

CRAIN'S  
May 25-31, 2009

## Wall St. job losses not quite adding up

BY HILARY POTKEWITZ

THE AIR OF SICKLINESS that still envelops the city's financial services sector masks a curious and potentially important trend: Wall Street job losses are significantly less than predicted, at least so far.

After Lehman Brothers' collapse in the fall, city officials and independent economists warned of job cuts in the 50,000 range—or 26% of total employment in the sector. But according to the most recent financial data from the state Labor Department, just over 19,000 financial services jobs have been lost on a seasonally adjusted basis since their August 2008 peak.

Sure, three of the five largest investment banks are gone, and Citigroup and AIG are now wards of the state. And yes, there has been severe contraction, including painful job cuts, especially in capital markets, real estate and mergers and acquisitions. But Manhattan's financial district hasn't been mothballed. Not yet, anyway.

### Reasons are debatable

"A LOT OF PEOPLE thought the cumulative job loss would be worse by now," says Barbara Byrne Denham, head of research at economic data firm Eastern Consolidated.

Figuring out why the cuts are less than predicted is a source of considerable debate in the rarefied circle of economists who track New York City's economy.

Some believe the most recent numbers are being skewed by generous corporate severance packages that keep laid-off employees on payrolls and can obscure the true level of carnage. This camp says the job cuts are simply delayed.

Others credit the federal Troubled Asset Relief Program with keeping employees at their desks: Give banks hundreds of billions and they won't have to fire as many people. In some cases, the banks even swallowed a few thousand more employees, as Bank of America did with a hefty portion of Merrill Lynch when it acquired the brokerage behemoth last December.

Meanwhile, foreign banks have swooped in to pick up choice pieces, as Barclays Capital did when it purchased the rump of Lehman Brothers, keeping about 8,000 of Lehman's nearly 10,000 New York-based employees. And small and midsize investment boutiques are picking through the debris for talent.

The severance issue is particularly sticky. Companies are not required to report the folks who are collecting severance pay, only those jobs that are cut from the rolls, notes Rae D. Rosen, assistant vice president of the Federal Reserve Bank of New York. "We know from past downturns that severance [packages] can keep names off for as much as a year," she says.

Of the \$590 billion in TARP funds that have been spent, according to the Treasury Department's April report to Congress, a good chunk of it came to New York City—\$179 billion to date, spread among 16 financial institutions, including Citigroup, Goldman Sachs, J.P. Morgan Chase, Morgan Stanley, American Express, Bank of New York Mellon and GMAC Financial, as well as lesser-known institutions such as New York Private Bank & Trust, CIT Group, Sterling Bancorp and Signature Bank.

"It might have something to do with the federal bailout," says James Parrot, chief economist of the Fiscal Policy Institute, "but companies haven't been cutting New York City jobs like they have elsewhere."

Some of the companies receiving the most bailout money, such as Citigroup (\$55 billion), seem to be sparing the Big Apple from their deepest slicing. The financial giant announced a 5% cut in its workforce last November, or 52,000 jobs, about 1,000 of which have come from New York as of last month.

Bank of America (\$45 billion) has so far cut just 121 of its Manhattan jobs. Merrill had about

64,000 employees worldwide in January, half of whom were expected to be fired after Bank of America completed its acquisition that month. Merrill cut 400 local jobs before its sale in December, and Bank of America reportedly made its first Merrill hits in London in January, when it axed 1,900 jobs. Bank of America declined to comment on which parts of its New York operations have suffered job losses to date, or to specify how many local cuts it expects to make.

"Because TARP came when it did, these firms suddenly had the cash and the capital to keep those jobs," notes Ms. Denham.

### Look who's hiring

IT WOULD SEEM the levees of New York's financial district have managed to hold for now. And that offers opportunities for those in a position to grow, especially at small and midsize investment firms. Broadpoint Securities Group has hired nearly 250 former Bear Stearns, Lehman and Merrill folks over the past few months. Japanese bank Nomura Holdings says it's hired 135 bankers. Cantor Fitzgerald hired 100 people in March alone, according to Dealscape.

"We're seeing a much richer talent pool out there and within our grasp than we did a year or two ago," says Stan Grayson, president of 45-person M.R. Beal & Co., who recently has hired former Barclays, J.P. Morgan and Bear refugees.

Gustavo Dolfino, president of financial search firm WhiteRock Group, reports placing bankers at investment boutiques seeking to capitalize on what they see as a coming wave of corporate-driven mergers and acquisitions. "The buy side is building up because they've never seen opportunities like this," he says.

This is no thundering herd, of course. The boutiques can hire hundreds of bankers, not thousands; Wall Street is unlikely to see employment back at 190,000 anytime soon.

Mr. Dolfino acknowledges there have been painful cuts, especially on the sell side. Goldman Sachs laid off about 1,000 people from its lower Manhattan headquarters, for example, despite receiving \$10 billion in TARP funds.

"But the press has painted this bleak picture that the world is coming to an end," he says, "and what people fail to see is that we're trimming the fat." ■