2023 TALENT OUTLOOK

HIRING FOR POST-PANDEMIC CREDIT UNION SUCCESS

Shanley Search PARTNERS

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Table of Contents

INTRODUCTION 3
INFLATION DRIVES HIRING TRENDS & CHALLENGES......... 4
THE CANDIDATE MARKET CONTINUES 5
INCREASING COMPENSATION 7
BALANCING WORK-FROM-HOME EXPECTATIONS 8
ATTRACTING INDUSTRY OUTSIDERS.................................. 10
THE ART OF RECRUITING THE PASSIVE CANDIDATE........ 11

Introduction

It's clear that credit unions, like many other institutions, are by and large still feeling the after-effects of the COVID-19 pandemic. This year may continue into unchartered territory. And that includes hiring — and retaining — staff, from entry level up to CEO.

Factors affecting the state of hiring in 2023 include high inflation, a shrinking talent pool spurred on by the Great Resignation, a competitive hiring market with elevated salaries, the desire by many to continue working remotely, the unrelenting push toward digital innovation and, if that weren't enough, talk of an impending recession.

Though recruiting the right people who align with your institution's goals and enhance your credit union's culture may seem daunting, those institutions showing creativity, persistance and a willingness to change with the times will emerge victorious.

What can you do to overcome these challenges, attract the best people for the job in 2023 and win the war for talent? We have some suggestions.

Inflation Drives Hiring Trends & Challenges

Weighed down by these high inflation and interest rates, some economists predict a recession in 2023.

The spike in inflation represents the biggest hiring challenge for credit unions right now. Its effects can be felt throughout the hiring process and have contributed to numerous other challenges in the industry. From finding qualified candidates to actually getting an offer accepted, and retaining talent in an increasingly competitive market, inflation threatens to derail your hiring efforts every step of the way.

The average annual inflation rate in 2022 was 8.0%, a rate not seen since the double-digit rates during the recession in the early 1980s. That means a large percentage of today's workforce has not experienced this type of financial challenge in their adult lives.

In response to high inflation, interest rates are on the rise after years of favorable levels. As of February 2023, the interest rate on a 30-year fixed-rate mortgage is greater than 6% – double the rates we saw in 2021. Because of inflation, candidates now find themselves less willing – or financially able – to relocate for work when it requires buying a home at a high interest rate.

Weighed down by these high inflation and interest rates, some economists predict a recession in 2023.

As if all this weren't difficult enough for credit unions to navigate, a number of factors have also contributed to the continuation and strengthening of last year's "candidate market."

Sources:
- *InflationData.com*
- *Freddie Mac*

The Candidate Market Continues

Top talent will still have their pick of opportunities and the upper hand in negotiations in 2023. Supply and demand currently favors candidates thanks to the perfect storm of inflation combined with a shrinking talent pool and a lack of required skills among those who remain.

A SHRINKING TALENT POOL

A major phenomenon associated with the COVID-19 pandemic is the Great Resignation. The term, coined by Texas A&M management professor Anthony Klotz, refers to the record quit rates during the pandemic.

Since March 2021, the quit rate in America, as measured by the U.S. Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (JOLTS) program, has hovered between 2.6% and 2.9%, peaking at 3% in the final two months of 2021. This is the highest quit rate since JOLTS began collecting this type of data in 2000.

In simpler terms, 47 million workers quit their jobs in 2021.

Unsurprisingly, the job openings rate has increased during the same time period. In March 2021, the rate of open jobs was 5.5% – a 45% increase from just one year prior. The rate peaked at 7.3% in March 2022, easing up for a year-end rate of 6.4%.

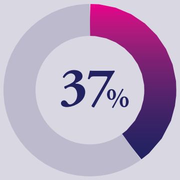
Unexpected departures of higher-ranking employees during the pandemic also wreaked havoc for some credit unions. During this time, many people either retired earlier than expected or were forced to leave the workforce to care for an ill family member.

However, things are starting to look up for credit unions. On the heels of the Great Resignation came the Great Regret – employees who left their jobs post-COVID but wish they hadn't. For some, it only took a week for regret to set in. More than one credit union has taken back an otherwise talented employee who had resigned in haste.

Source: U.S. Bureau of Labor Statistics

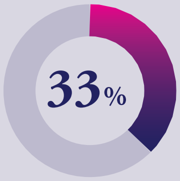
UNDERSTANDING THE GREAT RESIGNATION

MAJOR REASONS CITED FOR QUITTING IN 2021:



#1

PAY TOO LOW



#2

NO ADVANCEMENT OPPORTUNITIES

Source: Pew Research Center

SHHHH! QUIET QUITTING IN PROGRESS.

Burnout, job dissatisfaction and a stronger focus on work-life balance led to the "quiet quitting" trend in 2022, where some employees put forth the least amount of effort necessary to collect their paychecks.

- **21%** of workers are doing the bare minimum
- **5%** of workers are doing even less than what's required
- **9 in 10 quiet quitters could be incentivized to work harder**

Source: ResumeBuilder survey

LACK OF REQUIRED SKILLS

The credit union landscape has changed dramatically over the past several years, in part thanks to the digital transformation ushered in by the pandemic. For some positions, skillsets have not kept up with this change of pace.

This is especially true for cybersecurity and IT. Research by Fortinet reveals that 80% of organizations globally experienced at least one data breach in 2021 that could be attributed to lack of cybersecurity talent or awareness.

Closer to home, cybersecurity company Flashpoint reports that the financial sector had the second-highest volume of data breaches in 2022. Across all industries, advanced IT skills and experience in cybersecurity remain in high demand.

As for soft skills, hiring managers cite a lack of resilience, adaptability, problem-solving ability and critical thinking skills as recent candidate shortcomings. And because it's difficult to discern these shortfalls in interviews, credit unions have had to start offering workshops on how to develop these essential skills.

TALENT WANTED

Today's toughest positions to fill, according to credit union recruiting experts:

» CEOs: It's getting harder to find qualified, dynamic leaders that fit in with the culture.
» Front-line/Entry-level
» Lending Operations
» IT & Cybersecurity
» Finance
» Call Center

Sources:
- *Fortinet 2022 Cybersecurity Skills Gap Global Report*
- *Flashpoint 2022 Financial Threat Landscape*

Increasing Compensation

As the candidate market endures, compensation and benefits across all positions will need to increase in order to attract and retain top talent. Credit unions should be prepared to be flexible when it comes to salary, benefits and even working remotely.

ENTRY LEVEL The hourly rate has to be competitive. If an applicant sees they can earn more working at a fast food or retail establishment, you'll lose out. And even once they're onsite, if it's not what they're looking for, they don't hesitate to leave.

"We've been seeing a spike in turnover for entry-level roles that we hadn't seen prior to the pandemic," said Ryan Hough, SPHR, SHRM-SCP, Senior VP Human Resources at 7/17 Credit Union. New hires sometimes start off non-committal, using the first 30-90 days on the job as a "probationary period" to decide if they want to stay.

MANAGEMENT Credit union management roles can have very specific skillsets, requiring previous direct experience. This results in high demand and low supply in some geographic areas. A local search can feel like you're competing with neighboring credit unions on culture and salary, taking talent from and losing talent to each other in a never-ending cycle.

C-LEVEL Though salary and benefits play a large role in recruiting, money isn't everything. If salary is the main driving motivator, that person usually isn't a good fit. A qualified candidate should have a desire for growth, innovation or other non-monetary achievements.

For all positions, flexible salary ranges will net the best level of talent. To determine the most current salary levels in your area, consult up-to-date salary survey data.

THE SCOOP ON SALARY SURVEYS

Though salary surveys provide valuble compensation information, some are much more accurate than others. When reviewing salary data, make sure it factors in:

- Geographical information
- Cost of living adjustments (COLA)
- Inflation and other economic trends

Tip: If you're hiring a professional recruiter to fill an open position, ask about the sources of their compensation data.

Balancing Work-From-Home Expectations

In 2020, most companies ordered anyone who could perform their job from the safety of their home to do so. As this forced experiment taught us, many jobs could be done remotely. And many workers enjoyed the additional flexibility and work-life balance obtained through working outside the office. So much so that many didn't want to return onsite when health risks subsided.

"Pre-COVID-19, working remotely was seen as a perk by employees and candidates," said Lisa Brangers, SHRM-CP, VP of Human Resources & Organizational Development at Park Community Credit Union (PCCU). "Now, it's an expectation."

Managers have struggled getting their teams back to the office in 2022, and that will continue to be a challenge in 2023. For PCCU and other credit unions, a hybrid model (two days onsite, three days remote) has provided the best of both worlds, striking a balance between differing preferences. But most credit unions see the writing on the wall.

"Remote work is like insulation — you're going to pay for it in one way or another, whether you add it or not," said Hough. "It has to be part of your toolbelt."

Candidates have such strong opinions on the matter that remote working can be a deal-breaker — on both sides of the issue. Some managers turn down positions where their team works remotely part or all of the time. Conversely, other candidates won't accept a position if it requires their presence onsite. Even CEO candidates, on rare occasion, have inquired about working remotely!

However, most upper management in credit unions would prefer to have employees onsite as much as possible. Because a positive, cohesive environment sets credit unions apart from other workplaces, having everyone physically in the office helps keep that culture thriving. It also makes teambuilding easier and maintains service consistency for members.

Tip: When interviewing management-level candidates, ask about their experience managing remote teams.

AN HR INSIDER PERSPECTIVE

Lisa Brangers, SHRM-CP, VP of HR & Org. Development
Park Community Credit Union

Q: What changes have you made to retain employees, post-pandemic?

A: *"COVID-19 really changed people. Many went through major life changes – losing loved ones, suffering the effects of long COVID, and dealing with childcare challenges. So we're really trying to be more flexible and provide a better work-life balance for our team. "*

"Times are different – *we're building on the present and finding ways to keep employees engaged while continuing the mission of the credit union. "*

"We want our team to constantly be aware of what it means to be part of our credit union, and know their role in shaping our culture. We conduct an annual employee survey and a biennial, dynamic deep dive from People Perspectives LLC to make sure we're listening and making the right changes. For instance, we recently adopted a 4-week paid parental leave and are adding generous mental health benefits as a result of our employees' feedback. It's about providing our people the support they need."

TOP STRATEGIC PRIORITIES FOR CREDIT UNIONS IN 2023

1. Digital Member Engagement
2. Talent Management
3. Creating New Revenue Streams
4. Pursuing Digital Efficiencies

Source: Wipfli

DIGITAL TRANSFORMATION'S ROLE IN THE EVOLUTION OF CREDIT UNIONS

As financial institutions undergo the never-ending process of digital transformation, a few noticable trends have emerged that require new skills or strategies:

Evolving roles.
Tellers are now expected to do more, as the new moniker "universal banker" suggests.

Obvious tech changes.
Interactive teller machines (ITMs) have become more widespread, introducing consumers to a new way of banking.

Redesigned branches.
Branches are still needed, but are undergoing changes. Fewer onsite employees and mobile branches in new markets signal an evolution in brick-and-mortar branch strategy.

Tip: Make sure to ask your CEO candidates about their branch strategy. It's a vital topic that often gets overlooked.

THE CEO MVP

Aside from experience, a good cultural fit is still the top qualification in most CEO searches. Hiring managers are also putting adaptability, results-driven and emotional intelligence higher on the list than a few years ago.

Today's most-desired qualities:

» Cultural fit
» Adaptability
» Results-driven
» Emotional intelligence
» Strategy
» Long-term vision
» Leadership
» Communication skills
» A wholistic management approach

Attracting Industry Outsiders

While it's tempting to limit your search to those with direct experience in a financial institution, today's credit unions should be open to candidates from other industries for some roles.

For one, the labor shortage and competitive market may leave you with a talent pool lacking in the necessary skills and personality to fill the role with a credit union insider.

Additionally, certain positions can benefit greatly from a "fresh" perspective. A marketing director that thrived in an unrelated industry can learn the ins and outs of a credit union on the job while offering creative solutions to today's challenges. If the skills, enthusiasm and cultural fit are there, the industry-specific experience may not be the deal-breaker it once was.

Tip: Being open to hiring industry outsiders for certain roles gives you the best chance of finding the perfect fit.

The Art of Recruiting the Passive Candidate

High on your recruiting list should be those not currently looking to switch jobs. Passive candidates are assumed to be good at what they do, satisfied in their present position and not likely to "rock the boat" by accepting an offer unless it's truly a good fit and a step up. For financial institutions, this bodes well for long-term retention.

Of course, these candidates can be difficult for a credit union to find on its own. It takes industry connections that reach far and wide to assemble the best talent pool.

A reputable third-party search firm that specializes in hiring top talent for credit unions is the type of partner that can reach both passive and active candidates from coast to coast. They also have a system to thoroughly vet, interview and curate only the best people for the position – before your board members ever have to look at any resumes.

Tip: If you've never hired a search firm, ask other credit unions about their experiences and recommendations.

Working with the right search firm offers:

» A partner that takes the lead to alleviate board members' stress and workload

» A proven process with a detailed timeline

» An extensive discovery process to understand your culture and requirements

» A large network of local, regional and national candidates

» A thorough candidate vetting process

» Prelimiary interviews and a methodical evaluation based on board member requirements

» Access to the latest compensation data and surveys

» Direction and advice for final interviews

» A retention guarantee on new hires

» A resource for future job openings

"You have to be super creative and utilize resources you haven't used before."

– Lisa Brangers, SHRM-CP,
Park Community Credit Union

AN HR INSIDER PERSPECTIVE

Ryan Hough, SPHR, SHRM-SCP,
Senior VP Human Resources
7/17 Credit Union

Q: How did you hire a recruiter for your CEO search?

A: *"Our credit union conducted a very competitive bidding process to choose an executive recruiter to lead our CEO search. You don't hand those projects over to just anyone. We sent out a comprehensive request for proposal and scored applicants on key indicators. After narrowing down the pool, the top three firms delivered presentations to our Board of Directors."*

"We made our final decision based on a number of factors, including the soundness of the firm's process, the length of the retention guarantee, the firm's network of connections to reach passive candidates and, though not the primary driver, the cost-effectiveness. We also liked that our final choice made us feel like their top priority – we didn't want to feel like a small fish in a big pond."

> *"We want the best and brightest, so we would always use an executive search firm for C-level positions. You need to have that ability to reach out to candidates that aren't even looking."*
>
> – Ryan Hough, SPHR, SHRM-SCP, Senior VP Human Resources, 7/17 Credit Union

LEAVE NO STONE UNTURNED

Financial institutions will have to use a variety of methods – both new and traditional – to find, attract and retain top talent in 2023. Strategies include:

- Attending networking events
- Working with nearby universities to recruit graduates
- Using social media to target specific groups and certifications
- Publicizing recent industry awards and accolades
- Monitoring mergers and acquisitions for talented but displaced employees
- Exploring new benefits such as student loan repayment, paid parental leave and access to mental health resources
- Reviewing and adjusting pay and/or benefits to remain competitive

While the outlook for hiring talent in 2023 might seem a bit daunting, there are industry professionals available to help you find the very best candidates to fulfill your needs. With access to a top candidate pool, a pulse on current candidate desires and trends, a proven process for finding the best candidates and a focus not only on hiring, but retaining, talent for the long term, executive recruiters – like Shanley Search Partners – are a resource you don't want to overlook for your hiring needs in 2023.

ABOUT THE AUTHOR

Charles Shanley specializes in executive recruiting and project management, with more than 25 years in the field. He has a solid background in all facets of Executive Search and extensive experience dealing with retained search at the President/CEO level, and expertise in executive assessment/coaching, compensation analysis & design, strategic planning, leadership development and succession planning for the industry.

ABOUT SHANLEY SEARCH PARTNERS

Shanley Search Partners is a nationwide financial services consulting and strategic advisory firm that specializes in Executive Search, Recruitment and Leadership Development for Credit Unions, Banking and Fintech. We put our experience to work for you, successfully placing top-performing candidates, from managers to executives and C-Level. We have extensive experience working with Boards on the executive placement of their next CEO and can also help with both retained and contingency search, internal candidate evaluations, direct placement, project staffing and contract-to-hire scenarios. WE FIND THE PERFECT FIT!

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SHANLEYSEARCH.COM // 281-595-0131