

CENTRAL BANKERS

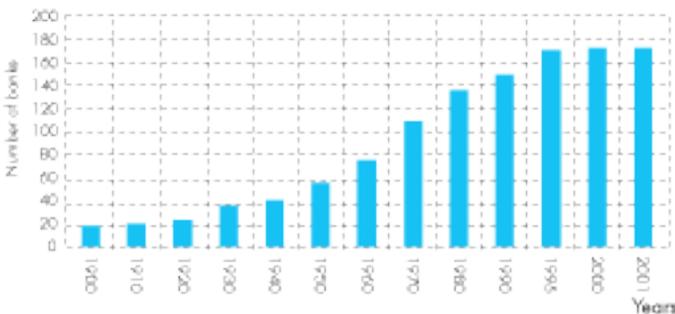
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Keywords

- Central bank - Central bank staff - Recruiting - Term of office of Governor -

“Central bank” is a very early used term. Walter Bagheot, editorialist in “The economist”, used this term for the first time in 1873. The central bank establishment as an institution dates back still earlier. The first central bank in the world is that of Sweden established in 1668. The aim of establishing this bank was to fund military expenditures. Whereas, the central bank known as activity is an invention of XX¹ century. The above century is otherwise called the central bank century. The central bank number increased significantly from 18 in 1900² to 173 in 2001. The world now has more than half a million central bankers (535,115 persons)³.

Chart 1 Number of Central Bankers (1900-2001)



Source: Morgan Stanley Central Bank Directory, 2002

Central banks today are changed into relevant institutions for a country's economy. This has been due to the important role they play in four fields, particularly: instigating consumer price stability, maintaining appropriate functioning of payments systems, supervising the financial sector and managing financial crisis.

All current discussions on the role and central bank functions on monetary policy, bank supervision, models and forecasts, autonomy and responsibility, etc., are aroused from the daily operation of central bankers. Because of this what would be the right number of central bankers in order to successfully and effectively meet central bank duties remains a fashionable dispute. A similar question can be answered directly and not by a single answer. The staff figure is practically an incomparable indicator between central banks of different countries.

The main reason is correlative to the central bank functions. However, on the whole, we note a standardization of core functions of central banks like monetary policy, monetary operations, etc. Also, according to the needs or traditions of countries, central banks perform other duties as well. The most noticeable function is that of banking supervision.

In some countries, this function is under the central bank authority; in some others it is not, having no unique model. The same way, central banks may be engaged in estimating statistical indicators not directly related to monetary policy. Functions of services are resolved problems in different forms, buying services from the third parties or performing them all alone. Or in Bank of Albania's case, where Tirana Stock Exchange is an integral part of the central bank activity, it is almost a unique experience. All these had a direct effect on the staff figure of the central bank. Additionally to that, it is clear that the number of central bankers depends on their efficiency at work. The current changes have evidenced three common trends: the number of central banks is raising and the number of central bankers is in decline, and the governor's term of office is rising.

The number of banks is mostly increased due to the introduction of new states and the establishment of central banks in those states where they have not existed before. Whereas the overall number of central bankers has got a downsizing trend as banks are trying to economize on costs and/or lose some functions. The term of office of governors is rising, as a reflection of endeavors to strengthen the central bank autonomy, especially the real one.

Table 1 Some data provided from Central Banks of some countries

No.	Country	Central bank staff	Staff per 100000 inhabitants	Year of central bank establishment
1	China	150000	11.8	1948
2	Russia	80700	55.5	1990
3	USA	23056	8.3	1914
4	Germany	16074	19.4	1948
5	France	15265	25.6	1800
6	Italy	8515	14.8	1893
7	Turkey	5500	8.3	1931
8	Japan	5415	4.3	1882
9	Spain	3124	7.8	1829
10	Greece	3096	29.1	1927
11	Romania	2444	10.9	1880
12	Belgium	2408	23.5	1850
13	United Kingdom	2344	3.9	1694
14	Argentina	2191	5.9	1935
15	Malaysia	2124	9.6	1958
16	South Africa	2133	4.9	1920
17	South Korea	2078	4.3	1950
18	Netherlands	1842	11.5	1814
19	Portugal	1828	18.2	1846
20	Canada	1539	4.9	1934
21	Czech Republic	1450	14.1	1993
22	Lebanon	1351	37.2	1964
23	Slovakia	1320	24.4	1993
24	Hungary	1201	11.9	1924
25	Bulgaria	1200	15.6	1879
26	Austria	1121	13.8	1816
27	Poland	1118	2.9	1945
28	ECB	1032		1998
29	Yugoslavia	1000	9.4	1883
30	Australia	977	5.0	1945
31	Ukraine	995	2.0	1991
32	Lithuania	884	24.5	1922
33	Taiwan	876	3.9	
34	Israel	846	14.2	1954
35	Singapore	842	19.6	
36	Kyrgyz Republic	834	5.0	1990
37	Jordan	815	15.8	1963
38	Belarus	814	7.9	1990
39	Ireland	720	18.7	1943
40	Finland	702	13.6	1811

41	Latvia	685	28.7	1922
42	Norway	630	14.0	1816
43	Hong Kong	601	8.3	1993
44	Croatia	583	13.5	1991
45	Switzerland	583	8.0	1907
46	Chili	561	3.7	1925
47	Denmark	553	10.3	1818
48	Moldova	496	11.2	1991
49	Sweden	488	5.5	1668
50	Slovenia	384	19.9	1991
51	Malta	300	76.0	1967
52	FYROM	284	13.9	1992
53	Cyprus	273	35.8	1963
54	Estonia	250	17.6	1919
55	Bosnia & Herzegovina	240	6.1	1997
56	New Zealand	199	5.1	1933
57	Luxembourg	180	40.6	1983
58	Island	114	41.0	1961

Source: Morgan Stanley Central Bank Directory, 2002

However, the overall trend of the shrinking number of central bankers is not equally the same for every region. Generally, newly established banks or those that are under the way of institutional development have got the trend to add the staff figure.

The only continent to buck the trend is Africa, where three quarters of the central banks are still expanding. The same may be said for many banks in Eastern Europe and former Soviet Union.

The Central Bank of Bulgaria, which raised the staff figure from 479 in 1992 to 1330 in 1998, has now cut it back to 1200. Similarly, the Bank of Latvia increased the staff figure from 200 in 1993 to 715 in 2000, but it currently employs 685 persons; the Central Bank of Moldova is also a similar case with the first.

The National Bank of Hungary has got a constant downsizing staff since 1993 from 2654 to 1201 persons at present. The Euro system employs 56,000 people; that's more than twice as many as the U.S. Federal Reserve, which serves a larger economy... "But, Europe has too many central bankers and it's time to end the glut."⁴

On the whole, staff figures seem to have got rising trends in the first years of operation, reaching a peak, which begins to cut back later.

I. BANK OF ALBANIA'S STAFF OVER YEARS

A central bank of a country is commonly an autonomous institution from the executive. An element of exercising the right for autonomy is also its exercising autonomy in policies of recruiting central bank personnel. Central banks usually have the goal to attract highly qualified personnel, capable to successively carry out central bank tasks. Euro system's staff collected salaries and benefits for 2001 are nearly at USD 4.2 billion⁵.

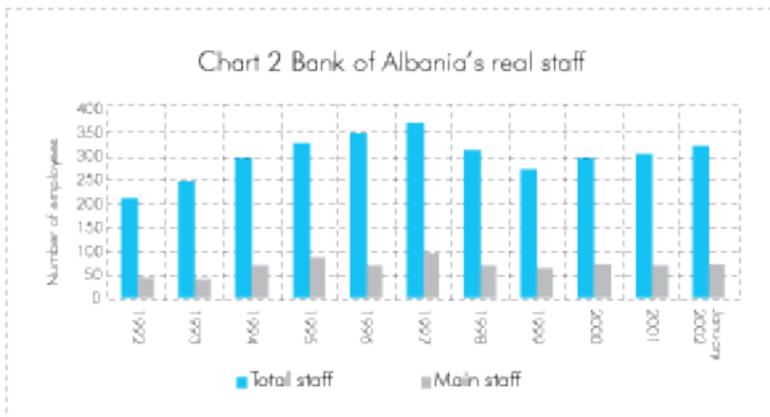
On the other hand central banks must be sure that their autonomy will not be abused and misused in issues of recruiting personnel. For these reasons, the attention must be focused in increasing the staff efficiency. To all of these, the attention is paid to staff connected aspects and the following of such indicators as the staff figure.

An article of "Central Banking" magazine mentioned the Bank of Albania as a central bank to have significantly increased the staff figure, attracting for the first time the attention on this indicator performance for the period of 1992-January 2002. The Bank of Albania average staff figure for the period of 1992 - January 2001 has been 300 persons a year. Based on the total staff figure, the Bank of Albania is ranked the 125th on the descending scale amongst the banks. However its staff figure is still very low compared to the average staff figure of a central bank of 3148 persons or the median figure of 693 persons. On the whole, the evidenced trend, as expected, has been that of a rising average staff figure by 5 percent annually. Nevertheless, this rise has not been equally the same, but it may be clearly divided into the following periods:

- During 1992-1997, the Bank of Albania had a significant increase of its staff figure from 210 to 317 persons. The

increase in this period is justified by the fact that the central bank was established in 1992 and many of its functions were represented by one person or disclosed as work positions. During this period, there were taken all necessary arrangements to complete the organizing framework, either with functions or the appropriate staff.

- During 1998 and 1999, the central bank staff is reduced, reaching 272 persons. In both years, there have been structural arrangements and staff cuts in the framework of the government program to reduce the number of state administration.
- During years 1999-2002, it is evidenced a repeated scenario of the first period, meaning that there was evidenced a rising staff figure for the Bank of Albania.



The Bank of Albania's organizational structure, additionally to its dividing into departments, sectors, offices, etc., attributive to staff and employment policies is also divided into the following categories:

- main staff, which includes all persons corresponding to departments fulfilling core functions of the bank as that of monetary policies and research, monetary operations, supervision, etc;
- secondary staff, which includes all those persons corresponding to departments fulfilling secondary functions

and aid with performing core duties, as that of accounting and payments, information technology, legal and human resources, etc; and

- Support staff, which includes all those persons performing service functions to the central bank activity as that of cleaning, secretary, transport, etc. The above three groups represent the central bank staff in the main office. This staff is supplemented by the staff in bank branches located in the districts, the Printing House and the Training Center for bankers which functioned over the period of 1993-1998. Changes in staff figures are caused by changes in all categories.

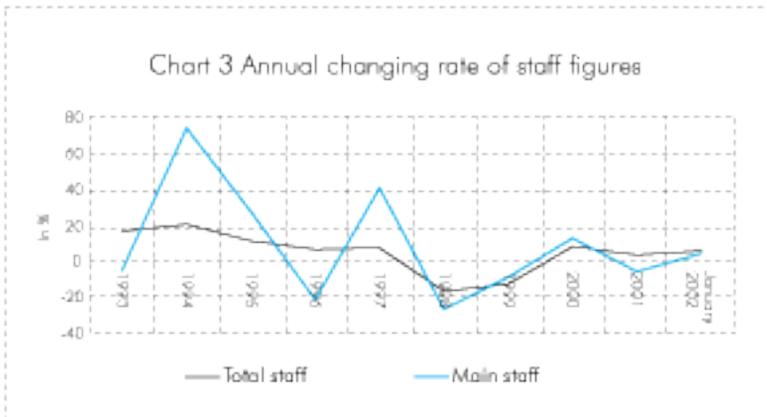
A typical feature for the central bank staff is the relatively low level of main staff, of that group that fulfills the core function of the bank. The main staff comprised the average of nearly 1/5 (21.5 percent) of Bank of Albania's total staff. From 40 in year 1992, this category currently counts 69 persons, with the largest figure of 93 persons in 1997. The ratio of main and secondary staff records the average of 1 for the total-examined period. The low number of main staff is not necessarily an indicator of efficiency in operation. On the other hand, the large number of secondary and support staff indicates inefficient governing of that part of central bank activity. Additionally to that, measures taken to reduce the staff after 1997 seem to have been more tangible to that category. So, at the end of 1999 compared to the end of 1997, there were 31 persons less from the main staff against:

- 14 persons less from secondary staff
- 12 persons less from support staff
- 19 persons less from central bank subsidiaries established in districts;
- 19 persons less from the printing house staff
- 5 persons less from the Training Center staff, as this unit was cut as a structure.

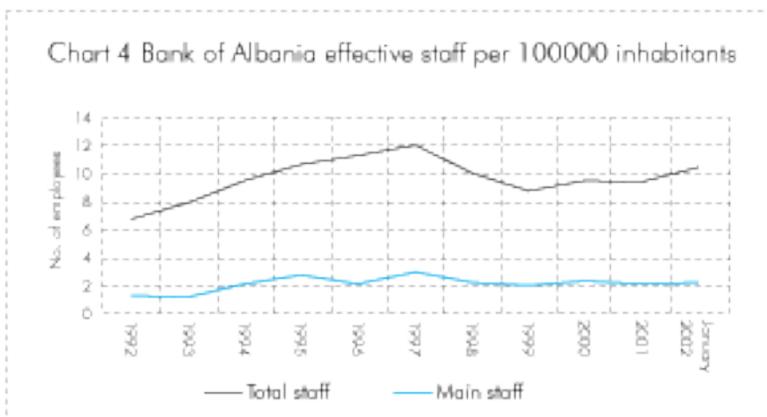
On the other hand, the rising number of staff at the beginning of 2002 has not taken place only with the main staff category, but with other staff categories as well.

7 persons are added to the main staff category compared to the end of 1999, against:

- 33 persons added as secondary staff;
- 19 persons added as bank branch staff located in the districts
- 8 persons reduced the support staff category.



Due to this reason, the Bank of Albania has an average of 9.6 central bank employees per 100000 people, a relatively high figure, but if compared to many developed countries' central banks, it has an average of 2.1 main central bank staff per 100000 people, which is a very low rate.



Such a disclosure of figures and performance of central bankers in the Bank of Albania and their classification is very important to determine the midterm strategy in this respect, at least. It is clear that the Bank of Albania's strategy to improve the quality of work must be focused in developing the core functions of central bank activity.

First of all, this requires appropriate supply with staff. On the other side, the Bank of Albania needs to improve its management in other aspects of its activity, aiming at enhancing its efficiency. Given an unchanged central bank structure, the trend for the mid-term at least will be the increase of its staff figure. However, it would be in place to arrange ratios between different categories. So, more persons must be at the service of core functions of the Bank or those functions that are important for the Albanian environment. Practically the concentration of central bankers in the future must be considered in such sectors as research, analysis or statistics.

In the same way "to remove the charge" resulting from non-typical functions of the central bank, it would be advisable to remove many auxiliary services, which may be provided from the third parties or that are not merely adroit to be performed by a central bank.

Banking supervision represents a delicate aspect. Many central banks today are renouncing from banking supervision, confiding it to other agencies and this movement is accompanied with reducing staff. However, it is not advisable that the Bank of Albania be aggressive in this matter and remove this function within a 5-year period, at least. This argument is not the only subject matter of this paper; however, it is helpful to stress that this sector must be succored by rising staff to meet the activity resulted from the rising need for qualitative supervision.

Table 2 Bank of Albania real staff figures

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
I. Main office	113	131	178	221	241	266	229	209	214	238	241
Main staff	40	38	66	84	66	93	68	62	70	66	69

Secondary staff	47	53	55	65	82	76	76	62	64	95	95
Auxiliary staff	26	40	57	72	93	97	85	85	80	77	77
II. Local administration (branches)	63	61	68	57	57	56	39	37	54	56	56
III. Printing House	48	48	45	45	45	45	31	26	26	26	26
IV. Training Center		5	4	5	5	5	1				
Total	224	245	295	328	348	372	300	272	294	320	323

Source: Bank of Albania, Legal and Human Resources Department

II. BANK OF ALBANIA AND SOME BANKS OF THE REGION

If we compare the above indicators with some central banks in the region operating for the same population with that of Albania, we notice that the central Bank of Albania has more advantageous positions, having the smallest staff figure either in absolute value or in relation to the population and a weak rising tendency of this indicator. Such position reflects the fact that the Bank of Albania will have a rising staff figure, even for some years in response to the consolidation of developing functions, especially with regard to their improving quality. The enhancement of efficiency must be sought at a later stage.

Table 3 Bank of Albania and some similar banks

Country	Population (in millions)	Central bank staff	Staff per 100000	Change of staff in % 1996-2001
Bosnia & Herzegovina	3.9	240	6.1	
Moldova	4.4	496	11.2	16.4
Armenia	3.3	379	11.4	31.6
Croatia	4.3	583	13.5	35.3
FYROM	2.1	284	13.9	45.6
Slovenia	1.9	384	19.9	-3.3
Albania*	3.1	320	9.6	-8.0

Source: Morgan Stanley Central Bank Directory, 2002

* Bank of Albania

III. TERM OF OFFICE OF GOVERNOR

One of the latest trends is a gradual increasing expectation for the term of office of governor. In 2001 there were 23 newly

appointed governors mostly due to the end of the terms of office of previous governors. The average inflow of newly appointed governors from 1997 is 27, whose average increased with a particularly high change in 1999, when there were appointed 37 new governors. A quick calculation indicates that the average expectation for terms of office of central bank governors is nearly 6.5 years, and with a rising trend.⁶

A measuring indicator of central bank real autonomy is the changing rate of governors.

This indicator, measured for the first time in September 1999⁷, stated a very low level of the real autonomy. So any governor had 18 months as the average term of office. Based on the stability that the central bank management had after 1997, this indicator evidenced a significant improvement. The average term of office of governors was raised with 24 months. However, according to this indicator, the Bank of Albania is still remote from being really autonomous. The real term of office is 28.6 percent, from 84 months term of office of a governor. Considering the verge that separates the high circulation from the low one of the governor, it takes values in the interval [0.2: 0.25]. In the Bank of Albania's case, the average figure of changing governors in a year is still high, at the rate of 0.5.

Thus, though the current tendency of the rising term of office for governors has been confirmed so far, this term is really and legally as much as 1/3 of the common average. This trend has been influenced, *inter alia*, by the enhancement of the legal autonomy. Although the real and the legal autonomy are part of the total autonomy, the strengthening of the first provides premises for rise in the second.

For the period under study, in Bank of Albania's case, it may be confirmed that the strengthening of its legal autonomy (measured by the index set up by Cukierman⁸) helped in extending the real autonomy, even significantly (correlation coefficient is 0.7 percent).

Table 4 Correlation between real and legal autonomy

Legal autonomy	Correlation	Real autonomy	Legal autonomy
	0.688		1.000
	Sig. (2-tailed)	0.000	
	N	120	120

Correlation is important at 0.01 (2-tailed).

IV. CONCLUSIONS

The rising role of central banks in economy and their autonomy consequently is evidenced as a common trend, currently making them important institutions for domestic economies and because of this, central banks are increasing their efforts to become more efficient and be mostly focused in their core functions. This common trend is reflected in the number of bankers and their quality.

On the whole, the number of the central bankers is increasing with the establishment and development of the bank that reaches a peak and then begins to cut back with a rising interest to be more efficient and focused in core functions of the bank. As of this, whether the central banks in developed countries are evidenced on downsizing trends of staff figures or low indicator per 100000 people which states their higher profitability and efficiency at work, less developed countries or the developing ones are still on the rising side of the curve. This may be due to their completing with functions or developing functions, which



may not be part of their normal activity, or due to low technology or staff quality.

It is clear that the Bank of Albania will follow a similar development history. On the whole, at least for the next three years, given that no current function is taken off from the bank, the staff figure shall evidence growth. The target must be that the rising staff might primarily go to those units that have the task to enable the performance of the core functions of the bank, not to support staff.

Nevertheless, it is in the interest of the Bank of Albania and in the succor of its improving management, to be disrobed from secondary activities that could be better ensured as services from the third parties.

NOTES

* Teuta Baleta, Head of Research and Monetary Policy Department.

¹ "The economist", September 25, 2000.

² "The economist", November 28, 1998 and February 19, 2000.

³ Morgan Stanley Central Bank Directory, 2002, London, 2002 pg XI.

⁴ Central banks' vital statistics, Central Banking, volume XII, No. 2, November 2001, pg. 10, 11.

⁵ Europe's costly surplus of central bankers", Business Week, January 21, 2002

⁶ "Central banks' vital statistics", Central Banking, volume XII, No. 2, November 2001, p. 10.

⁷ Cani Shkelqim, Baleta T., "Central Bank of Albania: Is it really independent?", Discussion, Paper No. 1/99, September 1999, p. 44-48.

⁸ Cani Shkelqim, Baleta T., "Central Bank of Albania: Is it really independent?", Discussion paper, No. 1/99, September 1999, p. 28.