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Industry-wide forces cut into local banking workforce

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The most recently available data show a significant decline in people employed by Birmingham's banking scene over the past 20 years.

Depository institutions in the Birmingham Metropolitan Statistical Area employed 28,542 as of Sept. 30, 2021, according to Federal Deposit Insurance Corp. data. That number was 48,294 in 2001.

While there are a variety of reasons for the downsizing, one issue for banks is the rising cost of doing business.

"When you have one area of your expense structure that starts ballooning, you have to try to offset it in another area," said Michael Rediker, managing director of Olsen Palmer. "And the largest non-interest expense a bank has is in personnel."

Even the largest banks have been affected. Wells Fargo was unable to comment on local employment trends at press time, but it had 249,435 total employees on Dec. 31 2021, according to a spokesperson. That's down from 258,700 in December 2018. The bank had 2,356 local employees at the end of last year.

Growing compliance concerns, keeping up with new technological developments and significant consolidation are major factors. It's expensive for banks to keep up, and there are only so many ways to cut costs. Even so, experts say there are still plenty of roles available in the industry and ways for banks to adapt.

Consolidation's role is simple. Mergers and acquisitions have always eliminated duplicate positions.

"When a community loses the headquarters of major institutions, it inevitably results in lower employment in the long run," said Paul Compton, founding partner of Compton Jones Drescher.

Birmingham has seen its fair share of major M&A activity, including the merger of Regions and AmSouth, Wachovia's acquisition of SouthTrust, BBVA's acquisition of Compass and PNC's acquisition of BBVA.

Stephen Walsh, a Birmingham-based partner with Weinberg Wheeler Hudgins Gunn & Dial, said an increasing industry-wide need to focus on compliance has driven some M&A activity, especially for midsize banks.

"They're not going to have as robust of a compliance department as the large banks do. So I think that is one of the things that's driving some M&A activity," Walsh said.



IMAGE SOURCE

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Compliance has become increasingly challenging for banks. Since the advent of the Consumer Financial Protection Bureau and other relatively new regulatory factors, banks have had to hire more employees who can ensure compliance, buy and install software for the same reason, invest in data processing and more.

In addition to driving M&A, increasing compliance demands can directly contribute to shrinking headcounts.

“Sometimes as a third-party observer, we get the sense that regulators seem to think that all this information they expect banks to furnish them just appears out of thin air,” Rediker said. “Well, there’s a cost to those banks complying with all this. Consequently, when they have to start spending on these things that don’t produce revenue for them, they have to have an offset. And most often that comes in the form of headcount reduction.”

Additionally, mobile banking’s impact on employment in the sector is difficult to overstate. It has greatly reduced consumers’ need for branches. Checks are now cashed in one step with a cellphone, rather than crossing countless hands on their way to being processed manually. But that doesn’t mean banks aren’t hiring, especially for tech-related roles.

Regions has roughly 5,000 associates in the metro area, spokesperson Jeremy King told the *BBJ*.

“There may be fewer traditional branch locations today versus several years ago, but at the same time, there are more opportunities in terms of technology roles that drive our digital enhancements,” King said.

PNC did not provide market-specific employee numbers, but it created a “technology center” in the city last year, which it says will grow the bank’s local workforce over time.

Walsh said he thinks there is still ample opportunity for talent at traditional banks in the city, and Birmingham has a strong banking culture. He credited that to the efforts of many local banks to forge and maintain strong customer relationships, which he said should remain a key part of their strategies.

“The relationship is critical, but so is the technology,” Walsh said. “Banks need to really be focusing on both fronts, and they are.”

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