



## 2022 Review, Pt. 2 of 3: Finding Talent in a Tight Labor Market

human resources employees

**Summary:** In the second part of our review of 2022, we look at the challenges presented by a tight labor market and high turnover at financial institutions. Organizations are focusing on strategies to attract and retain the best talent in this competitive environment, including hybrid working models — a must-have for many employees.

Before the pandemic hit, [the average American travelled 27.6 minutes to and from work](#), or 330 hours per year. Residents of the state of New York spent 33.4 minutes on the road while South Dakotans clocked only half the average commuting time. Data on the last 2Ys has not been published yet, but it is likely that the numbers have dropped, as many employees prefer remote and hybrid working — a headache for some employers.

[Attracting and retaining talent ranked third](#) among business challenges faced by community financial institutions (CFIs) in Independent Banker's January 2022 Community Bank CEO Outlook Survey. It was mentioned by 48% of respondents, just behind increasing loans and earnings (56% and 54% respectively). As we approach the end of 2022, CFIs continue to grapple with this issue as the labor market remains tight and staff turnover is still high.

### A Tough Hiring Environment

- 1. Tight labor market.** Although job growth has slowed relative to the high levels of 2021, it has remained strong this year compared to more normal periods. Employers added 263K jobs in November and the unemployment rate remained steady at 3.7% — it has been hovering around pre-pandemic levels the whole year. CFIs are feeling the impact: in Wipfli's survey "State of Community Banking 2022," [45% of respondents claimed that labor shortages are hurting their success](#).
- 2. High employee turnover.** With the increased employee leverage that comes with these market conditions, it is no surprise that employee turnover is high in financial institutions (FIs). Despite significant pay raises and attractive compensation packages, retaining talent has remained a key challenge for CFIs this year. A survey by Crowe LLP of 429 FIs (the vast majority with less than \$5B in assets) found that [staff turnover at the nonofficer level reached 23.4%](#), while officer turnover remained low at 4.8%.

### Hybrid Working Trend

Although lagging other industries, many CFIs have chosen to offer a flexible working model to attract and retain talent. In Crowe's survey, 52% of respondents said remote working would remain an option going forward. Data suggests these CFIs are in line with employee expectations, which have changed dramatically after 2Ys of pandemic-fueled disruption. Indeed, research by Gallup found that ["nine in ten remote-capable employees prefer some degree of remote-work flexibility going forward, and six in ten specifically prefer hybrid work."](#) For many, it is a must-have.

Some CFIs are navigating this new model from an ad hoc viewpoint, while others are taking a more planned approach — identifying which jobs can be done either partly or entirely from home without compromising on

their levels of customer care. CFIs have reported functions such as commercial lending, finance and accounting, and certain support operations as compatible with hybrid working, and functions such as IT and marketing suitable for remote working.

That, however, is only the first step, as managing a hybrid workforce presents many challenges. CFIs embracing hybrid work are focusing on strategies to sustain company culture, foster collaboration, encourage communication, and nurture inclusivity and a sense of belonging, despite staff being in different physical locations. What’s more, according to a survey by Riverbed | Aternity, a technology performance company, while some CFIs already have the infrastructure required to support remote working, many are still struggling to put this in place.

### Cybersecurity Challenges of Hybrid Working

Cybersecurity was a top concern for CFIs this year, according to Wipfli. Only 1% of survey respondents said they were not concerned by cybersecurity issues, while 79% stated they are extremely concerned. We cover cybersecurity in more detail in our third 2022 recap, but here we review how institutions are combating certain cyberthreats specifically relating to the hybrid workforce.

- 1. **Securing remote access devices.** The new hybrid workforce exposes FIs to data leakage, ransomware, and attacks through remote access devices, cloud services, and third parties. All of these increase the complexity of IT systems and broaden the attack surface. As employees are increasingly accessing data on systems and networks that are not necessarily controlled by the institution, extra vigilance is necessary. CFIs are tackling this issue by investing in robust preventative measures such as firewalls, antivirus software, and comprehensive data protection technology.
- 2. **Protecting people.** When employees are working outside the traditional office environment, they are more likely to succumb to phishing and social engineering attacks. Yet research conducted by Samsung found that employees are not always aware of the cyber risks of remote working. While nearly [two-thirds of executives said they were concerned about data security](#), only 6% of employees shared their concern. CFIs are trying to bridge this gap with regular cybersecurity and awareness training to keep their employees’ skills honed and alert levels high.

As current monetary policy takes effect, the labor market is expected to loosen, making jobs easier to fill with good talent. However, the shift to hybrid working brought about by the pandemic is not going away. CFIs are still adjusting to this new model, building processes, technology, and culture to make the best of hybrid working, and developing strategies to combat the cybersecurity threat that comes with it. Catch up on the first of this 2022 recap series, which discusses [the impact of the economy on lending](#). Meanwhile, the third and final part of this series, focuses on [trends in cybersecurity for the past year](#).

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### ECONOMY & RATES

Rates As Of: 12/07/2022 05:35AM (GMT-0800)			
Treasury	Yields	MTD Chg	YTD Chg
3M	4.37	0.00	4.31

6M	4.74	0.04	4.55
1Y	4.70	-0.02	4.31
2Y	4.33	0.01	3.59
5Y	3.73	-0.01	2.47
10Y	3.53	-0.08	2.01
30Y	3.53	-0.21	1.63
<b>FF Market</b>		<b>FF Disc</b>	<b>IORB</b>
3.83		4.00	3.90
<b>SOFR</b>		<b>Prime</b>	<b>QBER</b>
3.80		7.00	3.82

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