

THE *BLUE PAPER*

◆ May 2010 ◆

EMPLOYEE SATISFACTION IS NOT AS CRITICAL DURING A RECESSION — WRONG!

Don't Be Lulled Into Complacency
Just Because Applicants
Are So Plentiful

Route to:

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There are four astounding negatives connected with employee turnover.

Job satisfaction has been shown to make employees more productive.

The world is in the worst recession since the 1930s and almost everyone seems to be looking for work. So Credit Unions have their pick of applicants.

So is employee satisfaction still critical? Yes. YES. *YES!*

In times like these, it's easy to get lulled into complacency and not be concerned about our employees. This could not be more wrong!

THE FOUR ASTOUNDING NEGATIVES CONNECTED WITH TURNOVER

With so many applicants for every Credit Union opening, it would appear that turnover would no longer be a concern. There are four reasons why this is false.

1. Turnover is expensive, and it is an unnecessary cost with no positive return. Eagle Legacy CU of Arvada, Colorado determined that replacing a single employee cost their Credit Union between \$5,000 and \$7,000, depending on the level of the position. Assuming a CU has a turnover of 25%, can it afford to lose this amount *each year* — right from its bottom line?

— \$150,000 if you have 100 employees

— \$450,000 if you have 300 employees

— \$750,000 if you have 500 employees

2. Replacements don't have the experience of seasoned employees.

Consequently, your Credit Union loses quality of service.

3. Studies have shown a direct relationship between *employee satisfaction* and *Member satisfaction*. Hence, better employee satisfaction results in better Member satisfaction.

4. Job satisfaction has been shown to make employees more productive.

A Filene Research Institute study done a few years ago, titled *Predicting Employee Turnover and Performance*, showed that employee satisfaction both boosted productivity and reduced turnover.

CAN TURNOVER REALLY BE REDUCED?

What if your Credit Union had a staggering 78% *employee turnover*? Do you really think it could be reduced to a workable percentage in a few short years?

Eagle Legacy Credit Union had such a problem, but made it their major objective to correct it within seven years. Amazingly, they were able to

reduce their turnover rate to a *workable* 12%. According to Deb Dunning, Vice President of Human Resources, the CU decided to change its culture and focus on keeping employees. The results were impressive. For the last five years, the *Denver Business Journal* has named the CU one of the Top Ten Best Places to Work in Denver. And as a result, according to CEO Sundie Seefried, the Credit Union reduced its operating expense ratio by more than 50 basis points while maintaining capital over 10%.

This story of turnover reduction has been repeated over and over with varying results, always based on the amount of emphasis that the Credit Union puts on achieving this goal.

HOW HAVE SUCCESSFUL CREDIT UNIONS REDUCED TURNOVER?

It is obvious that lowering your turnover rate is very beneficial to your Credit Union. And it is obvious that many CUs have done this effectively. But how?

Here are the most popular — and most successful — methods used by Credit Unions in lowering turnover.

1. Communications. According to leading CUs, communication is “rule one” for lowering turnover. DHCU Community CU of Moline, Illinois, credits communications for retaining their low turnover rate. “And the key,” according to CEO Terry Brahm, “is making sure your staff sees the big picture. We are only as good as our employees,” he stated. “If the employee doesn’t understand how they — and their department — help us become successful, they won’t be effective.” In describing their highly successful revamping of employee turnover, officers at Eagle Legacy CU said, “Improving communication was the lynchpin.”

2. Feedback. Although it is true that communications must start from the top, it is important that they also come from the staff up. Roundtable discussions with the CEO have proven highly successful with CUs such as CFE Federal Credit Union of Orlando, Florida. According to CEO Joseph A. Melbourne, Jr., the CU holds a CEO roundtable every three months with 12 employees from different departments. Eagle Legacy CU does the same. Virginia Credit Union in Richmond, Virginia has found that a simple solution, such as an employee suggestion box, can also provide excellent, effective feedback.

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3. Awards and Rewards. Rewards, both financial and honorary, have for years been a staple for success by many Credit Unions — from the standard “Employee of the Month” version to the financially oriented bonus or profit-sharing program. A group of Credit Unions in Florida has even implemented “Business Casual Dress Day” in an effort to thank employees. A very effective reward is the Education Assistance Program in which a CU pays for college classes for its employees. More than 36% of all Credit Unions responded that this is an employee retention tool that makes their Credit Union “more competitive.”

PREVIOUS AIL BLUE PAPERS

Two previous American Income Life *Blue Papers* focus on the subject of employee turnover.

The AIL *Blue Paper* for February 2007 is titled “**THE 20 ISSUES THAT COST NOTHING BUT RETAIN EMPLOYEES AND MAKE THEM MORE PRODUCTIVE.**”

The AIL *Blue Paper* for December 2008 explains “**WHY EMPLOYEES ARE YOUR MOST IMPORTANT TOOL IN CHALLENGING TIMES.**”

You can request a copy of either one from your local AIL representative or from the AIL Credit Union Center at CUCenter@AILife.com.

CONCLUSION

It’s true that the world is in the worst recession since the 1930s and almost everyone seems to be looking for work. Credit Unions have their pick of the applicants.

But employee satisfaction is still critical and tied very closely to productivity. We have to be careful not to get lulled into complacency. Our employees are still our most defining asset. ◆

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