June 19, 2009

AMERICAN BANKER

Who Will Be Hiring, Who Will Be Hired

By Katie Kuehner-Hebert

Robert Voth, Partner

No one doubts that banks will eventually start hiring once the industry climbs out of crisis and returns to sustained profitability.

But as with profits, hiring expectations are being scaled back.

Consultants predict staffing will not ramp up as quickly as in earlier rebounds, in large part because banks will still be watching expenses closely.

The hesitancy may be most noticeable on the front lines, in branches and in call centers, experts say. What short-term hiring that will occur will be in specialized positions such as business relationship managers or compliance officers.

Though relationship managers can usually pay for themselves in fairly short order after bringing over their books of business, a new army of tellers and call center employees may not result in higher revenues for a bank for some time, said Andrew Frisbie, a vice president at First Manhattan Consulting Group.

"Banks will be paying the expenses of putting folks back on incrementally, before actually enjoying the benefits of better sales, customer service experience and overall customer growth," Frisbie said. "There will be challenges for institutions to see if they can make staffing increases work while still fulfilling their capital requirements."

Right now most banking companies are not hiring, but nor are most of them laying off by the thousands as in the last 18 months. Nearly three-fourths (74%) of financial services providers expect their ranks to remain static next quarter, according to Manpower Inc.'s April poll of 2,006 banks, insurance companies, investment firms, credit agencies and other financial firms.

About 12% of respondents expect to hire in the quarter, and 10% expect staff reductions.

Robert Voth, a partner with the financial services practice at the executive search firm CTPartners, "you do want to run thin and mean for the next four to six quarters" to promote return on equity and efficiency, Voth said. "But that being said, it's a delicate dance between keeping the right level of staff and maintaining quality performance."

However, the trends need to be seen in a larger labor context, one economist said.

Brian J. Fabbri, the chief economist for North America at Paribas Corp., the U.S. unit of BNP Paribas, said in the longer term hiring in the bank sector still will seem brisk compared with the rest of corporate America, partly because of hires in specialty banking areas.

"Usually it takes a year or two after a recession to see any significant hiring, but we've seen nothing like this one," Fabbri said. "Businesses can only be cost-cutters with deflation because you can't raise prices. I don't think businesses are likely to hire permanent employees until 2011."

First Manhattan's Frisbie said one type of banking employee that might be in demand now as the economy shows signs of recovering is a business relationship manager. "A good business relationship manager, as they bring their book of business from other banks, can generally pay for themselves in a little over a year," Frisbie said.

Alan Mattei, a managing director at Novantas LLC, a New York consulting firm, said banks will also have to beef up their staff to resume many projects that were put on hold during the downturn, such as information technology professionals for system upgrades. They will also have to make sure they have enough staff for new priorities, such as compliance officers to handle a variety of new regulatory requirements, risk management professionals to develop updated models and marketing professionals to launch new products.

Ironically, some expertise may be hard to find. For example, there are not enough qualified compliance officers in the job market, according to executives at 2,000 companies polled last month by eFinancialCareers.