JANUARY 2004

UPDATE

AN ELECTRONIC REPORT FROM THE CUNA HR/TRAINING & DEVELOPMENT COUNCIL

MESSAGE FROM THE CHAIR

Michael Hiller
HR/TD Council Chair

Here at Stanford FCU we experienced one of the most difficult budgeting periods ever. Shrinking margins, the fall-off of the real estate lending market, difficulty in making consumer loans – all seemed to conspire to make for a challenging season. It did make me realize, however, how vital HR can and should be in an organization and how strategic our jobs can be. The plea coming from our CFO was for efficiencies and cost reductions. His eye was squarely cast upon the HR department to help him in that quest.

At last year's summit and again at this year's summit we will be stressing the message of how important HR is to the strategic development of credit unions. Efficiencies, organizational improvements, hard personnel decisions, compensation programs, training for better work flow or reconnaissance, all have become tools for the organization to use in the job of strategizing and budgeting for the coming year.

At Stanford, we found several things to be of value during this year's exercise. One was to gather groups of employees to do Disney method storyboarding and develop reorganization plans and strategies for improving workflow. This gave employees a sense of what the whole organization is wrestling with, and a buy-in into the process of achieving change.

We have also been using psychometrics to help build decision-making teams. Using the tools of the McQuaig system and Meyers Briggs Type Indicators (MBTI) we have given managers and decision makers the ability to build stronger teams of staff and managers to tackle the challenges of today's competitive world.

Another helpful tool was using the problems facing us during our strategic planning and budgeting cycles as case studies and real-life situations for those who are enrolled in our MERIT series of management training. Classroom work allowed managers and staff to tackle problems with an inventive and useful sense of power and play. Participants began to see how there could be an honest difference of opinion – a crossroads that might be facing management. They also saw how important the "soft" people skills were in making these choices.

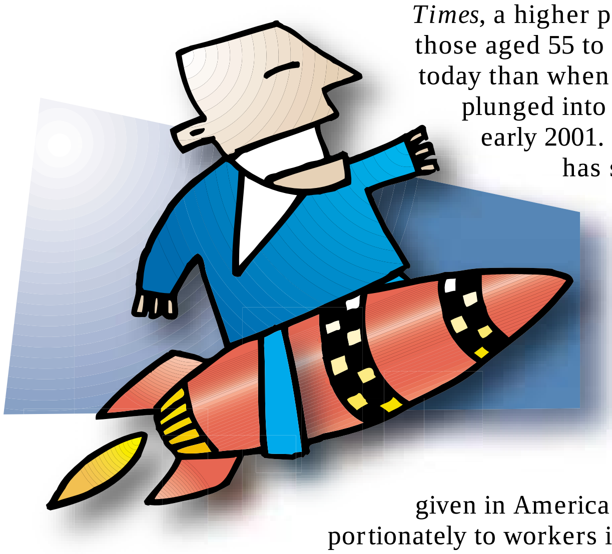
Ours is an exciting and challenging discipline. Trainers are poised, such as HR was a decade or so ago, to make vital changes in the way credit unions provide networks of staff and members to further the goals of the cooperative. HR staff is beginning to sit in on the important decisions that guide the credit union's life. The goal of this council is to provide resources and contexts for you to learn, hone, improve, and test those skills. I look forward to our continuing dialogue. ◆

Michael Hiller
Vice President
Administration/Lending
Stanford Federal Credit Union

In This Issue

TRENDS

Older Workers Thriving Despite Hard Times



Without fanfare, older workers – the ones seemingly left behind by the dot.com boom – are turning out to be the only group thriving in the jobless recovery. Even as younger workers have lost ground, says the *New York Times*, a higher percentage of those aged 55 to 64 hold jobs today than when the economy plunged into hard times in early 2001. Their success has shifted the composition of the work force: older people now make up 12 percent of the nation's workers, up from 10.2 percent in 2000. And the raises given in America today go disproportionately to workers in their last decade before retirement.

Older workers are enjoying an unusual late-in-life success – as survivors of the disintegrating job security that began to spread through the work force early in their careers, undermining pensions and lifetime employment. Layoffs and retirement reduced their ranks in the recession in the early 1990's and its aftermath, but not this time.

Since March 2001, when the last recession began, the percentage of working people in the population of 55- to 64-year-olds has steadily risen, reaching a peak of 60 percent in the spring, or 16.4 million men and women, up from 58.1 percent and 14.5 million workers. While that gain appears to have tapered off this summer, the older workers were still the only age group to improve their lot in the recession and jobless recovery.

The demand among employers for older workers does seem to have risen, but other experts argue that supply also plays a role. More than in the past, older people seem determined to stay in the work force at least until retirement age. ◆

Emotional Intelligence Marks High Performers

"Emotional intelligence (EQ) is the core competency for successful performance in sales, service, and leadership roles," says Denny Graham, national sales manager for Schneider Sales Management, Englewood, Colorado. Graham spoke at the CUNA COO Council Conference recently.

Adequate IQ and experience are threshold requirements for most jobs, but the core competency that distinguishes top sales performers is intelligence in managing emotions and social interactions. Highly prized EQ traits include initiative, optimism, adaptability, persuasiveness, and achievement drive, said Graham.

Why is emotional intelligence such a powerful predictor of superior performance for sales, service, and leadership positions? The more emotionally demanding the work, the more important it is to sustain optimism and prevent negative feelings. Sales and leadership require empathy for the viewpoints of others. Successful performance depends on developing rapport with other people and motivating yourself after constant rejection. High levels of energy and self-control also are needed.

Credit unions should regard EQ with the highest weight in hiring for sales and leadership positions and give employees EQ learning opportunities, Graham says. When hiring for sales positions, regard life experiences as well as work-related experiences.

Schneider Sales Management and the University of Colorado conducted a survey of 50 firms—including 20 credit unions—from 1999 to 2002, to determine which competencies predict high performance and which "fatal flaw" behaviors predict low performance.

Credit unions should hire for role fit, regardless of candidate experience or demographics, and experience requirements should be eliminated from recruiting ads. Formal education is not a predictor of sales performance but can indicate aptitude and motivation, Graham says. ◆

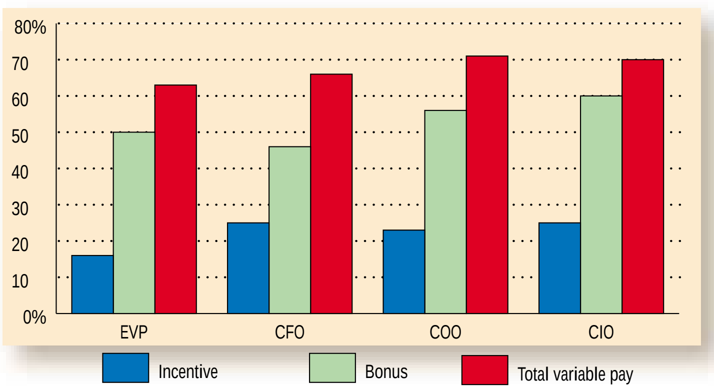
Learn more about EQ from the Hay Group's Bill Tredwell at the HRTD Summit in April.

Variable-Pay Becoming More Common at CUs

In a market that's so competitive for top talent, credit unions can help attract and retain top performers by compensating them with incentives and/or bonuses. Although variable pay is currently only a small percentage of a credit union employee's total cash compensation package, the use of variable pay is becoming more common, according to *E-Scan's 2003 Complete CU Staff Salary Survey*.

The use of variable pay is becoming more widespread among other employers in general. In addition to the fact that incentives and bonuses reward favorable behavior among employees, another possible explanation for the increased use of variable pay is that it gives the credit union flexibility in compensation when there's weakness in the economy.

Percentage of Executive Management Receiving Incentives and Bonuses



Among credit union employees receiving incentives and/or bonuses, credit union CEOs received the highest amounts of variable pay in 2002, on average. The amount of variable pay that credit union CEOs receive in variable pay is less than their counterparts at banks receive.

Sixty-three percent of credit unions had 2002 incentive and/or bonus figures reported for their executive vice presidents (EVPs)/assistant managers, while about two-thirds of credit unions had any variable pay figures listed for their chief financial officers (CFOs). About 70% of credit unions had 2002 incentive and/or bonus pay figures listed for their chief operating officers (COO) and chief information officers (CIOs).

Similar to base pay, the average amount of variable pay that credit union employees received in 2002 tends to increase with asset size for many credit union positions. The same relationship is also true for total cash compensation (base pay plus incentives and/or bonuses). ◆

Excerpted from
The Point
for Credit Union
Research and Advice.

Futurists: Workplace Will Change Over Next 10-25 Years

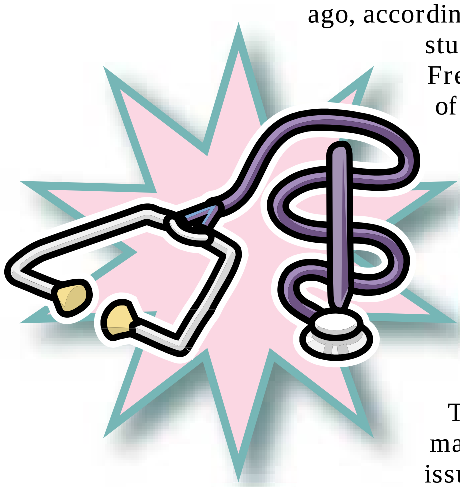
There's much speculation on workplace trends for the near future, but what about the picture in 10-25 years? Several business futurists, interviewed by Christine Van Dusen for the Cox News Service, say business owners need to position themselves to take advantage of trends that may materialize:

- John A. Challenger, CEO of Challenger, Gray & Christmas, says, "The 'corporate age adviser' will emerge. As the work force ages, companies may have workers that span four generations. A consultant may be needed to mediate conflicts and develop programs to increase harmony between groups."
- Watts Wacker, futurist with FirstMatter says, "everyone will be either a business owner or a temp. Workers will form 'neoguilds.' Tech workers, for example, could be hired out of guilds on a project-by-project basis, thereby creating a more efficient marketplace."
- And Joyce L. Gioia, futurist and president of the Herman Group predicts a new job title: director of employee experience. "This person will work with a job applicant from the time he or she answers a job posting to the time of retirement. These connections will be crucial as workers take the driver's seat."

Futurists also predict that companies will create "knowledge pools." Business owners will keep building databases of employee knowledge and skills so that when they're ready to do strategic planning, they'll know if they have the talent they need or if they need to hire it from outside. ◆

ISSUES

Health Care Costs Continue to Rise: Employees Pay Larger Share



People in employer-sponsored health plans are paying 48 percent more out of their own pockets for care than they did three years ago, according to an authoritative new study reported by Milt Freudenheim. Almost two-thirds of large employers raised the amounts that employees are contributing to the cost of their health plans this year, and 79 percent say they will do so again in 2004, according to the Kaiser Family Foundation and the Health Research and Educational Trust.

The steady climb in costs has made health care benefits a hot issue in labor negotiations, and has put pressure on Congress to reach agreement on adding a drug benefit to Medicare. The sponsors of the study say health care costs are a significant drag on the economy. Out-of-pocket spending for insurance premiums, deductibles and drug co-payments rose to $2,790 this year for a typical employee with family coverage.

Overall, health care premiums rose 13.9 percent this year, the biggest increase since 1990, outpacing the 11 percent rise in spending for hospitals and doctors, and far ahead of the 2.4 percent increase in manufacturers' prices. The increase was 15.6 percent for small employers with fewer than 300 workers.

Health care economists say that the rising costs reflect advances in drugs and health care technology and a loosening of managed care restraints during the prosperous 1990's.

Employers still pay the bulk of the costs — typically at least 75 percent. But the study found that most employers are shifting more costs to workers, in hopes of lowering the expense by discouraging heavy use of doctors, hospitals and prescription drugs.

Deductibles and co-payments for hospital care, which were uncommon only a few years ago, are required by 4 in 10 plans this year, the study found, and higher co-payments for expensive prescription drugs have been widely adopted. ◆

CUs Face Tough HR Issues Despite Improving Economy

"The improving economy is welcome news, but renewed hiring and job growth nationwide could create challenges for credit unions trying to attract and retain good employees, says Yvonne Evers, president and CEO of HRValue Group, Middleton, WI. Evers discussed this and other emerging human resource trends at CUNA's Future Forum in November, 2003.

During the recent down economy, employee recruitment and retention hasn't been a problem for credit unions," Evers says. "But as the economy improves, businesses will shift to a hiring mode, which will create more turnover and greater competition for credit unions trying to hire and keep good employees."

She had session participants rank 10 job aspects they thought employees valued from most to least important, and compared the results to a WorldatWork research study. Surprisingly, the three items supervisors thought employees would rank as least important were ranked highest by employees. They are: Full appreciation of work being done; a feeling of being in on things; and help with personal problems.

Supervisors thought employees would be most concerned about job security and high wages. While important, employees ranked these items fourth and fifth, respectively.

Evers suggests credit unions try to improve compensation by establishing levels within jobs to allow for advancement, bonuses for project completion and job retention, variable pay scales, and paid sabbaticals.

Other human resource trends credit unions need to be ready for include rising costs of employee benefits and health care costs; CEO succession planning; and changing dress codes. ◆

Excerpted from The Point for Credit Union Research and Advice

Attracting and Keeping the Best

Attracting and retaining good employees is a constant issue at credit unions whether the economy is booming or not. The average employee turnover rate is 14.4 percent annually, according to the Bureau of National Affairs. The University of Missouri Department of Business Development Programs has a good article on reducing employee turnover at *http://www.missouribusiness.net/cq/2002/reducing_employee_turnover.asp* and a series of newsletters and articles on employee retention at *http://www.missouribusiness.net/cq/index.asp*.

To help you calculate the cost of employee turnover for your company, check out the University of Wisconsin Cooperative Extension Online Employee Turnover Calculator at *http://www.uwex.edu/ces/cced/publicat/turn.html*. ◆

RESOURCES & IDEAS

New Ways to Train and Learn

Howard Gardner, a professor of psychology and an educational researcher at Harvard University, published his theory of multiple intelligences in a book of the same name in 1981. At the time, most educators believed that intelligence was a single entity. Gardner theorized that each student has multiple intelligences, each of which responds to a different method of teaching. Research and experimentation by educators have expanded on the theory and devised teaching methods to develop the intelligences Gardner wrote about.

The intelligences are:

Linguistic intelligence – sensitivity to spoken and written language, the ability to learn languages, and the capacity to use language to accomplish certain goals.

Logical-mathematical intelligence – the capacity to analyze problems logically, carry out mathematical operations, and investigate issues scientifically.

Musical intelligence – skill in the performance, composition, and appreciation of musical patterns.

Bodily-kinesthetic intelligence – the potential of using the whole body or parts of the body to solve problems using mental abilities to coordinate bodily movements.

Spatial intelligence – the potential to recognize and use the patterns of wide space and more confined areas.

Interpersonal intelligence – the capacity to understand the intentions, motivations and desires of other people.

Intrapersonal intelligence – the capacity to understand oneself, to appreciate one's feelings, fears and motivations.

Later Gardner added Natural intelligence – which enables people to recognize, categorize, and draw upon certain features of the environment.

What does that mean for trainers? In general terms, it means that people learn differently depending on the degree of development of their eight intelligences. The more methods trainers use, the better chances they have of connecting with their trainees.

The increasing availability of multimedia and Internet-based training provides trainers with new methods and material. The American Society for Training and Development (ASTD) offers ideas and inspiration for addressing multiple intelligences in a recent article at *www.learningcircuits.org/2003/jun2003/elearn.html*. ASTD's online magazine at *www.learningcircuits.org/* is a great resource for all types of training. ◆

Melanie Hoffner will lead an HRTD Summit session on brain-compatible learning. Register today!

HEARD IT ON THE LISTSERV

The CUNA HR/TD Council listserv is an excellent resource through which to obtain advice and council on pending issues, and to network with fellow members. Following is a digest of a few of the subjects recently discussed by members. Check it out for yourself, for a more complete review of comments and suggestions.

Long term disability: A Council member asks what other credit unions do in terms of eliminations periods if they offer employees long term disability (LTD) but not short term disability (STD). Respondents report elimination periods ranging from 30 days to 90 days, with the majority toward the long end of that range. One member says the credit union could go to 6 months for cost savings. At another credit union employees have taken advantage of LTD for the birth of a child if they have no sick/annual leave to use. One member's credit union offers an STD elimination period of 14 days for both illness and injury. The STD benefit can be used for 13 weeks, after which LTD starts.

Health insurance contributions: A Council member queries others on the percentage of health insurance costs credit unions will ask their employees to pay in 2004. One respondent reports that the credit union currently pays 100% of the premium for health insurance; however, the credit union is considering requiring employees to pay $10 - $15 per pay period through its FSA so the employee's portion will be pre-taxed. Another Council member is budgeting for a 17% increase in health insurance costs next year and does not expect to pass the increase on to staff. At a third credit union, employees will share in 20% of the premium cost for medical. And another credit union reports that all employee coverage is paid by the credit union, but coverage for dependents of management employees will be increased to 75% while coverage for dependents of non-management employees will remain at 65%.

Merit budgets: In a related issue, Council members discussed budgets for merit increases for 2004. One member reports allocating an increase of 4.5% for our overall salary increases, 2.5% for salary range increases, and 0-6.5% for merit increases. At another credit union, the overall percentage for increases in 2004 will be 4.7%. A third credit union is budgeting 4.3% for non-management and 4.1% for management increases.

Two other credit unions have budgeted 3.5% for merit increases for the year.

Business Development policy: A Council member reports that the credit union has become involved in many after hours events, thereby creating an HR challenge. Some non-exempt employees attend these functions to promote and network for the CU. The member asks what others do to address this issue in terms of policy and reimbursement. At one responding credit union, if the event is required by the organization employees are paid for attendance. Sometimes this credit union offers to pay employees even if it is a volunteer event, to incent them to help out. At another credit union, when the Business Development Coordinator takes non-exempt employees on SEG sign-ups and other functions, they submit hours to the HR director, who adjusts their time to account for the additional hours. If non-exempt employees work more than four hours outside normal work time, they receive meal money as well.

Dress codes: A Council member asks for guidance on dress codes and clothing allowances to purchase professional attire. At one responding credit union, employees are eligible for $800 interest free loans each calendar year to purchase professional attire. Specifics are detailed in the employee handbook. Another credit union grants a $100.00 clothing allowance for logo wear, $50 in the fall and $50 in the spring. At a third credit union, employees are eligible to participate in a dress code assistance program, under which maximum benefits, terms, interest rates and payment frequency are defined. ◆

BOOK REVIEW

The Art of the Steal by Frank Abagnale
Published by Broadway Books, New York

Recently *Catch Me If You Can*, a movie about the life of Frank Abagnale, caused a sensation when it introduced us to the world of this real-life con man. The film succeeded because it realistically showed what an intelligent, focused criminal could accomplish. Fortunately Frank Abagnale reinvented himself and now helps business and law enforcement foil a new generation of fraud artists. He also wrote a book called *The Art of the Steal*, which I recommend to any reader for both its readability and its information. I promise you will find it hard to put down.

In writing the book, Frank Abagnale uses many of the skills that made him a top confidence man. His writing style is entertaining and engaging and it's easy to see how he created credible covers with his dazzling storytelling ability. Abagnale is charming, witty, and just plain fun to read.

More important is the information that Abagnale has put into his book. There is not a single person that cannot benefit from the knowledge Abagnale has acquired over his years in the business. Whether your finances consist of a personal checking account or you are a Fortune 500 executive trying to protect your business, this book is for you. It covers subjects from con schemes and check fraud to counterfeiting and, our nation's fastest growing crime, identity theft. The book describes the crimes and techniques and also offers practical information on how to lessen your chances of becoming a victim.

The Art of the Steal is a must read for people who want to hold onto the money they have. If the information you get from this book stops even one criminal from victimizing you, you will have already gotten an enormous return on your investment. ◆

Bryan Weller
Staff Development Coordinator
Fort Campbell FCU
Clarksville, TN

NEW MEMBERS

The CUNA HR/TD Council welcomes these seven new members. By joining their colleagues on the Council roster, they have demonstrated their commitment to promoting professionalism among credit union human resources and training and development staff and to developing superior skills. In addition, they join others in networking for the free exchange of ideas and improving the overall effectiveness of their credit union's human resources and training and development operations. Welcome to:

F. Lee Alderman, Jr.
Training Manager
Redwood CU
Santa Rosa, CA

Kellie C. Bishop
VP-Human Resources
Kitsap Community FCU
Bremerton, WA

Teresa L. Cummings
VP-Operations
River Valley CU
Ada, MI

Kim A. Divine
Human Resources Supervisor
Weyerhaeuser Employees CU
Longview, WA

Carolyn J. Furman
Human Resources Manager
Ledge Light FCU
Groton, CT

Sandy Groover
Administrative Assistant
Edwards FCU
Edwards, CA

Denise A. Hagen
VP-HR/Training
Washington State ECU
Olympia, WA

UPDATE

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