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TALENT

The Time to Focus on the Workforce is Now

Hindsight is 2020. But last year provides foresight for bank executives when it comes to changes to the business and drivers for the future.

The momentous nature of the last six quarters parallels 9/11, now approaching its 20th anniversary, and the regulatory changes it brought into the banking business through the USA Patriot Act of 2001.

The industry then moved forward to the financial crisis and Great Recession of 2007-09, the recovery of which lingered much longer than anticipated. The Dodd-Frank Act and a persistent low interest rate climate followed that crisis.

The pandemic has brought even more changes to the banking sector and its workforce — many of which are likely to persist for much longer than anyone anticipates. We are just now understanding what will be the major variables and factors as the industry moves into this new decade.

On a macro level, there are three prevailing observations about the banking business:

- *Consolidation:* Although this has occurred for many years, the pace of consolidation may accelerate as banks continue adjusting to the economics of the period.
- *Excess liquidity:* The multitude of various financial stimulus programs has increased liquidity at most banks.
- *Workforce:* The pandemic has changed the workplace environment.

Consolidation

For many years, consolidation has provided banks with expanded market reach, allowing smaller banks to absorb the added cost of regulation through greater scale and reward bank management for building a successful business.

Future acquisitions will feature different complexities and considerations, as the public's view of banking shifts to focus on the delivery of banking services. It's an open question: Who will deliver these new services? Where and how will they be delivered?

With this in mind, executives should ask questions relating to the recruiting, retaining and rewarding of the right workforce to prepare for future consolidation.

Excess Liquidity

The various stimulus plans aimed at propping up businesses and borrowers have infused trillions of dollars into the financial system, creating excess liquidity at many banks. In the past, similar liquidity led to further growth opportunities.

But what if the opportunities are not as available as they were in the past? What if the financial incentive to hold the excess liquidity until it can be deployed successfully doesn't measure up to what had been financially achieved previously?

Instead of considering the usual actions to deploy the liquidity, executives should ask what changes to the business and the workforce can be made to brace the bank for the future. Recruiting, retaining and rewarding the right workforce may be the best investment today.

In the short term, the pandemic forced businesses to react differently, impacting employees and how banks use their workforce to sustain their operations. What started as a reaction in the short term may become the impetus for long-term proactive changes going forward.

Workforce

The pandemic has changed how companies think about their workforce: What is the best way to utilize the existing workforce and how to shape the future workforce. Grappling with remote workstations, family needs and environmental workplace protections could be a catalyst for rethinking the training and rewarding of the right workforce.

Change influences how a business must operate in new environments. The right workforce is vital to a business' success following those changes. Recruiting, retaining and rewarding the right workforce is the foundation to achieving success.

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As seen in the 2nd Quarter 2021 issue of *Bank Director*