Changing the Way Small and Medium-size Credit Unions Hire for the Future

A Credit Union Industry White Paper from

CU*influential*sm

Rising labor costs, employee turnover, and the high costs of recruiting have small credit unions struggling to compete for talent. Introducing a new Credit Union Service Organization dedicated to revolutionizing affordable and efficient talent acquisition.

KEY TAKEAWAYS

- *Employee turnover affects credit unions of all asset sizes and budgets. Because they are compensated based on multiples of annual salary, most recruiting agencies have built their strategies around frequent turnover in large credit unions.*
- *85% of federally insured credit unions have total assets of $500 million or less. Overall, during 2023 these credit unions suffered a decrease in shares, assets and members while hiring costs skyrocketed in the face of high employee turnover.*
- *Cost-effective talent acquisition strategies need to replace traditional recruiting tactics.*
- *The **first-ever Talent Acquisition CUSO** provides revolutionary talent acquisition services at a fraction of the cost associated with traditional recruiting methods.*

THE HIGH COSTS OF EMPLOYEE TURNOVER

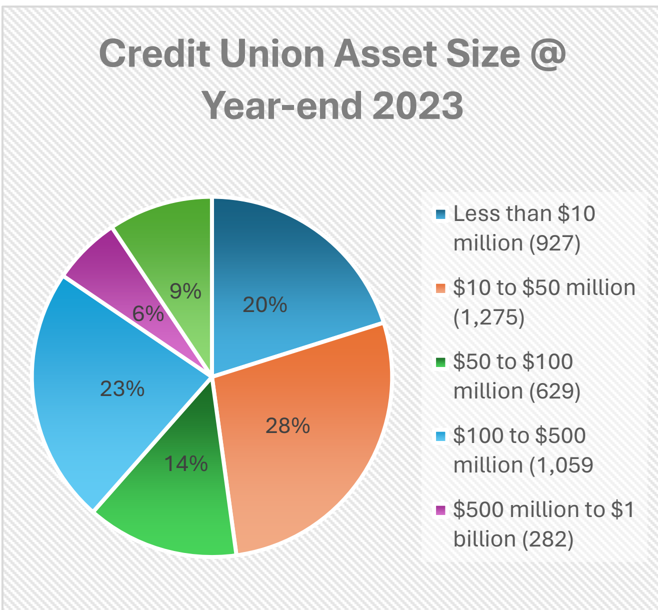
Just like other sectors, credit unions are facing high employee turnover. Industry estimates suggest a 25% turnover in Front-line employees – the first point of contact for members, making their role integral to a credit union's success. The U.S. Bureau of Labor Statistics estimates roughly 35,000 open teller positions each year over the next decade will need to be filled due to workers exiting the labor force or transferring to other occupations. This doesn't include tens of thousands of other positions "from the mail room to the C-suite." For example, credit unions have recently experienced back-office employee turnover of 11%, lending staff at 10%, management is 6% and senior executive turnover at 4%.

In the current hiring market, credit unions are challenged with rising wages and hiring expenses. SHRM (Society for Human Resources) reports an average hard cost of $15,800 per $75,000 salaried employee, but the total hiring expense often amounts to three or four times the salary, as noted by Edie Goldberg of E.L. Goldberg & Associates who is also the SHRM Foundation chair-elect and co-author of the book *The Inside Gig* (LifeTree, 2020). That means if you're hiring for a job that pays $60,000, you may spend $180,000 or more to fill that role. "Of those costs, 30 percent to 40 percent are hard costs, and the other 60 percent are soft costs," said Goldberg. Soft costs including the time invested in the recruiting process, downtime of having roles open, lost revenue, decreased employee morale, burnout, and ultimately increased turnover.

Employee turnover impacts credit unions of all sizes, with recruiting agencies primarily focusing on high turnover in large unions as these are the credit unions that will give them the largest fees. However, the industry is predominantly made up of small unions with limited resources and shrinking balance sheets. 85% of federally insured credit unions have total assets of $500 million or less. Each cohort (under $10 million, $10 - $50 million, $50 - $100 million, and $100 – $500 million) has suffered a loss in shares, loans and members for the year ending 2023.[1]

Annual Gain/Loss	<$10MM	$10-$50MM	$50-$100MM	$100-$500MM	$500MM-$1B	>$1B
Total Shares	-5.4%	-7.5%	-6.3%	-2.4%	-3.3%	+3.4%
Total Assets	-3.5%	-6.2%	-5.0%	-0.5%	-1.4%	+6.0%
Total Members	-2.0%	-5.2%	-3.5%	-0.5%	-3.8%	+5.2%

Yet all of these institutions are almost wholly ignored by traditional recruiting agencies as their fees are cost prohibitive to smaller Credit Unions. In its 2024 Letter to Credit Unions, the NCUA states, "The credit union system over the last year has remained largely stable in its performance and relatively resilient against economic disruptions. However, during 2023, the NCUA observed growing signs of financial strain on credit union balance sheets. The rise in interest rate and liquidity risks resulted in an increase in the number of composite CAMELS code 3, 4, and 5 credit unions. Inflation and interest rates are affecting household budgets, which could lead to an increase in credit risk in future quarters. Economists are also forecasting an economic slowdown as the lagged effects of elevated interest rates take hold. Each of these developments could affect credit union performance, create challenges for consumers, and pose a risk to the Share Insurance Fund in 2024."[2]



With increased regulatory focus on liquidity and the need to increase members, earning assets and share deposits, many small credit unions are caught between a rock and a hard place.

"One of the biggest challenges for any organization is attracting and retaining top talent...For small businesses – and small credit unions in particular – those challenges are even more nuanced. Limited budgets and limited time to dedicate toward human resource activities, organizational culture, and the hiring process in general only intensify the war for talent on the small credit union front ... Small credit unions may be at a particular disadvantage when it comes to offering competitive wages, benefits, and the flexibility that many job seekers desire. According to Callahan Associates, the average credit union employee makes $91,519 in salary and benefits, brings in $55,326 in net income and is responsible for 397 members.[3]

THE DIFFERENCE BETWEEN RECRUITING AND TALENT ACQUISITION

While talent acquisition and recruitment may seem like similar processes, they do have key differences.

[1] NCUA Quarterly Credit Union Data Summary 2023 Q4
[2] NCUA Letter to Credit Unions 24-CU-01
[3] https://creditunions.com/blogs/industry-insights/credit-union-hiring-outperforms-national-trends/

Recruitment is the reactive process of finding a candidate to fill a specific vacancy for the credit union. This is not an ongoing process, but only starts when an opening occurs. This leaves the credit union in a reactive position rather than seizing the initiative.

Talent Acquisition is the entire proactive process of building a talented team. It is an ongoing process where credit unions build relationships, plan their hiring needs and find a consistent array of candidates. With this strategic approach, credit unions can ensure they are consistently acquiring the best talent. It is best to think of recruiting as apart of talent acquisition rather than your entire talent strategy.[4]

Talent acquisition is "a strategic approach to identifying, assessing, and acquiring new employees for a company. Unlike general recruitment, which sometimes values quantity over quality, talent acquisition is a carefully curated process that businesses rely on to find the very best fit for their team."

- Forbes Advisor, April 2024

Longevity of goals. Recruiting is short-term; acquiring top talent is long-term. While recruiting fills immediate needs, talent acquisition ensures future success. Anticipating company needs allows for skill development in current employees and attracting industry-leading talent.

In a highly competitive market, talent acquisition takes many factors into account when finding the right people. With limited and frequently overworked staff, credit unions need to engage the help of third-party talent acquisition specialists who source, vet, interview and present candidates for consideration.

Introducing the First-Ever Talent Acquisition CUSO!

Who knows more about the talent acquisition needs of small credit unions than a credit union board member?

TQC Team is the first- ever talent acquisition & recruiting Credit Union Service Organization (CUSO). TQC Team CUSO is also a member of the National Association of Credit Union Service Organizations (NACUSO.) TQC was founded by Doug Duong, who in addition to being TQC's CEO is also a board member and former chair of Pasadena Federal Credit Union a $420 million in assets CU located in Pasadena, California.

Doug recognized that the credit union industry's recruiting model was in dire need of disruption. Agency recruiters were exploiting credit unions to charge high fees, and internal credit union recruiters were overwhelmed by surges in openings & competition for talent. Small and midsize credit unions in particular faced massive challenges in being competitive for talent. This led Doug to create TQC Team CUSO and launch a groundbreaking talent acquisition model designed to revolutionize hiring for credit unions. Amidst an ever-changing economic & employment landscape, TQC thrives by embracing evolution. Their unwavering commitment to relationships, integrity, and transparency sets them apart. TQC's unique model is designed to provide superior results at the most affordable cost for any size

[4] "Talent Acquisition vs. Recruitment: What's the Difference?" Jennifer Herrity, Indeed

credit union in any location. In 2023, TQC made **838 hires** and saved our credit union partners **$600,000** in hiring fees for leadership roles and are well on their way to doubling those savings in 2024.

"Our experience with TQC has been wonderful. They have helped us fill multiple teller, member service representative, director, commercial and business banking and information technology positions. With TQC we get a team of people for less than what it would cost to hire an individual on our team. The TQC Team is very adaptable, great with any feedback or any questions we have, and very responsive. There or so many wonderful ideas coming from TQC – it's like a true partnership and very collaborative. What has kept us going all this time is TQC's continuous great service." **- Christi Shaw, AVP of Team Member Experience, SELCO Community Credit Union ($2.7 billion in assets), Springfield, OR.**

According to Doug, "Our innovative hiring model is revolutionizing the way credit unions hire for everything from tellers to C-suite executives at a fraction of the cost associated with traditional methods. In Q1 2024 alone, our clients saved $508,685.44 in fees for leadership position compared to working with traditional agencies! With TQC Team managing the entire recruitment process, our clients not only save money but also valuable time. They can focus on what they do best—running their credit union and serving their members. Partnering with TQC Team means bidding farewell to high costs and the hassle of traditional recruiting models."

TQC's three core values are Trust, Transparency, and Teamwork. As a CUSO, the founders and staff have a deep understanding of credit unions. By investing the time to gain an intimate understanding of the credit union's culture and goals, TQC nullifies inefficiencies to provide candidates and hiring leaders with a superb hiring experience. Their process supports an extremely high level of service, which is the very foundation of partnership.

WHAT CREDIT UNIONS SAY ABOUT TQC TEAM

"We only have two people in HR and they can't do everything. Their primary function is to support the people who work here. What I didn't like about our previous recruiters is that the recruiters and the credit union seem to be in conflict. The recruiters wanted turnover and the dollar amounts were just extraordinary. We've used TQC for front line and executive positions. TQC has brought the right people to our organization and has been a tremendous success. There's nothing more important to a credit union than having the right talent and the right people in the right positions." Rick Weber, CEO of $861 million CBC Federal Credit Union, Oxnard, CA.

"TQC's communication has been fantastic…they took the time to really get to know us and got us thinking about how we would define our own culture…They've taken the time with our managers and candidates…and the candidates we have hired TQC are a great culture fit." – Diane Kotlewski, CEO of $233 million Chaffey FCU in Upland, CA.

"The relationship between GUCU and TQC Team is stronger than with any of the other recruiting agencies we've worked with in the past…TQC took the time to understand our culture and become a part of who we are. They became an extension of GUCU and customized their pricing and services to fit exactly what we need. Even though we're miles apart and in different time zones they engage with us on a daily basis, and we feel like we've known them forever. Their reports and metrics help us measure our progress. Theirs is not a one-size-fits-all model…it is highly customized to meet the recruiting needs of your organization." - Mindi Greenland, SVP of People Services, $2.2 billion Georgia United Credit Union, Duluth, GA.

"TQC has helped us fill multiple positions, anywhere from teller to positions up to the VP level and has saved us quite a bit of money." – Barbara Smith, SVP of HR/CAO, $1.5 billion Pacific Service Credit Union, Concord, CA.

"The two hires we've had so far are awesome. They're team players – they FIT! We wouldn't have had the time or the expertise to find those people, so to me that's worth far more than what we've paid you. You freed us up to do what we're good at – to serve our members – and that's of paramount importance. I cannot think of a future without working with you guys." - Michael Kerr, President/CEO, $208 million Denver Fire Department FCU, Denver, CO.

Saving money anytime is great but TQC also saves our company time, which is just as valuable! Love our partnership with TQC!! - Patty Garza, $4.2 billion Credit Human FCU, San Antonio, TX

CONCLUSION

Nationwide, turnover, salary demands, recruitment costs, and regulatory liquidity requirements strain financial institutions, especially small and medium-sized credit unions. Limited resources complicate a credit union's ability to align hiring with culture, thereby intensifying challenges.

With all of these challenges, there is a solution. TQC Team CUSO has developed a revolutionary hiring solution tailored to the unique hiring needs of credit unions, improving the way credit unions hire for everything from tellers to C-suite executives at a fraction of the cost compared to traditional recruiting models. This model gives smaller and midsize credit unions more resources to compete all while helping them stabilize and control hiring costs. TQC Team CUSO understands the unique soft-skill requirements of credit unions. The unique blend of credit union leadership skills with decades of successful talent acquisition achievements are found in the leadership of TQC Team CUSO.

For more information

Please visit https://www.tqcteam.com/ and call or text Sam Duong, Vice President of Client Acquisition at 626.921.5273 or send Sam an email to sdd@tqcteam.com.

About CU*influential*sm

CU*influential*sm is a corporate communications firm dedicated to the growth of the credit union industry by cultivating a collaborative culture between credit unions, CUSOs and small business. Founder Mike Hales is a former bank president, former chair of the California Bankers Association Sales and Marketing Committee, a Credit Union Service Organization (CUSO) president, National Association of Credit Union Service Organizations (NACUSO) board member, and a veteran bank and credit union consultant.

Mike is a graduate of the *ABA School of Bank Marketing Management and Strategic Planning* at the University of Georgia, and the NACUSO/Pepperdine University Graziadio School of Business and Management *Designing and Implementing Collaboration and Business Networks* certificate program. He is also a graduate of Lincoln University School of Law and author of "*The Handbook of Consumer Banking Law*" © Prentice Hall and "*The Language of Banking*" © MacFarland & Company.