

Chapter 5

Employment in the Federal Reserve System

Over 60 percent of all the resources of the Federal Reserve System are committed to the salaries and benefits of its employees. This chapter discusses employment in the System in the aggregate, and then discusses it separately for the Federal Reserve Banks and for the Board of Governors and by service line. The chapter also traces the trends in Board and Bank employment, overall and by service line, over the past 10 years.

Total System Employment

System employment is budgeted at 25,047 for 1986, an increase of 438, or 1.8 percent, over 1985 estimated employment of 24,609. Table 5.1 shows employment for the System as a whole and for the Reserve Banks and the Board of Governors separately for 1984, 1985, and 1986.

Board Employment

Employment at the Board of Governors decreased 53 in 1985 and is expected to decline another 30 in 1986. This budgeted decline is part of the Boardwide Program Improvement Project; it is partially offset in 1986 by the additions to the staff for supervision and regulation.¹

The Board of Governors plans additions to the supervisory and enforcement staff responsible for oversight and increases in Systemwide training efforts in light of the large

1. See chapter 4 for a discussion of the Program Improvement Project and chapters 3 and 4 for fuller discussion of Bank and Board initiatives.

number of field examiners to be hired between 1985 and 1987.

As table 5.2 shows, only in this service line does the Board expect an increase in employment in 1986: 30 positions will be added at the beginning of the year to support the broader scope and greater frequency of bank and bank holding company examinations. This increase will be partially offset by reductions by year-end in areas of lower priority.

Reserve Bank Employment

Employment at the Reserve Banks increased 405 average number of personnel in 1985 and is expected to increase 468 in 1986.² These increases represent growth in the volume of priced services as well as new initiatives, the most significant of which is the intensified program of bank supervision.³

The strengthening of supervision and regulation of financial institutions is the most significant influence on employment throughout the Federal Reserve System for 1986. Ex-

2. The term "average number of personnel," or ANP, is used to describe levels and changes in employment at the Reserve Banks. ANP measures the number of employees in terms of full-time positions for the time period. For instance, a full-time employee who starts work July 1 counts as 0.5 ANP for that year; two half-time employees who start January 1 count as one ANP. The ANP for any given year is the average of the number of full-time employees (measured in this way) in the months of that year.

3. The costs of the staff for priced services are fully recovered through the pricing mechanism. See appendix 3.D.

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Table 5.1

Total Employment in the Federal Reserve System, 1984-86

Number, except as noted

Entity	1984 Actual	1985 Estimate	1986 Budget	Percent change, 1985-86
Reserve Banks ¹	22,669	23,074	23,542	2.0
Board of Governors ²	1,588	1,535	1,505	-2.0
Total System employment	24,257	24,609	25,047	1.8

1. Based on average number of personnel; see text note 1 for explanation.

2. Based on employees at year-end.

Table 5.2

Employment at the Board of Governors, by Service Line, 1984-86¹

Number, except as noted

Service line	1984 Actual	1985 Estimate	1986 Budget	Percent change, 1985-86
Monetary and economic policy	507	484	462	-4.5
Supervision and regulation	270	259	275	6.2
Services to financial institutions and the public	24	22	22	0
System policy direction	190	205	194	-5.4
Support services ²	438	395	391	-1.0
Overhead services ³	159	170	161	-5.3
Total, all service lines	1,588	1,535	1,505	-2.0

1. Based on employment at year-end.

2. Data processing personnel directly employed to support a service line are included with that line. All other data processing personnel are shown in support

services. Staff of the Division of Support Services are included in this category.

3. Includes personnel, accounting, and other overhead services.

aminations of commercial banks and inspections of bank holding companies will increase in frequency and scope, and procedures for reporting deficiencies to bank managements and boards of directors will be improved.

The Reserve Banks plan to expand both the number of examiners and inspectors in the field and the number of people on in-house surveillance staffs. Of the total increase of 468 ANP at the Reserve Banks in 1986, 219 are in supervision and regulation.

Other major influences on employment at the Reserve Banks include the Treasury Direct-Access Book-Entry

System (T-DAB), notification of the return of large-dollar checks, large increases in the volume of currency and checks handled that cannot be absorbed within current staffing levels, and the continued implementation of jointly developed software.⁴

As table 5.3 shows, these special factors by themselves would cause an increase of 572 ANP in 1986. The budgeted increase of 468, or 104 fewer than required by the special factors alone, reflects the ability of the Reserve Banks to reallocate staff from lower-priority work. For example, in

4. See chapter 3, note 7.

Table 5.3
Impact of Special Factors on Employment
at the Federal Reserve Banks, 1986

Special factor affecting employment	Increase in ANP, 1985-86
Enhanced examination program, volume growth, changes in reporting, and increased surveillance	219
Operation of T-DAB	111
Notification of return of large-dollar checks	118
Increases in volume of currency and checks	87
Introduction of jointly developed software ¹	21
Small and disadvantaged business procedures ²	16
Total, all special factors	572

1. See chapter 3, note 7.

2. These are the procedures instituted by the System in response to a legislative requirement to assure that small and minority-owned businesses are not subject to disadvantage in seeking contracts with the Board and the Banks.

1986, for the sixth consecutive year, Reserve Banks plan to reduce staff in overhead; and reductions are also budgeted for noncash collection and for other Treasury issues, and for building and housekeeping services.

Developments at the Reserve Banks

Differences in budgeted changes in employment among the Reserve Banks (as shown in table 5.4) reflect conditions in the various Districts, such as the financial structure and condition of institutions and the volume of business processed, as well as differing schedules for implementing Systemwide programs.

Three Reserve Districts—Boston, New York, and Minneapolis—plan reductions to staff in 1986 because the new supervision policies do not have a heavy impact on them and because for the most part the growth in their volume of priced services is normal. The *Boston* District is reducing staff in currency, check, and data processing as these operations have become more efficient, as volumes have stabilized, and as the demands of transition to System automation standards have eased. Automation has permitted the *New York* District to reduce staff in 1985 and in 1986 in government securities, currency, pur-

Table 5.4
Employment by Federal Reserve District, 1984-86¹
Average number of personnel, except as noted

District	1984 Actual	1985 Estimate	1986 Budget	Percent change, 1985-86
Boston	1,349	1,468	1,461	-.5
New York	4,269	4,205	4,167	-.9
Philadelphia ¹	1,125	1,184	1,259	6.3
Cleveland	1,396	1,413	1,421	.6
Richmond	1,904	1,963	1,981	.9
Atlanta ²	2,028	2,151	2,215	3.0
Chicago	2,840	2,844	2,888	1.5
St. Louis ³	1,259	1,269	1,324	4.3
Minneapolis	1,140	1,115	1,108	-.6
Kansas City ³	1,598	1,597	1,630	2.1
Dallas ³	1,433	1,496	1,589	6.2
San Francisco ³	2,284	2,369	2,499	5.5
Total, all Districts	22,669	23,074	23,542	2.0

1. Increase in 1986 due primarily to T-DAB.

2. Increases in 1985 and 1986 due primarily to heavier volume in priced services.

3. Increase in 1986 due primarily to intensified supervision and regulation and to heavier volume of priced services.

chasing, accounting, pricing administration, and protection. In the *Minneapolis* District productivity gains are expected to reduce staff in check operations.

For most of the Districts, increasing workloads imposed by System initiatives have called for additions to the staff in 1985 and 1986.

The *Philadelphia* District is adding 75 ANP, 55 of whom are for the T-DAB project. Other increases are necessary in the currency area for implementation of the open-access cash policy, and in the check area for the new program for notification of the return of large-dollar checks.⁵

In the *Cleveland* District the staff involved in supervision and priced services will grow. But this growth will be offset by declines in overhead—primarily through an automated security system that will allow the District to reduce the number of guards at the Columbus regional check-processing center.

The *Richmond* District plans only a small increase in staff in 1986, after a larger one in 1985. The growth in the volume of priced services and in data processing to introduce jointly developed software has required these increases. In 1986, the growth in staff can be attributed almost entirely to the new examination program.

The *Atlanta* District will make large additions to staff in 1986, as it did in 1985. These additions have come in currency and check services and have been due to growth in volume; in the supervision service, in response to the new program; and in the data processing area, to handle the transition to

the System's standard environment.⁶

The *Chicago* District plans staff additions in 1986 that are due mainly to the new examination program.

The *St. Louis* District is adding to staff primarily in data processing and supervision to implement Systemwide programs.

Staff increases in the *Kansas City*, *Dallas*, and *San Francisco* Districts are the largest and are due to the significant impact on these western Districts of the new examination program. The Dallas and San Francisco Districts also have rapidly growing volumes in their currency and check operations.

Table 5.5 shows Reserve Bank employment in the various service lines and support and overhead activities.

For 1986, the largest budgeted increase is in supervision and regulation (11.4 percent, or 219 employees), mostly for field examiners. The increase in staff for services to the U.S. Treasury and government agencies (3.8 percent, or 67 employees) is accounted for by additions for the T-DAB system offset by reductions for other fiscal services. The increase for services to financial institutions and the public (1.3 percent, or 117 employees) is a response to an increase in the public's demand for currency in the western and southern Districts (which calls for 35 more staff members) and the combination of the program of notification of the return of large-dollar checks and expansion in the volume of check processing (108 additional staff). No change is planned for the monetary and economic policy service line after

5. For a description of the open-access cash policy see chapter 3, note 5.

6. Standard data processing environments permit the use of standard software applications by the Reserve Banks.

Table 5.5

Employment at the Federal Reserve Banks, in Selected Activities, 1984-86

Average number of personnel, except as noted

Type of activity	1984 Actual	1985 Estimate	1986 Budget	Percent change, 1985-86
Monetary and economic policy	826	813	813	0
Supervision and regulation ¹	1,885	1,918	2,137	11.4
Services to financial institutions and the public ²	8,395	8,742	8,859	1.3
U.S. Treasury and government agencies	1,798	1,784	1,851	3.8
<i>Support to output services</i>				
Data processing	2,584	2,691	2,748	2.1
Occupancy ³	1,292	1,280	1,271	-.1
Other	464	460	484	5.2
<i>Overhead</i>				
Protection	1,206	1,204	1,184	-1.7
Personnel	944	929	948	2.0
General books and budget and expense control	870	872	876	.5
Administration	813	689	683	-.9
Audit	402	401	408	1.7
System projects and System contingency processing center	215	310	319	2.9
Purchasing	267	271	276	1.8
Other ⁴	707	711	685	-3.7
Total, all activities	22,669	23,074	23,542	2.0

1. Approximately 1,300 employees, mostly field examiners, are directly involved in supervision of financial institutions.

2. Nearly 60 percent of the staff—more than 5,000 employees—in services to financial institutions and

the public are involved in check-processing operations; another 1,600 work in currency operations.

3. Building and housekeeping services.

4. Includes mail, legal, files and record storage, motor vehicles, library, and telephone operations.

a reduction of 13 employees in 1985. The increase in support to output services (1.6 percent, or 72 employees) lies mainly in data processing, to support the System's long-range automation plan and to maintain the computing capacity needed to support the expanding information and operating volume of the Reserve Banks. A small decrease is projected for overhead (0.1 percent, or 8 employees), as security devices have allowed a reduction of 20 ANP in guard forces while only small offsetting increases are budgeted for most other types of overhead and the rest show small declines.

Trends in Reserve Bank Employment

Chart 5.1 depicts the trend in Reserve

Bank employment as reflected in the budgets for the years 1977-86.

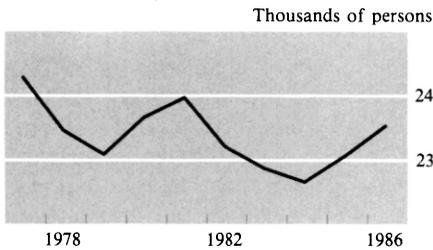
Over the past decade, total employment at the Reserve Banks has declined 758, or 3.1 percent. Employment reached its highest level in 1974, with 26,567 employees, and began a steady decline in 1975, which over the next five years brought the total down 3,463, or 13.0 percent. This decline resulted from a Systemwide program to increase efficiency and productivity through improved automation equipment and cost restraint. Reductions were made even as volumes processed continued to expand. (The growth in volume in the largest operating area, check processing, averaged 6.8 percent per year over this period.)

The efforts to contain costs and improve operations in fact positioned

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Chart 5.1

Total Employment at the Federal Reserve Banks, 1977-86



the Federal Reserve to respond to the provisions of the Monetary Control Act.⁷ By the same token, the Banks had few unused resources to devote to the new requirements. Thus resources had to be expanded: in 1980 and 1981, employment increased 2.5 percent and 3.2 percent respectively.

The pricing of services under MCA altered clearing patterns: in some service categories it caused losses of between 15 and 30 percent of volume. For example, in the check area (the operation of greatest impact on System trends inasmuch as it takes up about 31 percent of all Reserve Bank resources), volume processed at all Federal Reserve Banks in the first quarter of 1983 was about 20 percent below the level in the first quarter of 1981, before pricing. The volume of electronic funds transfers continued to grow but at a slower pace. The adjustment to the volume loss was swift: staff was reduced 559 in 1982, 347 in 1983, and 214 in 1984 to reach a decade low of 22,669.

In 1985, employment turned upward, increasing 405. Two-thirds of the increase, about 270 employees,

came as the volume of priced services expanded and their quality improved. Because of the supervisory challenge in 1985, 50 employees were added in that service. To handle the needs of System automation and the generally increasing computing workload, data processing added about 100 employees. Offsetting these increases were decreases in monetary and economic policy (13), services to the U.S. Treasury and government agencies (14), and overhead services (37).

Employment is expected to turn upward again in 1986, as explained earlier in this chapter.

Trends in Reserve Bank Employment by Service Line

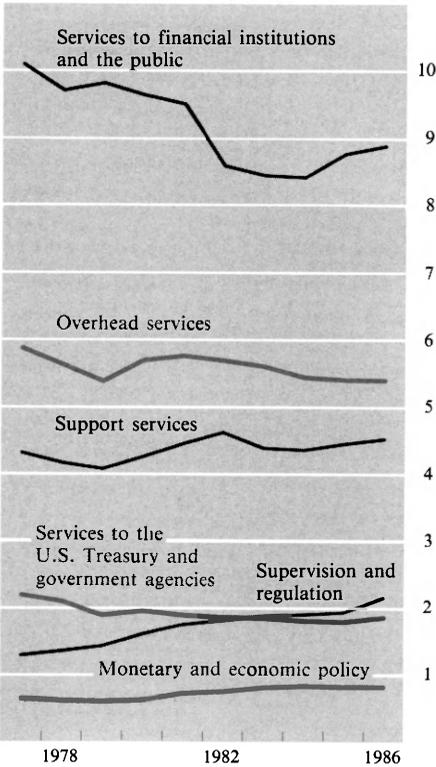
Chart 5.2 depicts long-term trends in Reserve Bank employment by service line. The impact of the MCA can be seen in the curve for monetary and economic policy for the years 1980 through 1983, as the burden of data reporting increased significantly. Since 1983, staffing in this service line has changed little. In services to the U.S. Treasury and government agencies, staffing has trended downward throughout the 10 years, with an increase in 1986 due to the T-DAB program. The sharp decline in employment in services to financial institutions and the public in 1981 and 1982 reflects the adjustment to pricing and the associated drop in volume. Overall, this service line is down more than 1,200 employees from its 1977 level. Staff in supervision and regulation has increased steadily over the period because of the increased burden of supervising District financial institutions, as previously discussed. Staff in support services has grown moderately over the period, mainly because the volume of data

7. See chapter 2 for a discussion of the requirements of the MCA.

Chart 5.2

Employment at the Federal Reserve Banks, by Service Line, 1977-86

Thousands of persons



processing has expanded. The number of people in overhead services has trended downward since 1981 and is expected to be about 480 lower in 1986 than in 1977.

Trends in Board Employment

For the most part the long-term employment pattern at the Board follows that of the Banks, as a comparison of charts 5.1 and 5.3 suggests. From 1977 to 1980, the patterns are similar: the Board's workforce declined slightly from 1977 to 1979 but rose sharply in 1980 in response to the requirements of the Monetary Control Act. The year 1981 saw the effects of the Board's program to meet additional staffing needs in areas affected by the MCA and to reduce positions by eliminating work of lower priority. Employment rose slightly in 1982 and again in 1983 as workloads increased. The sharp downward trend thereafter reflects successful efforts to streamline functions and to enhance productivity through automation.

Chart 5.3

Employment at the Federal Reserve Board, 1977-86

Number of persons

