

JOB MIGRATION

by [Steve Brown](#)

We find many examples of migration in modern economies. One is the original stocks on the Dow Jones Industrial Average (DJIA). You see, the DJIA was founded in 1896 and had 12 stocks to begin. You might be shocked, but only one remains - General Electric. The original companies were truly industrial, though few in the index now have anything to do with traditional heavy industry. As the leading companies in our economy have changed over time, so have the jobs that have provided employment in our economy. In 1900 for example, more than 40% of people worked in agriculture and now only 2% do so. In 1950, about 33% of the population was involved in manufacturing, a number more like 10% now.

The most common occupations in America today are a retail salesperson and a cashier, with 7.6mm people holding those jobs. The migration of shoppers to online platforms is quickly eliminating those jobs and we have seen a number of retailers pulling back as a result. Circuit City and Borders are now gone, as Best Buy and Barnes & Noble struggle. Retail jobs may not yet be going the way of farming and manufacturing, but the number of jobs has declined sharply since 1999. The displacement has come about in-part because of the greater efficiencies of a few large players like WalMart, but also because of productivity improvements that online shopping has brought about. Amazon generates more than \$600,000 in sales per full-time employee, about 300% higher than the retail average.

We can find similarities in the banking industry as well with bank tellers. Technology has effected how people accomplish their banking chores. People use ATM machines to get cash, and leverage the internet and mobile banking for balances and deposits. The BLS reports there were 560,000 bank tellers in 2010 and it projects little or no change in that number by 2020. We know this may seem to go against logic, but let's take a quick look at the history of ATMs and their effect on the number of tellers. In 1985, there were 60,000 ATM machines in the US and 485,000 tellers. In 2002 there were 352,000 ATMs and 527,000 tellers. In 2010 there were over 400,000 ATMs.

The number of bank branches in the US has also doubled over the last 30Ys, but now banks are beginning to cut back on this delivery channel given declining customer usage. SNL Financial even reports that US banks and thrifts closed 2,267 branches in 2012, putting the total at around 93,000 nationwide. This is the lowest number since 2007 and it is expected to drop to 80,000 over the next 10Ys. Much of this reduction has come from the larger banks, although banks of all sizes are assessing the profitability of their branches and considering closures.

One thing that community banks should keep in mind as they strive for greater efficiency is that not every organization is the same. WalMart may be highly efficient with few employees in its stores, but the shopping experience there is generally not customer-service centric. They have finished in last place in the American Customer Satisfaction Index for six years in a row. Perhaps a more apt model for community banks are companies that have higher employee counts per store, are better trained and better paid, but still manage to be profitable. Trader Joe's and Costco are good examples. These stores typically generate more sales per employee and report high customer satisfaction.

BANK NEWS

Regulatory Avoidance

Seeking to avoid the crackdown from the CFPB, Bloomberg reports payday lenders have moved into installment lending (loans are paid off under a fixed schedule in periods ranging from 90 days to 18 months).

Retirement

Fidelity Investments reports the average 401(k) balance for US employees hit a record high of \$80,900 in Q1, up 75% since 2009. Those aged 55+ have reached \$225,000 over the same period.

Convicted

Reuters is reporting the former CEO and three other officers of the failed Bank of the Commonwealth (VA) were convicted of conspiracy to commit bank fraud, bank fraud, making false entries and other charges. Prosecutors said they actively hid loan losses, funded loans without regard to industry standards and gave preferential financing to troubled borrowers to buy OREO properties.

Security

Entrust found 71% of those surveyed agreed that desktops or laptops were secure vs. 43% that felt mobile devices were secure.

Small Biz

Research by Babson College finds 13% of Americans started or ran new businesses last year, the highest level since 1999. Overall, more than 80% of them started the business by borrowing from personal savings, family or friends.

Customer Needs

A Cisco survey finds 77% of people want their bank to offer ID theft security, 73% want advice on how to increase savings, 67% want financial education and 47% want their bank to assess their financial status and provide help.

Mobility

Research by Forrester finds 52% of people have 3 or more mobile devices and they use them for both personal and business purposes.

Massive Cash

Analysis by Bloomberg finds US companies are sitting on a record \$1.73T in cash, as executives wait for more signs of economic growth and tightly control costs.

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