Benefitting From Benefits

by Steve Brown

We recently came across an article recounting some unusual things employees were caught doing while they should have been working. These included pet-sitting a bird in the office, changing clothes in a cubicle and hiding out under a pile of boxes to jump out and scare people as a practical joke. Then there were employees who shaved their legs in the bathroom during work hours, were found taking selfies in the lavs or best of all, conducting a wrestling match complete with a betting pool in the office. We assume these are pretty atypical workplace behavior and more people simply bring their pet to the office on the appropriate day instead.

The absurdity of these real-life examples got us thinking about worker productivity and whether banks are doing enough to ensure we're getting the most out of our employees. Research shows that job satisfaction is one of the strongest drivers of performance, and it makes sense that we have to give a lot to employees to get a lot in return.

A powerful first step in improving productivity is to gain an objective understanding of employee satisfaction and what we could be doing better. It doesn't have to be a long, arduous analysis. Nowadays, it's a breeze to set up online employee satisfaction surveys through low-cost providers such as SurveyMonkey.

SurveyMonkey, for example, even has a number of sample employee templates created through a partnership with the Society of Human Resource Management Foundation. You can choose from a pre-existing template or craft the questions that are most pertinent to your bank in order to get the scoop on job satisfaction, management performance, manager effectiveness, team performance and more. The basic package (10 questions, 100 responses) is free, though you can also pay for more in-depth services.

It's also a good idea to determine how you stack up in the area of employee benefits, as these have been shown to have a significant effect on attracting and retaining top talent. Consider that more than 75% of workers responding to the Employee Benefit Research Institute's "2013 Health and Voluntary Workplace Benefits Survey" said the benefits package an employer offers job-seekers is extremely or very important in their decision to take a new job.

As you're thinking about ways to improve your benefit offerings, keep in mind a recent trend that's come about in the wake of health care reform. As the cost of medical benefits has soared, many companies have started offering a broader array of voluntary benefits as a way to curb expenses while still meeting employee demand for diverse benefits. In fact, a recent LIMRA study found that 70% of employers offer voluntary benefits to improve morale for their existing employees and to attract new crops of workers.

Traditionally, voluntary benefits have included gap coverage, short-term disability, cancer, critical illness, prescription, dental, life insurance and hospital supplemental policies. Of late, companies have been starting to focus more on non-traditional voluntary benefits as well. These include group legal plans, financial planning and employee purchase programs. There's also been an increase in

interest in voluntary benefits like online education. Don't forget to poll your employees about which supplemental benefits they'd like you to offer.

There are multiple ways banks can increase worker productivity, but it is tough to accomplish much without employee feedback and follow-through by bank management. Doing so may also give your bank a better shot of cultivating employees who are ready and willing to focus on what community banking is all about - taking care of customers in the community.

BANK NEWS

Bank Closed

(17 YTD): Regulators closed: Frontier Bank, FSB ($86mm, CA), which did business as El Paseo Bank and sold it to Bank of Southern California ($214mm, CA) under a P&A agreement. Bank of Southern California gets 2 branches as well as all of the deposits (will pay a 1.06% premium) and essentially all of the assets.

Job Cuts

JPMorgan said it will cut 3,000 jobs this year in its mortgage and credit card divisions and 4,000 in other divisions as it seeks to eliminate 7,000 positions.

Leveraged Lending

Banking regulators have released their annual report on the credit quality of large loan commitments (shared national credits or SNC) owned by banks and other investors. Total SNC commitments reached $3.3T and criticized assets were 10.1% of the portfolio (vs. 10.0% in 2013). US Banks own 44.1% of total SNC commitments and regulators reviewed 28.8% of loans. Regulators also focused on leveraged lending risk, where they noted serious deficiencies in underwriting and risk management. Recall that regulators released guidance in 2013 that set expectations for leveraged lending activities that include: having a board approved leveraged lending policy; having a bank specific definition of leveraged loans (should include characteristics listed in the guidance); being sure borrowers can repay 50% of total debt over a 5Y to 7Y period (ability to de-leverage) and keeping leverage (total debt divided by earnings before interest, taxes, depreciation and amortization) below 6.0x (otherwise a supervisory concern).

Error

KeyBank ($89B, OH) reduced Q3 profit by $24mm after discovering an accounting error related to securitization trusts.