CREDIT UNION EXECUTIVE'S GUIDE

HOW TO IMPROVE RETENTION WITH EMPLOYEE BENEFITS

The Retention/Recruitment **Challenge**

The Great Resignation begun in the spring of 2021 is fundamentally reshaping the relationship between businesses and their employees. More than 47 million workers left their jobs in 2021, according to the Bureau of Labor Statistics.[1] This ongoing mass jobs exodus continues to strain employees coping with increased workload pressures created by their departing colleagues.

Consequently, employers are challenged on two fronts — recruiting to fill open positions in an increasingly competitive jobs market and retaining employees before they, too, become part of the trend also dubbed the Big Quit.

What is the driving force behind this massive wave of resignations? Insufficient childcare, overwork because of staffing shortages, and lack of support from employers are among the many reasons people cite for walking away from a regular paycheck.[2,3]

Employers' ongoing struggle to recruit talented employees has shifted the negotiation power to workers. As a result, wages are experiencing intense upward pressure as businesses attempt to lure the best new hires and retain employees.

While higher salaries may become the norm, they do not represent a quick, one-size-fits-all remedy for employers in any industry, including financial services. The situation is more complex than that. Banks offering six-figure salaries, for example, are still experiencing high attrition rates.[4] And for credit unions that must balance the pressures of a competitive jobs market with their fiduciary duty to wisely manage members' money, higher wages aren't likely to be a silver bullet.

As employees reconsider what they want out of their professional lives, credit unions can look beyond their staffing budgets and explore how more robust benefits offer an advantage in employee recruitment and retention.

The Impact of the Great Resignation
on the Credit Union Movement

Financial consumers have more choices than ever to satisfy their banking needs. Lower costs and higher dividends have historically offered credit unions a competitive advantage. But the "credit union experience" is also dependent upon community-driven personalized service, making front-line staff a critical driver of member satisfaction.

However, member service can be a challenging role, and the pandemic exacerbated the challenges. Workplace guidelines frequently changed in the COVID-19 era, making it challenging to offer members personalized service. Many team members shifted to remote and hybrid work arrangements, impacting member satisfaction.

According to a report in CU Times, member dissatisfaction with staff training levels is up 131%. Further, dissatisfaction with credit union staff responsiveness is up 275%, and, even worse, 20% of members say they are ready to leave their CU.[5]

Internal IT staff struggles

The situation is not much better with IT staff. The pandemic accelerated digital banking trends, and members now expect a seamless digital banking experience. In fact, 53% of respondents to a recent Harris Poll said they chose a regional or national bank because of the digital experience even though they preferred a community financial institution.[6]

A remote workforce makes it difficult to innovate to offer the digital-first services that members now demand, however. Further, the workforce challenges created by the Great Resignation are particularly acute with skilled tech workers.

Professional IT workers are in high demand. According to the Fintech Jobs Report, there are 40,000 open jobs to be filled in fintech.[7] At the same time, a recent study by McKinsey found 68% of companies have plans to hire more skilled tech staff.8 Recruiters are courting these employees aggressively, and credit unions are no exception, now having to compete with tech companies, big banks, and fintech firms.

Reliance on employee satisfaction

Staff turnover isn't limited to entry and mid-level staff. Governance, risk, and compliance staff are also resigning at higher rates than typical, leaving credit unions exposed to regulatory risk. Disruptions in these departments can delay audit preparation, filing of regulatory reports, and deployment of key marketing initiatives.

What does all of this mean? While credit unions have relied on member loyalty for decades, they can no longer take that loyalty for granted. PFI (primary financial institution) relationships are highly disruptible unless credit unions can return to usual member service standards while also delivering first-class digital services. And to provide that, credit unions will need to lean heavily on their employees, which means that, to a great extent, member retention depends upon employee satisfaction.

THE FRAGILITY OF MEMBER RELATIONSHIPS

40%

Financial consumers likely to leave their PFI for digital banking that compares to an online shopping experience.[6]

56%

Financial consumers who prefer community banking, but their digital offerings did not meet their needs.[6]

53%

Credit union members who currently use credit products from the CU's competitors.[9]

The Role of Employee Benefits

For credit unions, employee experience is a driver of member experience. A recent MIT study found that organizations with higher levels of employee satisfaction were 25% more profitable.[10] So, what can credit unions do to set themselves apart from other employers?

Credit unions' community ethos and people-first values may already offer a competitive advantage in attracting and retaining the most talented employees. But the benefits and compensation packages offered to employees must also reflect those values.

Salary levels are important, of course. After all, it will be hard for any organization to compete with below-market compensation levels. But salary does not appear to be what's driving the current workforce upheaval.

The attraction of expanded benefit offerings

According to LinkedIn's 2022 Global Talent Trends Report, the two most important things today's workers are looking for are work-life balance and benefits and compensation, cited by 63% and 60% of respondents, respectively.[11]

But what does this look like? The Great Resignation, redubbed in the LinkedIn report as the Great Reshuffle, is driven by workers seeking jobs that offer a "human-centered company culture" that prioritizes flexibility, trust, a holistic focus on well-being, and belonging.

Credit unions can set themselves apart by leveraging their already-strong employee culture and enhancing their benefits packages to satisfy what today's workers are looking for in their next job.

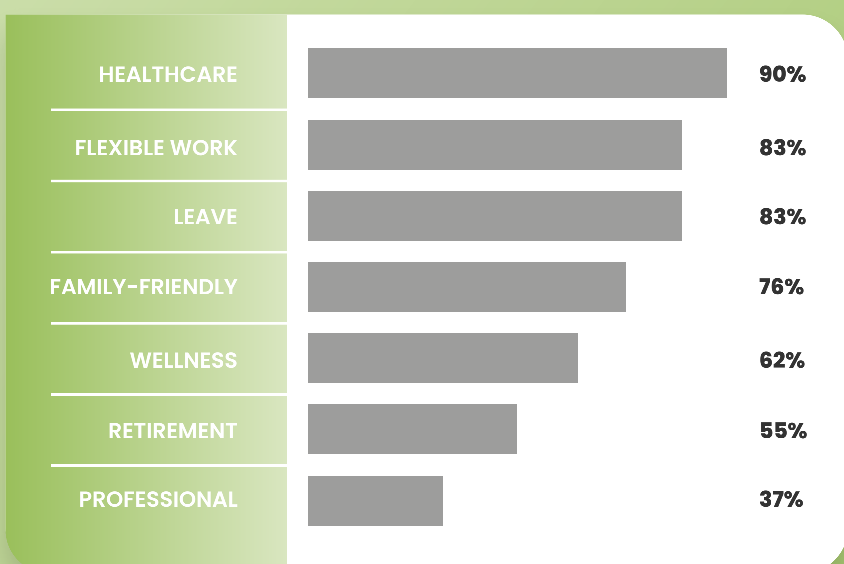
Healthcare is consistently one of the most valued benefits. Still, flexible work options, family-friendly benefits, and paid leave have also become among the most-valued employee benefits in a post-pandemic workforce.

The question becomes, then, how can credit unions find the funds required to redesign their employee benefits plans to attract, retain, and develop the employees that will lead to success?

The solution may be closer than you think.

Continued on page 8

RANKING EMPLOYEE BENEFITS[12]



ESSENTIAL EXPANDED BENEFITS

FOR TODAY'S WORKFORCE

As credit unions explore new ways to support employees, these perks and programs can increase employee satisfaction.

Wellness benefits: Help paying for health club memberships, financial and other incentives for healthy habits, and access to health-related training are essential tools to help employees stay well.

Time off for training: Many back-office employees and managers find it easy to schedule time out of the office for training and conferences, but front-line staff may find it more challenging. To keep these employees happy, ensure that employees in all areas of the credit union can attend training.

Expanded time off: Pooled time off can allow employees the flexibility to care for sick family members and take mental health days in addition to the standard vacation and sick time. But other opportunities for time off to volunteer, attend children's school events, and participate in wellness activities are different ways to give employees balance.

Mental healthcare parity: Show workers that you value their mental health by excluding office visits with trained counselors from the healthcare deductible, include a wide variety of mental healthcare practitioners and services, and other signs of true parity of care.

How to Control Costs and Provide **Sought-After Benefits**

Traditionally perceived as high-quality healthcare benefits are often associated with high premium costs that can put them out of reach for budget-conscious credit unions. But there is room for change. According to the Journal of American Medicine, traditional health plans involve 25% in wasteful spending.[13] That means, for every 100 employees, a credit union wastes roughly $225,000 in cash flow deployable to other strategic initiatives

To kickstart the change and redeploy valuable resources, a growing number of credit union executives are leaving behind fully-insured healthcare plans and transitioning to a self-insurance healthcare model.

What is self-insurance?

Under a self-insurance (or self-funded) healthcare model, an employer pays individual healthcare costs from an established insurance claims trust funded by company and employee contributions. This money covers healthcare claims on an as-needed basis. An immediate impact for credit unions switching to this model is the company is no longer obligated to pre-pay for healthcare coverage in the form of rigid monthly premiums for services plan members may or may not use.

Often, a third-party administrator (TPA) will manage the plan's benefits and payments, which typically have the familiar structure of national physician/hospital networks, co-pays, deductibles, and out-of-pocket maximums but are significantly more flexible than fully insured plans.

The most common concern about the self-funded healthcare model is the risk of a catastrophic claim wiping out funds. A mechanism known as stop-loss insurance protects against such an event.

There are two types of stop-loss insurance. First, individual or specific stop-loss protects the employer against unusually high claims by individual employees. Second, aggregate stop-loss protects the employer against an overall rise in healthcare costs by placing a cap on the total expenses that an employer is responsible for in a given period.

With highly customizable stop-loss insurance in place, a credit union can control the precise amount of risk it is willing to assume without adding more risk than found in a traditional insurance program.

How does self-insurance lower costs?

Self-funded plans are on the rise. Self-funded plans cover 69% of workers in the U.S., increasing from 10% in the past 10 years.[14] Contributing to the growing popularity of self-insurance are associated with reduced taxes, fewer fees and administrative expenses, and no need to account for insurer profits. A self-funded plan can reduce up to 20% of a credit union's total healthcare costs by eliminating insurance company fees.[15]

Credit unions will also save money with a self-funded plan if healthcare expenses are lower than anticipated. In traditional fully-funded plans, the insurer keeps the profits if claims are lower than expected. But with a self-funded plan, any excess funds remain with the credit union.

How does self-insurance enhance benefit plans?

The customizable flexibility of self-insurance allows a credit union to choose its provider networks, deductibles, and coverage levels that work for the specific needs of its plan members.

Additionally, self-insurance enables credit unions to offer a robust benefits package to workers across state lines without the need for individual state-based insurance regulatory compliance.

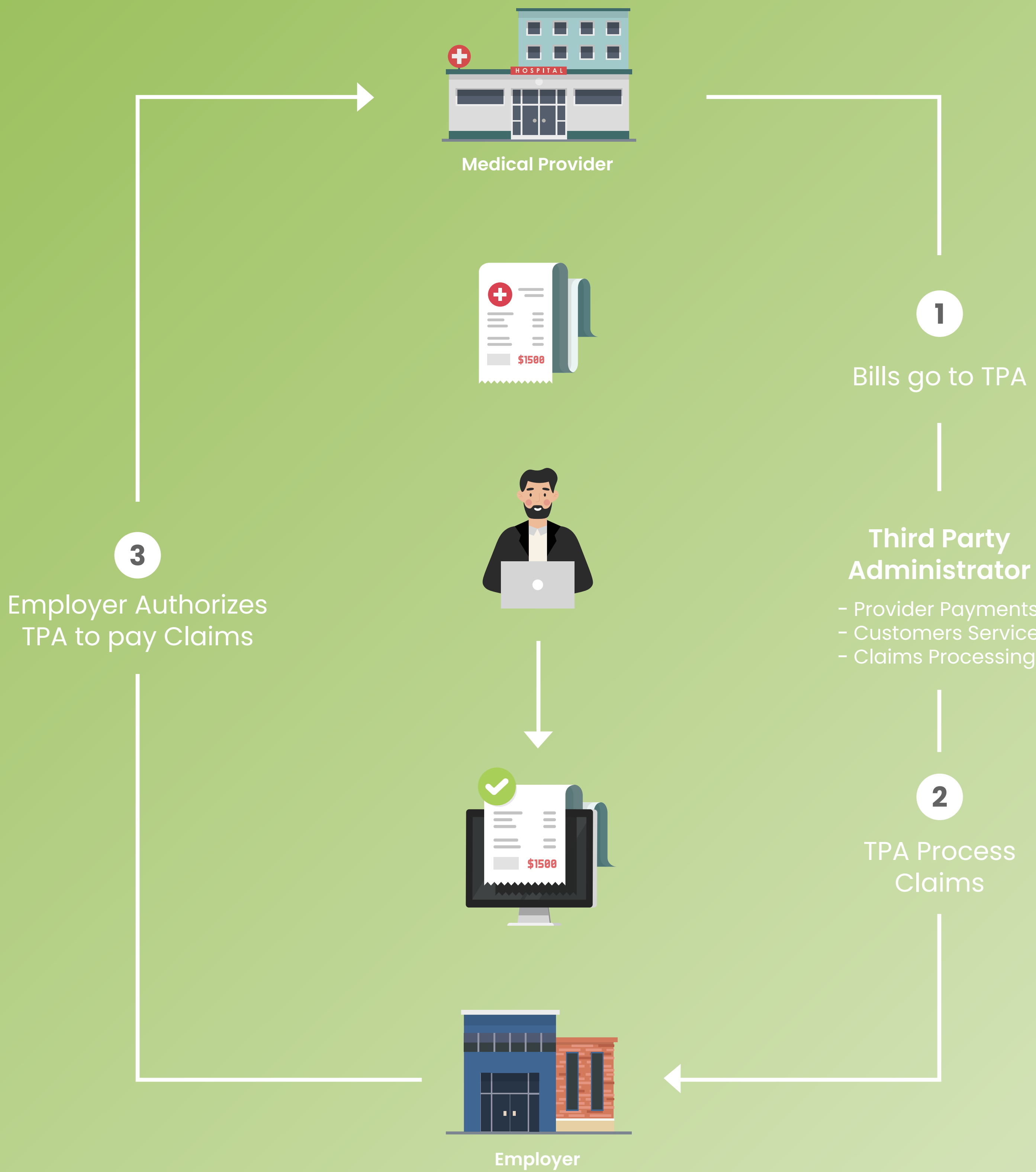
Additionally, self-insurance enables credit unions to offer a robust benefits package to workers across state lines withouWith such flexibility, there is room for expanded, tailored benefit programs that can further lower overall healthcare costs for a credit union. Forward-thinking credit unions are enhancing their plans to include options such as wellness programs, vaccine clinics, medical travel benefits, and even healthcare clinics. the need for individual state-based insurance regulatory compliance.

According to Gartner, expanding well-being programs is a top priority for 94% of HR executives.[16] The transparency and data availability inherent in self-funded plans will enhance such investments by providing credit union executives with actionable data on program effectiveness.

Continued on page 11

How Self-Insurance Works

Third-party administrators (TPAs) will manage a self-funded healthcare plan's provider payments, member service and claims processing on behalf of the employer.



The Self-Funded Gateway
to Employee Retention

Moving from a traditional fully insured healthcare plan to a self-funded model can take up to two years' preparation. However, well-prepared credit unions working with an experienced partner can cut that time down to as little as six months. The right benefits partner will walk a credit union through each step as it designs and executes a unique self-funded insurance program to benefit plan members and lower overall costs.

Today's employee retention imperative demands a robust suite of benefits. When every dollar counts, there is no room for waste in healthcare plan spending. Now is the time to take advantage of the customizable benefits of a self-funded healthcare plan for your credit union.

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