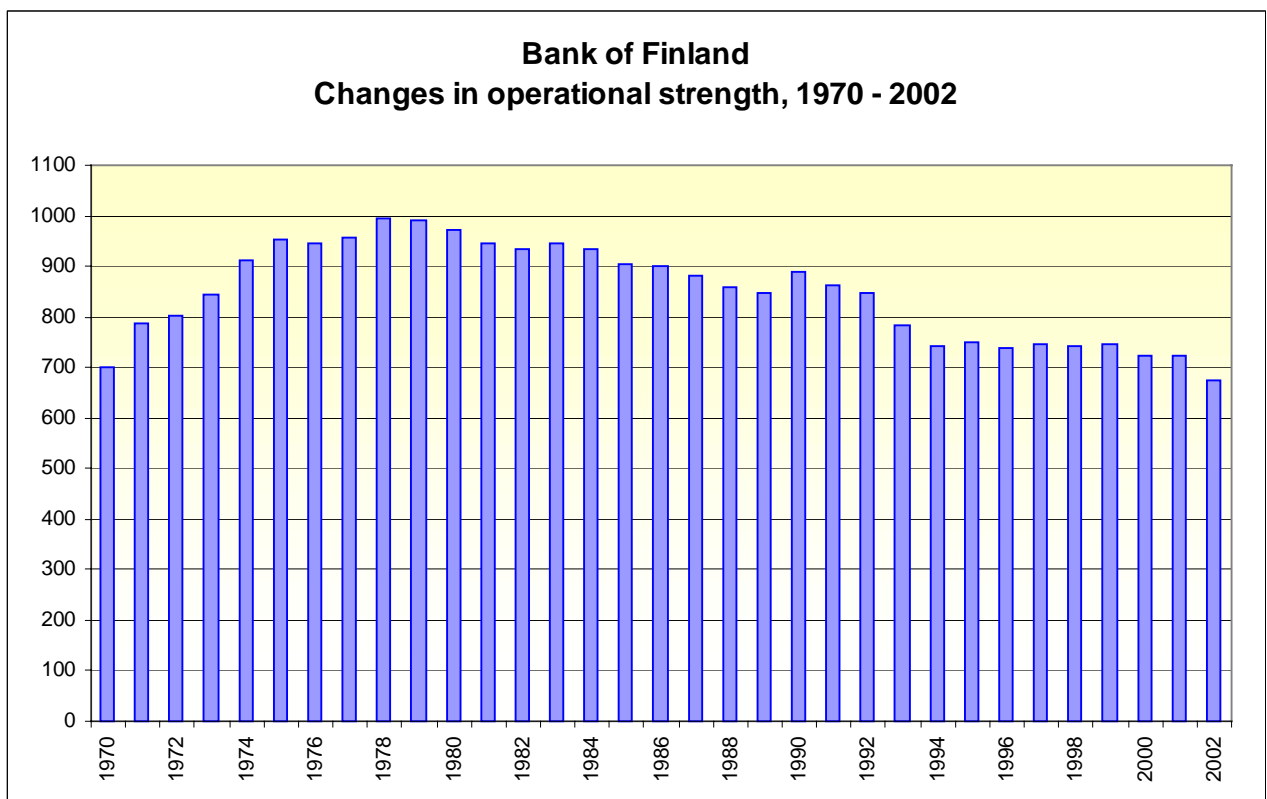


Bank of Finland

Personnel Audit 2002



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PERSONNEL AUDIT 2002

Introduction

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

The key figures underlying personnel management and staff development serve as a tool for evaluating the efficiency and effectiveness of the Bank's personnel management, as well as for identifying the need for new personnel policy guidelines and ensuring appropriate allocation of development measures.

The key figures of the personnel audit 2002 have been surveyed during the past seven years. The indicators and key figures employed will be brought in line with the Bank of Finland's strategy for 2003 and any necessary changes will be made in the next Personnel Audit.

Sincerely

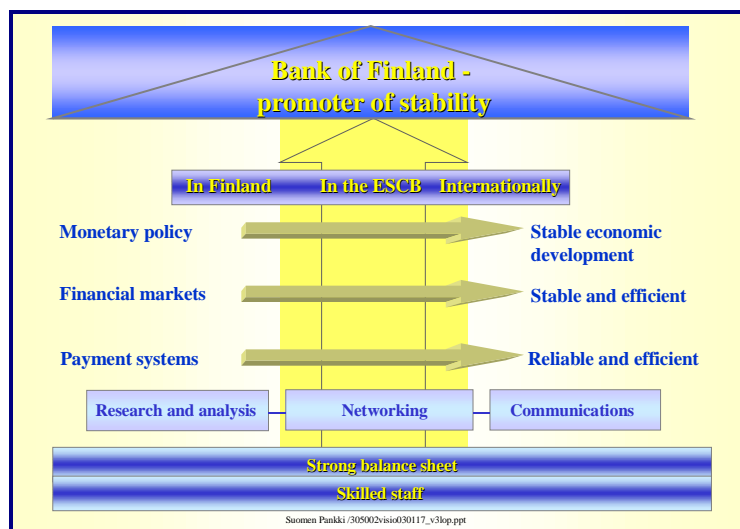
Aura Laento

1. MANAGEMENT SYSTEMS

1.1. Bank of Finland – engineer of stability

In accordance with the strategy of the Bank of Finland, 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 conditions 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 (19) and advisers to the Board (4) report directly to Board members, each of whom is responsible for a specific area. Decisions are however made on a collegial basis. The administrative decision-making power has been further delegated within the organisation, primarily to department heads.

The number of Board members increased in 2002 following the appointment to the Board of Pentti Hakkarainen, who started to work in the Bank on 1 February 2002. Following the new composition of the Board, a redivision of responsibilities was made.

No changes were made to the Bank's organisational structure in 2002.

1.3. Evaluation of personnel strategy implementation, 2002

Staff sizes

The Bank adopted the personnel policy guideline of controlled staff reduction as part of the retirement process. The changes in staff structure, however, mostly concerned the payment instruments sector.

The number of staff in attendance fell by 7% (49 persons) in the course of 2002. In the payment instruments sector the decline was 20% (35 persons) and in the main office 2.5% (14 persons).

The staff reductions in the payment instruments sector were attributable to the adjustment measures introduced at the regional offices in response to the completion of the cash changeover. The temporary cash changeover duties of the security and information services in the main office also came to a close. In 2002, 29 persons retired from the main office, with replacements recruited for nearly all of the vacated posts.

The number of staff on leave of absence declined by one-third from the year before. In 2002, 15 Bank employees worked for the ECB, compared with 21 in 2001. The decline was partly due to the new, stricter recruitment policy adopted by the ECB. Furthermore, several of the Bank employees in 2002 had completed the four-year maximum leave of absence under the Bank of Finland's leave of absence policy. During the year, seven Bank employees on leave of absence to work for the ECB or another international organisation resigned from the Bank's service. The Bank thus failed to benefit from their international expertise and ESCB networking contacts. A total of 3 persons returned to the Bank from international assignments upon termination of their leave of absence.

The turnover rate for those leaving the Bank's service was 13.5% and that for those entering the Bank's service 6%. The high turnover rate for those leaving the Bank is explained by the adjustment measures introduced in the payment instruments sector and the relatively high rate of retirement. The turnover rate for those leaving the Bank for other reasons was 3.5%. This rate has remained fairly stable over several years. There were 61 recruitments in all in 2002, one-third of which were made internally. The turnover rate for those entering the Bank's service primarily reflected the recruitment of economists.

Staff structure

The Bank adopted the personnel policy guideline of a staff structure increasingly based on experts.

The structural changes taking place in the Bank in 2002 were in line with the adopted strategy, although no major reassignments from operative to expert positions occurred. Of the total staff, 52% held operative positions, while 48% held expert or supervisory positions.

The changes in staff structure were primarily a reflection of the adjustment measures introduced in the payment instruments sector in late 2002, when 35 operative staff positions were discontinued. The structure of the main office staff was unaffected by the changes,

with experts still providing 38% and auxiliary service staff 48% of the work performed in the main office. Of the total staff, 8% currently hold supervisory positions.

Fixed-term employment contracts of young employees were made permanent, whereas the number of employees recruited on fixed-term contracts declined. In 2002, 6% of the Bank's employees were on fixed-term contracts, compared with 11% in 2001. Over the year, the average age of the staff rose by one year, to 45.9. The Bank of Finland is well on the way of becoming a clearly middle-aged organisation, unless determined efforts are taken over the next few years to recruit young, newly graduated experts between the ages of 30 and 40, as set out in the Bank's equal opportunities scheme.

In 2002, the Bank of Finland's educational level index was 4.9 on a scale from 1 to 8. The corresponding index for the public sector is 4.6 (Benchmarking 2002¹). The index for the Bank will rise as people with a higher education are recruited as replacements for those taking retirement. Still today the majority of the Bank's employees have primary or upper secondary level education (59%). The educational level index for those in distinctly expert positions was the same as in the year before (6.3). This must be regarded as a good rate and is, indeed, in line with the Bank's competence strategy.

Services purchased by the Bank included office, restaurant, cleaning and real estate maintenance, as well as translation, graphic design and occupational health care services. These services equalled 35 man-years. The Bank's own staff that used to perform those services matches that of the man-years performed, which indicates that the quantity and quality of the services has remained unchanged.

Competence

A total of EUR 1.2 million was allocated to training, which represents 3.8% of payroll. In comparison with other organisations (1.9% Benchmarking 2002¹), the Bank continues to devote substantial resources to staff training. Training was mainly allocated to people in expert positions (58%). Of the training budget 23% was used for financial training. A record number of in-house seminars for economists was arranged.

There has been an increase in training cooperation with the national central banks within the ESCB. The Bank of Finland enrolled a total of 20 participants on general leadership courses and courses in interactive skills. Financial training provided by the Bank attracted greater external participation (9% of participants).

The importance of independent information search skills becomes highlighted in an expert organisation. The Bank's library services play an important role in skills development. The number of book loans increased by 7% (15,764), while the number of searches in the library data base increased by 11% (317,350). The number of new acquisitions to the library collection fell from previous years (4,694).

The number of books and articles published by the Bank's experts fell slightly from the year before, but their proportion in refereed scientific journals almost doubled (19). There were 4 projects leading up to an academic degree undertaken in the year, representing 2.1 man-years, which points to a decline in academic effort as compared to previous years. Three

¹ Paras Käytäntö Oy- Best Practice Ltd: Human Resource Management Benchmarking 2002 Study

doctoral or licentiate theses were published in the year. There were 21 visiting scholars working at the Bank.

Human resources management

An employee attitude survey was carried out at the Bank at the end of 2002. The modified survey was undertaken as a follow-up, in certain sections, to the 2000 survey. The response rate was 68.4%. Overall, the Bank's results are slightly below the expert standard employed by the research institution, but findings nevertheless point to an improvement on the previous survey conducted at the Bank. Compared with the expert standard, Bank of Finland employees reported greater satisfaction with communications across departments, recognition received from the supervisor and the workplace induction programme. The Bank's staff reported a lower propensity to change jobs.

The major sources of dissatisfaction were related to the future outlook of the Bank, as well as to remuneration practices. The respondents also called for greater individual responsibility and a better team spirit and pointed to the problems caused by the departmental divides. Some would also like more feedback from supervisors.

Special development needs were highlighted in individual departments in the field of supervisor-employee relations, for example as regards objectives setting, job organisation, provision of feedback and skills utilisation.

Thirteen (13) of the Bank's supervisors will attain retirement age by the end of 2005. The role played by the supervisor for results achievement within an expert organisation cannot be overestimated. Therefore, special attention should be focused on the selection criteria applied in the recruitment of new supervisors. It is also necessary to explore whether the use of more flexible management tools could make for more effective human resources management. The nature of the work and working practices may differ considerably between functions and occupational groups, which is why the adoption of a creative approach within the limits of policy guidelines could be encouraged in the interests of more effective human resources management.

1.4. Collective civil service agreements and shop stewards

Collective civil service agreements are concluded between the Bank of Finland and the Staff 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 year 2002 constituted an interim year in the lifetime of the three-year Collective Civil Service Agreement. However, collective bargaining agreements conducted during the year included specifying certain issues related to the sectoral allowance and working hours.

2. STAFF EFFICIENCY

2.1. Use of working time

Use of working time by activity, 2002

Activity	Working days, Number	Man-years Number	Days / man-year	Hours / man-year	Breakdown of working time 2002 %
A. Time worked (=C-a-B)	148233.8	590.6	201.73	1553.35	80.37
a. Training	3035	12.1	4.13	31.80	1.65
B. Other use of working hours	33166	132.1	45.14	347.55	17.98
* Annual leave	25884	103.1	35.23	271.24	14.03
* Sick leave	6109	24.3	8.31	64.02	3.31
* Paid maternity leave	242	1.0	0.33	2.54	0.13
* Accidents	294	1.2	0.40	3.08	0.16
* Illness of a child	384	1.5	0.52	4.02	0.21
* Other leave under the agreement on terms and conditions of employment 1)	253	1.0	0.34	2.65	0.14
C. Regular time worked	184434.8	734.8	251.00	1932.70	100
D. Overtime worked	3460	13.8	4.71	36.26	1.88
E. Total time worked (=A+D)	151693.8	604.4	206.44	1589.61	82.25
Average length of working days (hours)					7.7
Number of working days a year					251

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

Use of working time by activity, percentage breakdown, 1999 - 2002

Activity	Breakdown of working time 1999 %	Breakdown of working time 2000 %	Breakdown of working time 2001 %	Breakdown of working time 2002 %
A. Time worked (=C-a-B)	80.51	79.42	79.81	80.37
a. Training	1.70	1.75	2.32	1.65
B. Other use of working time	17.79	18.83	17.88	17.98
* Annual leave	13.99	14.29	13.93	14.03
* Sick leave	3.33	3.58	3.29	3.31
* Paid maternity leave	0.10	0.29	0.10	0.13
* Accidents	0.03	0.36	0.20	0.16
* Illness of a child	0.22	0.21	0.22	0.21
* Other leave under the agreement on terms and conditions of employment 1)	0.12	0.11	0.14	0.14
C. Regular time worked	100	100	100	100
D. Overtime worked	2.09	1.55	2.04	1.88
E. Total time worked (=A+D)	82.60	80.97	81.84	82.25
Average length of working days (hours)	7.7	7.7	7.7	7.7
Number of working days a year	252	251	251	251

The number of holiday days as well as days to be taken as overtime or flexitime leave entered in the holiday bank increased by 4.5% in the year. Number of days entered in the holiday bank:

1999	421 employees	10, 880 days
2000	428 employees	11,495 days
2001	400 employees	11,562 days
2002	394 employees	12,089 days

The total number of days in the holiday bank averages 29 days per employee, which represents 1.5 months of working time per employee and altogether approximately 48 man-years.

The maximum number of holiday bank days per employee is 125 days. Twenty (20) employees have 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.

2.2. Purchased staff resources

In 2002, purchased staff resources represented approximately 35 man-years, with the costs for purchased services amounting to EUR 1.8 million. Purchased staff resources refer to non-employees of the Bank working in the Bank more or less on a daily basis.

Various administrative, real estate, personnel, restaurant and occupational health services are examples of purchased services used by the Bank.

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

In addition to this, the Bank commissioned professional and consultant services to the value of EUR 1.8 million in 2002. Consultant services were used for example in IT consulting, human resources, auditing and legal services.

2.3. Extra and overtime work

Amount of extra and overtime work and related costs, 2002

Overtime worked			Overtime compensation	
Year	Hours, total	Employees, number	Hours, leisure	EUR
1998	27,151	384	1,543	754,827
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

The amount of extra and overtime work was down by 2,721 hours (9%) in comparison with last year.

As in previous years, extra and overtime work was concentrated in Administration, Publication and Language Services, IT, Security and the entire payment instruments sector. Relocation and other arrangements following the repair of the airconditioning system were special reasons for overtime in the Administration Department, while the payment instruments sector and, to some extent, the Security Unit were still handling some extraordinary duties following the cash changeover in the early part of the year. Most other major projects related to the cash changeover were completed at the turn of the year and no new projects requiring the equivalent work input were launched in 2002.

2.4. Labour costs

Labour costs	EUR	% of pay for hours worked	% of payroll, v. 2002
I. PAYROLL	30,993,785	134.0	100.0
II. PAY FOR HOURS WORKED	23,127,266	100.0	74.6
A. INDIRECT PAY			
Holiday pay	4,269,634	18.5	13.8
Holiday bonus	2,104,341	9.1	6.8
Sick pay	1,007,696	4.4	3.3
Pay for training periods	500,631	2.2	1.6
Other paid days off	41,733	0.2	0.1
Pay during accident-related absence	48,496	0.2	0.2
Pay related to child birth and child care	103,260	0.4	0.3
Daily allowances under sickness insurance	-209,272		
Total	7,866,519	34.0	25.4
B. STATUTORY SOCIAL SECURITY			
Employer social security contributions	2,107,577	9.1	6.8
Unemployment insurance contributions	1,047,842	4.5	3.4
Imputed pension insurance contributions less employee's share	5,888,819	25.5	19.0
Statutory occupational health service	125,648	0.5	0.4
Compensations by the Social Insurance Institution	-37,123		
Other statutory contributions	30,061	0.1	0.1
Total	9,162,824	39.6	29.6
C. OTHER INDIRECT EXPENSES			
Training	1,180,830	5.1	3.8
Health and safety at work	7,935	0.0	0.0
Voluntary social security contributions	1,640,403		
Occupational health service	351,352	1.5	1.1
Compensations by the Social Insurance Institution	-90,877		
Total	3,089,643	13.4	10.0
III. INDIRECT LABOUR COSTS	20,118,986	87.0	64.9
IV. TOTAL LABOUR COSTS	43,246,252	187.0	139.5

Labour costs as a percentage of the payroll, 1998 –2002

	1998	1999	2000	2001	2002
Bank of Finland	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll
Labour costs					
I. PAYROLL	100.0	100.0	100.0	100.0	100.0
II. PAY FOR HOURS WORKED	74.6	75.1	74.5	74.2	74.6
A. INDIRECT PAY	25.4	24.9	25.5	25.8	25.4
B. STATUTORY SOCIAL SECURITY CONTRIBUTIONS	29.5	29.7	29.4	29.4	29.6
C. OTHER INDIRECT EXPENSES	10.9	11.7	11.1	10.7	10.0
III. INDIRECT LABOUR COSTS	65.8	66.3	66.0	65.9	64.9
IV. LABOUR COSTS FOR OWN STAFF, TOTAL	140.4	141.3	140.5	140.1	139.5
PURCHASED SERVICES				4.1	5.8
ALL LABOUR COSTS, TOTAL				144.2	145.3

Breakdown of labour costs, 1998 –2002

Labour costs	% of labour costs				
	1998 %	1999 %	2000 %	2001 %	2002 %
1. Pay for hours worked	53.2	53.1	53.0	53.0	53.5
2. Indirect pay	18.1	17.6	18.1	18.4	18.2
3. Social security contributions	21.0	21.0	20.9	21.0	21.2
4. Other indirect expenses	7.8	8.3	7.9	7.6	7.1
Total costs	100.0	100.0	100.0	100.0	100.0

3. PAY AND BONUSES

3.1. Pay and incentive schemes

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

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

In spring 2002 work started on the revision of the Bank of Finland's pay schemes, the aim being to combine the two pay schemes into one uniform pay scheme designed to support the Bank's pay policy objectives and serve as an easy-to-administer tool for supervisors. The project was scheduled for completion in February 2003.

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

3.2. Pay increases and bonuses, 2002

In line with the three-year Collective Civil Service Agreement signed in 2001 and covering the entire staff, an overall 2% pay rise was effected in February 2002 and in May a 0.9% sectoral allowance was distributed as personal pay rises and accorded to individual employees at the supervisor's proposal. Ninety (90) employees in the P pay scheme and sixty-three (63) employees in the ESA pay scheme were given a pay rise.

A comparative study of HAY pay schemes conducted in 2001 showed that the pay under the ESA pay scheme had approached the market level but was still approximately 3% below the market median, while pay under the P scheme was clearly above the market median. In an effort to bridge the gap in the ESA pay scheme, personal merit pay rises were awarded in spring 2002 to 30% of the employees in the ESA scheme (98 persons). The findings of a market pay survey conducted in July 2002 after the pay rises showed that the market level had been attained and that the pay structure for the Bank as a whole was, on average, slightly above the market median. An analysis by pay scheme, however, showed that the pay structure of the P pay scheme was above the median, whereas that of the ESA scheme was still slightly below the market median. The chart below illustrates a comparison of the Bank's pay schemes and the market median.

In 2002 bonuses were awarded to 210 employees, more than 80% of whom were in the P pay scheme. As in the other EU central banks, most of the bonuses were awarded to employees who had been directly involved in the cash changeover. Altogether, EUR 233,000 was used for bonuses. Bonuses represented 0.76% of the Bank of Finland's annual payroll, which was considerably more than in previous years because of the exceptional cash changeover project.

3.3. Average pay by organisational level

The change in average pay by staff category reflects the focus of the spring pay rises, which was directed at employees covered by the ESA pay scheme. The average pay in the P pay scheme increased both in response to the pay rise and following the completion of fixed-term employment contracts mainly held by young employees in the course of the year under review.

Average monetary pay (basic pay + fixed supplements), 1998-2002

	1998 EUR	1999 EUR	2000 EUR	2001 EUR	2002 EUR
Supervisors		5,017	5,360	5,469	5,676
Experts	3,183	3,286	3,359	3,562	3,728
Operative staff	1,936	2,018	2,025	2,058	2,189
All	2,432	2,708	2,790	2,873	3,075

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

3.4. Average pay by job requirement level

Experts and supervisors (ESA pay scheme)

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

Level	2000		2001		2002	
	Number	Average pay EUR	Number	Average pay EUR	Number	Average pay EUR
290 - 385	54	2,637	54	2,674	61	2,792
395 - 475	108	3,227	115	3,395	117	3,587
510 - 610	93	3,881	97	4,082	89	4,294
660 - 790	37	4,768	37	5,024	31	5,250
875 - 1135	25	6,199	24	6,580	26	6,810
	317	3,733	327	3,898	324	4,049

Operative staff (P pay scheme)

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

Level	2000		2001		2002	
	Number	Average pay EUR	Number	Average pay EUR	Number	Average pay EUR
2	41	1,448	42	1,464	23	1,595
3	29	1,702	24	1,703	15	1,832
4	43	1,865	42	1,886	38	1,902
5	54	1,979	57	2,012	48	2,095
6	110	2,073	100	2,124	94	2,193
7	93	2,253	85	2,325	82	2,367
8	55	2,363	59	2,403	62	2,480
9	2		3	2,493	3	2,577
	427	2,025	412	2,058	365	2,188

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

3.5. Taxable fringe benefits

The fringe benefits were meals (EUR 94.50/month), use of a telephone (EUR 20.20/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

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

4.2. Forms of employment

Full-time employees represented 99% of all staff. In 2002 there were 9 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 94% of all staff (compared with 89% in 2001) and fixed-term employees for 6% (compared with 11% in 2001). At the end of the year 31 persons, or 4% of staff, were on leave of absence. Of these, 15 persons were employed by the European Central Bank (ECB).

4.3. Staff size

At the end of 2002, Bank employees numbered 704.5, of whom 7.7% were heads of departments or divisions, 39.7% experts and 52% other employees. The two last-mentioned categories include 32 team leaders.

Breakdown of staff size by category, 31 Dec 2002

	Full-time		Part-time		Total	%
	Permanent	Fixed-term	Permanent	Fixed-term		
Operative staff	346	18	2.5	0	366.5	52.0
Experts	259	19	2	0	280	39.7
Supervisors	54	0	0	0	54	7.7
Senior management	0	4	0	0	4	0.6
Total staff strength	659	41	4.5	0	704.5	100
On leave of absence	-31		0	0	-31	
Operational strength	628	41	4.5	0	673.5	

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

Concepts used to describe staff size

In the 2002 personnel audit, staff size is described in terms of the following parameters:

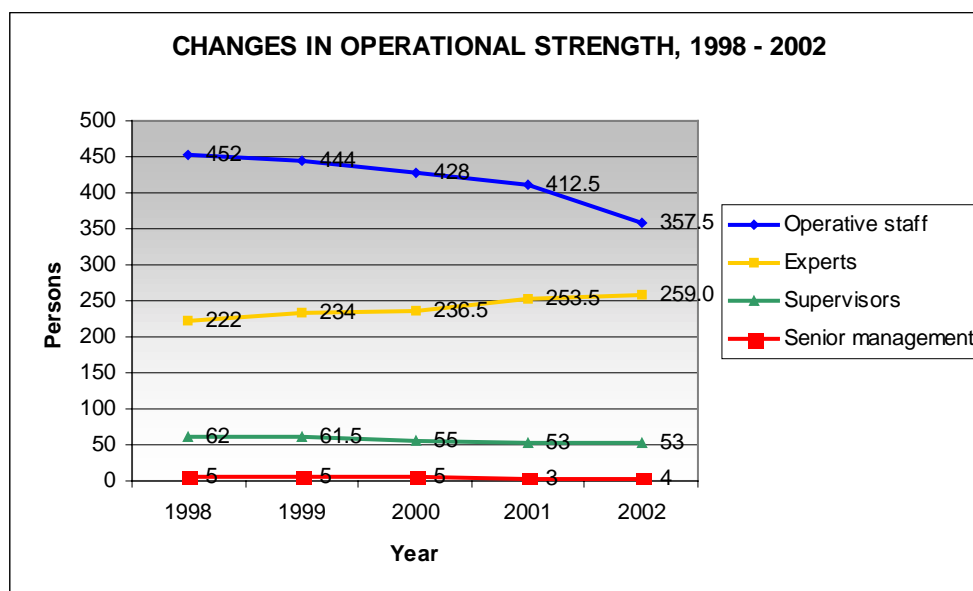
Total strength: Permanent and fixed-term employees in attendance, including those on leave of absence but excluding trainees and holiday substitutes.

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

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

Changes in operational staff strength, 1998 -2002

	1998			1999			2000			2001			2002		
	Perm.	Fixed	Total	Perm.	Fixed	Total	Perm.	Fixed	Total	Perm.	Fixed	Total	Perm.	Fixed	Total
Operative staff	417	35	452	396.5	47.5	444	382	46	428	360.5	52	412.5	339.5	18	357.5
Experts	200	22	222	216	18	234	214.5	22	236.5	228.5	25	253.5	240	19	259.0
Supervisors	62	0	62	61.5	0	61.5	55	0	55	53	0	53	53	0	53
Senior management	1	4	5	1	4	5	1	4	5	0	3	3		4	4
All	680	61	741	675	69.5	744.5	652.5	72	724.5	642	80	722.0	632.5	41	673.5

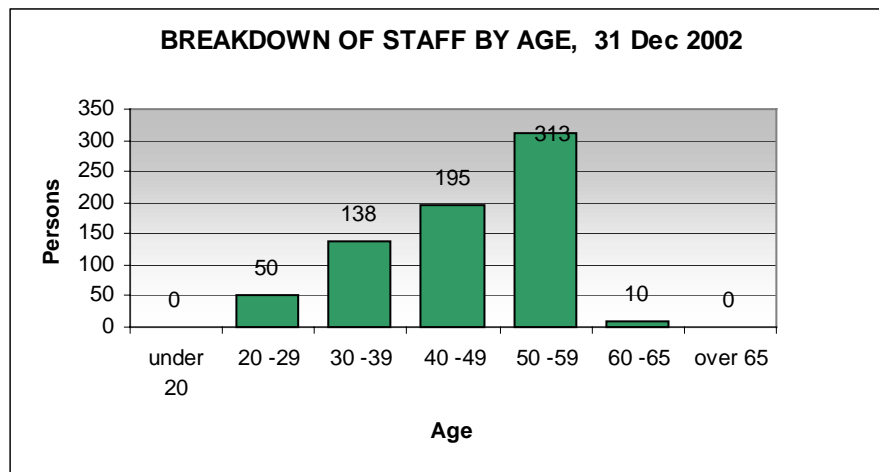


Of the staff in attendance, the proportion of operative staff has decreased by 10% during the past five years, whereas that of experts has increased by 10%. At the end of 2002, operative staff accounted for 53% and experts for 38% of the staff in attendance. The proportion of supervisors has remained the same (about 8%) during the whole period under review, while that of executive management has represented a little less than 1%. In the period under review, the changes have concerned both staff structure and the number of staff in attendance, bearing in mind the 10% decline in operational strength, with the change mainly occurring in 2002.

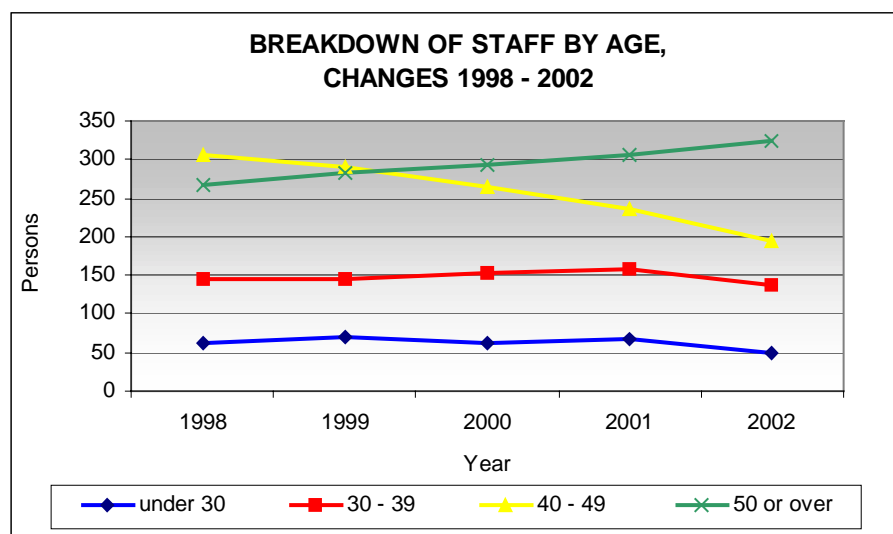
4.4. Age composition of employees

The average age of employees was 45.9 years (46.6 for women and 45.1 for men). Corresponding figures for 2000 were 44.8 (45.4 for women and 44 for men). The average age of employees increased from the year before following the completion of the cash changeover, as the employment contracts of young employees recruited for the cash changeover expired before the turn of the year.

Breakdown of staff by age, 31 Dec 2002



Changes in breakdown of staff by age, 1998–2002



In the course of the 2000s, the breakdown of staff by age has started to show increasing distortion. The Bank's age structure is heavily weighted towards over 50-year-olds, their representation being 46% in 2002. Over a period of five years, the proportion of over 50-year-olds has grown by 12%, whereas that of employees aged 40–49 has declined by 11%. 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. The average age of employees recruited for the main office (32 years old) did not differ significantly from that of all newly recruited employees (30 years old).

4.5. Recruitment

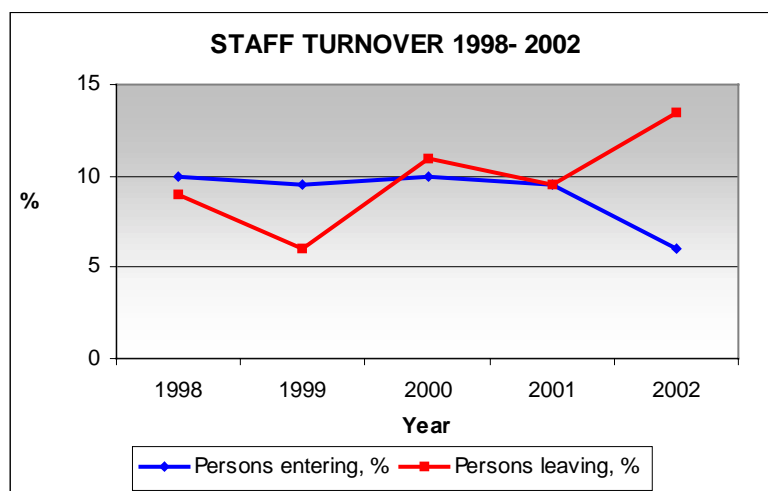
The recruitment procedure takes place within the agreed operational strength. Recruitment decisions by the line management are subject to assessment of recruitment needs and permission granted by the Board.

Appointments and staff turnover

The total number of externally recruited employees fell from previous years, partly due to the recruitment permission requirement introduced to the Bank and partly due to the fall in the number of employees recruited for the cash changeover to only one-third of that in the year before. There were 804 applicants for vacant posts, the average number of applicants being 16 per vacancy. The number of applicants doubled from the year before, partly following an increase in the number of external appointments to two-thirds of all appointments. The large number of applicants for some posts was also a reflection of the overall labour market situation, in that it was an employer's market. There were 61 appointments in all, of which 21 were made internally and 40 externally. Aptitude tests became more frequent and were now employed in connection with ten recruitment situations, on a total of 28 persons.

A total of 108 persons were employed as holiday substitutes out of about 485 applicants. The holiday substitutes' work input converted into the equivalent of 27 man-years.

There was a marked change in staff turnover as compared with previous years. The turnover rate for those leaving the bank rose to 13.5%, while the rate for those entering the Bank's service fell to 6%. The corresponding figures for 2001 were 9.5%. In the turnover rate for those leaving the Bank, 6% was accounted for by retirement and 4% by the completion of the contracts of employees in note and coin handling, while 3.5% were due to other reasons. The turnover rate for those entering the Bank's service primarily reflected the recruitment of economists and currency supply staff.

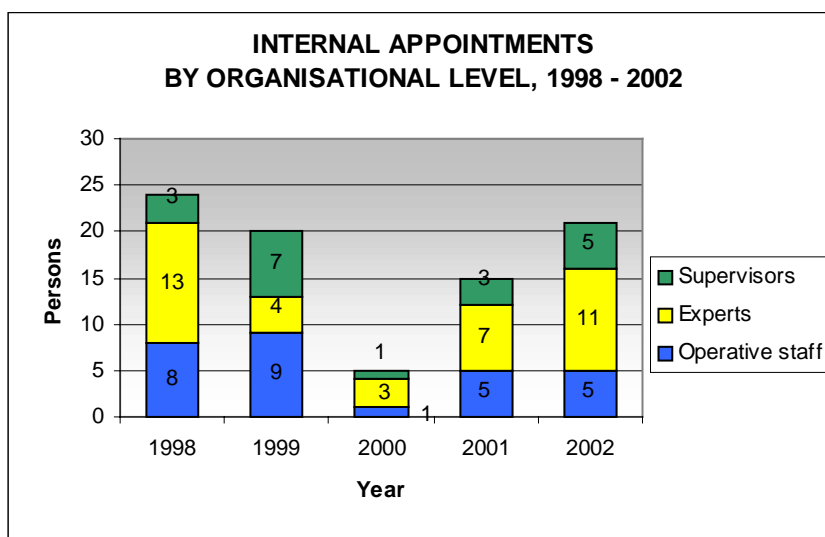


Turnover rate for those entering the Bank's service = Number / Average operational strength of staff x 100
 Turnover rate for those leaving the Bank = Number / Average operational strength of staff x 100.

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

Internal mobility and job rotation

The recruitment permission requirement was a contributing factor adding to internal mobility within the Bank, with 21 appointments made from existing staff. In 2002, the number of internal appointments grew almost to the level witnessed in the late 1990s, as especially employees with the required skills for expert and secretarial duties could be found in-house. Several supervisory posts (5) were also filled internally.



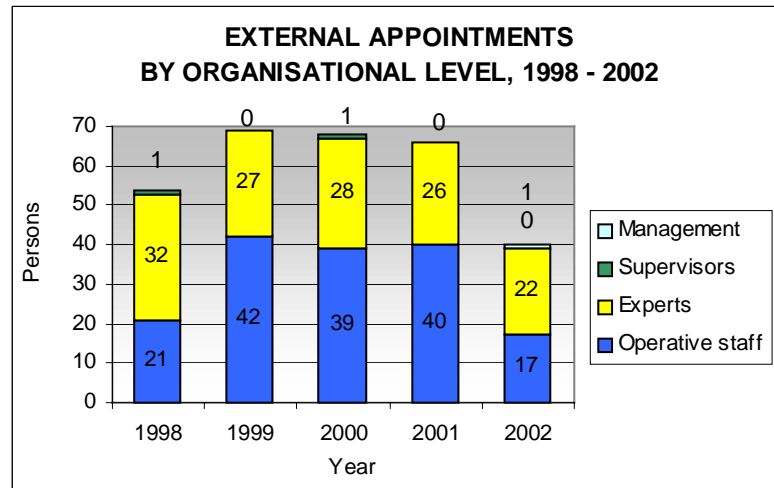
In addition to the internal appointment of 21 persons, internal mobility also picked up in response to assignments to research projects and reassignment decisions by the Board or individual departments. In 2002, a total of 41 Bank employees participated in internal job rotation, with an increase in the internal mobility rate from 5% to 6%. Experts accounted for 70% of those participating in internal job rotation. On top of this come the 57 persons involved in systematic job rotation in the payments instrument sector.

External appointments

In 2002, there were 40 external recruitments, including 22 for expert and 17 for operative positions and a new member to the Board. Of the recruitments, 12 were for permanent and 28 for fixed-term positions. Most of the employees recruited for operative positions (11) were employed for note and coin handling functions. In line with the changes in the Bank's staff structure, expert skills were externally recruited. The majority of the persons recruited for expert positions had a university degree, three of them at Doctorate level, while most of those employed as operative staff in the main office had the polytechnic degree of Bachelor of Business Administration (BBA). In the year there were 9 trainees in the Bank's service (secretarial students, BBA students and university students).

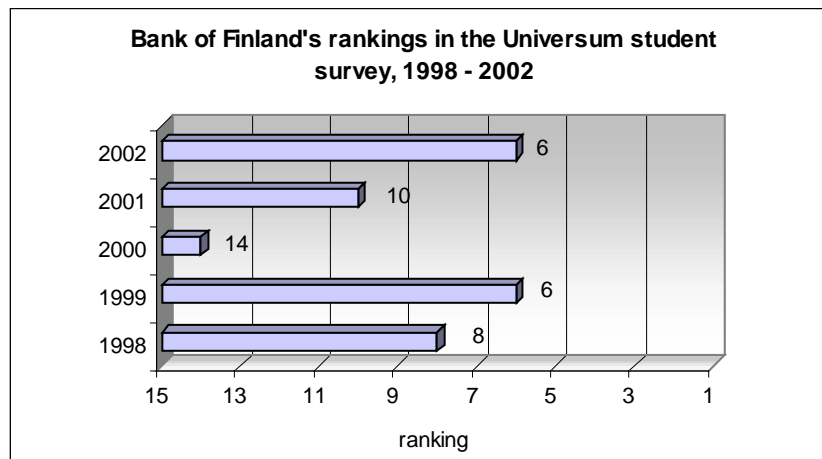
All newcomers were subject to a probationary period of 4 to 6 months.

Recruitment expenses amounted to a total of EUR 53,047, of which recruitment advertising accounted for EUR 23,106, aptitude tests EUR 29,135 and other recruitment expenses EUR 806.



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 2002. 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, being number one in 2002.



5. STAFF COMPETENCE AND COMPETENCE DEVELOPMENT

Performance 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 90% of staff participated in performance discussions. The corresponding participation rate for 2001 was also 90%, that for 2000 87% and that for 1999 90%. This can be regarded as a good participation rate in comparison with other organisations.

5.1. Educational background

The proportion of employees with tertiary education has increased by 4% from the previous year.

Educational background 2002

	Persons	% breakdown by educational level
Primary education	111	16
Upper secondary education	145	21
Lowest level tertiary education	161	23
Lower-degree level tertiary education	63	9
Higher-degree level tertiary education	177	25
Doctorate or equivalent level tertiary education	49	7
Total	706	100
Educational level index	4.9	

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 high school 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.

The Bank of Finland's educational level index is 4.9 on a scale from 1 to 8 (4.7 in 2001) for the whole staff and 6.3 for those in expert positions (6.3 in 2001).

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

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

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

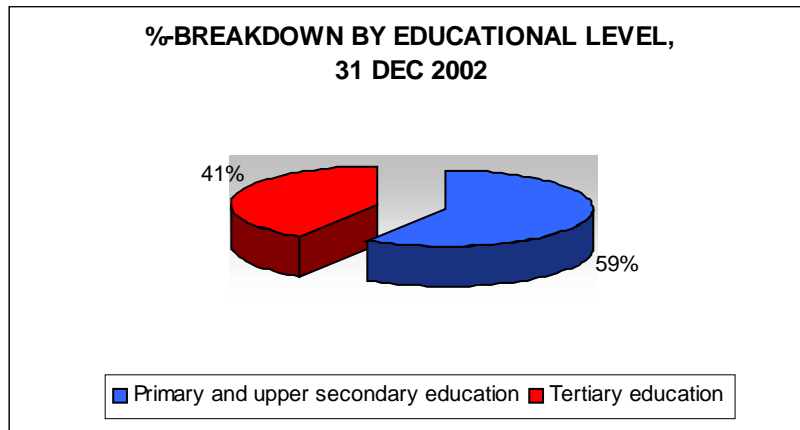
Lowest level tertiary education = 5 x number of employees at this educational level

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

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

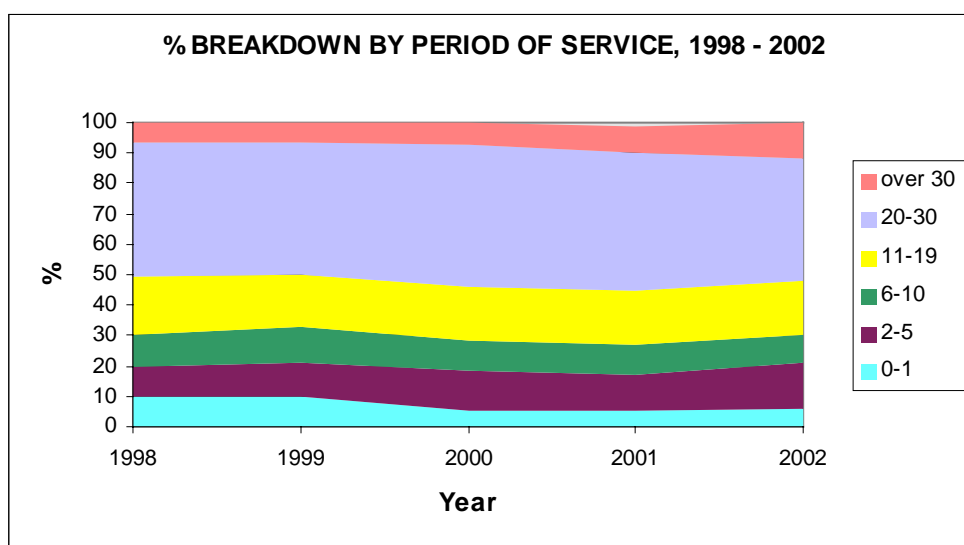
Doctorate or equivalent level tertiary education = 8 x number of employees at this educational level

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



5.2. Employment record

Period of service at BoF, years	1998 % breakdown by period of service	1999 % breakdown by period of service	2000 % breakdown by period of service	2001 % breakdown by period of service	2002 % breakdown by period of service
0-1	10	10	5	5	6
2-5	10	11	13	12	15
6-10	11	12	10	10	9
11-19	19	17	18	18	18
20-30	44	44	46	45	40
over 30	6	7	8	9	12
Total	100	100	100	100	100



5.3. Competence development priorities

The Bank's training expenditure amounted to EUR 1.18 million (3.8% of payroll) in 2002. Although it had declined 13% from the year before, it was still a good figure in comparison with other organisations (Benchmarking 2002²). Of training expenditure, EUR 0.27 million was used for economic training, EUR 0.39 million for IT training, EUR 0.25 million for interactive skills, communication and languages, EUR 0.1 million for leadership training and EUR 0.18 million for other professional training.

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

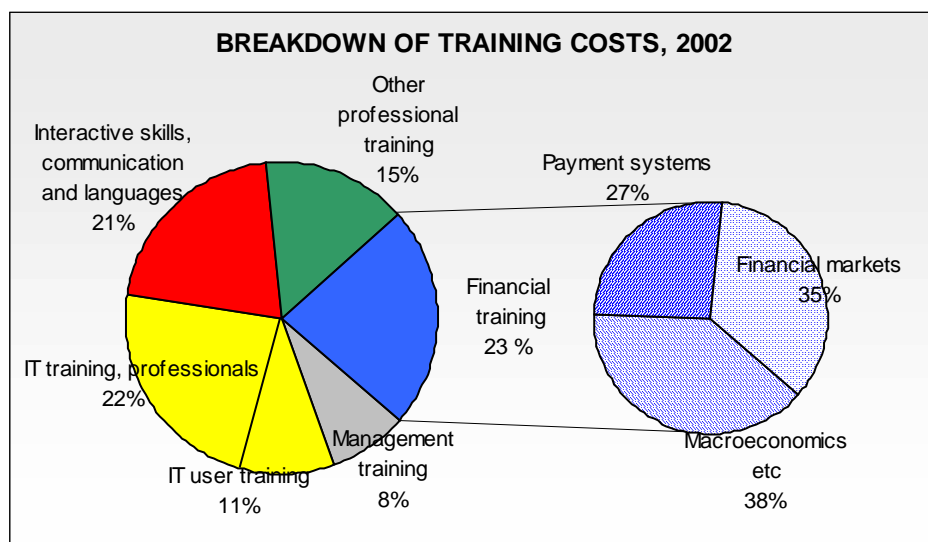
	1998	1999	2000	2001	2002
Time allocation, days	3,400	3360	3325	4343	3035 ^{*)}
Days / person	4.3	4.3	4.6	6.1	4.3
% of working time	1.7	1.7	1.8	2.4	1.7
Total expenses, EUR million	1.14	1.19	1.28	1.36	1.18
EUR / person	1,447	1,525	1,752	1,917	1,684
% of payroll	4.0	4.0	4.4	4.6	3.8

^{*)} Not all days of external training are recorded.

Breakdown of training costs by staff category, 2001–2002

	2001 %	2002 %
Supervisors	17	16
Experts	53	58
Operative staff	19	18
Common training	11	8

Breakdown of training costs, 2002



² Paras Käytäntö Oy- Best Practice Ltd: Human Resource Management Benchmarking 2002 Study

Leadership training

The third and last module of the in-house leadership programme designed for department and division heads, *Self-management*, took place in the early part of the year. In addition, participants of the Bank of Finland were also enrolled for the ESCB leadership training programmes (Heading for Leadership and Transformational Leadership).

Communications and interactive skills training

Because of the increasingly international working environment, language training continues to be a significant area of staff training. In 2002, the focus was on the English language, primarily on improving spoken language skills and negotiating skills. These courses were attended by Bank employees from all staff categories.

Training cooperation within the ESCB

Training cooperation between the national central banks continues to grow steadily. Common courses include the Introduction to the ESCB Seminar, the ESCB leadership training programmes and courses in negotiating and interactive skills. The Bank of Finland enrolled a total of 20 participants on these courses.

IT training

IT user training in office systems mainly focused on courses leading up to the advanced computer 'driving license', as well as on courses providing the project work and testing skills necessary for system development work.

The IT professionals were trained in new technology necessitated by the modernisation of the Bank's IT architecture and the new software and applications technology introduced. Professional IT courses were attended by system designers from various units of the Bank.

In-house economic and legal training

In 2002, 15 training sessions were arranged on themes addressing the current training needs of the FSA's experts, the Bank of Finland's statistics staff and macroeconomists in particular. In contrast to the year before, many seminars were professionally more advanced, including topics such as the new capital adequacy framework for banks and its consequences in the form of revised supervisory practices in financial markets, banks' rating operations, national accounts and economic statistics as well as macro model theory and applications of empirical models. On the last mentioned subject, a new type of extensive laboratory training course was held for the Bank's macro model group under the leadership of a member of the International Monetary Fund (IMF).

The series of lectures on the basics of financing formed the continuation of many basic training courses held in the year before. The lectures were mainly intended for research assistants and employees providing in-house services. As in previous years, some of the courses were attended by representatives of the European central banks, financial supervisory authorities and domestic cooperation partners. The proportion of external participants was 9%, which was higher than in the year before.

Similarly, employees of the Bank of Finland participated in courses arranged by foreign central banks and other providers of financial training.

Academic research studies

ACADEMIC THESES	1998	1999	2000	2001	2002
Projects	7	10	12	6	4
Man-years	5	5.5	8	4	2.1

The development of cutting-edge skills among experts was reflected for instance in academic research studies pursued by 4 persons in 2002 and representing approximately 2 man-years.

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	1998	1999	2000	2001	2002
Published books and articles	172	197	189	189	168
- of which in refereed scientific journals	5	13	16	11	19

The Bank's experts continued to contribute to publications at home and abroad on a large scale. Altogether 168 reports, articles and books were published by the Bank's experts, 19 of them in refereed scientific journals.

IN-HOUSE SEMINARS	1998	1999*	2000	2001	2002
Number of seminars	37	59	59	50	74
Average number of participants / seminar	35	19	16	17	18

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

A total of 74 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 18 participants.

VISITING SCHOLARS	1998	1999	2000	2001	2002
Persons	8	12	15	17	21
Man-years	3	4	5	6	6.8

The number of short-term scholarly visits to the Bank continued to increase, with 21 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	1998	1999	2000	2001	2002
Loans	13,496	12 453	12,955	14,680	15,764

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 2002, book loans to the Bank's staff amounted to 15,764.

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 Kruununuhaka, Helsinki, a villa at Vuosaari in Helsinki and holiday cottage facilities at Saariselkä in Lapland.

6.1. Occupational health service

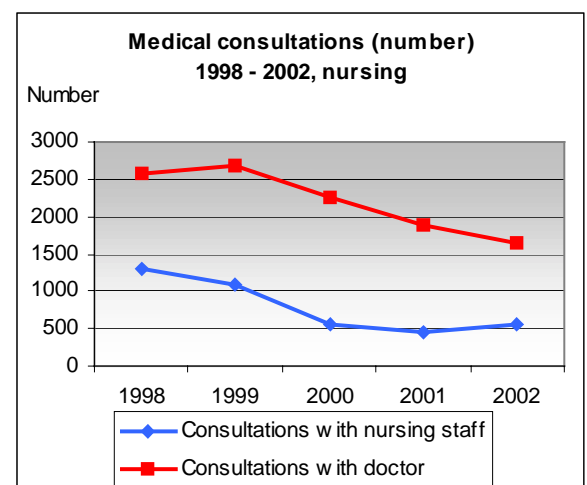
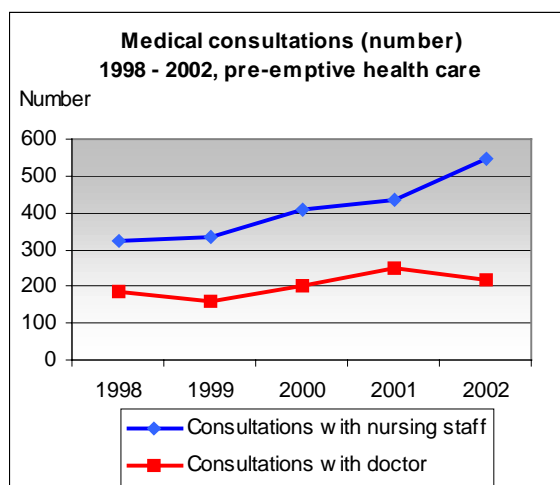
The Bank of Finland purchases occupational health services for the main office and FSA staff from Diacor Terveyspalvelut Oy (Diacor Health Services). The Aikatalo Keskusta Medical Clinic is the primary clinic, but, in exceptional circumstances, Bank and FSA employees have also visited the Alppikatu and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

The Bank's occupational health service scheme also covers dental care costs, subject to a fixed annual ceiling. The main office has entered into centralised agreements on the provision of dental care with Hammaslääkäri 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.

Number of medical consultations under the occupational health service scheme



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

Absence from work due to sick leave

The number of days of absence from work due to illness totalled 7,767 (of which 6,109 working days) and involved 593 employees (figure calculated on the total number of staff working with the Bank in the course of the year). Sick leave as a percentage of total working days was 3.3, which is the same as in 2001. In contrast to earlier years, the absence rate was now calculated on a ratio representing the number of regular working days based on man-years.

In practice, the total number of days of absence because of illness has remained unchanged from the year before.

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	1398	240	133
Persons	542	170	108

Short spells of sick leave (1–3 days) accounted for 78.9% of all absence statistics.

No absence from work because of illness was registered for 178 persons, which gives a health rate of 26.4%, which is 4.4 percentage points lower than in the year before.

A comparison of the above mentioned key figures with corresponding figures for the companies participating in the Human Resource Management Benchmarking 2002 Study reveals that the illness absence rate for the Bank was below the benchmark median. However, the proportion of short spells of absence was significantly above the benchmark median, whereas the Bank's health rate was clearly below this median.

Absence due to accidents at work

During the year under review there were 28 accidents at work or on a journey to and from work, of which 14 were work injuries. Nine 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 430 (294 of which were working days). Corresponding figures for 2001 were 30 accidents and 370 days of absence.

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 28,600 in 2002. The annual costs are dependent on the number of accidents.

The costs of the occupational health service scheme provided by the Bank, in gross, amounted to EUR 477,000 in 2002, ie EUR 708 per person. This is exclusive of costs for facilities, cleaning services and administration. The compensation paid by the Social Insurance Institution (KELA) to the Bank amounted to EUR 128,000 million, ie EUR 190 per person.

Dental services accounted for EUR 67,000 of the net expenses of the occupational health service scheme, ie about EUR 99 per person. In line with the Health Insurance Act, the Social Insurance Institution compensated the Bank for part of the dental service costs for employees born after 1945.

The gross expenses of the occupational health service scheme had increased by 18% compared with the year before. Expenses increased across the board but the increase was most pronounced for the General Practitioner's fees. Part of the costs (5%) was due to delayed invoicing at the end of the previous year, resulting in expenses being deferred to 2002.

Half of the increase resulted from pre-emptive occupational health services, resulting in a proportionate growth in total expenses.

Maintenance of working capacity

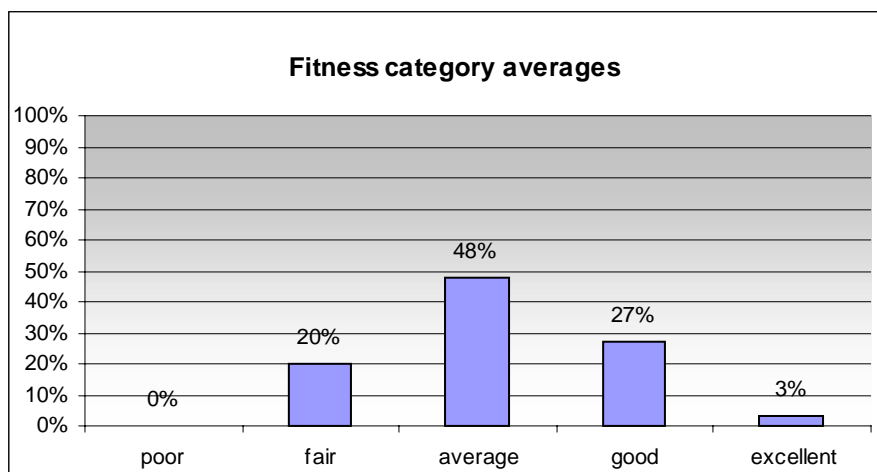
Work environment reviews were undertaken on five units and several other minor reviews and follow-up visits were made in the year.

Age-related health check-ups were carried out on 78 persons in the age bracket 40–55 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	48.7%
Good working capacity	38.5%
Fair working capacity	9.0%
Poor working capacity	3.8%

Of those participating in age-related check-ups, 60% were women and 40% men. The breakdown by level of working capacity has remained practically unchanged since 1998. The occupational health service will explore whether special measures are needed for those with fair or poor working capacity.

Nearly all employees undergoing medical check-up took part in a functional ability test undertaken by an occupational physiotherapist. The breakdown by physical fitness category is illustrated below:



Rehabilitation

A group of 10 Bank and FSA experts received vocational rehabilitation under the ASLAK scheme at Suomen Selkäinstituutti (The Finnish Back Rehabilitation Centre), at the expense of the Social Insurance Institution (KELA). Following the actual rehabilitation programme, further rehabilitation measures within the framework of the occupational health scheme were agreed with the members of the group.

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

6.2. Physical training

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. A wider selection of physical exercise classes was offered to attract employees of all interest levels. The Sports for All Federation held three introductory gym courses and arranged various sports tryouts during the physical exercise classes in the autumn. Lectures on osteoporosis and weight control were organised in the year, the latter as an introduction to the newly started weight control group. In the autumn, a health and welfare fair was arranged in the Bank's sports hall, attracting around 100 visitors.

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

In 2002 the Bank's sports hall was used on a regular basis by 331 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 172 functions were held at the club facilities at Snellmaninkatu, attracting 4,203 persons. At the Kallvik villa in Vuosaari, 47 functions were arranged during the summer and attended by 1,330 persons. The attendance rate of the villa and club facilities was 50.9%, while the occupancy rate of the Saariselkä cottages was 37%.

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

7. PENSIONS

7.1. Retired employees and employees reaching pensionable age

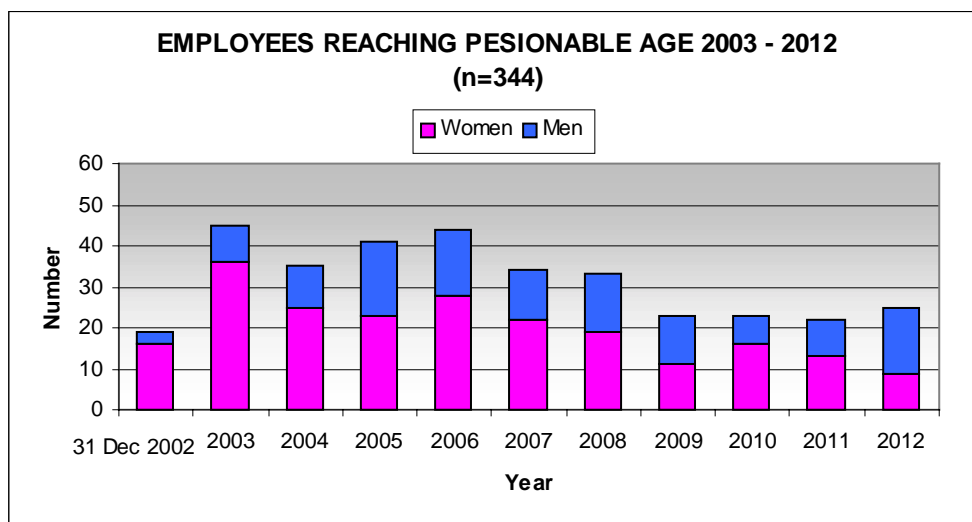
Retirements continued to increase in 2002. The number of employees reaching pensionable age is growing and will be close to 200 people during the next five years. Over the year, the number of direct retirements from the Bank totalled 29, with 24 employees retiring upon reaching pensionable age (three of whom on the grounds of equality of pension provision) and 5 on the basis of the disability pension scheme. One part-time pension was awarded.

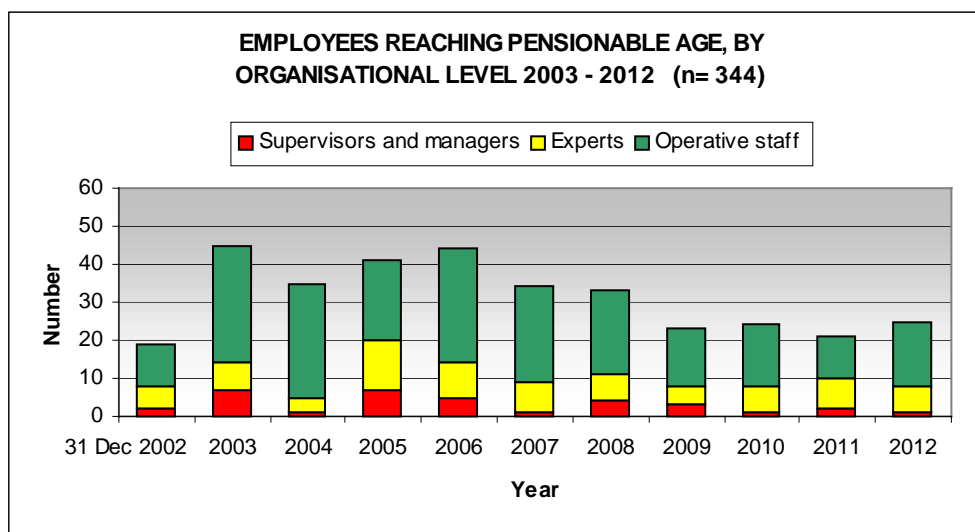
In the year under review, the average effective retirement age for the Bank was 56.2 years, which is a lower figure than in the year before. This meant a reversal of the rising trend from 55 to 57.6 witnessed during the past four years. In 2002, there were more employees taking a disability pension or a pension based on a lower pension age than in 2001. The average effective retirement age is expected to start increasing again as the number of employees eligible for a lower pension age falls.

At the end of the year, 19 persons over pensionable age were in the Bank's service.

Employees reaching pensionable age, 2003 -2012

Year	Women	Men	Total	Cumulative
31 Dec 2002	16	3	19	19
2003	36	9	45	64
2004	25	10	35	99
2005	23	18	41	140
2006	28	16	44	184
2007	22	12	34	218
2008	19	14	33	251
2009	11	12	23	274
2010	16	7	23	297
2011	13	9	22	319
2012	9	16	25	344
Total	218	126	344	





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.

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 in the year under review. The pension fund is now separately administered, with investment services being outsourced to portfolio managers.

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

7.3. Number of pensioners

As of 31 December 2002, the Bank of Finland paid pensions to 796 persons, of whom 71% were women. Of the pensioners, 524 had retired from the service of the Bank or the FSA. The rest are either survivor's pension beneficiaries or deferred pensioners, ie people who previously worked at the Bank but have retired from the service of another company.

Breakdown of retirement benefits in current payment in 2002:

<u>Retirement benefit</u>	<u>Number of persons</u>	<u>Payment, EUR</u>
Retirement pensions	564	11,268,428
Disability pensions	71	538,800
Unemployment pensions	15	29,840
Survivors' pensions	107	1,264,282
Early old-age pensions	30	535,632
Individual early retirement pensions	3	2,907
Part-time pensions	6	48,236
Total	796	13,688,085

In 2002, approximately EUR 12,000 billion was paid out in earnings-related pensions based on gainful employment in Finland. Excluding survivors' pensions, the breakdown is:

Retirement pensions	72%	(Bank of Finland 95%)
Disability pensions	20%	(Bank of Finland 4.3%)
Unemployment pensions	6%	(Bank of Finland 0.2%)
Part-time pensions	2%	(Bank of Finland 0.4%)

The figures show that the proportion of retirement pensions has increased, while that of disability pensions has declined.