



State of California  
**Employment Training Panel**

Training Proposal for:  
**Citibank N.A.**

**Agreement Number: ET09-0151**

Panel Meeting of: **July 25, 2008**

ETP Regional Office: **San Francisco Bay Area**

Analyst: D. Woodside

**PROJECT PROFILE**

Contract Type: SET Frontline - Retrainee

Industry Sector(s): Financial Services

Counties Served: Statewide

Repeat Contractor:  Yes  No

Union(s):  Yes  No

Priority Industry:  Yes  No

No. Employees in CA: 13,820

No. Employees Worldwide: 334,324

Turnover Rate %	Manager/Supervisor %
25%	0%

**FUNDING DETAIL**

Program Costs	Substantial Contribution	Total ETP Funding
\$459,900	\$0	\$459,900

In-Kind Contribution
\$813,409

**TRAINING PLAN TABLE**

Job No.	Job Description	Type of Training	Average No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	SET Frontline Retrainee	Business Skills	730	24-200	0	\$630	\$23.36
				Weighted Avg: 42			

**Minimum Wage by County:** \$23.36 per hour statewide (SET Frontline Workers)

**Health Benefits:**  Yes  No This is employer share of cost for healthcare premiums – medical, dental, vision.

**Used to meet the Post-Retention Wage?:**  Yes  No  N/A

\$2.18 per hour may be used to meet the Post-Retention Wage.

**Other Benefits:** 401 (K), life insurance, accidental death and dismemberment insurance, business travel accident insurance, tuition reimbursement, paid pregnancy leave, and short term and long term disability.

Wage Range by Occupation	
Occupation Title	Wage Range
Personal Banker	
Business Banker	

**INTRODUCTION**

In this proposal, Citibank N.A., a subsidiary of its parent company Citigroup, Inc., seeks funding for retraining of employees at over 380 branches located throughout California. This project will utilize Special Employment Training (SET) funds for the retraining of frontline workers in occupations that pay the state average hourly wage.

Citigroup Inc. was established in October 1998 from the merger of Citicorp and Travelers Group creating the world’s largest financial services organization. The history of the company is divided into the history of several firms beginning with City Bank of New York in 1812. In 2002, Citibank purchased Golden State Bancorp, acquiring the assets of California Federal Bank. Before this purchase, Citibank had a minimal presence in the state with only a few branches. The goal of the acquisition was to appeal to the California Latino population by offering products in both countries through its subsidiary, Banamex, in Mexico.

Citigroup Inc. is comprised of three major business units (i) Global Consumer; (ii) Corporate and Investment Banking; and (iii) Global Wealth Management. Citibank N.A. (Citibank) operates within the Global Consumer group which includes banking services, credit cards, loans, and insurance. Within California, Citibank operates a network of branches and employs over 13,800 individuals. Each branch, called a Financial Center, provides products and services that include checking, savings, and money market accounts, certificates of deposit, and personal loans.

Citibank clients range from the typical retail banking customer, with a savings or checking account, to small business owners. The consumer lending products consist of real estate mortgages and home equities, student loans, and auto financing. The commercial services provide leasing, banking, and real estate products for small and medium-sized companies across a broad range of industries.

In recent years, there has been a sharp decline in the subprime market that has created a domino effect for the financial services industry. First, there was an increase in default rates for subprime credit cards in 2002 which occurred simultaneously with the decrease in the nation's economic growth. As a credit card issuer, Citibank was forced to scale back its operations due to the rise in unpaid credit loans. Secondly, in the latter part of 2006 there was a sharp increase in the rate of subprime mortgage foreclosures. Ultimately, this directly caused mortgage lenders to fail or file for bankruptcy, leading to a \$6.5 trillion collapse in the mortgage backed securities market. These events greatly impacted Citibank, as it is an investor in the subprime mortgage industry, leaving it with a loss of \$24 billion. After the reported losses, Charles Prince, previous CEO, resigned in November 2007.

Under its new CEO, Vikram Pandit, Citibank reports that it is making a number of changes to leverage the effects of the financial crisis caused by the subprime lending market and to ensure company stability. First, it is building a new risk culture—a strategy that began in late 2007. This involves reducing its position in mortgage-backed securities in the U.S. lending market and decreasing low-returning assets in its business. Next, the company is changing its operations to meet new priorities and to make them simpler and more efficient.

To effect these changes, the company must retrain an estimated 730 business and personal bankers. Currently, these frontline workers are proficient in their specified occupations and receive updated training on an annual or as-needed basis. The proposed ETP-funded training will integrate these two positions by cross-training in other positions, such as operations management, financial management, business banking (for personal bankers), and personal banking (for business bankers). This action will allow the employees to wear several hats in the branch operations, leading to more efficient practices, better risk management, and an increase in customer service. This training effort will also provide trainees with the skill sets and knowledge that can lead to advancement opportunities and job security.

## **PROJECT DETAILS**

Each trainee will receive individualized classroom/laboratory training ranging from 24-200 hours to be provided in-house by Citibank staff at its training facilities in Fresno, Sacramento, San Francisco, San Jose, Santa Clara, Camarillo, Culver City, Encino, Fountain Valley, Glendale, Redlands, Solana Beach, and Sun City.

This **Business Skills** training will cover topics such as product knowledge, consultative selling techniques, consumer credit, customer service for business accounts, listening and communication skills, team skills, and presentation skills for business clients. All training will sharpen trainees' skills in regards to the newest product offerings, processes and sales strategies and allow trainees to read and interpret financial statements and tax forms which they are unfamiliar with prior to training. Personal bankers will learn all aspects of business banking, including liability and asset products, account service, and cash management. Business bankers will learn credit and loan application processes; underwriting for personal banking customers; and service, sales, and account opening skills to serve the personal banking customer. All training is geared to help trainees better understand and recognize the needs of the customer and build relationships with customers not previously served by the individual trainee.

### **Turnover Rate**

Citibank reports that its turnover rate for the previous year at its California branches was 25% which is above the 20% standard established as a Panel regulation to measure job security. (Title 22, California Code of Regulations (CCR), Section 4417.) The company further reports that, according to the U.S. Department of Labor, the turnover rate for the financial activities industry in 2007 was 31.3%. Thus, Citibank's turnover rate is less than the industry standard. In addition, Citibank states that as a result of the subprime lending crisis, there was a job reduction in 2007 that directly affected the personal bankers. This reduction was an anomaly which the training outlined in this proposal is focused on preventing in the future.

By cross-training the personal and business bankers, the company foresees decreasing the turnover rate and improving job security for its California workforce.

If the Panel chooses to fund training despite a company's high turnover, it may impose a penalty whereby failure to stay under a maximum rate will result in loss of the final payment (25% of reimbursable cost per-trainee). The maximum rate is typically 20% annual turnover as maintained during the final 12-month term of contract. (Title 22, CCR, Section 4417(a).)

Staff recommends that the Panel impose the 25% payment penalty if Citibank does not maintain a turnover rate of 20% or less during the final 12 months of this contract.

### **Special Employment Training**

SET funds are limited to 10% of the training funds available each year. However, under SET, the company is not required to demonstrate out-of-state competition and the trainees are not required to meet eligibility standards for retraining. To qualify under SET, trainees must be earning at least the statewide average hourly wage at the end of the retention period. (Unemployment Insurance Code 10214.5. Title 22, CCR, Section 4409(a).) This proposal has been identified for SET funds because individual retail locations of Citibank in California may not meet out-of-state competition.

### **Commitment to Training**

According to Citibank representatives, ETP funding will not displace any existing training resources. Currently, the company spends approximately \$6.8 million for training in California. ETP funds will be in addition to Citibank's internal training budget. The company anticipates that the opportunity for enhanced training made possible by ETP funds will be the first step in developing a broader training curriculum that will go beyond the basic foundations needed for individual jobs. ETP funding will allow Citibank to provide more immediate training for a broader employee population, which is critical in maintaining stable employment for California workers given the current financial market crisis. In addition, Panel support will continue to sustain Citibank's growth in California.

### **RECOMMENDATION**

For the reasons set forth above, staff recommends approval of this proposal, with imposition of the turnover penalty as may be triggered in the last 12 months of the contract.

### **DEVELOPMENT SERVICES**

The company retained Ernst & Young in Los Angeles to assist with development of this proposal for a fee not to exceed \$46,000.

**ADMINISTRATIVE SERVICES**

Citibank will also retain Ernst & Young to perform administrative services in connection with this proposal for a fee not to exceed 13% of payment earned.

**TRAINING VENDORS**

N/A

**Class/Lab Hours**  
**24-200**

**Exhibit B: Menu Curriculum**

**Business Skills**

- ❖ Personal Banker Foundations
- ❖ Consumer Credit Foundations
- ❖ Term Insurance Training
- ❖ Road to Successful Selling
- ❖ Foundations of Business Banking
- ❖ Moving up to Management
- ❖ CitiBusiness Credit I
- ❖ Consultative Selling
- ❖ Advanced Citigold Training
- ❖ Presentation Skills for CBNA Seminars
- ❖ Results-Based Listening
- ❖ Road to Successful Citipro Presentations
- ❖ Citibusiness Solutions Review
- ❖ Intermediate Credit