PRESS RELEASE
Federal Deposit Insurance Corporation

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FDIC ANNOUNCES PROGRAM TO REDUCE STAFFING LEVEL

FOR IMMEDIATE RELEASE

The Federal Deposit Insurance Corporation (FDIC) today announced a program to reduce its staff by offering many career employees incentives to retire or to seek other employment voluntarily.

"The incentive program is the first of several steps the FDIC will take to adjust the size of its staff to levels justified by its workload," said FDIC Chairman Ricki Helfer. "We increased staff significantly to address the thrift and banking crises of the late 1980s and early 1990s. In the last few years we have experienced steep declines in our workload because the health of the financial system has improved dramatically, which has resulted in a sharp reduction in the number of failing institutions. We expect our workload to continue to decline over the next few years. For all those reasons, we must reduce the number of staff positions."

Bank failures declined from 207 in 1989 to 13 in 1994. Six commercial banks have failed thus far this year. Assets under liquidation at the FDIC have declined from $28 billion at the end of 1993 to less than $12 billion.

"Our goal is to meet our fiduciary obligations to the insurance funds by reducing costs that cannot be justified by the Corporation's workload, while at the same time being fair and humane to all of you, our FDIC colleagues," Chairman Helfer said in a memorandum to all FDIC employees announcing the program.

The National Treasury Employees Union, which represents 56 percent of FDIC employees nationwide, agreed to the incentive program.

The FDIC estimates that the program could save the insurance funds as much as $64.4 million when compared to the costs of a Corporate-wide reduction-in-force (RIF), depending upon the number of employees who accept the buyout offer. By law and under FDIC policy, a RIF cannot take place until early 1997. Dennis F. Geer, FDIC Chief Operating Officer, noted that a reduction-in-force of some magnitude in 1997 remains certain.

"We have too many employees for the number of positions necessary to do our job," he said. "Projections indicate that the excess is approximately 1,500 career employees at our core staffing levels, which we will reach in two to three years after we liquidate the remaining assets of banks and thrifts that failed during the banking and thrift crises and after we put into place management reforms that will make our operation more efficient. That 1,500 does not include the approximately 6,200 temporary employees at the FDIC and the Resolution Trust Corporation (RTC) whose contracts will lapse either on December 31, 1995, or during 1996."

He added: "We will continue to downsize consistently during the next two to three years until we reach the staffing level that is commensurate with the work of the agency. We cannot, however, today predict precisely what that number will be. We believe that, if a sufficient number of acceptances are received from the voluntary buyout, we will be able to limit the scope of a subsequent reduction-in-force."

Under the program, employees who voluntarily end their employment with the FDIC will receive 50 percent of their total annual compensation and continuation of their health insurance benefits for 6 months at the regular employee/employer sharing of cost. Last year, the FDIC offered comparable incentives to employees facing relocation.

The Office of Thrift Supervision and the Tennessee Valley Authority have offered comparable incentive programs to reduce the size of their staffs.

Employees at the RTC who have reemployment rights at the FDIC -- currently about 1,000 -- will also be offered the incentive program. By law, permanent employees of the RTC are not eligible for a reduction-in-force until 1997 and, in the interest of fairness, similar protection was extended to all FDIC career employees as well. These RTC employees will be put back to the FDIC when the RTC closes at the end of the year, along with an estimated $8 billion to $10 billion in assets of failed savings and loan associations, which the FDIC is required to liquidate.

FDIC and RTC employees offered the incentives have until January 31, 1996, to make their decision of whether to accept the offer.

To date, the number of staff at the FDIC has declined one-third from its peak of 15,611 in mid-1993, generally through the nonrenewal of contracts under which temporary staff have worked.