

New Jersey's Financial Services Cluster

Prepared by:
New Jersey Department of Labor & Workforce Development
Office of Labor Planning & Analysis
Bureau of Labor Market Information
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Introduction

The financial services industry is a vital component, not only of New Jersey's economy, but for the national and global economies as well. It provides the fuel that **promotes job creation** and **sustains economic growth and innovation**.

A robust finance industry:

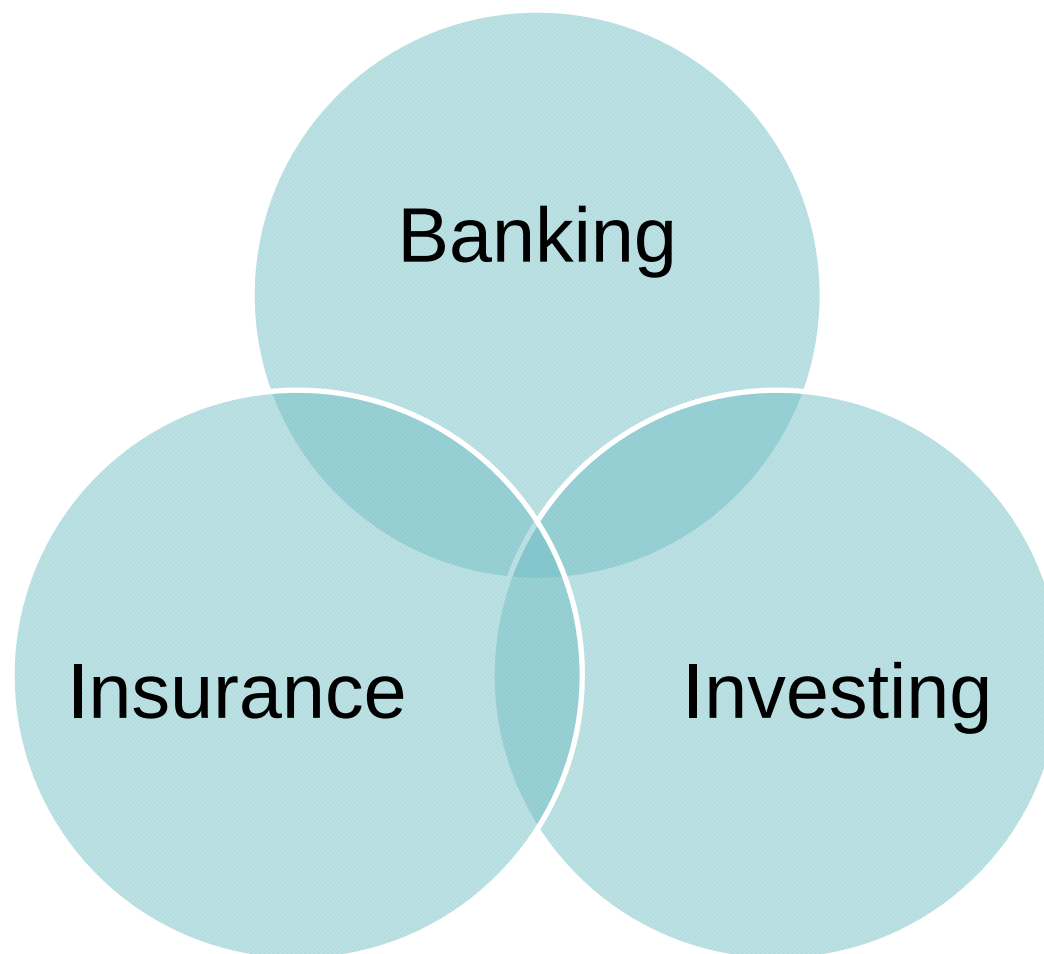
- Provides businesses with new ways to lower the cost of capital
- Stimulates global investment and trade
- Presents investors with a wide array of products and services to increase return and manage risk

Industry Description/Overview

The industry encompasses a broad range of organizations that deal with the management of money. Some of these organizations conduct transactions involving the creation, liquidation, or change in ownership of financial assets. Others act as facilitators of these financial transactions.



Financial Services Industry Breakdown



Industry Description

Financial services firms fall under three main categories due to the nature of their transactions:

- Banking
- Securities and Commodities
- Insurance

Among the organizations in these categories are commercial banks, credit card companies, insurance companies, consumer finance companies, stock and commodity brokerages, and investment funds as well as some government sponsored enterprises.

The main activities in this industry include:

- Taking deposits and/or issuing securities
- Pooling financial risk by underwriting insurance and annuities, and
- Providing specialized services facilitating or supporting financial intermediation, insurance, and employee benefit programs

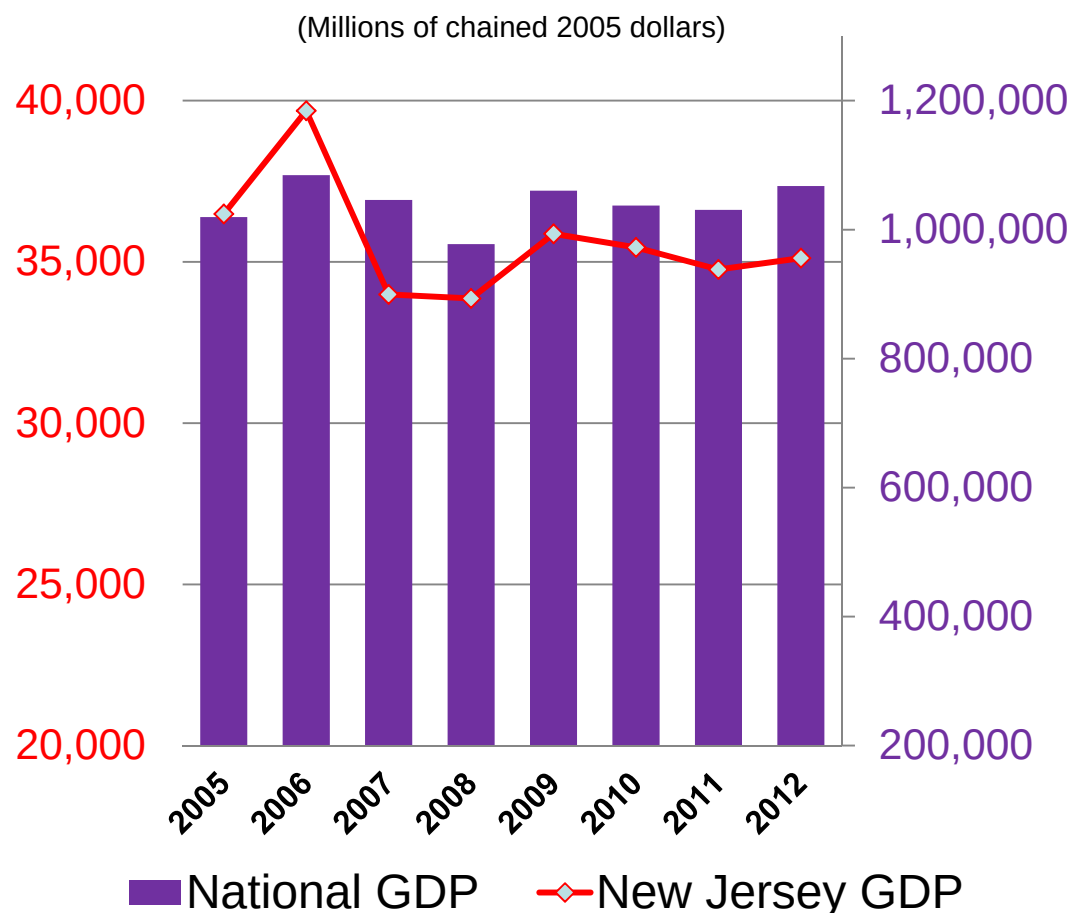


Some Developments in 2013

- In one of the largest recent takeovers, Buffalo, NY based M&T Bank is in the process of acquiring Hudson City Bancorp, New Jersey's largest community bank. The deal, worth about \$3.7 billion, was delayed again now is aiming for a December 31, 2014 completion date.
- Investors Bank of Short Hills, NJ continued its push toward Southern New Jersey through mergers with Robbinsville based Roma Bank and Gateway Community Financial Corp. of Gloucester County. Investors will add 30 branches to its footprint through these two deals. After some delays, the Investors/Roma merger received final approval from the Federal Reserve Board in early December. Approval of the Roma/Gateway merger is still pending.
- Shedding "mutually held" status to become fully public companies is a rising trend among New Jersey banks looking to raise necessary new capital in competitive markets. Delanco Bancorp in Burlington County and Woodbridge-based Northfield Bancorp have already completed their conversions this year with Clifton Savings next in line. Aforementioned Investors plans to become fully public after its acquisitions of Roma Financial and Gateway Community Bank according to bank officials. (Approval of the Investors/Gateway merger is still pending.)



Gross Domestic Product of the Financial Services Sector



According to the U.S. Bureau of Economic Analysis, in 2012, financial services organizations conducted transactions that equated to more than \$1.06 trillion (or 7.9% of the nation's total Gross Domestic Product).

In New Jersey alone, the financial services industry contributed over \$35 billion. Even with a relatively small share of total employment, New Jersey's financial services sector accounts for over 8% of gross state product.

In terms of financial services alone, New Jersey accounts for 3.3% of the entire nation's GDP for this sector.

*Source – U.S. Bureau of Economic Analysis

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Industry “Fast Facts”

- In 2012, New Jersey’s financial services industry workforce consisted of approximately 182,000 workers, accounting for almost six percent of all jobs in New Jersey.
- From 2007 to 2012, the New Jersey’s financial services industry saw a decline in employment of 10.9 percent.
- The Insurance Carriers and Related Activities component combined with the Credit Intermediation and Related Activities component made up 75.6 percent of New Jersey’s financial services employment in 2012.
- Annual average wages for workers in the cluster have increased 10.2 percent from 2007 to 2012.

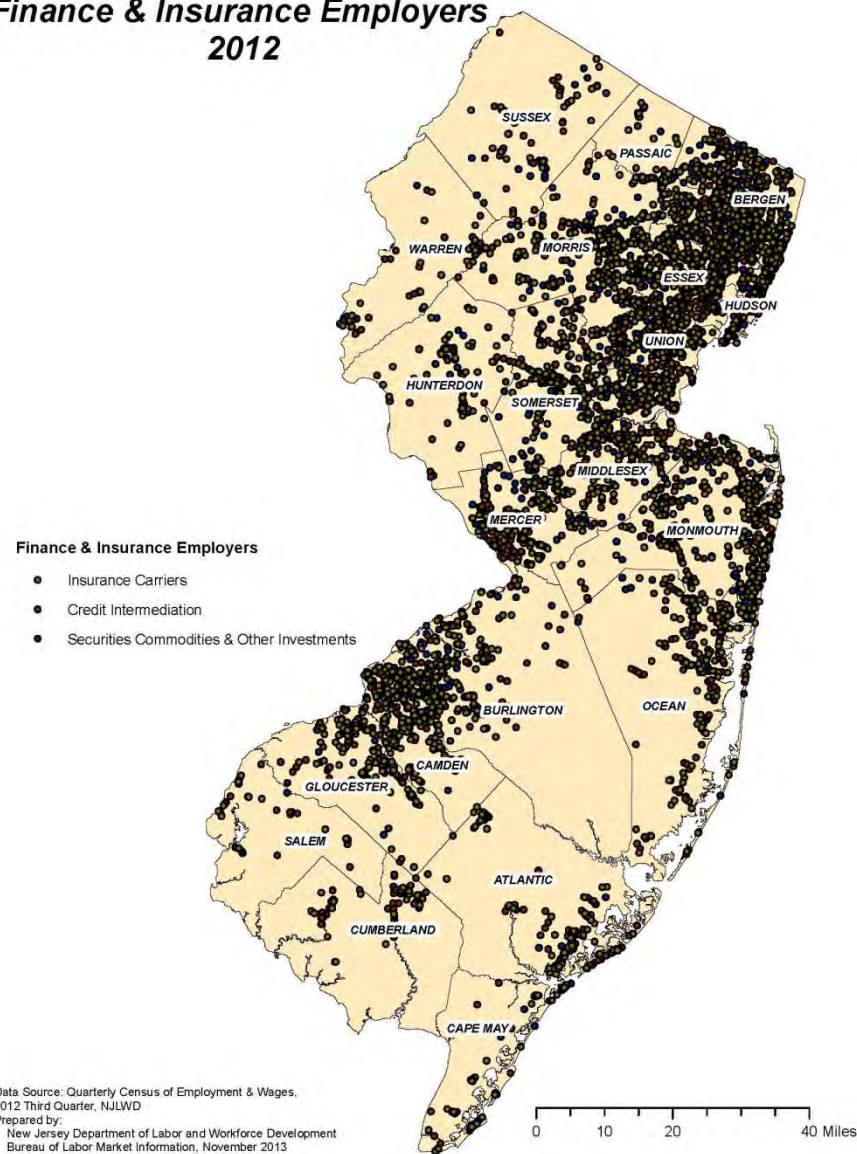
- Source: NJLWD, Quarterly Census of Employment and Wages, Annual Averages
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As with many other industries, the majority of New Jersey's financial services establishments are located near Manhattan and Philadelphia. This is a classic example of economies of agglomeration; the economic concept used to describe the benefits that firms gain from locating near one another. Even within industry sectors, competition between firms often attracts more customers, suppliers and educated or experienced workers to specific areas.

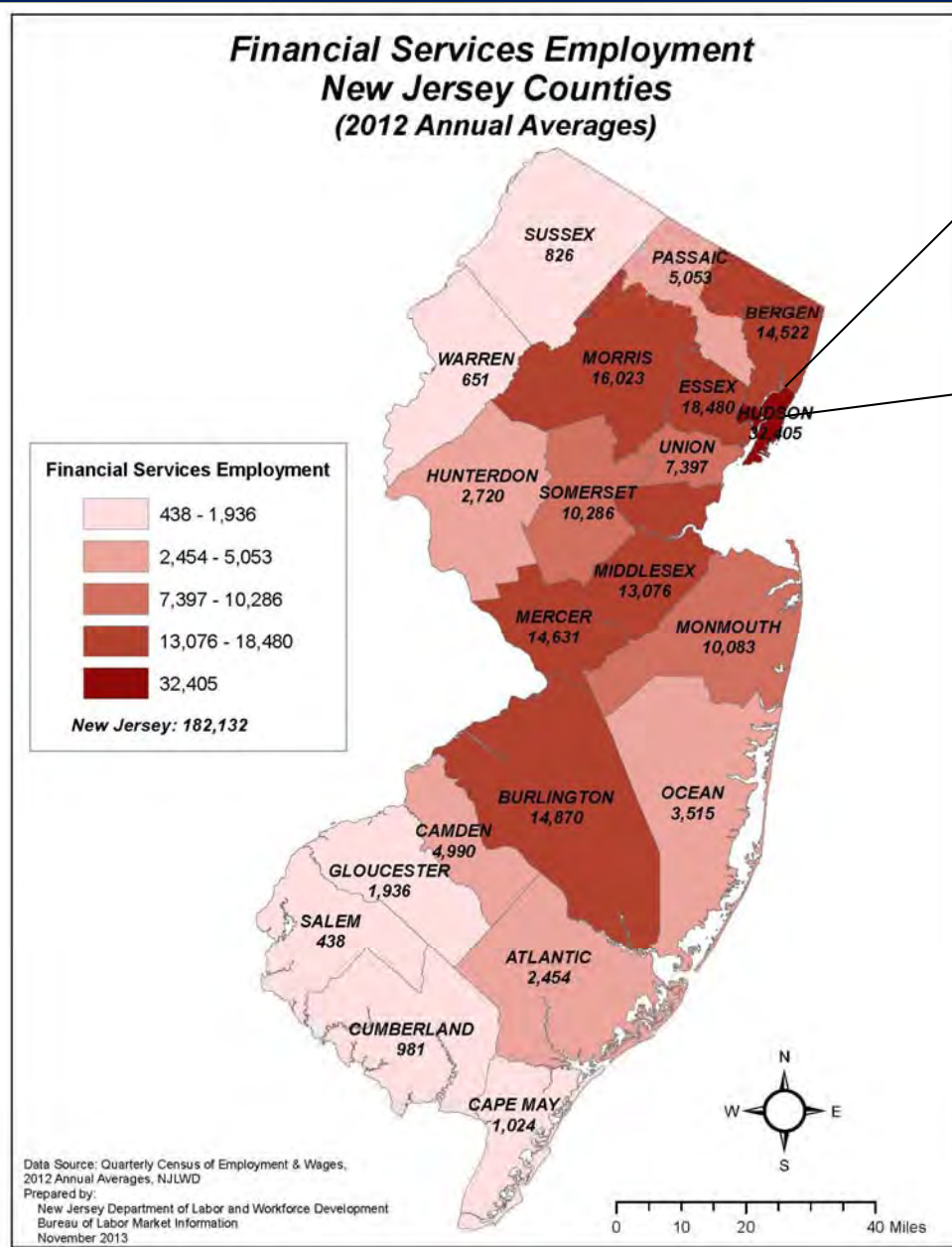
The three industry subsectors displayed in this map comprise 99.3 percent of employment and 98.5 percent of establishments for the industry sector statewide.

Finance & Insurance Employers 2012



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Hudson County is New Jersey's smallest county (by land area), yet it is home to far more of the state's financial services workers than any other county. With over 32,000 industry jobs, Hudson County (located closest to Manhattan) accounts for approximately 18% of New Jersey's sector employment.

Almost 45% of the state's financial services sector employment is located in only four counties (Hudson, Essex, Morris and Burlington).

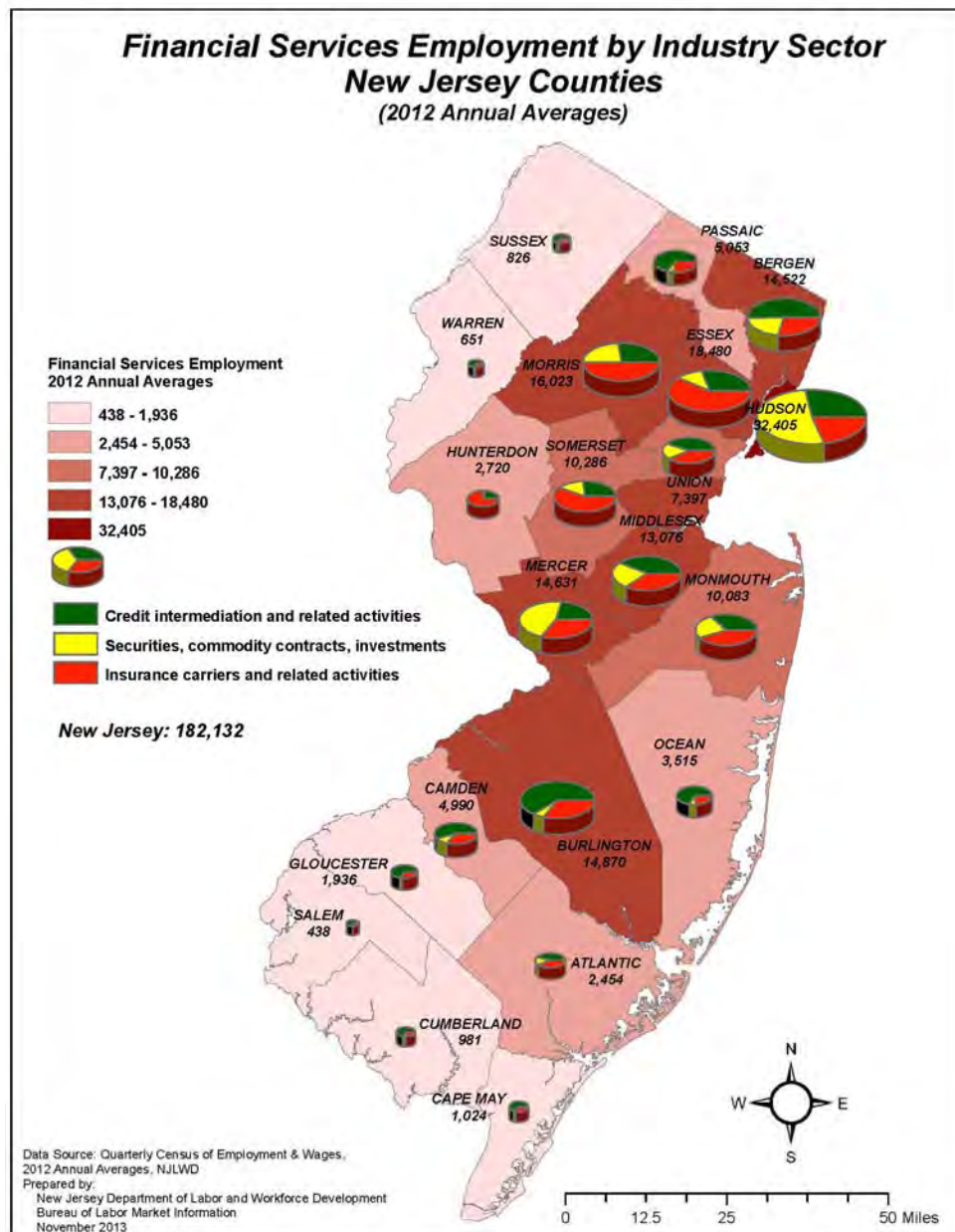


Hudson County is home to the highest percentage of the state's Securities, Commodities, and Other Financial Investments component of the financial services industry while the Insurance Carriers component is most highly represented in Morris, Essex and Somerset counties.

The Credit Intermediation component accounts for the largest percentage of all of Southern New Jersey's finance industry employment, mostly in the form of bank branches.

Employment % by Region:

Northern NJ	53.8%
Central NJ	28.3%
Southern NJ	14.7%
Undistributed	3.2%



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Subsector Breakdown

The financial Services industry is broken down into the following five subsectors:

NAICS	Description	2012 Annual Averages		
		Establishments	Employment	Wages
521	Monetary Authorities – Central Bank	ND	ND	ND
522	Credit Intermediation and Related Activities	4,626	68,200	\$76,559
523	Securities, Commodities, and Other Financial Investments and Related Activities	3,019	43,295	\$166,632
524	Insurance Carriers and Related Activities	3,954	69,449	\$104,132
525	Funds, Trusts, and Other Financial Vehicles	175	1,094	\$125,998

The Insurance Carriers and Related Activities component combined with the Credit Intermediation and Related Activities component made up 75.6 percent of New Jersey's financial services employment in 2012. When the Securities, Commodities, and Other Financial Investments and Related Activities subsector is added, the three components account for 99.3 percent of employment.

ND: Data for industries with few units or for industries where one employer makes up a significant portion of industry employment have been suppressed.

- Source: NJLWD, Quarterly Census of Employment and Wages, Annual Average
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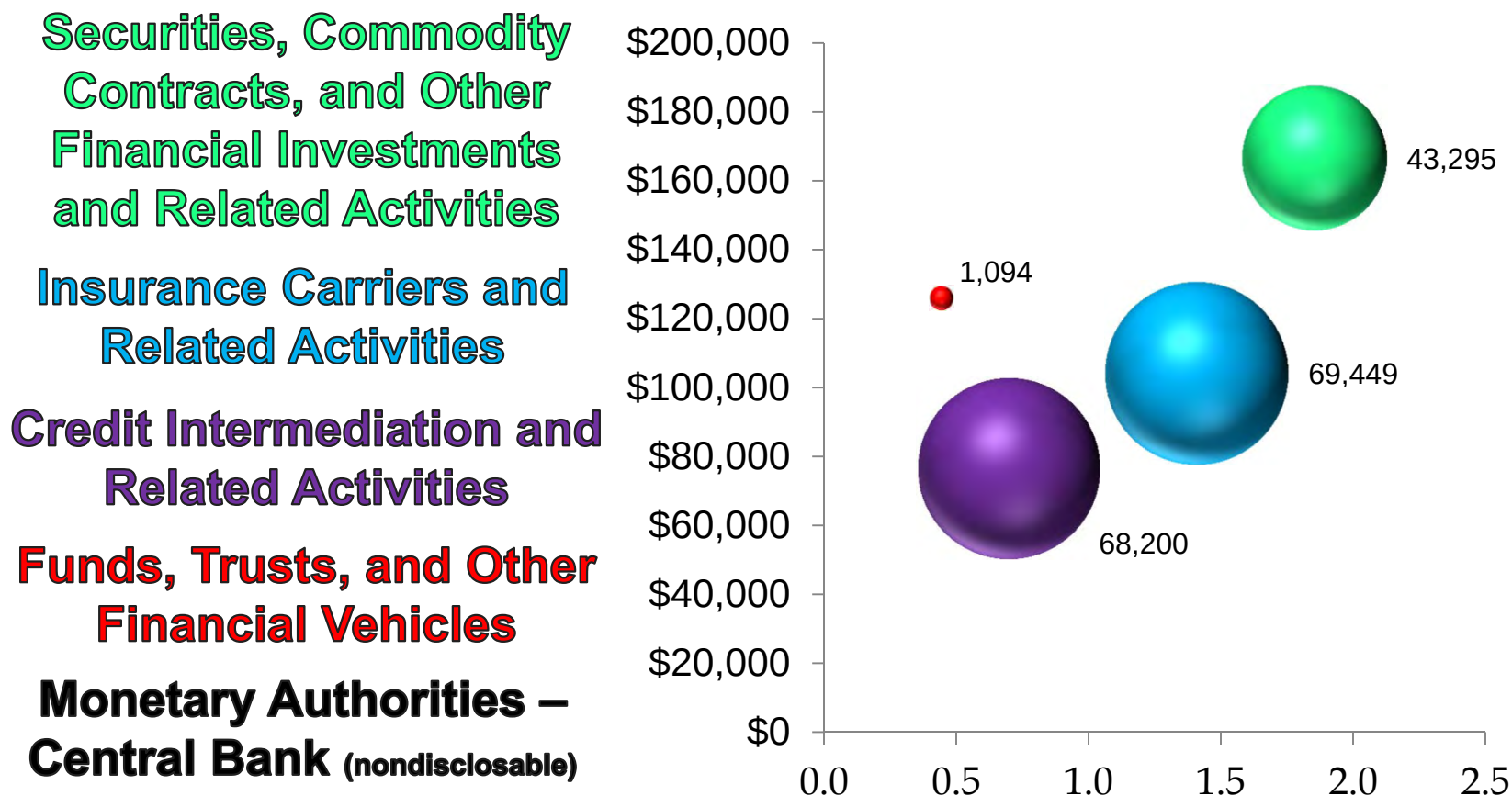
The following bubble charts are meant to show three data points at once

- The size of the bubble represents the employment size of the subsector.
- The bubble's location on the Y-axis represents 2012 annual average wages for the subsector.
- The bubble's location on the X-axis represents location quotient.
 - Location quotient is a way of quantifying the concentration of an industry in a region versus a larger geographic area.



Location Quotient

In this case, the location quotient compares the concentration of the industry subsectors in the state to those of the nation. Industries with a location quotient above 1 are known as “basic industries” which (in theory) export a good or service from the state and in return, bring in wealth.



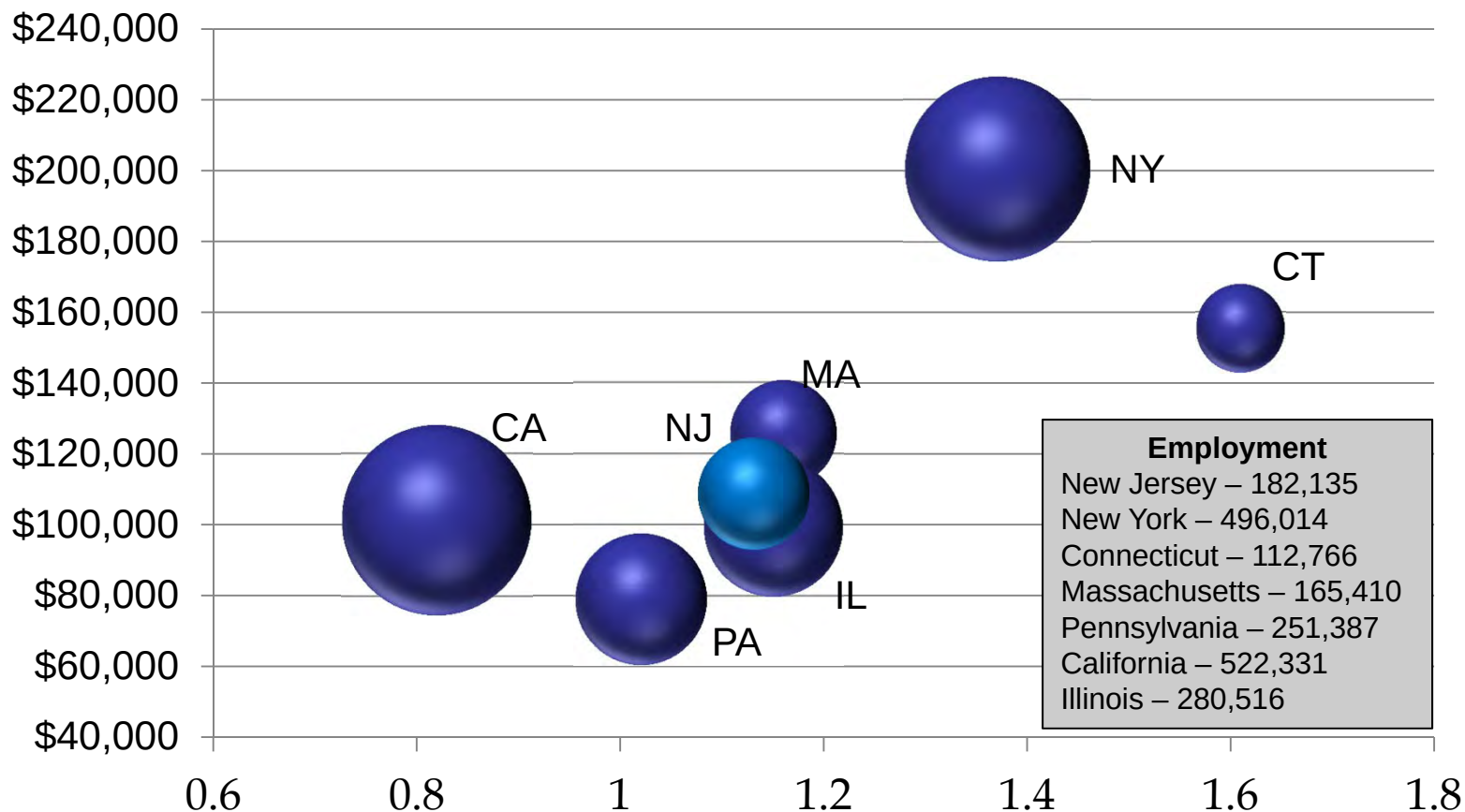
- Source: NJLWD, Quarterly Census of Employment and Wages, 2012 Annual Average
Prepared by New Jersey Department of Labor & Workforce Development, November 2013



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New Jersey's Location Quotient vs. Selected States



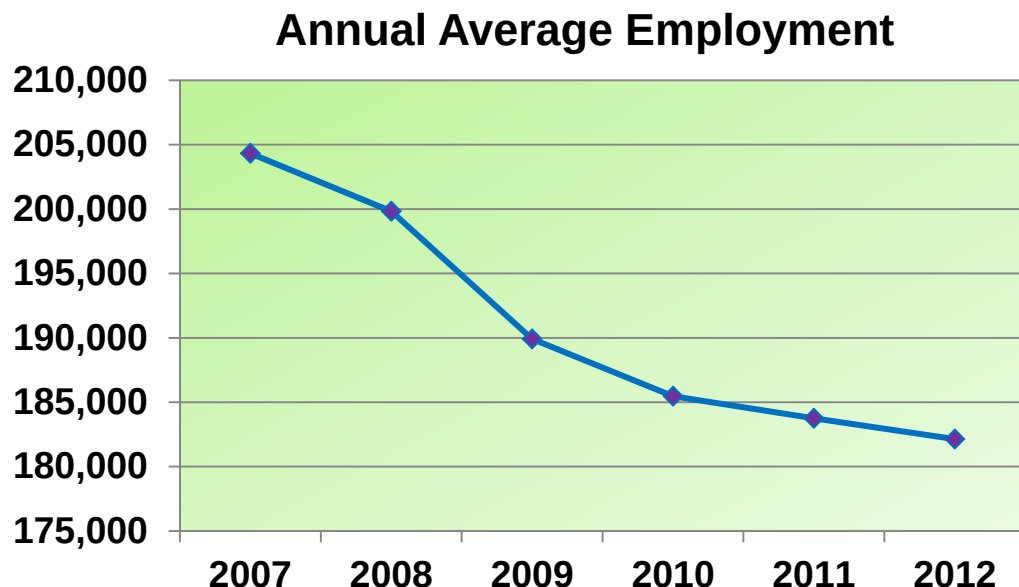
*Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Annual Average
Prepared by New Jersey Department of Labor & Workforce Development, November 2013



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Employment



- The financial services industry cluster showed a loss in employment even before the start of the most recent recession (December, 2007 – June, 2009) and has declined every year since.
- New Jersey's financial services sector lost 10.9 percent of its employment

over the last five years (2007 to 2012), compared to only an 7.2 percent decline in the sector at the national level. This reflects the significance the industry cluster has on the state's inhabitants and the harsh impact of the recession. There are currently about 182,000 financial services workers employed in New Jersey.

Source: NJLWD, Quarterly Census of Employment and Wages, 2012 Annual Averages
Prepared by New Jersey Department of Labor & Workforce Development, November 2013



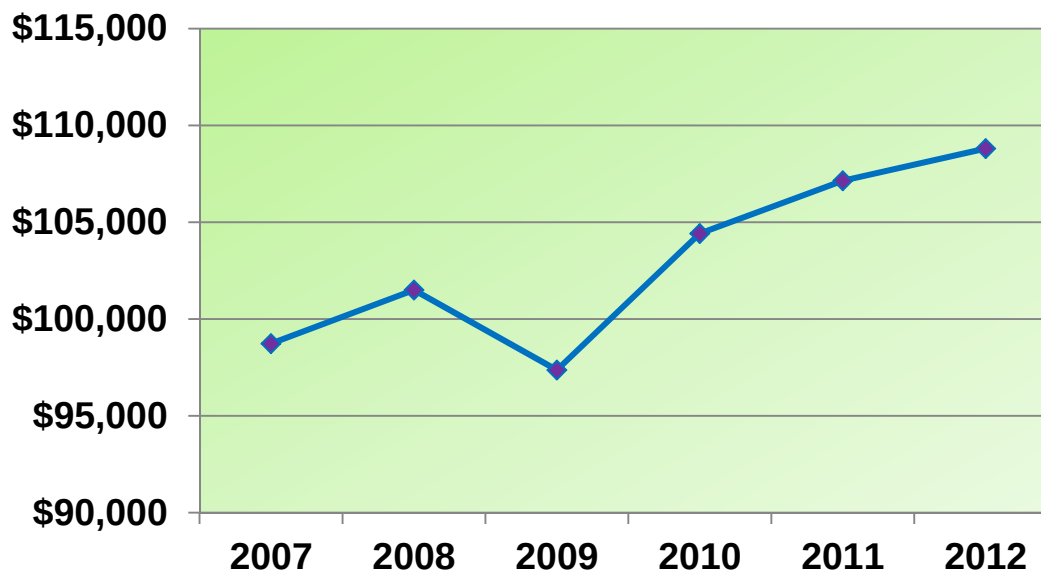
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Industry Wages

Annual Average Wages

- More than \$19.8 billion in total wages was paid by New Jersey's employers in financial services industries in 2012.
- With an annual average wage of \$108,803, the sector's employees are paid (on average) 19.3% higher than those of the rest of the nation, 87.3% higher than the state average for total employment, and well more than double the nation's average annual wage for all industries (an astounding 121.1% higher).



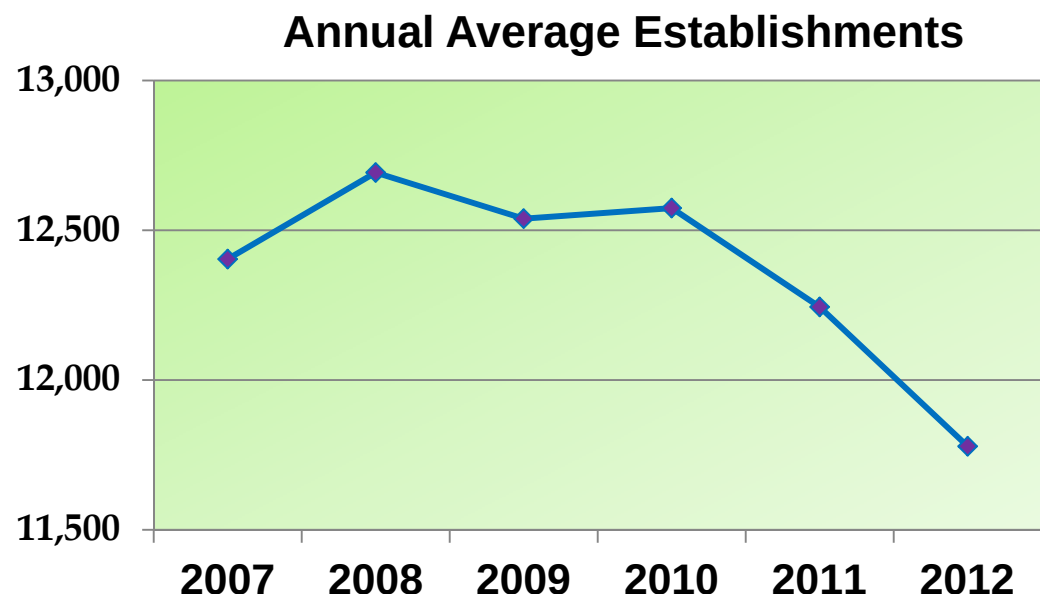
- Source: NJLWD, Quarterly Census of Employment and Wages, Annual Averages
Prepared by New Jersey Department of Labor & Workforce Development, November 2013



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Establishments



- Along with a decline in employment from 2007-2012 came a decline in New Jersey's industry establishment count, although not nearly at the same rate. Financial services establishments dropped only 5.0 percent over the five year period compared to the 10.9

percent decline in employment. Consolidations and mergers among financial institutions are mostly to blame for the disparity.

Also, over this period, the state encountered several financial services firms moving away from Wall Street and into New Jersey for more competitive real estate levels and lower corporate tax rates, offsetting some unit declines.

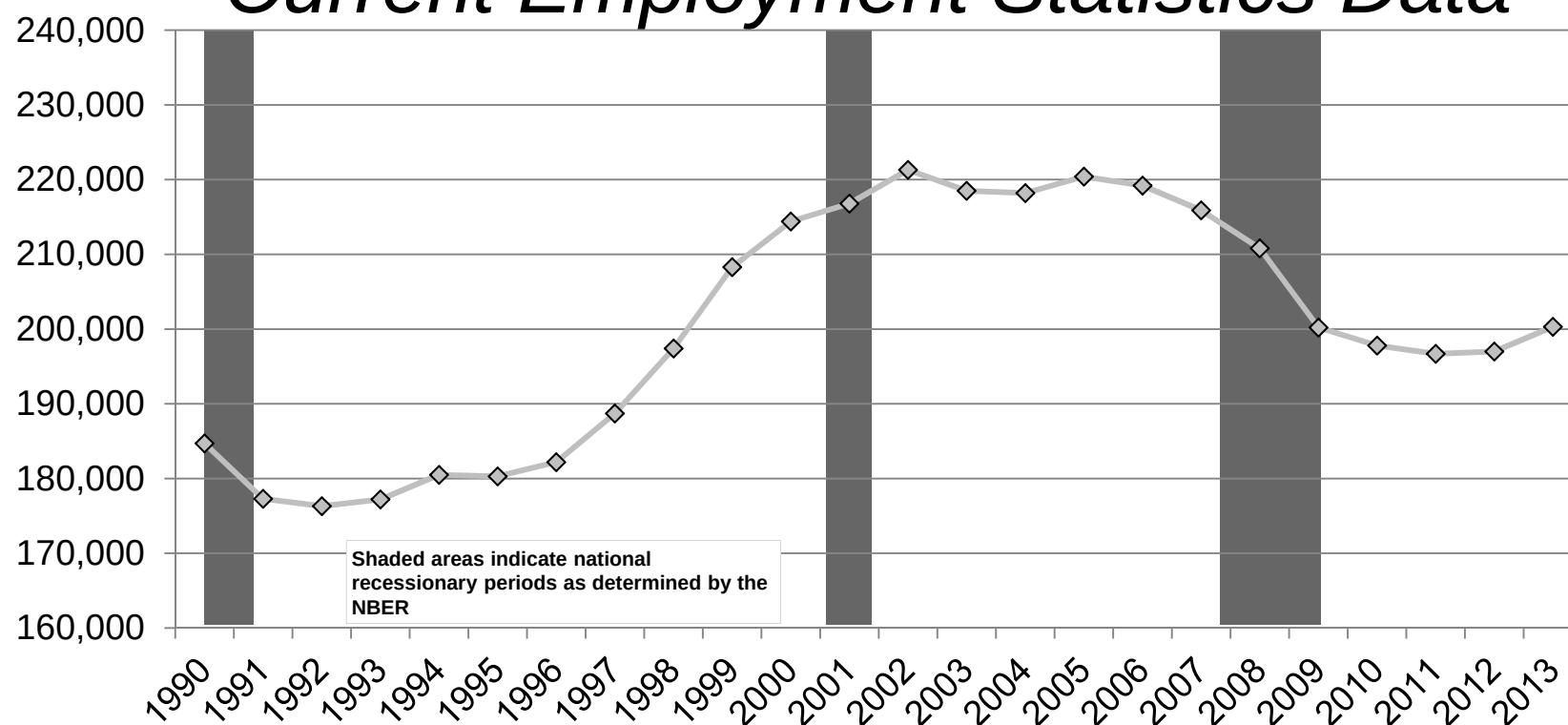
- Source: NJLWD< Quarterly Census of Employment and Wages, 2012 Annual Averages
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1990 – 2013 Annual Average Employment Current Employment Statistics Data



From 1990 – 2013, the financial services industry cluster still saw a net accumulation of jobs (approximately 15,600) even after three recessions.

- Source: NJLWD, Current Employment Statistics, 2012/3 Annual Averages
Prepared by New Jersey Department of Labor & Workforce Development, March 2014



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Education Requirements of Top 10 Financial Services Occupations by Employment

There are more than 180 different occupations identified in New Jersey's financial services industry. The top 10 occupations in the sector account for over 91,000 jobs, or approximately half (50.4%) of the state's financial services employment.

Occupation	2012 Employment	2012 Annual Average Wages	Education Requirements
Bank Tellers	18,520	\$27,480	High school diploma or equivalent
Securities, Commodities, and Financial Sales Agents	13,600	\$98,600	Bachelor's degree
Customer Service Representatives	12,250	\$38,800	High school diploma or equivalent
Insurance Sales Agents	8,080	\$70,420	High school diploma or equivalent
Claims Adjusters, Examiners, and Investigators	8,010	\$67,310	High school diploma or equivalent
First-Line Supervisors/Managers of Office and Administrative Support Workers	7,290	\$65,380	High school diploma or equivalent
Financial Managers	6,800	\$142,820	Bachelor's degree
Insurance Claims and Policy Processing Clerks	6,530	\$39,900	High school diploma or equivalent
Loan Officers	5,500	\$76,190	High school diploma or equivalent
Office Clerks, General	4,400	\$31,590	High school diploma or equivalent

Source: NJLWD, Occupational Employment Statistics, May 2012.

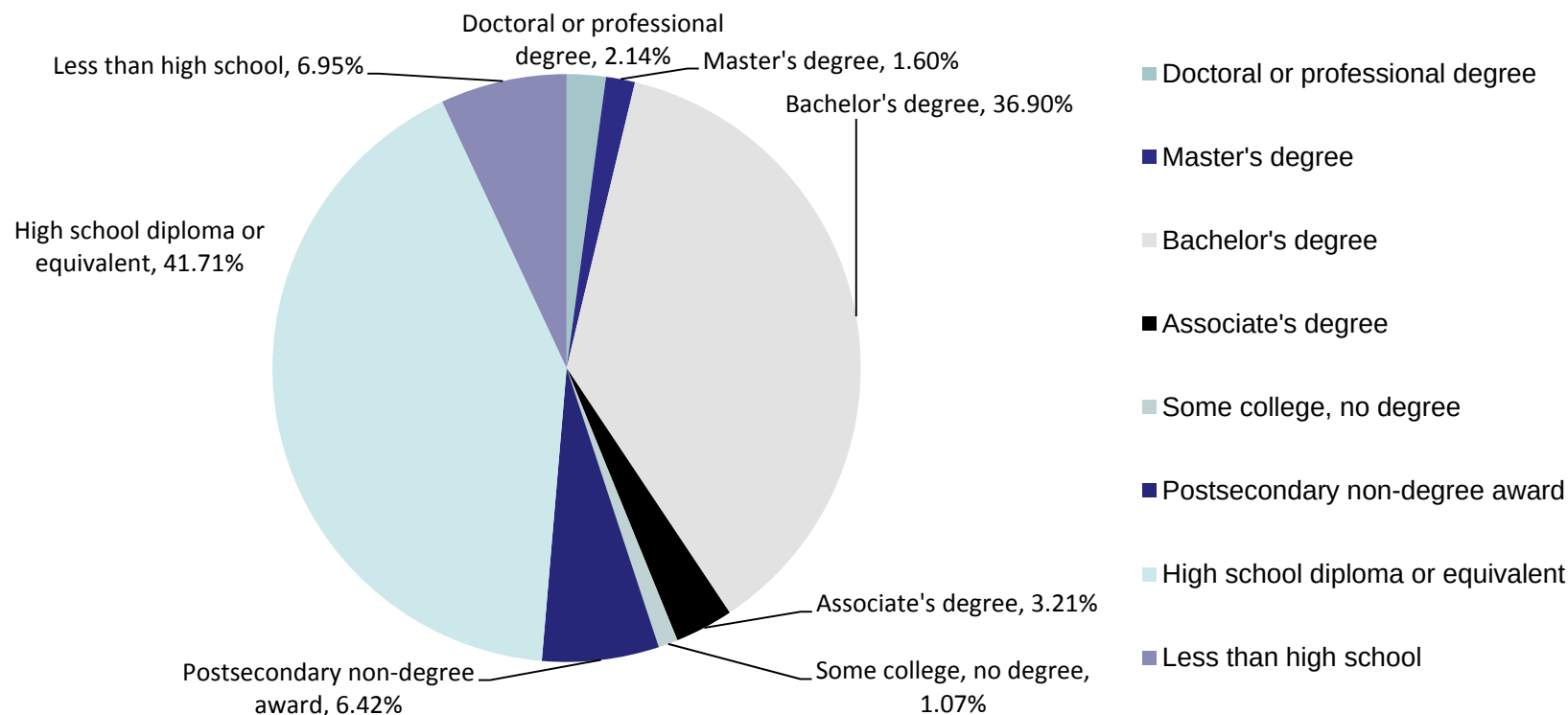
Prepared by: NJLWD Division of Labor Market & Demographic Research, Bureau of Labor Market Information, November 2013



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Education Requirements of Finance Cluster Occupations



Some occupations have further requirements such as licenses that must also be obtained.

- Securities brokers need a series 7 license
- Series 63 or 66 for financial advisors
- CMB for mortgage bankers, etc.

*Source: I/O Matrix data (2012) from Current Employment Statistics and Occupational Employment Statistics Wage Survey, May 2012.
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Skills, Knowledge and Abilities of Financial Industry Workers

<i>Skills</i>	<i>Knowledge</i>	<i>Abilities</i>
Active Learning	Administration and Management	Category Flexibility
Active Listening	Clerical	Deductive Reasoning
Complex Problem Solving	Computers and Electronics	Inductive Reasoning
Coordination	Customer and Personal Service	Information Ordering
Critical Thinking	Economics and Accounting	Mathematical Reasoning
Judgment and Decision Making	English Language	Near Vision
Mathematics	Mathematics	Number Facility
Monitoring		Oral Comprehension
Negotiation		Oral Expression
Persuasion		Problem Sensitivity
Reading Comprehension		Selective Attention
Service Orientation		Speech Clarity
Social Perceptiveness		Speech Recognition
Speaking		Written Comprehension
Time Management		Written Expression
Writing		

With “Bank Tellers” and “Securities and Commodities Agents” as the top two occupations, it is no surprise that mathematics and communications skills are amongst the most important qualities for finance industry workers to have.

*Source: O*NET, ONETonline.org

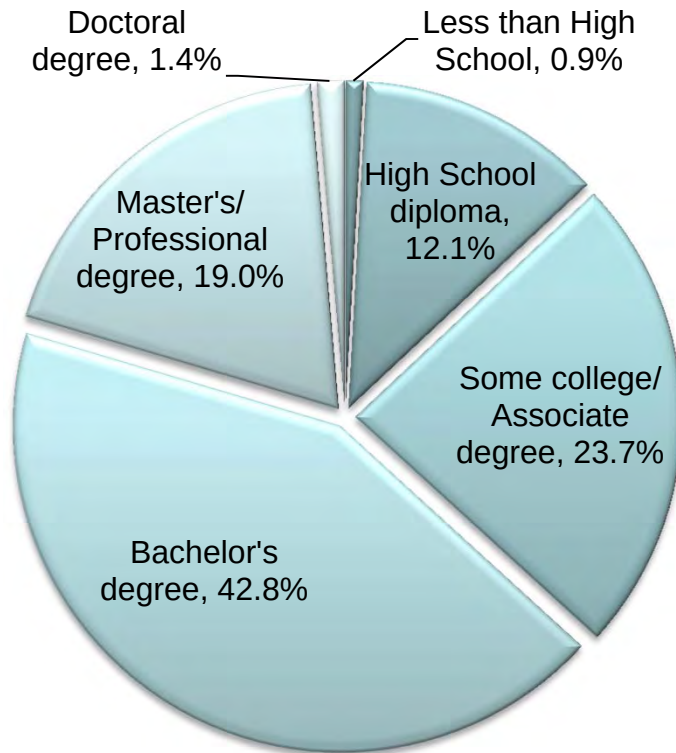
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Education Level of New Jersey Financial Services Industry Employees



U.S. Census Bureau 2012 American Community Survey data shows that, in actuality, over 63% of New Jersey's Finance sector workers have a bachelor's degree or higher.

New Jersey ranks sixth in the nation with 35.4% of people 25 years and over who have completed a bachelor's degree... and eighth in the nation with 13.4% of people over 25 who have completed an advanced degree.

New Jersey's financial services employers (and all employers) enjoy a rich talent pool.

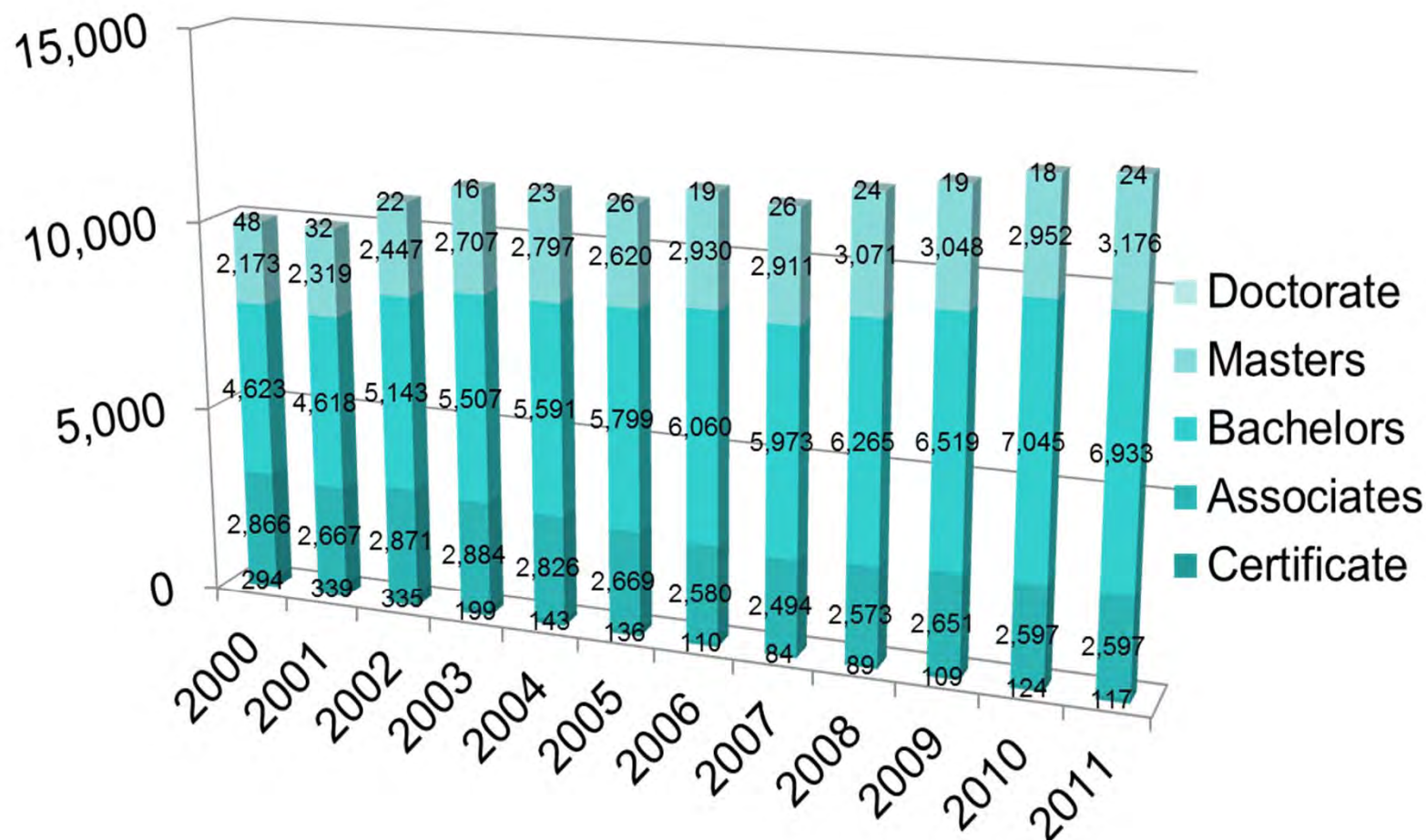
*Source: U.S. Census Bureau, 2012 American Community Survey Public Use Microdata Sample (5% sample).
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Breakdown of Degrees in Business Majors



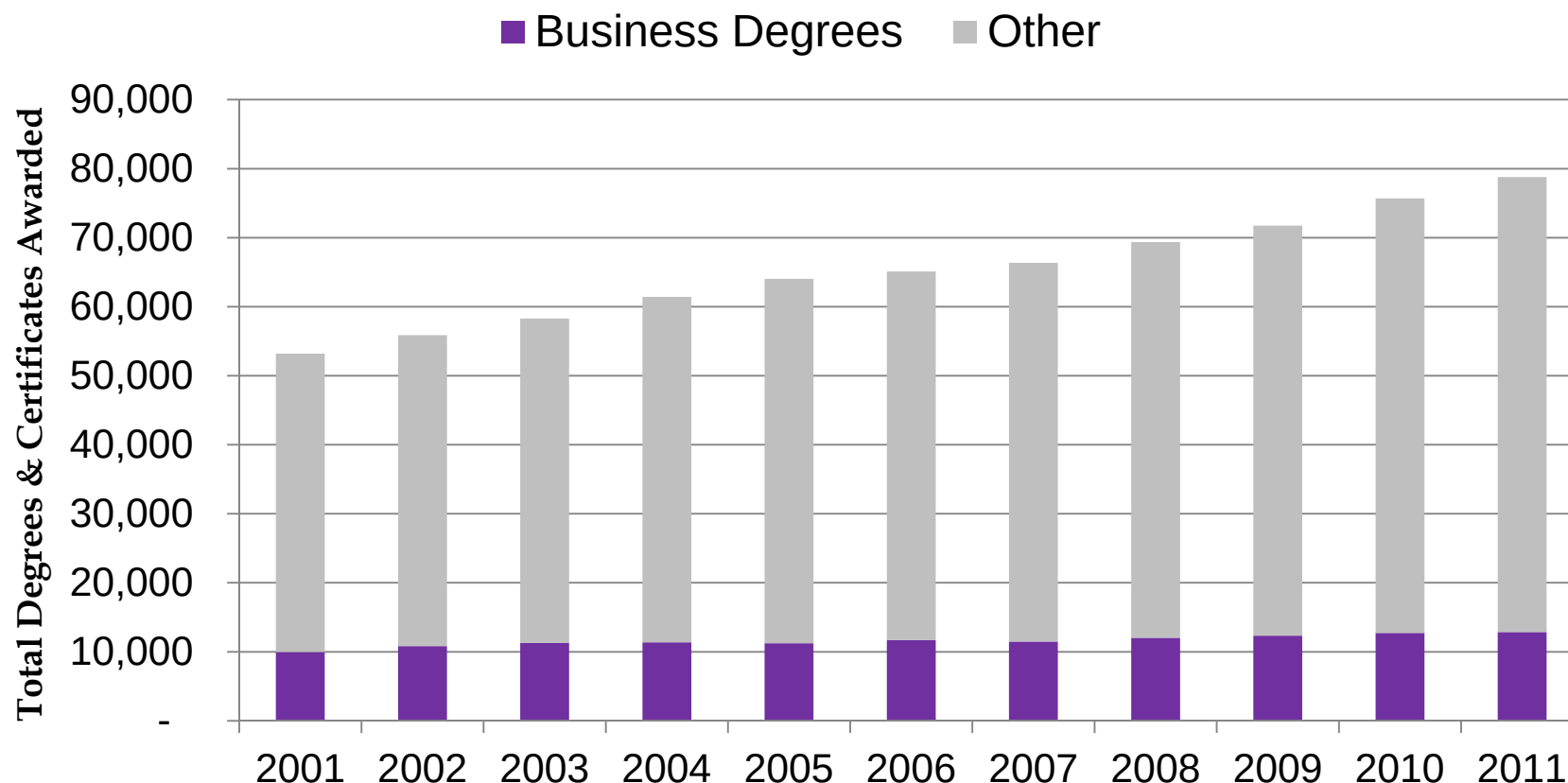
- Source: New Jersey Commission on Higher Education, Integrated Postsecondary Data System (IPEDS)
Prepared by New Jersey Department of Labor & Workforce Development, October 2012



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Certificates and Degrees Awarded by New Jersey Institutions



The total number of degrees and certificates awarded to all majors has increased steadily over time. The outright number of business degrees has increased as well, however their percentage of the total has decreased from 19.4 percent in 2002 to 16.3 percent in 2011.

- Source: New Jersey Commission on Higher Education, Integrated Postsecondary Data System (IPEDS)
Prepared by New Jersey Department of Labor & Workforce Development, October 2012

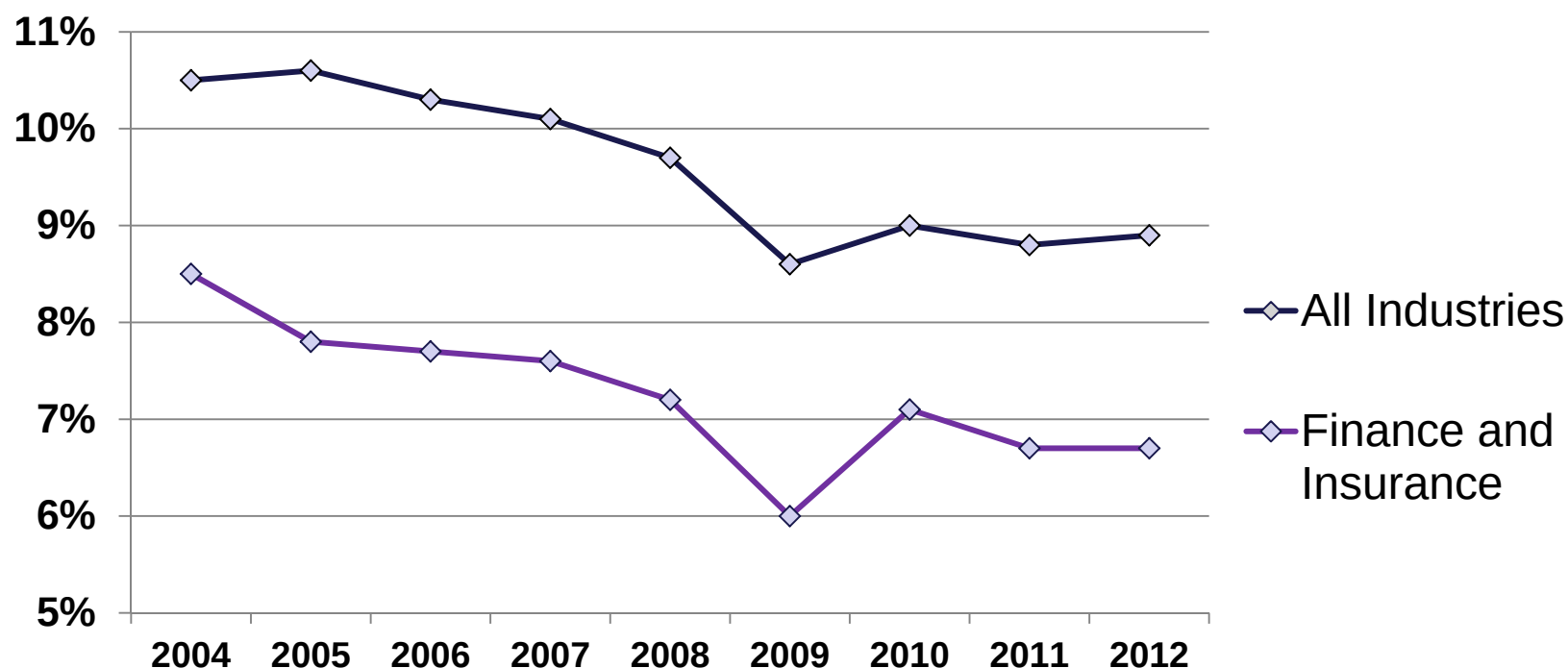


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Employment Turnover Rate

Finance vs. All Industries



Historically, the financial services industry has enjoyed a significantly lower turnover rate than most industry clusters. Higher pay and job satisfaction could be top contributing factors.

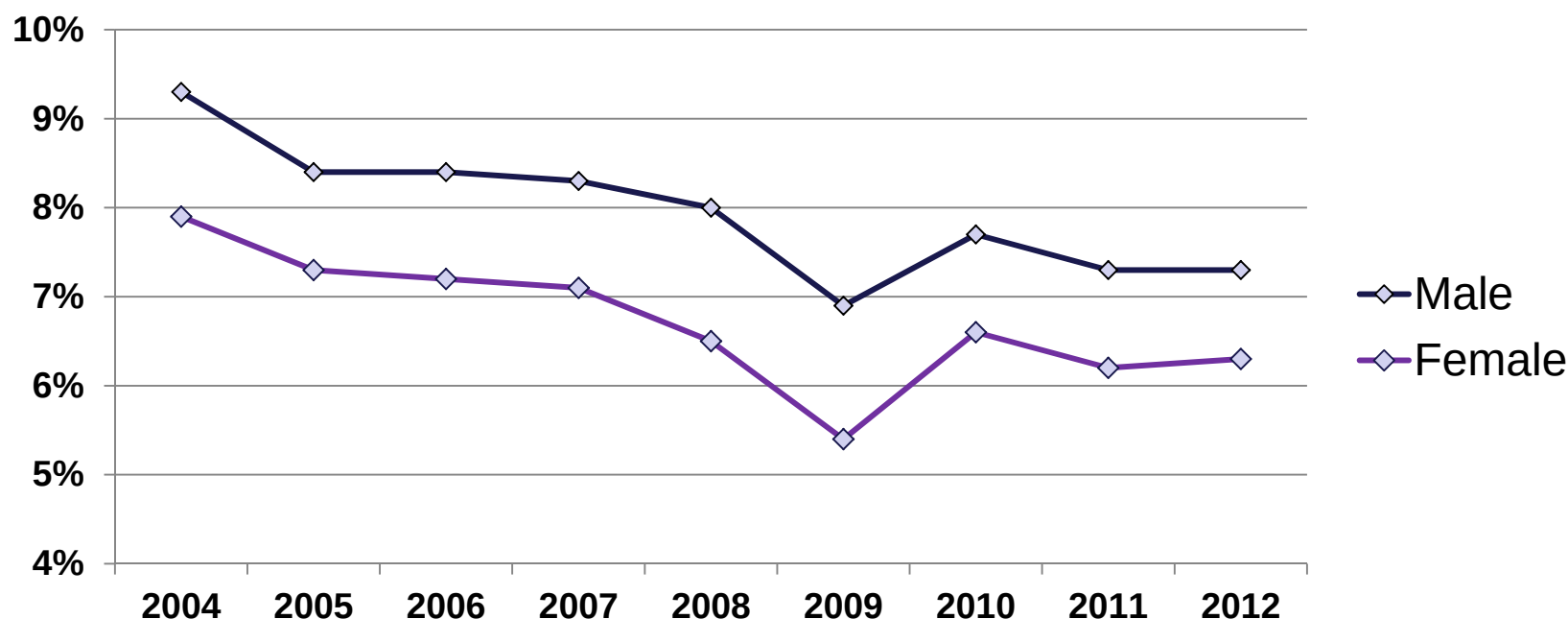
- Source: U.S. Census Bureau – Local Employment Dynamics Quarterly Workforce Indicators. 2004-2011 uses average of Q4 + 3 prior quarters (Private Ownership). 2012 data uses average of Q2 (most recent data) + 3 prior quarters.
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Finance Employment Turnover by Gender



The most recent American Community Survey Census data shows that the financial services sector is comprised of approximately 53.4% male workers and 46.6% female workers. However, males averaged a 1.3% higher turnover rate than female workers over the 2004 – 2012 period.

- Source: U.S. Census Bureau – American Community Survey and Local Employment Dynamics Quarterly Workforce Indicators. 2004-2011 uses average of Q4 + 3 prior quarters (Private Ownership). 2012 data uses average of Q2 (most recent data) + 3 prior quarters.

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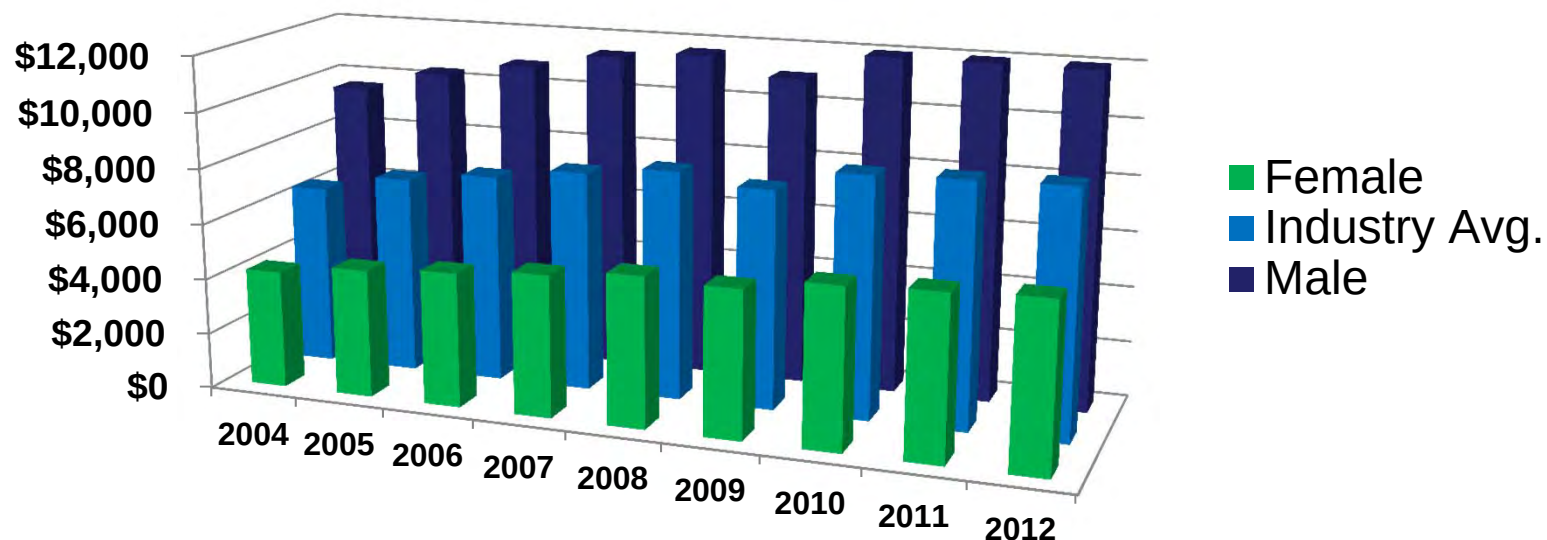


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Average Monthly Earnings by Gender

(LED Average of Q4 + Prior 3 Quarters)



In each of the nine base years, earnings of male financial services workers more than doubled those of females. The most logical explanation is taken from census data which shows females dominating the share of the largest occupation in the industry (Bank Tellers) which pays well below average wages. At the same time, males dominated the employment share in the second largest occupation (Securities, Commodities, and Financial Sales Agents) which pays much higher than average wages.

- Source: U.S. Census Bureau – Local Employment Dynamics Quarterly Workforce Indicators. 2004-2011 uses average of Q4 + 3 prior quarters (Private Ownership). 2012 data uses average of Q2 (most recent data) + 3 prior quarters. Prepared by New Jersey Department of Labor & Workforce Development, November 2013

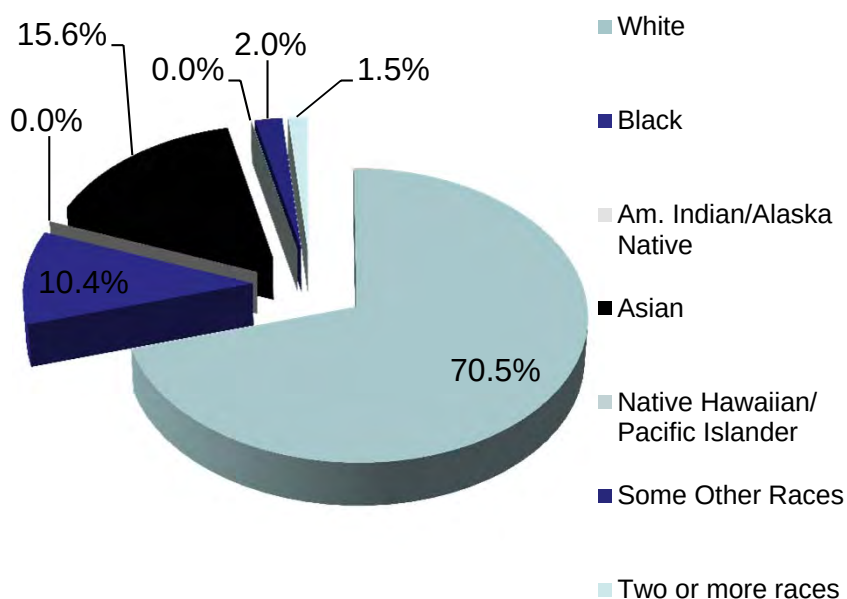


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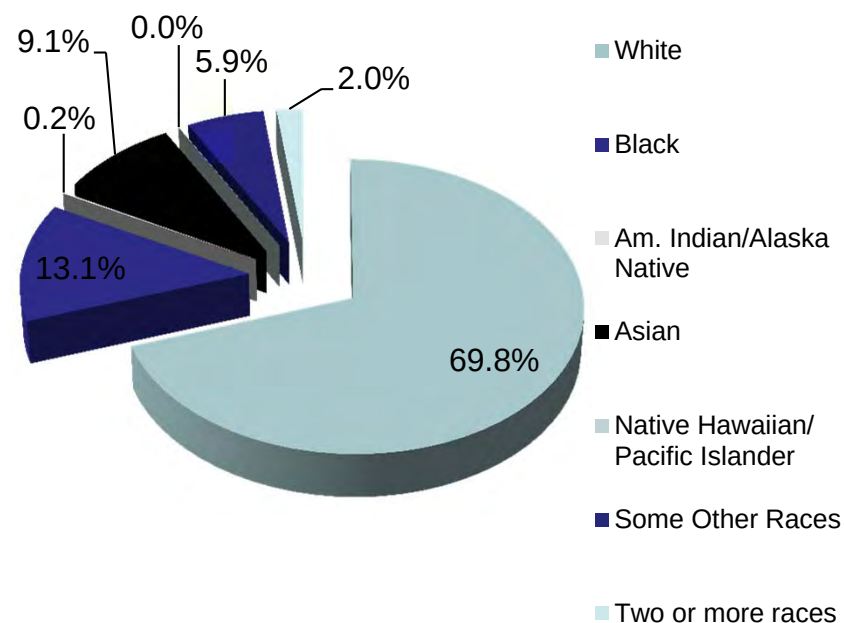
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Financial Industry Breakdown by Race

Financial Services Industry



All Industries



The races of Financial Services workers are fairly consistent with those of other industries with the noticeable exception of Asian workers (shaded black) with a significantly higher percentage (15.6% vs. 9.1%).

*Source: U.S. Census Bureau, 2012 American Community Survey Public Use Microdata Sample (5% sample).

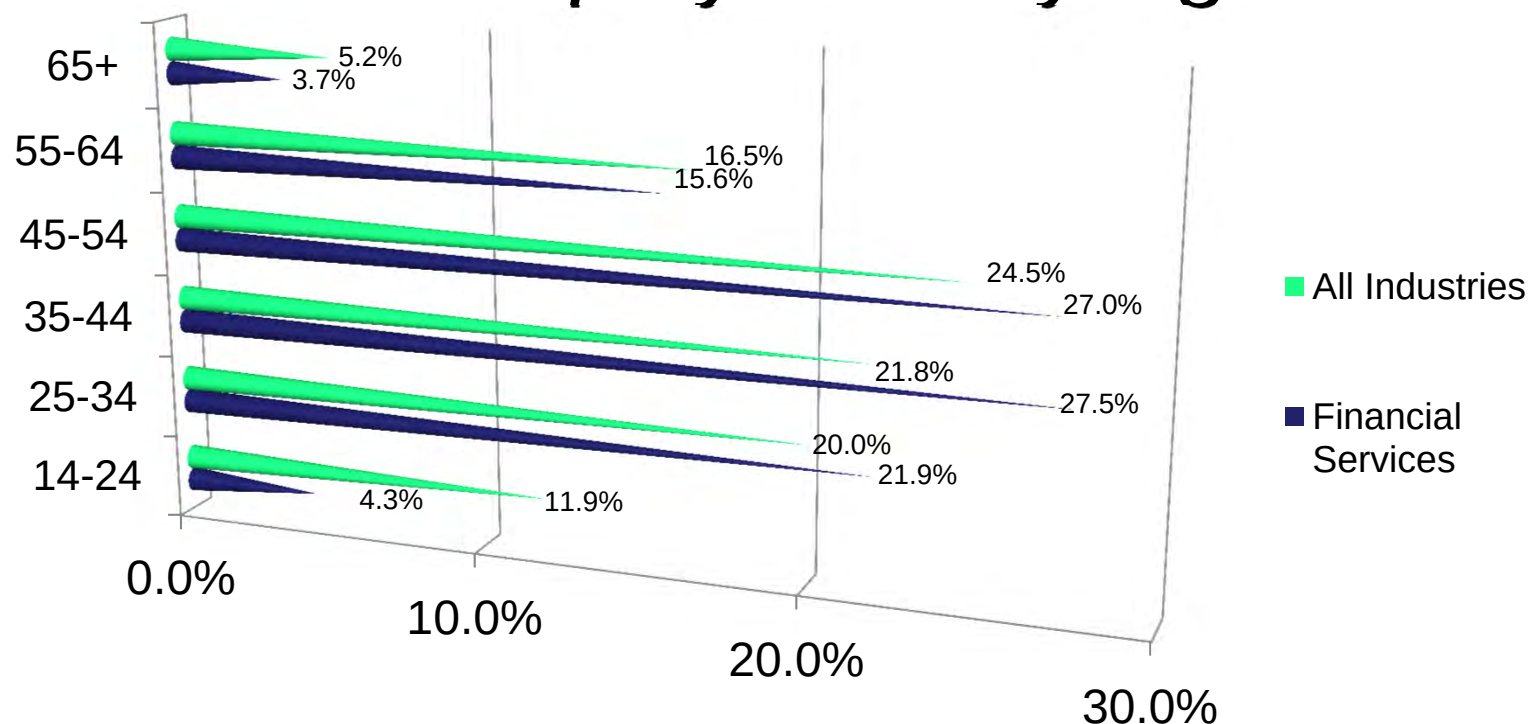
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Percentage of Employment by Age



More than 75% of Financial Services Industry workers are generally distributed between 25 and 54 years of age. Most of the age groups are fairly consistent with other industries except for the 14-24 range.

*Source: U.S. Census Bureau, 2012 American Community Survey Public Use Microdata Sample (5% sample).

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Industry Projections and Outlook

Long-term industry projections call for a 6.9 percent rise in financial sector employment to a total of more than 211,000 workers by 2020 from its 2010 level (or 0.7% annually). However, considering the employment correction following the recent recession, current economic conditions in the United States and abroad, and with continuing uncertainty in worldwide markets, possible setbacks could be faced in achieving these projections.

While employment projections remain positive, growth in New Jersey's financial services sector may evolve at a slower rate than originally thought, given the status of the current economic climate. The industry looks to a wide variety of economic indicators such as loan activity, corporate and venture capital investment, exports, housing starts, etc. for guidance on how to carry its future operations. Currently, many of those economic indicators remain bearish.

Along with employment growth, wages may also increase at slower rates than originally expected.

Occupational Projections

According to Industry and occupational projections, the top 10 finance industry cluster occupations in NJ (by employment) are expected to see an employment increase of 5.9% from 2010 to 2020 for a total of 16,000 added jobs.

Financial analysts jobs are projected to grow at the fastest rate (19.5%) over the ten year period, followed by Securities, Commodities, and Financial Services Sales Agents which are projected to grow at a rate of 11.5 percent.

*Source: 2010 - 2020 Industry and Occupational Employment Projections.

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Some of New Jersey's Advantages vs. Neighboring States

- New Jersey is home to one of the most extensive fiber optic networks in the world which helps to support the financial industry's high-speed communications needs
- Competitive corporate real estate offers inexpensive options for both headquarter operations and support locations
- New Jersey has an excellent talent pool - More than 35% of New Jersey's entire workforce has earned a bachelor's degree or higher
- The state has lower utility costs, corporate taxes and cost of living relative to some other nearby states
- New Jersey's Financial Services Industry is supported by a strong business services sector



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