



***Are You Feeling Pressures of a Tight Labor Market...  
and What Can You Do to Compete?***

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According to a recent CUNA & Affiliates E-Scan article, "We are headed for one of the most severe shortages of skilled workers ever.... The number of U.S. workers will dwindle as baby boomers retire and there are fewer workers in the subsequent generation to take up the slack."

This sentiment was mirrored recently by Economist Jeff Thredgold at the Massachusetts Credit Union League's conference on "Focus on the Future". During his presentation, Jeff discussed the pending labor shortage and his predictions for how the workplace will become increasingly more flexible to attract and retain talent.

But let's look at "today." Nationally, the seasonally adjusted unemployment rate for September 2005 was 5.1% - lower than the same period in the past three years. So, if you are already finding it difficult to recruit in this labor market, it is with good reason. It is not just your imagination that your job openings are taking longer to fill, or that your candidate pool is very limited.

How does a rigid labor market impact human resources in your credit union? In every single way! Credit Unions need to build strategies into their human resource plans that not only allow them to find the best talent but to keep the best talent – not just for tomorrow but for today. Here are some of the ways to plan and prepare to compete:

***Performance Management Systems:*** A good performance management system is one that ties the strategic objectives of the credit union into each employee's performance review. It is a *system* that starts with outlining individual goals for the upcoming year, goals that enhance and grow the credit union, goals that tie into the business plan of the credit union. A *system* of managing performance builds in tools to monitor and coach for excellence to those goals on an on-going basis. And a real *system* then rewards that performance accordingly. Performance Management Systems *are not* an Appraisal Form – the Appraisal Form is just the end of the annual cycle and also the starting point of a new one. It is the continuum of performance goals that allow the credit union to meet its strategic plan.

***Compensation Systems:*** As frustrating as this is, compensation is a negative motivator. You've all heard that before, but what does that mean? Simply stated, compensation only motivates employees when they feel they are underpaid, and then it is a negative response. Compensation also motivates an employee negatively when it is perceived as inequitable. If a top performer sees an average, or worse, a below-average performer receiving the same across-the-board salary increase, this has negative fallout. So credit unions need to structure compensation systems that truly reward performance, that tie pay to performance. Increasingly, this is handled with incentive compensation systems.

**Market Salaries:** The juggling act for any institution is to pay a salary that is competitive and which reflects the credit union's compensation philosophy. In a tight labor economy, this takes research and planning. First, what is the compensation philosophy for your credit union? If you don't know the answer to that question, that is your first assignment! Then, how do you find the data? If you are looking only at credit union statistics, you will find those pressures to retain and recruit talent are increasing. Why? A teller or a member service representative or a loan processor has exhibited skills for attention to detail, accuracy, ability to work with numbers and people skills. Those skills are transferable to any organization. So you need to look at your local industry data. A Vice President of Lending or a Chief Financial Officer or any high-level manager can easily move from credit union to bank, so you need to also consider salaries in the this arena. Then you need to tie that market data into your compensation philosophy and your budget.

**Recruiting:** If you are going to compete for new talent – and the competition gets stronger each time the unemployment rate drops – you need to look at how you sell your credit union to the outside market. While this means writing great ad for the local newspaper or online search engine, understanding the importance of marketing your credit union throughout the recruiting process to candidates, and having strong networks in place, it also means creating an environment where potential employees want to work. What does your environment look like? What is your culture? Do you have a strategy to attract Gen Xers? Retain baby boomers who might consider retiring? Is it time to analyze these factors to become more competitive? When you have had an employee leave your organization, what has that person told you in the exit interview? Listen to why they are leaving; that's a clue.

**Executive and Deferred Compensation:** The competition for your #1 and #2 positions will become increasingly more difficult as Chief Executive Officers throughout the credit union industry begin to retire. Even if your Chief Executive Officer is not at retirement age, he or she is recruitable by organizations about to lose their Chief Executive Officer. It is estimated that 25% of CEOs will retire in the next 5 years! Credit Unions need to look at Executive Compensation and all the benefits associated with executive compensation to ensure retention of top performers. Increasingly, deferred compensation is a strategy to reward and retain your top Executives.

**“Bottom Line” Pressures:** Does all of the above mean pressure on your bottom line? If you want to retain your top performers, there is a cost. But the cost is not always monetary. In Opinion Surveys conducted by HRValue Group, employees indicate they want to be compensated fairly and they want a good benefit package; but they also want flexibility, independence, respect and equity. Employees choose to work in credit unions because it is still an industry that is passionate about its mission.

As pressure mounts to retain your best people and to attract good candidates, it is the credit union that has planned for those pressures that will be able to compete. HRValue Group continues to work with credit unions across the country to install compensation and incentive compensation systems, performance systems, recruiting strategies, and a host of tools that allow credit unions to compete for the “best of the best.”



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