

Institutional Development



10 Institutional Development

The smooth operation of the NBS is based above all on a rational organizational structure and the competences thereunder, but just as important are the quality, knowledge and motivation of its human resources.

10.1 Organization and management

In line with the need to streamline the bank's activities, the Bank Board of the National Bank of Slovakia made two organizational changes in the course of 2005.

The Section for State Budget and Capital Market Relations underwent a change in the scope of its duties on 1 March, with the entry into force of Addendum No. 36 to the Organizational Order of the National Bank of Slovakia, of 11 February 2005.

The most significant change was approved under Addendum No. 37 to the NBS Organizational Order, of 30 September 2005, as a direct response to the Act No. 747/2004 on financial market supervision. The result of this organizational change was the establishment of a financial market supervision unit within the bank which, from 1 January 2006, in accordance with the law, has a comprehensive remit for supervisory activities concerning supervision of the banking sector, securities dealers, the capital market, the insurance industry, and pension savings.

As regards rationalization of branches, a new concept for managing branches and sub-branches was adopted in December. This breaks from the obsolete historical model under which the central bank is represented through branches in the three original administrative regions, and, following on from their abolition, it envisages sub-branches that are primarily and exclusively places ensuring currency circulation and administration of the money supply.

In the area of organization and management, a planned audit of the bank's management processes and activities was approved in December. The main aim of the audit, which is due to be implemented in 2006, is to assess the effectiveness with which the

national central bank's tasks have been met and to do so through objective knowledge of:

- the current approved status of the organizational management,
- harmonization of management processes and optimization of the organizational and capacity requirements.

10.2 Human resources

10.2.1 Number of employees

The number of planned positions in the NBS was 1,216 as at 31 December 2005, while the number of employees stood at 1,169, of which 550 were men and 619 women. The headcount fell during the course of 2005 – down by 71 in comparison with 31 December 2004 – largely owing to the termination of employment contracts through the implementation of organizational changes approved in 2004. Related to this was the conclusion of the process under which the State Treasury had since August 2004 been assuming from the NBS operations for the management of state budget accounts.

Over the year, 46 new employment contracts were concluded, which in line with internal regulations were typically fixed for a period of one year. Altogether 134 employees ended their contracts. In accordance with promoting the concept of internal mobility, vacated or newly-created positions were firstly offered to existing employees, and only if none applied were they filled by external applicants.

With the inclusion of the National Bank of Slovakia into the European System of Central Banks, the NBS is cooperating in human resources management with central banks of the ESCB and with the European Central Bank. In the context of cooperation with central banks of the ESCB, the Human Resources Management Department regularly participates in meetings of the Human Resources Conference. In concrete terms, cooperation with the ECB in 2005 included the NBS having three members of its personnel employed at the ECB on the basis of ESCB/IO contracts, after successfully completing the ECB selection procedure.



Organisation of NBS as at 31 December 2005

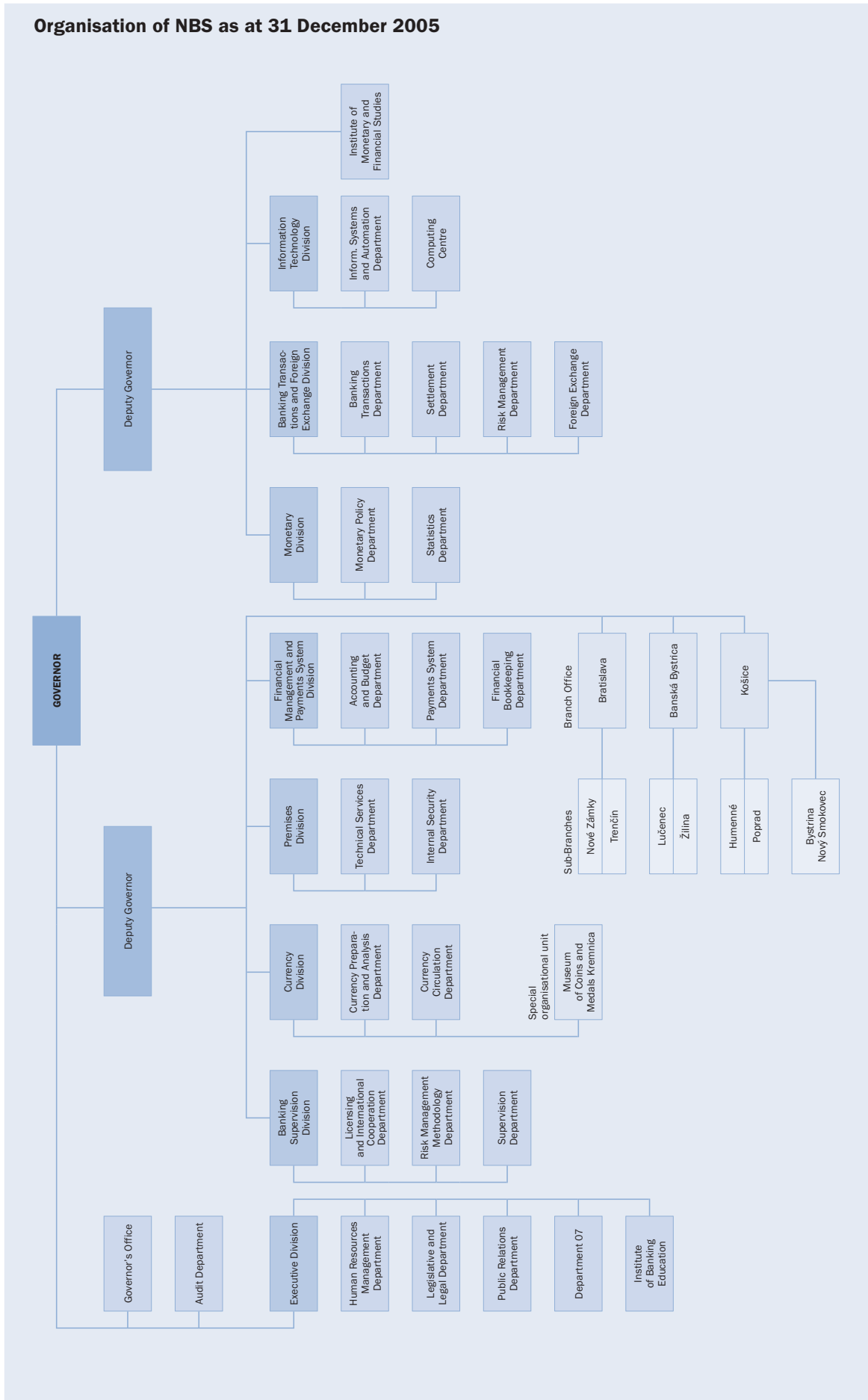
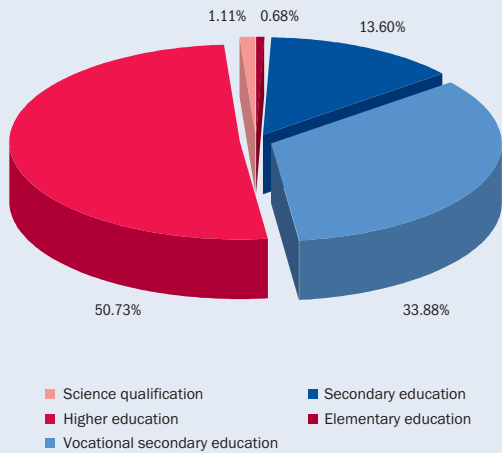
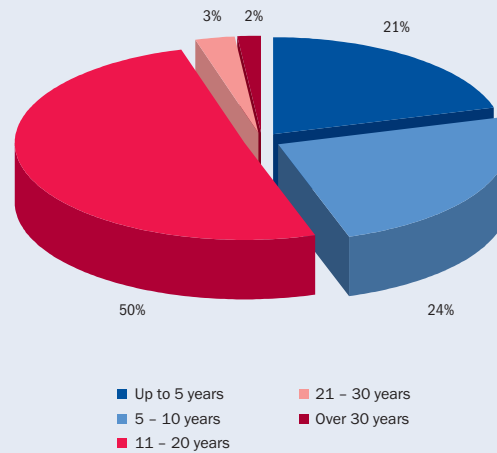


Chart 63 NBS employee structure by qualification (%)



Source: NBS.

Chart 64 Employee structure according to years worked in the NBS (%)



Source: NBS.

10.2.2 Qualifications

People with higher education accounted for 52% of all NBS employees as at 31 December 2005 and holders of secondary-school leaving certificates for 34%. More than 13% of the employees had left secondary school without a leaving certificate and 0.7% had attained only primary education.

10.2.3 Employee structure according to age and years worked

In 2005, the average age of NBS employees increased in comparison with 2004, from 41.5 years to 42.2 years. The age groups 30-40 years and 40-50 years accounted for the same share, 31.5% (735 employees in total). People under 30 years made up 13% (155 employees) and those over 50 years 24% (279 employees).

The NBS marked its 13th anniversary in 2005, having been established on 1 January 1993 as a successor central bank of the State Bank of Czechoslovakia. As at 31 December 2005, 241 employees (21%) had worked in the bank for up to 5 years, 285 employees (24%) for between 5 and 10 years, and 590 employees (more than 50%) for between 11 and 20 years. A further 53 employees (4.5%) had worked in the bank for more than 21 years.

10.2.4 Breakdown by gender

The proportion of men and women became substantially more balanced in 2004 and 2005, especially in

relation to the change in provided activities. As at 31 December 2005, the NBS employed 550 men and 619 women, representing a ratio of 47:53 (45:55 in 2004).

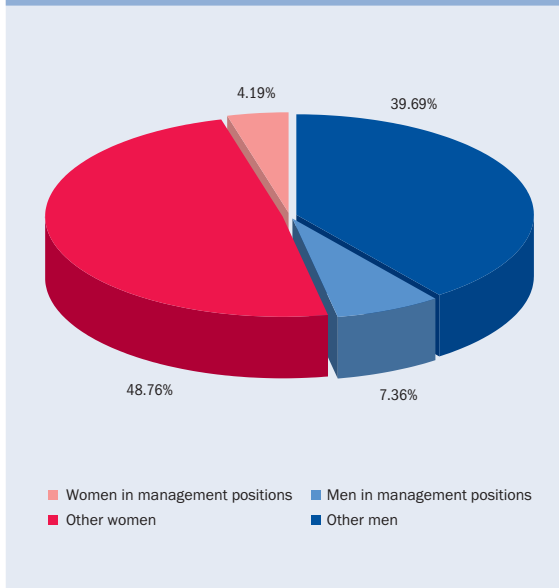
As for employees in management positions, the bank had a total of 135 in 2005 (approximately 11.5% of the total number of employees), of which 86 were men and 49 women, representing a ratio of 63.7 : 36.3.

10.2.5 Employee remuneration

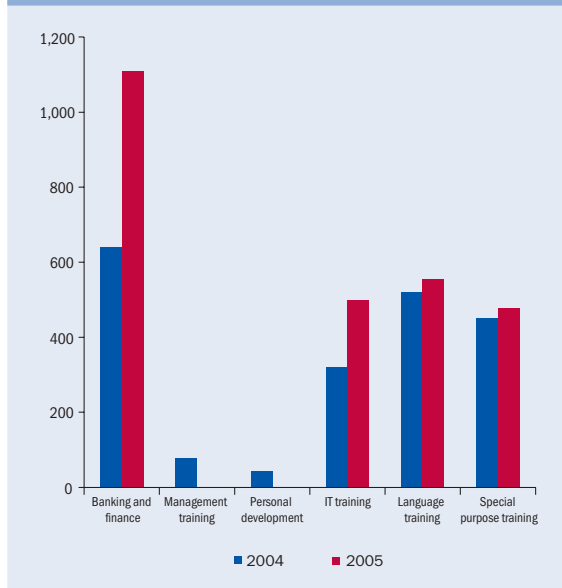
In accordance with the Labour Code, the NBS uses its own composite system of remuneration with the basic wage accounting for a relatively low share of the average wage.

In 2005, employees were paid two extraordinary salaries, and the Bank Board on a quarterly basis decided on the payment of bonuses based on work results. The basic wage was increased and the remuneration system simplified on the basis of an internal regulation on remuneration, which the NBS Directorate approved in December 2005 to take effect from 1 January 2006. In regard to this fact, the Bank Board approved the payment of wage funds accumulated from previous years in the form of an extraordinary annual bonus.

Staff costs in 2005 (excluding contributions and social expenses) amounted to SKK 547,541,000, of which wage costs accounted for SKK 544,585,000 stand-by charges SKK 1,624,000, and other personnel costs SKK 1,332,000. The bank paid an average

**Chart 65 Employee structure by gender and management position (%)**

Source: NBS.

Chart 66 Training of NBS employees (number of participants)

Source: NBS.

wage of SKK 38,528 with an index of 104.9 in comparison with 2004.

Social insurance contributions amounted to SKK 156,536,000 in 2005.

Social expenses in 2005 included reorganization-related severance payments amounting to SKK 14,642,000, and early retirement bonuses in the amount of SKK 5,136,000. In terms of implementing social policy during 2005, the NBS made contributions for employees to supplementary pension insurance and additional pension insurance in the amount of SKK 7,281,000.

10.3 Training

Training is an important activity of the organization, enabling the professional and personal growth of its employees and thereby increasing its quality and value. Training activities in the NBS are comprehensively provided by the Institute of Banking Education, which prepares and organizes training events for NBS employees, as well as employees of the banking sector and other financial institutions, doing so as a holder of and in accordance with the international quality management system standard ISO 9001:2000.

Alongside class-room training events, the Institute of Banking Education organized also several distance learning programmes accredited by the Ministry of Education of the Slovak Republic, the successful completion of which earns a certificate with nationwi-

de validity. In addition, the distance learning course "Banking in the EU", accredited by the European Bank Training Network, leads to a certificate valid throughout Europe – the European Foundation Certificate in Banking. In 2005, a total of 19 people obtained this certificate.

10.3.1 Training of NBS employees

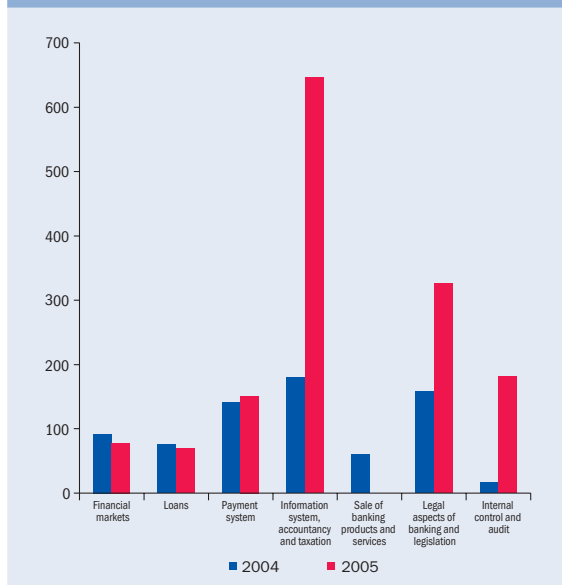
The training of NBS employees in 2005 was primarily aimed at supporting the effective performance in their work, including tasks arising from the NBS's regular membership of the European System of Central Banks (ESCB) and involvement in the preparations for entry into the Eurosystem and the planned introduction of the euro in Slovakia.

In 2005, there were 513 training events attended by 2,639 NBS employees. A comparison of NBS employee participation in training events in 2004 and 2005, broken down into individual subject areas, is shown in Chart 66.

In 2005, the main focus was on specialist training in banking and finance, and on IT, special purpose and language training, which is a continuation of the trend from previous years. The priority given to specialist training saw a fall-off in training activities in management training and personal development.

Training in the topical issues of banking and finance is aimed at expanding the specialist knowledge and abilities of NBS employees so as to improve the quality and effectiveness of their work, with the objective of

Chart 67 Training of financial institutions employees (number of participants)



Source: NBS.

successful application in the European area and the promotion of NBS interests in the ESCB.

The further specialist training of NBS employees benefits greatly from the training events organized by the national central banks of the ESCB and by other foreign institutions offering participation to NBS employees. In 2005, most NBS employees took part in highly specialized events organized by the International Monetary Fund and the IMF Institute and in events organized by, in particular, the Deutsche Bundesbank and the Oesterreichische Nationalbank. NBS employees also had the possibility to participate in seminars held within the Common ESCB Training programme and in so-called open seminars.

In 2005, as in 2004, there continued to be considerable interest in the subject of accounting within banking and in international accounting standards IAS/IFRS, on which a cycle of 9 seminars was held.

For new NBS employees, there is the course entitled Minimum for NBS Employee. In regard to the incorporation of the Financial Market Authority (FMA) into the NBS, such courses were held especially for FMA employees.

Included in this category of undertakings is also training in topical issues related to European integration, the aim of which is to increase professional awareness regarding the current state of cooperation between the NBS, ECB and ESCB and regarding current developments in the EU. In 2005, special attention was devoted to training employees in connection with the National Euro Changeover Plan for the Slovak Republic.

Another area of focus was, as in previous years, language training. This creates the conditions so that NBS employees are able to learn a foreign language to the level required for representing the NBS at an appropriate standard, for meeting tasks related to the integration of Slovakia into the EU and the NBS into the ECSB, and for expanding cooperation with other foreign central banks and financial institutions. Training in this area is centred mainly on the English language and to a lesser extent on other foreign languages (German, French, Spanish, and Russian).

The reasons for the increasing scope of training in information technology lie in the ever advancing development within this area and the consequent innovations of the NBS information system, which require that employees develop and improve the knowledge and skills they have already acquired.

The NBS also encourages employees who are raising or broadening their qualifications through distance study within higher education and certified training programmes.

Besides training its own employees, the NBS provides specialist work experience to students of economic disciplines at universities and secondary schools (altogether in 2005, for 16 university students and 22 secondary school students).

10.3.2 Training of employees of commercial banks and other financial institutions

In 2005, the NBS prepared 109 training events that were attended by 1,857 employees of banks and other financial institutions.

The scope and specific aim of this training corresponds to banks' current spectrum of needs, as determined from regular surveys and from contact with departments of human resources and training.

Accordingly, training has been divided into the following categories: foundation courses, training for banking specialists, management training, European integration, personal development, language training.

The principal category has long been training events for banking specialists. Chart 5 shows a comparison of participant numbers in this category for 2004 and 2005, broken down into the respective sub-categories.

Compared with 2004, there was substantially greater interest in training events concerning information systems, accountancy, tax, and internal control and



audit. There continued to be strong interest in the legal aspects of banking and legislation. The increased interest in these issues was largely stimulated by changes in the field of legislation and accountancy.

10.3.3 Internal trainers

The preparation and implementation of training events has the active involvement of internal trainers – NBS employees. More and more NBS experts are

taking part in teaching activities within the context of foreign technical cooperation and in the provision of foreign technical assistance, where they present themselves at a highly specialist level.

Altogether in 2005, there were 159 teaching presentations which included the involvement of 67 NBS employees. The extent of teaching activities of NBS employees increased substantially in comparison with 2004 and this positive trend is expected to continue in the future.