

XI. EESTI PANK'S ORGANISATION AND PERSONNEL POLICY

DEVELOPMENT OF ORGANISATION

General development of Eesti Pank's organisation since the bank recommenced operations in 1990 could conditionally be divided into two stages. While in the first half of the 90s the central bank focused primarily on preparing and implementing reforms highly critical for independent statehood and the organisation was developed pursuant to change-induced needs, **in the second half of the 90s the organisation was developed in a more thorough and systematic way** in order to achieve main objectives of the bank with most optimum costs and staff. **Today Eesti Pank is an efficient organisation, open to changes.** This sets preconditions that additional resource cost inevitably arising from joining the European System of Central Banks (ESCB) will be contained at the lowest possible level.

Organisational changes during the last six-seven years have taken place parallel to changes in the environment outside the central bank, also with a view to Estonia's upcoming accession to the European Union. Eesti Pank has introduced a number of important innovations in its performance, primarily in shaping an appropriate personnel management policy.

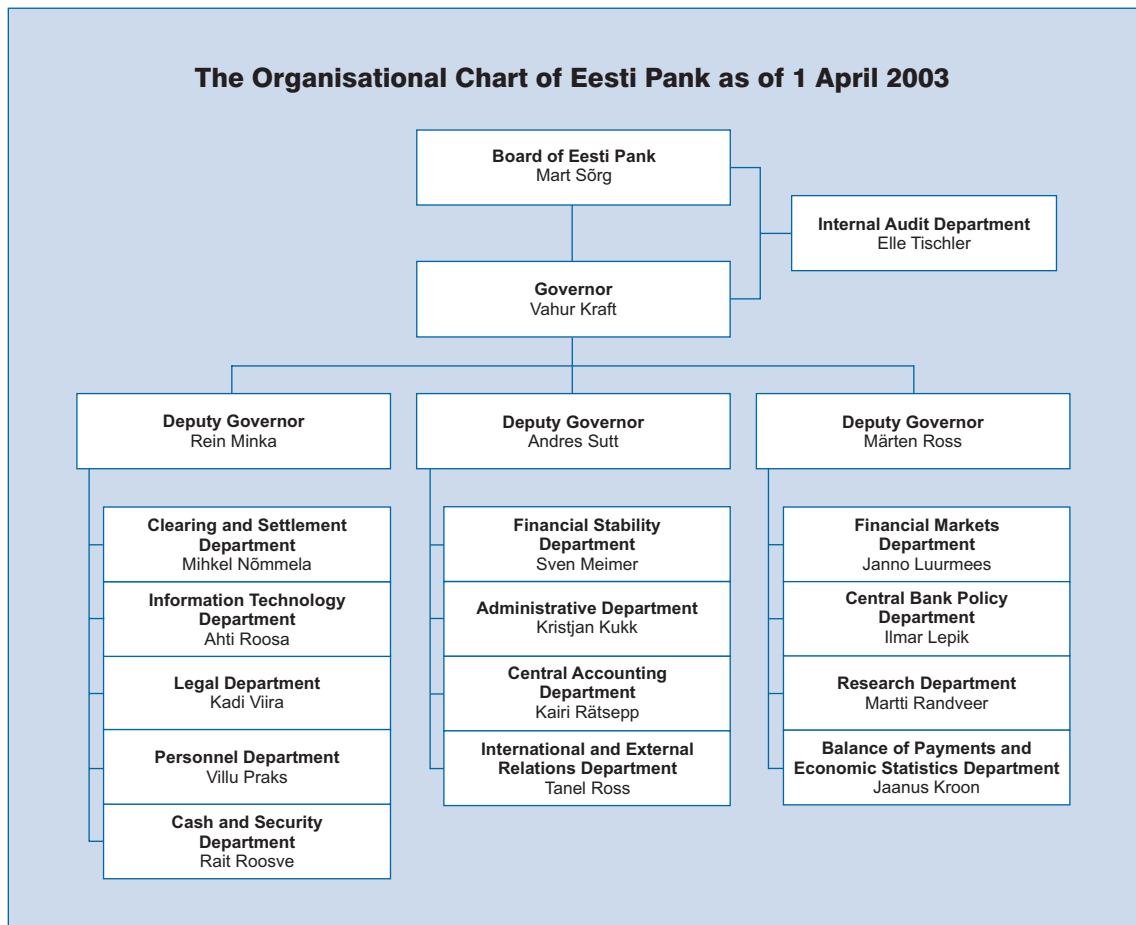
The bank of today has emerged from organisational changes of 2000. Pursuant to the 2001 amendment to the Bank of Estonia Act and Statute of Eesti Pank, **the bank's governance scheme** has become more compliant with **collective governance principles, the Executive Management of Eesti Pank** was reorganised and **Monetary Policy Committee** was set up with the aim **to draft solutions for monetary, economic and financial sector policy and coordinate the bank's activity in the above issues.** Also renewal of budgeting principles and procedure has been in the centre of attention as well as **introduction of high-quality management accounting.** The organisational chart of Eesti Pank as of 1 April 2003 is on page 107.

Amendments to the Bank of Estonia Act drafted in 2002 and passed by the Riigikogu in January 2003 brought the Act into compliance with joining the European structures.

General Management and Areas of Responsibility

The highest governing body of the bank is the Board of Eesti Pank comprised of experts in economy and finance as well as politicians. The Governor of Eesti Pank is a Member of the Board *ex officio*. The Chairman is **Mart Sõrg**, members **Ants Järvesaar, Kalev Kukk, Vahur Kraft, Mati Meos, Hindrek Meri, Mihkel Pärnoja, Jüri Sepp** and **Erik Terk**.

The Board of Eesti Pank exercises supervision of the activities of the central bank. One of the Board's key functions is to shape Estonia's monetary policy. Pursuing Estonia's monetary policy operational framework



reform strategy approved in 2000 and convergence of the framework with the Eurosystem, the Board adopted a decision on **credit institutions' reserve requirement** in 2002.

With respect to amendments in the Bank of Estonia Act, the Board amended also the Statute of Eesti Pank. As the bank's Internal Control Department was reorganised into Internal Audit Department, the Board approved a new Statute of the department.

The Executive Management of Eesti Pank comprises **Governor Vahur Kraft, Deputy Governors Rein Minka, Märten Ross and Andres Sutt.**

The Monetary Policy Committee of Eesti Pank comprises besides Members of the bank's Executive Management also **Henn Oit** (until 10 March 2003 – Head of Financial Markets Department), Head of Central Bank Policy Department **Ilmar Lepik**, Head of International and External Relations Department **Tanel Ross**, Head of Cash and Security Department **Rait Roosve** and Head of Financial Stability Department **Sven Meimer.**

Working groups and *ad hoc* committees were set up to solve larger single tasks involving the entire bank.

On 1 January 2002, **the Financial Supervision Authority** became operational at Eesti Pank, guided by the Financial Supervision Authority Act, with the main aim **to support the stability of Estonia's financial system through supervision.** A five-member Management Board, chaired by **Andres Trink**, governs the Financial Supervision Authority. The Authority has a six-member Council, with Minister of Finance as chairman *ex officio* (**Harri Õunapuu** in end-2002).

In 2002, Eesti Pank and the Financial Supervision Authority focused on arranging mutual relations as well as tripartite cooperation with the Ministry of Finance. The Memorandum of Understanding was signed on 1 November.

Governor of Eesti Pank Vahur Kraft governs the activities of Eesti Pank. His sole competence involves organising the work of the banking sector proceeding from the general principles of monetary and banking policy determined by the Board and supervision over the performance of the decisions passed by the Board, as well as application of measures needed for that purpose. V. Kraft controls the work done by Deputy Governors and is responsible for supervising of management mechanisms.

Deputy Governor Rein Minka is responsible for coordinating cash-circulation-related activities, the safety of working environment, reliable, cost-efficient and integrated development of the payment and settlement system of Eesti Pank and for the development of information technology environment and legal environment as well as for personnel management.

Deputy Governor Andres Sutt is responsible for international and public relations of Eesti Pank, elaboration and implementation of financial sector policies, collection, processing and disclosure of financial sector information, supervision and development of payment and settlement systems, as well as for financial accounting and reporting, internal administrative services and operational working environment in Eesti Pank.

Deputy Governor Märten Ross is responsible for the preparation and implementation of monetary policy decisions, asset management of Eesti Pank, collection, compilation and disclosure of national statistics as well as for coordinating economic research and activities related to in-service economic training.

Development of Strategic Management and Organisation of Work

Strategic Management

In 2002, the work **to develop the strategic management** introduced in end-2001 was continued. **Functions of different management levels** in long-term planning were defined in more detail, **three-year planning in fields of activity** was introduced. Compilation principles for the Strategic Development Plan of Eesti Pank and strategic planning were made more specific and transparent. These documents underlie work plans (including the Executive Management, Monetary Policy Committee and departments) of the bank for the current year.

Spring and autumn seminars of the bank have become an integral part of strategic management of Eesti Pank. The former focuses on a topical bank management issue whereas the latter is a venue where the bank's sub-units provide an overview of their strategic fields of activity in the next three years for the participating bank staff.

Management accounting was developed further, continuing identification of costs of main (business) field and support activities. Eesti Pank and the Financial Supervision Authority concluded an agreement outlining services provided by the Bank to the Authority, calculation of the cost of services and payment principles.

Since 1999 Heads of structural units have held **development interviews with their staff**. Since 2002 the system has been mandatory in the bank. The development interviews aim at reviewing and planning of staff work and development tasks, also at getting opinions and proposals from the staff on strategic developments and organisation of work.

The **Research Department** launched **performance assessment system** in 2002, which helps to identify objectives and evaluate fulfilment. Special indicators have been elaborated for the assessment, which consider also specificity of economic research.

Development of Organisation of Work

In 2002, Eesti Pank continued **to implement quality management**. The system elaborated in 2001 was implemented in the Cash and Security Department of Eesti Pank. Auditors from Bureau Veritas Eesti OÜ representing Bureau Veritas Quality International (BVQI) in Estonia audited the system and on their recommendation in December 2002 BVQI issued an internationally recognised ISO 9001:2000 Quality Certificate to cash handling and security processes in Eesti Pank.

Also Administrative, Clearing and Settlement and Personnel Departments revised the organisation of work and management system pursuant to quality management principles in 2002. Organisation of work processes was specified and streamlined, if necessary, time management was mapped, work-related knowledge and skills were systematically defined and management and accounting of departments was reviewed and improved.

EESTI PANK'S EMPLOYEES

Personnel Policy Objective

The general aim of Eesti Pank's personnel policy is to ensure recruitment of employees needed for accomplishing the main objectives of the bank, to develop and train the staff according to their duties, to motivate the staff and provide fair remuneration.

The underlying principle of the personnel policy of the central bank is that both the organisation and an employee bear the responsibility for the development and satisfaction of the employee. The duty of the organisation is to ensure fair treatment and compensation of the staff, as well as means for development and training. To perform this duty respective policies are implemented. The employee, in turn, is responsible for using the opportunities offered skilfully; the bank also expects the employee's own initiative for development activities regarding mutual interests of the bank and the employee.

The development and training of employees in the bank is systematic, purpose-oriented and planned, ensuring the compliance of their knowledge, skills and attitudes with the requirements set to their positions and development needs of the bank.

The aim of compensation is to recruit employees more fit for the position, motivate them to work efficiently and help to shape the good reputation of the bank as an employer.

One of the compensation principles is that the average amount of compensation would be competitive with that in the financial sector labour market in Tallinn. In order to compare the remuneration of the bank employees and that of Tallinn's financial sector, the bank participates in different wage market researches. For years the bank has used the results of these researches for comparing its wage system with the external labour market.

Personnel Policy Implementation

Bank Employees

While recruiting for managerial and other responsible positions a **competency model for the position** introduced in 2001 was continuously used in 2002. With the support of an external partner, the compliance of the candidates' knowledge, skills and development potential with the model was assessed.

Internal competition is preferred to fill positions within the bank. The main objective is to **motivate staff**, providing opportunities for horizontal career. This also helps to reduce personnel risk. Within the framework of Eesti Pank's career and development policy, other opportunities have been used to motivate staff by changing tasks and using temporary placement outside the bank.

In early 2002, 251 employees were employed in the bank. 22 employees left and 15 came to work during the year. On 1 January 2002, employees of the former Banking Supervision Department of Eesti Pank were transferred to the Financial Supervision Authority. **At the end of 2002**, the bank employed **244 employees**. 230 were actually at work; the contract with 14 employees was suspended. 8% of the staff was managers and 57% central bank officials (experts). **58%** of the staff was **women** and **42% men**. **The average age was 40.1 years**.

Labour turnover was 8.1% in 2002. The turnover is calculated as the ratio of the number of the employees who left during the year to the average number of employees. Interns and the employees who left and whose positions were not planned for 2002, were excluded.

Development and Training

In 2002, the share of training related to financial stability and working in EU institutions increased, information technology maintained its essential role. Training supported also other processes associated with the development of the organisation. For the first time training in development interviews and quality management was arranged.

In 2002, training themes, allocated funds and time were defined in the **Bank's Training Plan**, which comprised an Internal Training Plan and a Technical Assistance Training Plan.

The Internal Training Plan involves several departments and helps to develop necessary common understanding. Themes are based on the Bank's Strategic Development Plan and more important amendments of the legislation. Resource intensive training took place in finance and banking as well as in management and communication in 2002. As a special project financial markets and new financial instruments training together with the International Monetary Fund was organised. Apart from the staff of Eesti Pank, employees from the Financial Supervision Authority, Ministry of Finance, central bank and ministry representatives from Latvia and Lithuania participated. Altogether 44 internal training courses were organised in the bank.

Technical assistance training included courses organised by Eesti Pank's long-term cooperation partners. IMF courses in Tallinn, Vienna and Washington attracted the largest number of participants. The Bank of England Central Bank Training Centre is a highly recognised training partner as well. The centre organised two training sessions relatively close to Estonia – together with the Bank of Latvia in its Jurmala training centre.

The departments were independent in defining **intra-department training**.

206 participants, ie 82% of the bank's employees were registered at the training in 2002. The total training was **13,643 hours**. On the average, an employee of Eesti Pank attended training on **7.6 days**.

TRADITIONS

Eesti Pank celebrates the anniversary of the Republic of Estonia and the anniversary of Eesti Pank as well as the anniversary of the reintroduction of the kroon. Four times a year a new exhibition is opened in the Bank's Art Gallery. In 2002, personal exhibitions by P. Mudist, Kreg A-Kristring and J. Adamson were displayed. An exhibition *Art in Our Homes* was most unique as here bank employees introduced artwork they owned.

Sports Club

By end-2002 Eesti Pank Sports Club had 157 members. Aerobics, bodybuilding, basketball, swimming and water aerobics are among the more preferred fields of sport.

In order to promote *esprit de corps* and family values, sports days were held at Vanaõue in summer, skiing and ice bowling in Jetti Ice Hall and swimming at Keila health centre was organised in winter. For the first time, cyclists travelled outside Estonia – to Åland. Basketball players ranked **third at the Banking Association championship** and participated in the **European Central Bank tournament in Budapest**.

Chamber Choir

In 2002, the choir had 31 members, employees of Eesti Pank and the Financial Supervision Authority. In April the choir participated in **the VII Estonian Chamber Choir Festival** dedicated to Mart Saar's 120th birth anniversary. The choir sang also at the events dedicated to the tenth anniversary of the Estonian kroon. On the eve of the anniversary of the reintroduction of the kroon the choir released its first **CD**.

The highlight of the year was the longest trip in the history of the choir to **the festival of culture of European central banks in Portugal**. At the end of the year the Chamber Choir had traditional **Christmas concerts at Jõelähtme Church and Eesti Pank's Independence Hall**.