extensive analysis and to redesign the layout for greater readability.

We hope that you will find this personnel audit interesting and useful reading on the Bank's human resources work in 2003.

Sincerely

Aura Laento

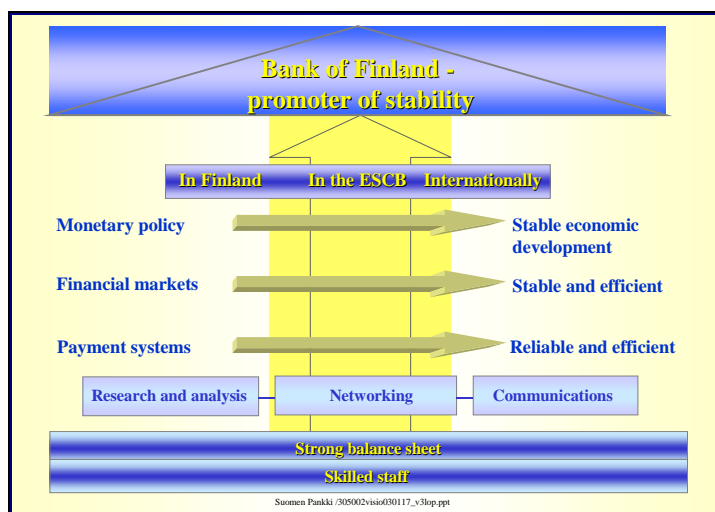
1. MANAGEMENT SYSTEMS

1.1. Bank of Finland – promoter of stability

The long-term planning and development of the Bank of Finland's activities is based on regular analyses of the operating environment as well as on background studies of current topics relevant to the planning work. These topics are dealt with annually at the senior management's strategy discussions and seminars, which also address the implementation of the strategy and any needs for strategy change or adjustment. In their annual action planning, the various departments provide the Bank's strategy a concrete operational form.

In line with the Bank's strategy, the Bank of Finland is Finland's monetary authority and an active and constructive member of the European System of Central Banks (ESCB). The Bank seeks to operate with reliability, high quality, cost efficiency and transparency.

Price stability, efficient and stable financial markets and sustainable public finances provide the framework for economic growth and employment. The Bank's activities are directed to promoting these objectives. The Bank's influence is based on high-quality and well-allocated monetary expertise and an efficient international and national cooperation network.



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 (18) and advisers to the Board (5) 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 is composed of Matti Vanhala, Governor, Matti Louekoski, Deputy Governor, and Sinikka Salo and Pentti Hakkarainen, Board Members. The Bank is overseen by the members of the Parliamentary Supervisory Council (9) elected by the Finnish Parliament.

Regional currency maintenance has undergone restructuring. Under the new model, the Vantaa regional office and the branch offices operate as regional currency maintenance offices. Some other minor changes were also made to the Bank's organisational structure, such as the concentration of the economist information management services in the Statistics Department.

At the end of 2003, a decision was taken to merge the Bank's Publication and Language Services Department and the Communications Unit to form the Communications Department, which commenced operations in 2004.

1.3. Evaluation of personnel strategy implementation, 2003

Staff size

The aim of the Bank's human resources management is to bring about a reduction in the Bank's staff numbers and reduce overlapping functions. To this end, the Bank has observed a highly restrained policy as regards external recruitment, taken advantage of the current retirement situation and encouraged internal job rotation. Further development and organisation of processes, job redesign and improving staff competence were the departmental priorities in the field of human resources work in 2003. A reduction in staff size was achieved in 2003 in accordance with the strategy.

During the latter part of 2003, the Bank's operational strength amounted to 627 persons, 516 of whom worked at the head office and 111 in the Payment Instruments Sector.

In the course of 2002–2003, the Banks' staff strength has fallen by 13%. The staff of the Payment Instruments Sector declined by nearly 25%, in response to the currency maintenance strategy and the reallocation and adjustment measures introduced in the sector. Head office staff declined by 4%, with the reduction mainly focusing on support and service functions where retirements brought about the reorganisation of jobs and processes.

A new job rotation policy was introduced in September and active measures were launched to boost job rotation. No major results were seen in 2003, with only ten persons signing up for the job rotation programme in the last few months of the year. The mismatch of supply and demand was seen as the biggest obstacle to job rotation. Interest in job rotation has, nevertheless, stepped up since then, which is reflected in the higher volume of applications for vacant posts by Bank employees.

Total staff recruitments declined further in 2003. There were 40 appointments in all, of which 21 were made internally and 20 externally. The turnover rate for employees leaving the Bank was 12%, with as much as 60% leaving for retirement and 30% following termination of a fixed-term contract in currency maintenance. The turnover rate for those entering the Bank's service was as low as 3%. The small number of external recruitments and the imbalance between the turnover rates for those leaving and entering the Bank have caused the average staff age to gradually increase over the years. In 2003, the average staff age was 46, with 46% of the employees being over the age of 50. The corresponding figure for the central government sector was approximately 43 in 2002.

In 2004, 39 persons are due to retire from the Bank, with as many as 28 leaving from the head office. According to departmental plans, the replacement rate for vacant posts will be 40%.

Competence

A total of EUR 1.26 million was allocated to training, which represents 4.2% of labour costs. This stands out well in comparison with other organisations (2.8% Benchmarking 2003¹). Training was mainly allocated to experts (49%), although the resources devoted to the training of experts declined by nearly 10% compared with the year before.

Although the staff size declined by 7%, the time allocated to training increased by about 0.5%, to 2.2% of total working time. Training provided at the Bank was relatively evenly spread between financial, IT, languages and interactive skills training, as well as leadership training and other vocational training.

The production of research publications for domestic and foreign journals was as extensive in 2003 as in the years before, amounting to 216 reports, articles and books.

Academic research studies within the framework of projects aimed at developing cutting-edge skills among experts were pursued by five persons.

The number of short-term scholarly visits to the Bank continued to increase, with 23 mainly foreign visiting scholars working in the Bank's research department and the Institute for Economies in Transition in the course of the year.

The number of book loans has been steadily increasing, with more than 18,600 staff book loans being made in the course of 2003.

The approaches to and volumes of training, research and on-the-job learning are geared towards maintenance of professional competence. A stable and systematic approach was taken to competence development with no revolutionary learning procedures or innovations being applied in 2003.

¹ Paras Käytäntö Oy - Best Practice Ltd: Human Resource Management Benchmarking 2003 Study. The figures for the 2002 Study were used as source material.

Human resources management

A HAY pay scheme, combining the earlier ESA and P pay schemes, was introduced to cover the entire staff in 2003.

A survey of the electronification and streamlining of the Bank's human resources work (the eHR project) was undertaken in 2003. The eHR project will be implemented in stages over the years 2004–2006. The eHR system represents one step towards modern human resources work.

The debate on the findings of the social climate survey undertaken towards the end of 2002 fuelled several development projects. Staff development discussions were broken up in two parts and the competence development process was revised. The job rotation policies were adjusted and a reform of the bonus system was proposed to the Board. Departments launched their own development measures in the context of job prioritisation and organisation, flow of information, competence maintenance etc. The improvements in human resources management will be assessed in the course of 2004.

1.4. 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.

The collective civil service agreement for 2001–2003 expired on 15 February 2004. Collective bargaining negotiations were launched in autumn 2003 and a new two-year collective civil service agreement covering the years 2004 and 2005 was concluded.

2. 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. The flexitime balance is evened out three times a year. The duties of about 20% of the Bank's employees involve fixed or staggered working hours or shift work.

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

The following table sets out the number of man-years in 2003 by regular working hours.

Man-years 2003	
Permanent	608.25
Fixed-term	32.3
Sub-total	640.6
Holiday substitutes	26.8
Trainees	4.1
Employees paid by the hour	2.8
Total	674.3

2.1. Additional and overtime work

Amount of additional and overtime work and related costs, 2003

Year	Overtime worked		Overtime compensation	
	Hours, total	Employees, number	Hours, leisure	EUR
1999	31,870	447	1,711	875,304
2000	22,644	412	1,341	624,557
2001	29,365	478	1,653	856,741
2002	26,644	483	1,805	758,495
2003	19,334	407	1,534	627,554

The amount of additional and overtime work declined by 7,310 hours (27%) in comparison with last year.

As in previous years, additional and overtime work was concentrated in Administration, Publication and Language Services, IT and Security. At about 5,800 hours, the decline in the amount of additional and overtime work was most pronounced in the Payment Instruments Sector, where the total amount of additional and overtime work declined to 15% from that recorded in the year before as the extra work necessitated by the cash changeover had ended. There was also a marked decline in the amount of additional and overtime work reported by the Security Unit.

2.2. Holiday bank

The number of holiday days, as well as days to be taken as overtime or flexitime leave, entered in the holiday bank increased by approximately 2% in the year. The number of days entered in the holiday bank were as follows:

2000	428 persons	11,495 days
2001	400 persons	11,562 days
2002	394 persons	12,089 days
2003	394 persons	12,345 days

The total number of days in the holiday bank averages 31 days per employee, which represents 1.5 months of working time per employee and altogether approximately 49 man-years.

The maximum number of holiday bank days per employee is 125. There are 18 employees with over 100 days in the holiday bank, while seven employees have reached the maximum number of days.

Employees are encouraged to use the days in the holiday bank as time off as a measure against work fatigue, but in recent years these days have typically not been used until immediately before retirement. Monetary compensation in exchange for the days in the holiday banks is only available to employees leaving the Bank's service.

2.3. Purchased staff resources

In 2003, purchased staff resources represented approximately 45 man-years, with the cost of purchased services amounting to EUR 2.3 million. Purchased staff resources refer to non-employees of the Bank working in the Bank more or less on a daily basis.

Services purchased by the Bank typically cover such functions as various administrative, real estate, personnel, restaurant as well as occupational health services.

	2001		2002		2003	
	man-years	EUR m	man-years	EUR m	man-years	EUR m
Own staff	746.5	41.4	734.8	43.2	674.3	
Overtime worked	15	0.9	13.8	0.7	10.0	0.6
Purchased services	38		35	1.8	45.0	2.3
Total	799.5		783.6	45.7	729.3	

In addition to this, the Bank commissioned professional and consultant services to the value of EUR 2.2 million in 2003. Consultant services were used, for example, in IT consulting, human resources, auditing and legal services.

3. PAY AND BONUSES

3.1. Pay and incentive schemes

A new pay scheme was adopted by the Board in March 2003. The new HAY based scheme is a combination of the Bank's previous and separate ESA and P pay schemes.

A representative cross-section of 50 defining positions were selected from the Bank and the FSA, graded according to the HAY job evaluation chart and ranked in skills categories, with the rest of the Bank and FSA jobs being matched against these defining positions. Assessment of the defining positions takes account of the responsibilities and effectiveness of the position, together with requirements of know-how, leadership and interactive skills and the extent and freedom of problem solving involved.

In line with the pay policy approved by the Board, the average target wage level of the Bank's wages shall be set according to the market median derived from the HAY benchmark survey, subject to wide dispersion.

The Bank has also in place a discretionary bonus scheme covering all employees. Bonuses may be awarded at the supervisor's discretion for successful projects, outstanding individual performance, or for individual performance that continually surpasses goals. The bonus policies were adjusted at the end of 2003 in that bonuses may hereinafter be awarded throughout the year, instead of once a year as has been the case so far.

3.2. Pay increases and bonuses, 2003

In line with the three-year Collective Civil Service Agreement signed in 2001 and covering the entire staff, an overall 1.7% pay rise was effected in March 2003, while in May a 1% sectoral allowance was distributed as personal pay rises and accorded to individual employees at the supervisor's proposal. A personal pay rise was given to 103 persons in skills categories 8–13 and to 77 persons in skills categories 14–19, with the cost effect for both categories being 1%. Furthermore, in spring individual merit increases were given to 55 persons in skills categories 14–19 and to 3 persons in skills categories 8–13.

In the year bonuses were awarded to a total of 58 employees, with bonuses totalling EUR 68,650. Bonuses represented 0.25% of the Bank's annual payroll. The Bank of Finland's bonuses were clearly fewer and smaller than those of the companies participating in the HAY benchmark survey. Of the Bank's staff, 9.5% received bonuses in 2003, whereas the corresponding benchmark figure was 52%. Of the bonuses, 30% were awarded to persons in skills categories 8–13.

The findings of the market pay survey undertaken in July 2003 showed that the Bank's and FSA's pay policy has attained and even surpassed the average target set by 7.4% when the basic pay and benefits of all the companies participating in the survey are studied. The pay of support and service staff exceeded the market median by an average of 12.5%.

3.3. Average pay by organisational level

The change in average pay by staff category reflects the pay increases effected in the spring, with the merit increases focusing on the wages of experts. The average pay of the support staff increased both in response to the general pay settlement and following the resignation of a large number of mainly young fixed-term employees in the Payment Instruments Sector in the course of the year under review.

Average monetary pay (basic pay + fixed supplements), 1999–2003

	1999 EUR	2000 EUR	2001 EUR	2002 EUR	2003 EUR
Supervisors	5,017	5,360	5,469	5,676	5,825
Experts	3,286	3,359	3,562	3,728	3,852
Support staff	2,018	2,025	2,058	2,189	2,264
Total	2,708	2,790	2,873	3,075	3,215

3.4. Average pay by skills level

Following the introduction of new skills categories with the new pay scheme, the analysis of changes in average pay by skills level had to be started all over from the beginning of 2003.

The analysis now also includes the ratio of average pay for women to average pay for men of equivalent skills level. The findings indicate highly substantive pay equality between men and women at the Bank of Finland, with the average pay ratio averaging approximately 100% and the maximum deviation by skills category being +/- 10%.

An analysis of staff pay without division into skills categories shows that average pay for women represents 81% of average pay for men, reflecting a higher proportion of women in the lower skills categories.

At the end of 2003, the average pay for women was EUR 2,883 and that for men EUR 3,573.

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

Skills category	2003		
	Number	Average pay for men and women EUR	Average pay, women/average pay, men %
22	3	8,015	-
21	10	7,295	96
20	11	6,628	91
19	26	5,409	105
18	32	4,940	99
17	71	4,255	99
16	71	3,742	101
15	50	3,267	101
14	36	2,797	105
13	58	2,535	102
12	86	2,444	102
11	74	2,242	99
10	60	2,097	95
9	29	1,922	90
8	20	1,671	109

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

3.5. Taxable fringe benefits

The fringe benefits were meals (EUR 96.60/month), use of a mobile telephone (EUR 20/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

The human resources plans prepared in connection with annual action planning are indicative for the application of resources by departments and units. The human resources plans are geared towards changing the Bank's staff structure by taking advantage of retirements. Needs for new resources are examined critically in terms of both numbers and skills.

4.2. Forms of employment

The share of full-time employees was 99%. In 2003 there were 11 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.

Permanent employees accounted for 95% of all staff (compared with 94% in 2002) and fixed-term employees for 5% (compared with 6% in 2002). At the end of the year 25 persons, or 4% of staff, were on leave of absence. Of these, 9 persons were employed by the European Central Bank (ECB).

4.3. Staff size

At the end of 2003, Bank employees numbered 651.5 persons, of whom 8% were heads of departments or divisions, 40% experts and 51% other employees. The latter two categories include 25 team leaders. The supervisor to employee ratio, ie the average number of employees per supervisor, is around 11 at the Bank.

Breakdown of staff size by category, 31 Dec 2003

	Full-time		Part-time		Total	%
	Permanent	Fixed-term	Permanent	Fixed-term		
Support staff	308	17	4	0	329	51
Experts	249	12	2.5	0	263.5	40
Supervisors	55	0	0	0	55	8
Senior management	0	4	0	0	4	1
Total staff strength	612	33	6.5	0	651.5	100
On leave of absence	-25		0	0	-25	
Operational strength	587	33	6.5	0	626.5	

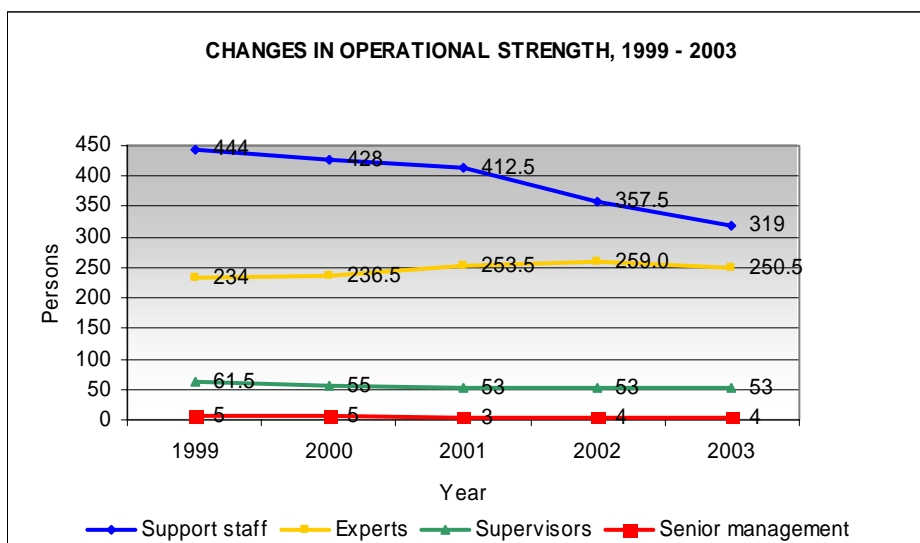
Those working shorter hours, having a part-time post or drawing a part-time pension qualify as part-time employees. The figures representing total staff strength and operational staff strength in the part-time employees' column are calculated in proportion to agreed working hours

In the personnel audit 2003, staff size is described in terms of the following concepts:

- **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.

Changes in operational staff strength, 1999–2003

	1999			2000			2001			2002			2003		
	Perm.	Fixed	Total	Perm.	Fixed	Total	Perm.	Fixed	Total	Perm.	Fixed	Total	Perm.	Fixed	Total
Support staff	396.5	47.5	444	382	46	428	360.5	52	412.5	339.5	18	357.5	302	17	319
Experts	216	18	234	214.5	22	236.5	228.5	25	253.5	240	19	259.0	238.5	12	250.5
Supervisors	61.5	0	61.5	55	0	55	53	0	53	53	0	53	53	0	53
Senior management	1	4	5	1	4	5	0	3	3		4	4		4	4
All	675	69.5	744.5	652.5	72	724.5	642	80	722.0	632.5	41	673.5	593.5	33	626.5



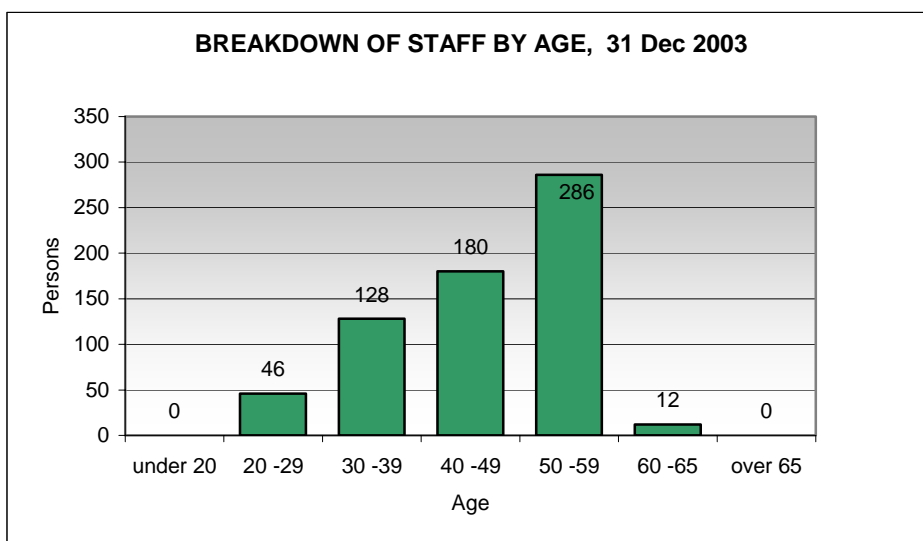
The number of staff in attendance (see above table) has declined by 16% over the year under review, with the most significant change having occurred during the past two years. At the end of 2003, support and service staff accounted for 51% and experts for 40% of the staff in attendance. The proportion of supervisors has remained unchanged (about 8%) during the whole period under review, while that of senior management has represented a little less than 1%.

The most striking change in staff structure concerns the number of support and service staff which shows a decline of approximately 10% over the past two years. Correspondingly, the proportion of experts has increased by 10%.

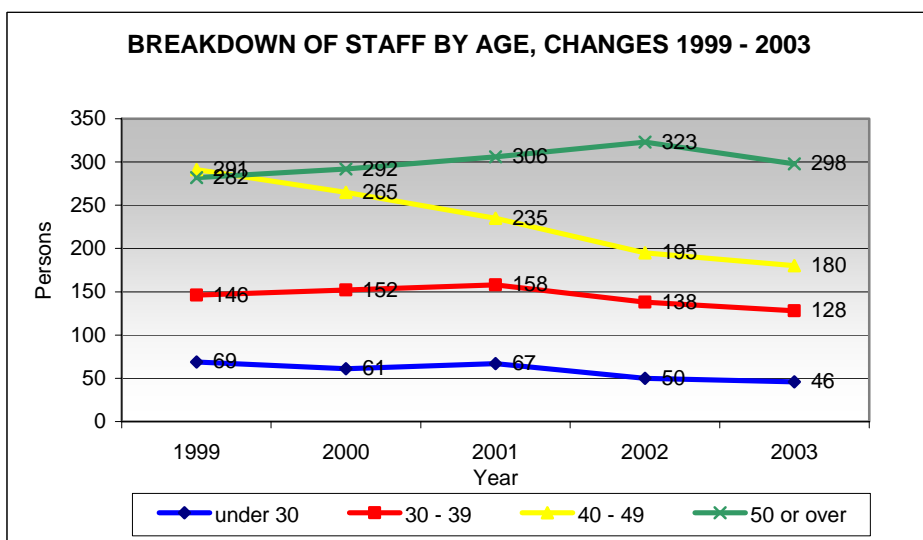
4.4. Age composition of employees

The average age of employees was 46 (46.4 for women and 45.5 for men). Corresponding figures for 2002 were 45.9 (46.6 for women and 45.1 for men).

Breakdown of staff by age, 31 Dec 2003



Changes in breakdown of staff by age, 1999–2003

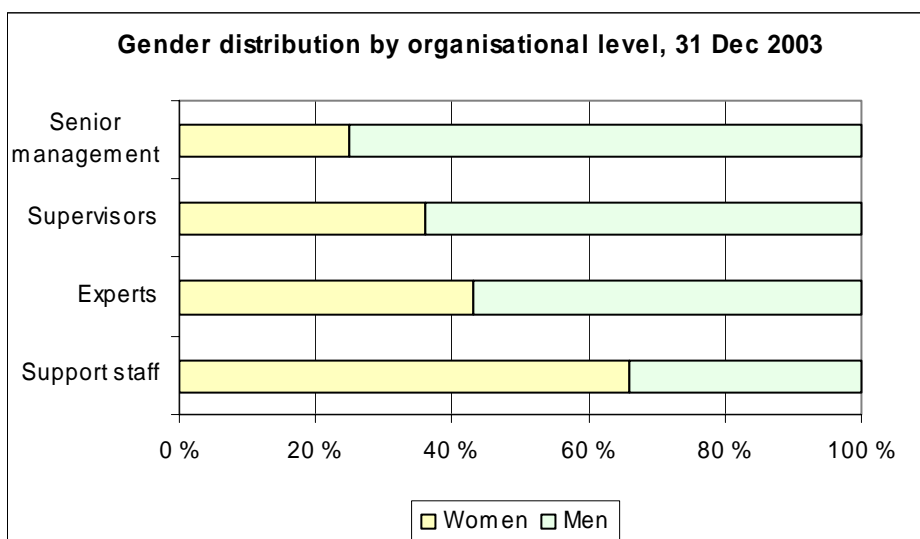


For several years already, the Bank's age structure has been characterised by a high proportion of over 50-year-olds, which reached 46% in 2003. Although the number of those over 50 has remained more or less intact over the period under review, their proportion has grown by 10% as total staff size has declined. Another major change is the decline in the proportion of 40–49-year-old employees. External recruitments have not led to an increase in the share of younger age groups, as recruitments have mainly focused on people with labour market experience. This is also reflected in the average age of 33 for newly recruited employees.

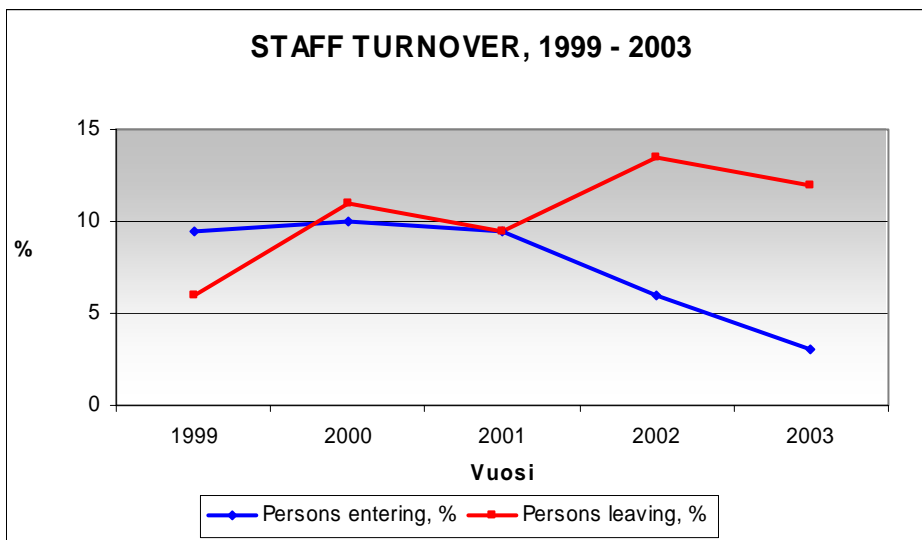
Of the Bank's staff, 53% were women and 47% men.

Staff by gender and organisational level, 31 Dec 2003

	Women		Men		Total	
	persons	%	persons	%	persons	%
Support staff	216	62	113	37	329	50
Experts	113	32	151	50	264	40
Supervisors	20	6	35	12	55	8
Senior management	1	0	3	1	4	1
All	350	100	302	100	652	100



The trend in staff turnover that had started in the previous year persisted. The turnover rate for those leaving the Bank was almost the same as in the year before (12%), whereas the turnover rate for those entering the Bank fell further, to 3%. The turnover rate for those leaving the Bank's service was 13.5% in 2002, and that for those entering the Bank's service 6%. Of those leaving the Bank's service, as much as 60% left because of retirement and 30% because of termination of their fixed-term contract in currency maintenance.

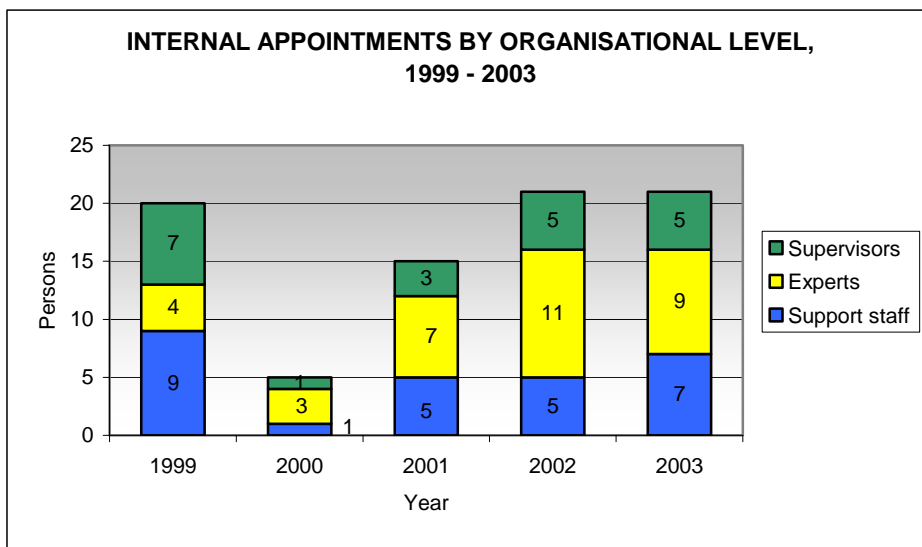


Turnover rate	=	$\frac{\text{Number entering/leaving Bank's service}}{\text{Average operational strength of staff}} \times 100$
(entering/leaving)		

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 revised job rotation policy and external recruitment ban kept the number of internal appointments at the same level as the year before. There were 21 recruitments made from existing staff, focusing on expert posts and support and service functions. Several supervisory posts (5) were also filled internally.

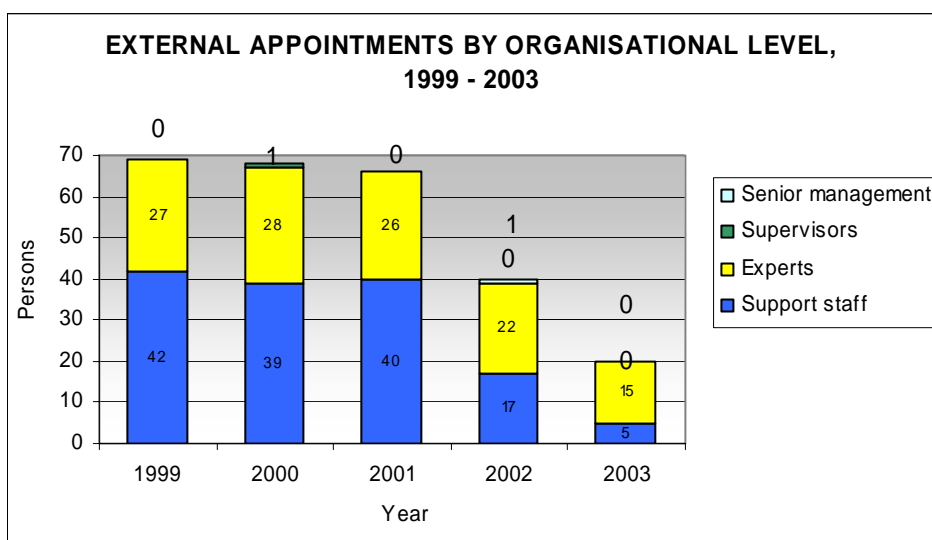


In addition to the internal appointment of 21 persons, internal mobility also picked up in response to assignments to research projects and reassignment decisions by the Board or individual departments. In 2003, a total of 42 Bank employees participated in internal job rotation, with the internal mobility rate of 6.5% showing a slight increase from the year before. However, the internal mobility rate reflects a clear growth trend, up from 6% in 2002 and 5% in 2001. Experts accounted for two-thirds of those participating in internal job rotation. All in all, one in ten employees started in a new job in 2003, one in three of them recruited externally.

External appointments

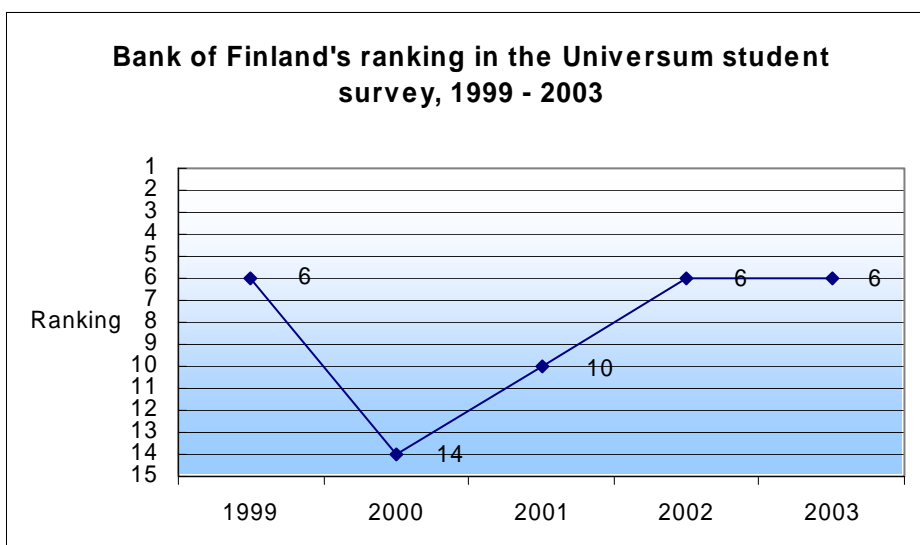
In 2003, there were 20 external recruitments, including 15 for expert and 5 for support and service functions. Of the recruitments, 3 were for permanent and 17 for fixed-term positions. Staff with specialised skills was recruited externally for research projects and for the economist and operative departments. The majority of the persons recruited for expert positions have a university degree (five with a post-graduate degree), while most of those employed as operative staff in the head office have at least a Bachelor of Business Administration (BBA). In the year there were 10 trainees in the Bank's service (secretarial students, BBA students and university students).

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



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. In this survey, conducted among students of economics, the Bank has mostly ranked among the 10 most popular employers in Finland, being positioned 6th in 2003. The poor ranking in 2000 reflects the Bank's recruitment policy decision to employ fixed-term labour for the duration of the cash changeover. Students' interest in working at the Bank of Finland was also affected by the unclear future role of the central bank, with the 'euro world' still in the process of emergence. In every student survey conducted so far, Nokia has clearly topped the list of other Finnish employers. The Bank of Finland has ranked among the most popular employers in the banking sector.



5. STAFF COMPETENCE AND COMPETENCE DEVELOPMENT

Staff development discussions are an integral part of the Bank's management system and action planning as well as being key to change management and competence development. In the course of the year, 89% of staff participated in staff development discussions. The corresponding figures for 2002, 2001 and 2000 were 90%, 90% and 87%, respectively. This can be regarded as a good participation rate in comparison with other organisations.

5.1. Educational background

The Bank of Finland's educational level index is 5 on a scale from 1 to 8 for the whole staff (4.9 in 2002) and 6.4 for those in expert positions (6.3 in 2002).

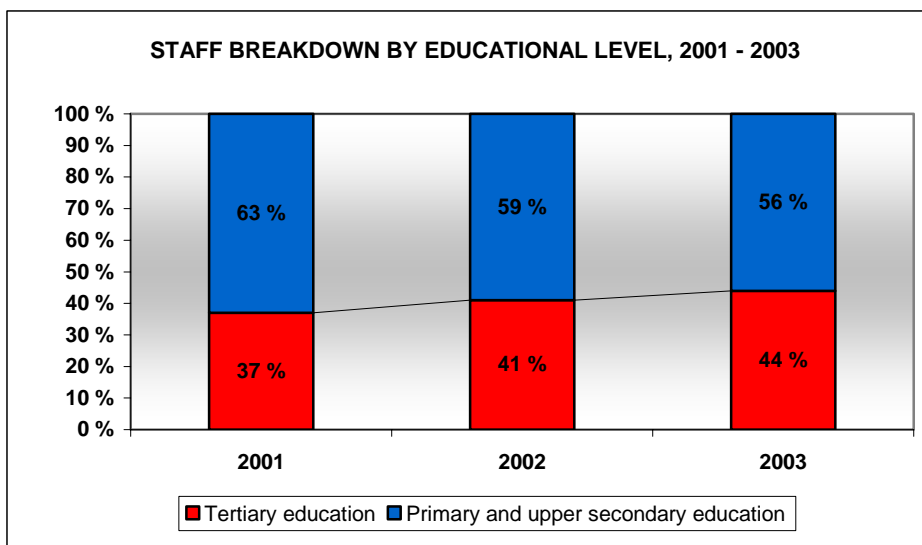
Educational background 2003

	Persons	% breakdown by educational level
Primary education	100	15
Upper secondary education	131	20
Lowest level tertiary education	134	21
Lower-degree level tertiary education	68	10
Higher-degree level tertiary education	173	26
Doctorate or equivalent level tertiary education	47	7
Total	653	100
Educational level index	5.0	

	Degree and educational details are classified in six different categories		Formula for educational level index ²
Primary and upper secondary education	Primary education	comprehensive and elementary school education, former lower secondary school education and levels of education unknown.	1.5 x number of employees at this educational level
	Upper secondary education	high school matriculation examination and vocational studies of 1 – 3 years' duration, basic vocational studies, vocational studies and specialised vocational studies.	3.5 x number of employees at this educational level
	Lowest level tertiary education	eg technical school and business school degrees other than polytechnic degrees.	5 x number of employees at this educational level
Tertiary education	Lower-degree level tertiary education	polytechnic degrees and lowest level university degrees and eg the degree of engineer.	6 x number of employees at this educational level
	Higher-degree level tertiary education	higher-level university degrees (master's degrees) and degrees of medical specialisation.	7 x number of employees at this educational level
	Doctorate or equivalent level tertiary education	doctorate and licentiate degrees.	8 x number of employees at this educational level

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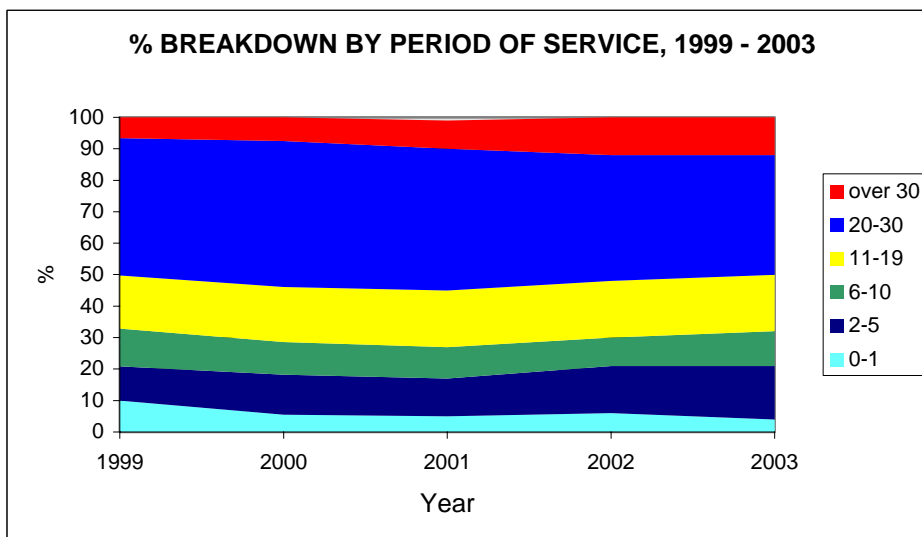
The educational level index is obtained by adding up the numerical values and dividing the sum with the total number of persons. The educational level index varies between 1 and 8.



5.2. Employment record

Period of service at BoF, years	1999 % breakdown by period of service	2000 % breakdown by period of service	2001 % breakdown by period of service	2002 % breakdown by period of service	2003 % breakdown by period of service
0-1	10	5	5	6	4
2-5	11	13	12	15	17
6-10	12	10	10	9	11
11-19	17	18	18	18	18
20-30	44	46	45	40	38
over 30	7	8	9	12	12
Total	100	100	100	100	100

Half of the Bank's employees have been in the Bank's service for more than 20 years, with the proportion of employees with more than 30 years of service having remained the same over the past few years. During the past few years, in particular, employees with longstanding service who entered the labour market directly upon leaving school have been offered the opportunity to study for professional degrees on the job (eg apprenticeships, business school studies).



5.3. Competence development priorities

Training expenditure was slightly higher in 2003 than in 2002 (from EUR 1.18 to EUR 1.26 million), with an increase of 6%. This was a good figure in comparison with other organisations. Of training expenditure, EUR 0.21 million was used for financial training, EUR 0.48 million for IT training, EUR 0.25 million for interactive skills, communication and languages, EUR 0.14 million for leadership training and EUR 0.16 million for other professional training. Nearly half of the training budget was allocated to experts, approximately 18% to operative staff, and 12% to management, while about 20% was spent on training directed at all staff categories.

Supervisory training for middle management and supervisors was continued. In October–November, leadership training was also organised for the Bank's group and team leaders. The programme focused on improving interactive management skills. The training was attended by approximately 85% (= 33 persons) of the group leaders of operative functions and their substitutes. A supervisor training programme intended for experts was introduced in autumn 2003. It is designed to develop advanced project management skills.

Nearly one-third of the Bank of Finland and FSA staff took part in language, communications and interactive skills training. Given the increasingly global operating environment, the focus was on the English language and on improving meeting and negotiation skills.

In 2003, in-house economic training focused on the use and development of macro models, payment and settlement systems, corporate governance and economic geography. In line with the practices of previous years, some training sessions have been made available to participants from other institutions. The major event of the year was the 10-day-long Macro Model Workshop attended by 22 participants from other central banks and 10 participants from the Bank of Finland.

IT training focused on basic training necessitated by the introduction of the Outlook mail system and the Office XP and Windows XP versions. Basic exams leading up to the computer 'driving licence' (ECDL) were tailored for the Bank. Courses were also offered in project work, testing and system development tools. Four of the Bank's departments participated in an electronic IT skills survey.

The following table indicates the time and costs allocated to training.

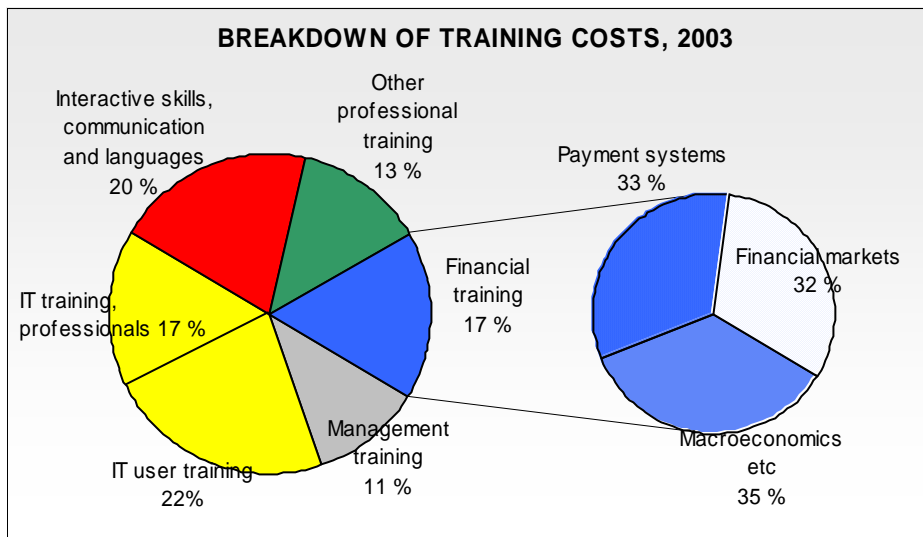
	1999	2000	2001	2002	2003
Time allocation, days	3360	3325	4343	3035	3581 *)
Days/man-years	4.3	4.6	6.1	4.3	5.6
% working time	1.7	1.8	2.4	1.7	2.2
Total expenses, EUR million	1.19	1.28	1.36	1.18	1.26
EUR/man-years	1,525	1,752	1,917	1,684	1,967
% of payroll	4.0	4.4	4.6	3.8	4.2

*) Not all days of external training are recorded.

Breakdown of training costs by staff category, 2001–2003

	2001 %	2002 %	2003 %
Supervisors	17	16	12
Experts	53	58	49
Support staff	19	18	17
Total	11	8	22

Breakdown of training costs, 2003



The allocation of course-based training by subject field differed from the previous year especially as regards IT user training (+11%), which is mainly attributable to the introduction of new versions of the email and operative systems. The 3% increase in leadership training is partly related to the special resources devoted to the training of group leaders and experts. The relative proportion of course-based economic training declined by 6% from the previous year, with greater focus on special issues in the field of payment systems and financial markets. The proportion of language and interactive skills training was the same as in previous years.

International courses jointly coordinated by the Bank of Finland were attended by 43 employees. Of them, 34 (14 more than before) participated in the ESCB-wide leadership, language and interactive skills courses and introductory courses, and nine persons in international financial courses.

The Bank of Finland aims to promote the acquisition of international experience and competence by awarding a maximum of four years of leave of absence for employment with the ECB or other key organisations. At the end of 2003 there were all in all 11 Bank of Finland employees working with international organisations.

5.4. 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	1999	2000	2001	2002	2003
Published books and articles	197	189	189	168	216
- of which in refereed scientific journals	13	16	11	19	22

The Bank's experts continued to contribute to publications at home and abroad on an extensive scale. Altogether 216 reports, articles and books were published by the Bank's experts, 22 of them in refereed scientific journals.

ACADEMIC THESES	1999	2000	2001	2002	2003
Projects	10	12	6	4	5
Man-years	5.5	8	4	2.1	3.4

The development of cutting-edge skills among experts was reflected for instance in academic research studies pursued by 5 persons in 2003 and representing approximately 3.4 man-years.

IN-HOUSE SEMINARS	1999	2000	2001	2002	2003
Number of seminars	59	59	50	74	47
Average number of participants/seminar	19	16	17	18	19

A total of 47 brief seminars intended for all the Bank's experts were arranged on current topics in the field of research and economic policy. These seminars attracted an average of 19 participants.

VISITING SCHOLARS	1999	2000	2001	2002	2003
Persons	12	15	17	21	23
Man-years	4	5	6	6.8	7.1

The number of short-term scholarly visits to the Bank continued to increase, with 23 mainly foreign visiting scholars working in the Bank's research department and the Institute for Economies in Transition in the course of the year. The total work input of visiting scholars amounted to approximately 7 man-years.

USE OF LIBRARY	1999	2000	2001	2002	2003
Loans	12,453	12,955	14,680	15,764	18,656

In spite of the wide-spread availability of electronic journals and other electronic sources, loans of printed publications have been steadily increasing during the past few years. In 2003, book loans to the Bank's staff amounted to 18,656.

6. 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.

6.1. Occupational health service

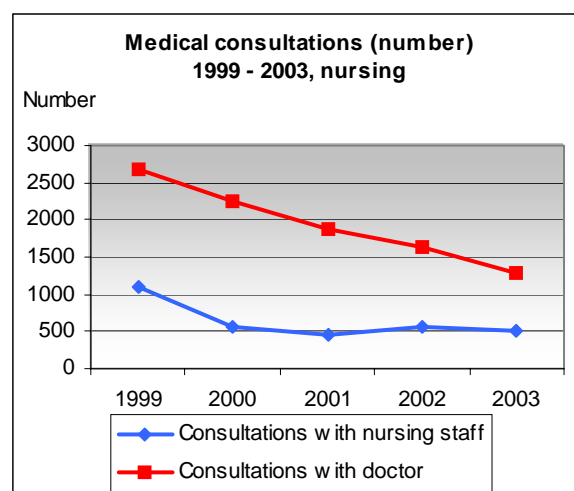
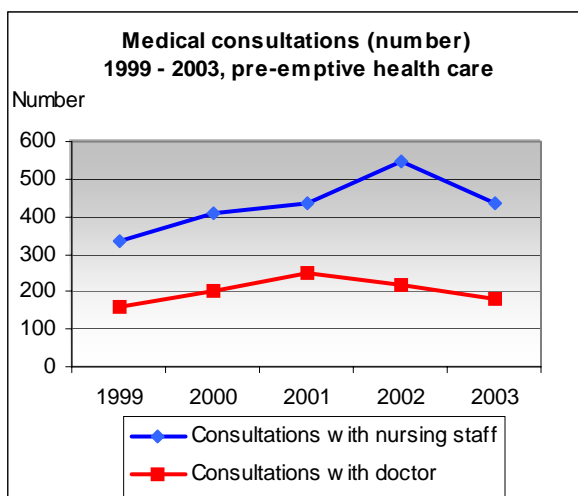
The Bank of Finland purchases occupational health services for the head office and FSA staff from Diacor Terveyspalvelut Oy (Diacor Health Services). The Keskusta Medical Clinic is the primary clinic, but Bank and FSA employees have also visited the Alppikatu and Tikkurila medical clinics under exceptional circumstances.

The Bank's occupational health service scheme also covers dental care costs, subject to a fixed annual ceiling. The head office has entered into centralised agreements on the provision of dental care with Hammaslääkäriasema Fossa Oy (Fossa Dental Clinic) and Hammassairaala Oral Oy (Oral Dental Hospital).

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

Occupational health services focus on improving pre-emptive health care and carrying through long-term health care measures. In the year under review, the focus was on early rehabilitation policies and related practices.

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 decreased further, whereas the proportion of pre-emptive care visits of total visits has increased.

Pre-emptive care includes medical examinations upon service entry and age-related check-ups as well as assessments of working capacity, including follow-up. The decline in the number of health visits reflects staff reductions. The relocation of the occupational health nurse from the Bank's premises may also have contributed to the decline.

Absence from work due to sick leave

The number of days of absence from work due to illness totalled 6,100 (of which 4,895 business days) and involved 557 employees (figure calculated on the total number of staff working at the Bank in the course of the year). Sick leave as a percentage of total working days was 2.9, or 0.4 percentage points lower than in 2002. The absence rate is calculated using a ratio of regular working days based on man-years.

The total number of days of absence because of illness has declined significantly (21%) from the year before, partly in response to the staff reductions.

The following absence statistics illustrates periods of illness by length of absence:

Length of absence	1–3 days	4–10 days	more than 10 days
Periods of illness	1,130	192	89
Persons	482	148	80

Periods of illness are down by 20%, with long periods of illness of more than 10 days showing the proportionately biggest reduction (33%).

Although the number of short spells of absence because of illness (1–3 days) has declined by 19%, their proportion of all periods of absence has slightly grown to 80.1% (from 78.9% in 2002). Keeping track of short spells of absence constitutes an important human resource management tool for departments.

No absence from work because of illness was registered for 247 persons, giving a health rate of 30.7%, which is 3.9 percentage points higher than in the year before.

A comparison of the above key figures with corresponding figures for the companies participating in the Human Resource Management Benchmarking 2003 Study¹ reveals that the illness absence rate for the Bank was below the benchmark median (3.5%). However, the proportion of short spells of absence was well above the benchmark median (63.8%), whereas the health rate was below the median (34.7%).

Absence due to accidents at work

During the year under review there were 25 accidents at work or on a journey to and from work, of which 14 were work injuries. Eleven of the accidents led to absence from work. The number of days of absence due to recent work accidents or work accidents having occurred in the year before amounted to 544 (382 of which were working days). Corresponding figures for 2002 were 28 accidents and 430 days of absence.

¹ Paras Käytäntö Oy - Best Practice Ltd: Human Resource Management Benchmarking 2003 Study. The figures for the 2002 Study were used as source material.

Costs of the occupational health service scheme

The Bank operates a fully experience-rated industrial accident insurance scheme, the costs of which amounted to EUR 108,000 in 2003. The annual costs are dependent on the number of accidents that occur.

The costs of the occupational health service at the Bank amounted to EUR 468,000 in 2003, ie EUR 747 per person. This is exclusive of the Bank's administrative costs. The compensation paid by the Social Insurance Institution (KELA) to the Bank amounted to EUR 138,000, ie EUR 220 per person.

Dental services accounted for EUR 67,000 of the net expenses of the occupational health service scheme, ie about EUR 110 per person. In line with the Health Insurance Act, the Social Insurance Institution (KELA) compensated the Bank for part of the dental service costs for employees born after 1945.

The net expenses of the occupational health service scheme were 5% lower in 2003 than in the year before. Approximately 28% of the costs concerned pre-emptive care.

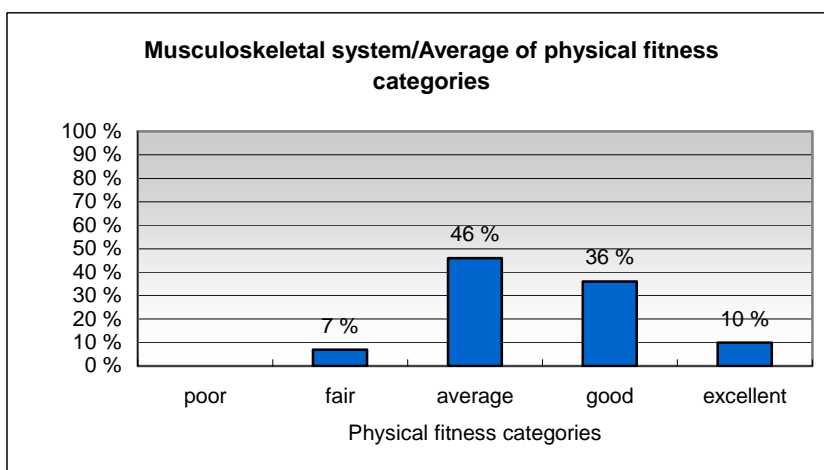
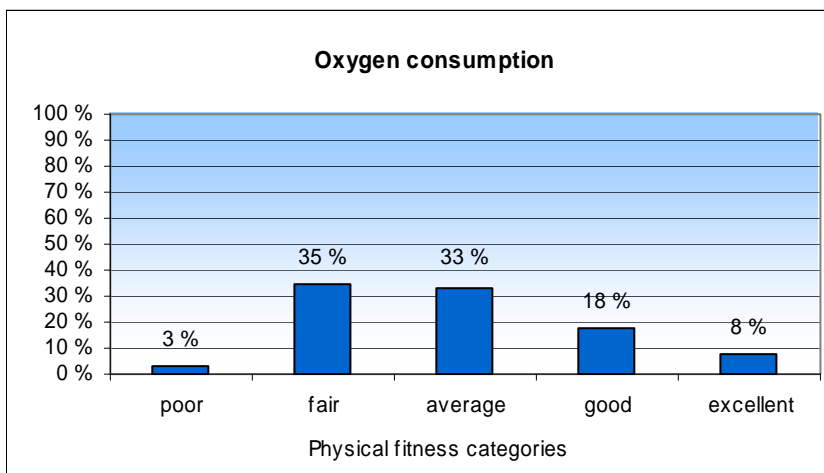
Maintenance of working capacity

Age-related health check-ups were carried out on 115 persons in the age bracket 35–60 years. The check-ups included measurement of the working capacity index. The employees' performance in terms of working capacity is outlined below:

Excellent working capacity	49.4%
Good working capacity	40.5%
Fair working capacity	6.3%
Poor working capacity	3.8%

Of those participating in age-related check-ups, 57% were women and 43% men. The breakdown by level of working capacity has remained practically unchanged since 1998. The proportion accounted for by employees with fair or poor working capacity was slightly lower than in the year before. The occupational health service will explore the need for special measures to promote the working capacity of employees in these categories.

The employees undergoing health checks-up were also offered a functional ability test undertaken by an occupational physiotherapist. The breakdown by physical fitness category of those undergoing the test (60 employees) is illustrated below:



The results of the functional ability test show that most of the Bank employees (93%) undergoing the test display moderate or better muscular condition than the Finnish peer group. However, in the test measuring oxygen consumption, Bank employees did not perform as well as the peer group, with the performance of 38% of those undergoing the test being below medium level. Oxygen consumption values are a better measure of overall physical fitness and ability to cope with work stress.

Drug testing

Drug testing was introduced at the Bank of Finland in 2003 in accordance with the anti-drug programme adopted by the Board. All present and newly recruited members of the Bank's security personnel, all in all 43 persons, were drug tested.

Rehabilitation

A group of experts received open rehabilitation under the ASLAK scheme at Suomen Selkänstituutti (The Finnish Back Rehabilitation Centre), at the expense of the Social Insurance Institution (KELA). The group included ten experts from the Bank and the FSA. Following the actual rehabilitation programme, further rehabilitation measures within the framework of the occupational health scheme were agreed with the members of the group.

The heads of department of the Bank of Finland and the Financial Supervision Authority (10 persons) participated in rehabilitative treatment at the Siuntio Rehab Centre.

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.

Rehabilitation in small groups was organised to provide quitting smoking and weight control support.

6.2. Physical training

The Bank has a cooperation agreement with the Sports for All Federation for the provision of physical training services to Bank employees. The Federation is responsible for arranging regular physical exercise classes and preparing physical fitness tests and physical exercise programmes. The physical exercise classes are designed to attract employees of all interest levels. The Sports for All Federation held two introductory gym courses and arranged various sports tryouts during the physical exercise classes in autumn and spring. The meetings of the weight control group set up in autumn continued in spring. A lecture and discussion meeting on sports for health was organised for the entire staff.

There are two promoters and organisers of physical training in the Bank, ie the Bank of Finland sports club and the Bank's tennis club.

In 2003 the Bank's sports hall was used on a regular basis by 334 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 143 functions were held at the club facilities on Snellmaninkatu, attracting 4,505 persons. At the Kallvik villa in Vuosaari, 38 functions were arranged during the summer and attended by 1,239 persons. The attendance rate of the villa was 44.7% and that of the club facilities 56.7%, while the occupancy rate of the Saariselkä cottages was 40%.

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

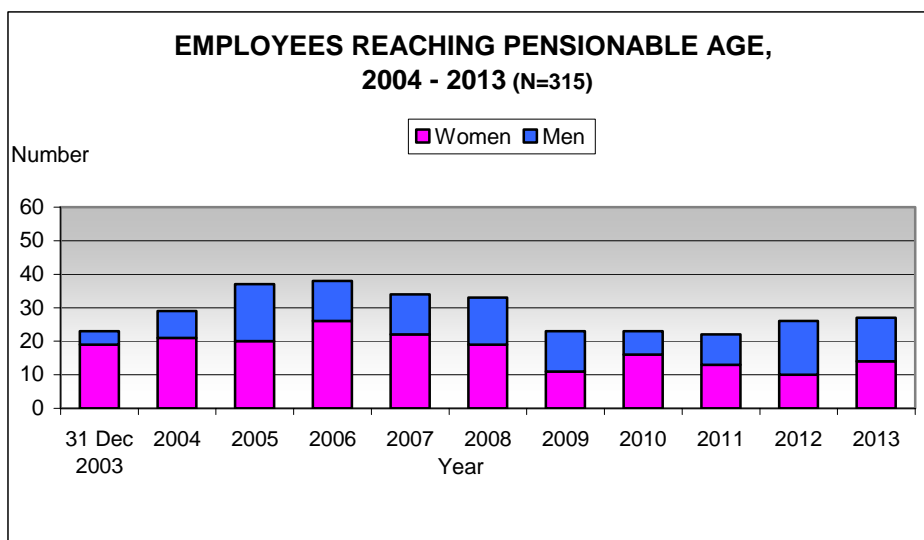
7.1. Retired employees and employees reaching pensionable age

There was a steady stream of retirements throughout 2003. The number of employees reaching pensionable age continues to be close to 200 people during the next five years. Over the year, the number of direct retirements from the Bank totalled 51, with 49 employees retiring upon reaching pensionable age (two of whom on the grounds of equality of pension provision and one on early old-age pension). No part-time pensions were awarded.

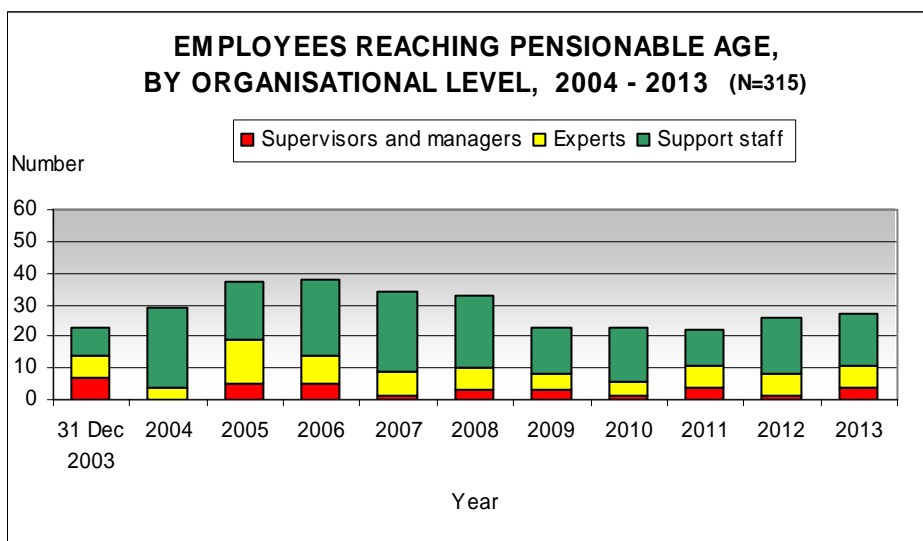
In the year under review, the average effective retirement age was 57 years, which was slightly higher than in the previous year. The average effective retirement age is expected to start increasing as the number of employees eligible for a lower pension age falls.

Employees reaching pensionable age, 2004 – 2013

Year	Women	Men	Total	Cumulative
31 Dec 2003	19	4	23	23
2004	21	8	29	52
2005	20	17	37	89
2006	26	12	38	127
2007	22	12	34	161
2008	19	14	33	194
2009	11	12	23	217
2010	16	7	23	240
2011	13	9	22	262
2012	10	16	26	288
2013	14	13	27	315
Total	191	124	315	



Employees reaching pensionable age, by organisational level, 2004–2013



7.2. Bank of Finland pension fund

The Bank of Finland operates an independent pension fund, which provides retirement benefits in line with the State Employees' Pension Scheme, takes pension decisions and effects pension payments, and is responsible for the financing of the employees' pensions. The 2005 pension reform will have a considerable effect on the pension fund activities of the Bank, more specifically on the fund's administration and its resource allocation. Following the impact studies undertaken in the course of 2003, it was decided that pension calculation be outsourced to the State Treasury Office, with actual outsourcing measures being scheduled to take place in 2004 and 2005.

To provide for financing of the pensions, the assets earlier representing the pension provision in the Bank's balance sheet were entered separately as a pension fund. The Bank of Finland pension fund is separately administered. The provision of investment services are outsourced to portfolio managers.

Like other Finnish pension providers, the pension fund cooperates with pension providers and the Finnish Centre for Pensions in the administration of the pension scheme. Pension calculation and medical expert services are purchased from the pension service unit of the insurance sector of the State Treasury Office, occupational health services from Diacor Terveyspalvelut Oy and pension liability calculations necessary for meeting pension liability from SILTA Oy. The personnel department has partly outsourced payment of pension. In addition, short-term employment contracts have been insured with the Etera Mutual Pension Insurance Company.

7.3. Number of pensioners

As of 31 December 2003, the Bank of Finland paid pensions to 838 persons, approximately 70% of whom were women. Of the pensioners, 585 have retired from the service of the Bank or the FSA, while 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.

Breakdown of retirement benefits in current payment in 2003:

<u>Retirement benefit</u>	<u>Number of persons</u>	<u>Payment, EUR</u>
Retirement pensions	605	12,187,903
Disability pensions	69	514,232
Unemployment pensions	16	36,006
Survivors' pensions	107	1,225,065
Early old-age pensions	32	569,793
Individual early retirement pensions	4	9,370
Part-time pensions	5	54,061
Total	838	14,596,430

In 2003, approximately EUR 12 billion was paid out in earnings-related pensions based on gainful employment in Finland. Excluding survivors' pensions, the breakdown is:

Retirement pensions	73%	(Bank of Finland 95%)
Disability pensions	19%	(Bank of Finland 3.9%)
Unemployment pensions	6%	(Bank of Finland 0.3%)
Part-time pensions	2%	(Bank of Finland 0.4%)

The proportion accounted for by disability pensions in pension expenditure has slightly declined in 2003 as compared with 2002.