

RETAINING EMPLOYEES - HANGING ON THE EDGE

by [Steve Brown](#)

Hanging from a rock over a precipice is a dicey proposition. However, ask any independent banker to list the biggest risk they expect to face in 2007 and invariably many will say finding and retaining qualified employees. This issue appears time and again on most independent bank CEO surveys, but few also give practical advice on how to solve the problem. However, since this is strategic offsite season for our independent bank clients, we thought a few nuggets of wisdom from other bankers may assist those struggling with this topic. When attracting employees, cash is still king. CEOs and other key executives say the best way to attract and retain employees is to provide them with either cash bonuses or stock incentives. While many in the executive suite have tried various versions of this theme over the years, cash bonuses are ranked as the more effective of the two. In fact, nearly 20% of executives said giving stock incentives had not been as effective as hoped, compared to only 1% of those who also gave cash bonuses. The item we found most shocking holds the #3 position. Despite the attraction of cash or stock incentives, many may be shocked to learn that employee education was only 2% below those options. That's right, in a near tie; cash, stock and education were all bunched together at the top. The question is - does your bank have a education program for employees? Having a formalized educational program, whether it is in-house or contracted, sends a message that your bank is serious about employee development. Spending on education not only has proven to help attract employees, but also retain them and make them more productive as well. Holding on to slots #4 and #5, bankers have found success with recognition awards and flexible schedules. Ranking only about 6% below the top group as to effectiveness, executives have found both to work with a reasonable level of success. Telecommuting is here to stay and some consultants tout numbers that indicate employee productivity among telecommuters is as much as 9% higher than desk bound peers. This can be difficult to implement for a bank that needs tellers at their stations, but some areas of the bank could probably benefit from such programs. Examining the next batch of 3, we again find mutual benefit for the bank. This group, ranked #6, #7 and #8 are right up an independent bank's alley. In order, at about half the effectiveness of the first 5 options, bankers say programs focused on social responsibility, community outreach and diversity have all served to boost employee retention.

Finally, we close with 2 final ideas that other bank executives have found to be about 25% as effective as the top 5. Rounding out the pack are retirement benefits and child day care. While both ideas add value at the margin, employees place a wide range of value here and so often discount these benefits. Each bank is different and each geographic footprint may require certain benefits just to be competitive. At the end of the day, however, knowing what tools you have in your backpack and working on your technique may help retain more employees than expected. Climbing can be a tough and demanding sport, but in our minds, banking is tougher.

BANK NEWS

Credit Quality

Banks should take note that the annual study of large syndicated corporate credits finds that criticized loans increased a whopping 22% from last year's review (a sign we are in a downward trend in the credit cycle). "Substandard" and "Special Mention" loans jumped 30%, while "Loss" and "Doubtful" loans decreased due to successful recoveries.

Countrywide

The mortgage company/bank will test market an auto insurance sales program in AZ with plans to roll the sales effort out to 25 states. The firm will tag an auto insurance offer along with its home loans and offer a discount on premiums.

Credit Quality

Independent bankers wondering why national banks have become so competitive in the smaller-sized loan business may want to consider a new report from S&P. The credit rating agency is reporting the number of companies on review for possible upgrade has reached 377 as more companies report record profitability. Simply put, large companies with lots of cash and record profits simply don't need to take out loans, so national banks are aggressively coming down-market.

E-Loan

The Company will start offering CDs and high-yield savings accounts over the internet (via ACH) in order to better compete on deposits. In addition, the company announced plans to offer boat, RV and other loan products shortly. As part of their strategic initiative for 2007, E-loan will start bundling their products, offering lower rates for those that have a deposit account or a no-fee credit line.

POS Usage

According to the EFT Data Book, the rise in popularity of point of sale transactions will reduce ATM usage by almost 4% this year in terms of the number of transactions.

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