

# *New Jersey's Financial Services Industry Cluster*

Prepared by:  
New Jersey Department of Labor & Workforce Development  
Office of Research & Information  
Bureau of Labor Market Information  
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STATE OF NEW JERSEY  
DEPARTMENT OF LABOR AND  
WORKFORCE DEVELOPMENT



NEW JERSEY DEPARTMENT OF  
**LWD**  
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# THE GOAL OF THIS REPORT IS TO GET AN “IDEA” OF WHAT THE FINANCIAL SERVICES INDUSTRY MEANS TO NEW JERSEY

*Identify* the types of industries and establishments that make up the financial services cluster based on a standard industry classification system

*Describe* any similarities and differences among its components with regard to such variables as employment, wage, occupation type, education, and demographic characteristics

*Examine* any present distinctions within the cluster and its components that give New Jersey a competitive advantage compared to neighboring states, regions or the nation, or show areas where New Jersey could improve to add to the state’s economy

*Analyze* the current state of the financial services cluster and provide an outlook for employment into the future

# 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.



# INDUSTRY OBJECTIVES



# INDUSTRY DESCRIPTION

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

- Banking
- Investing (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:

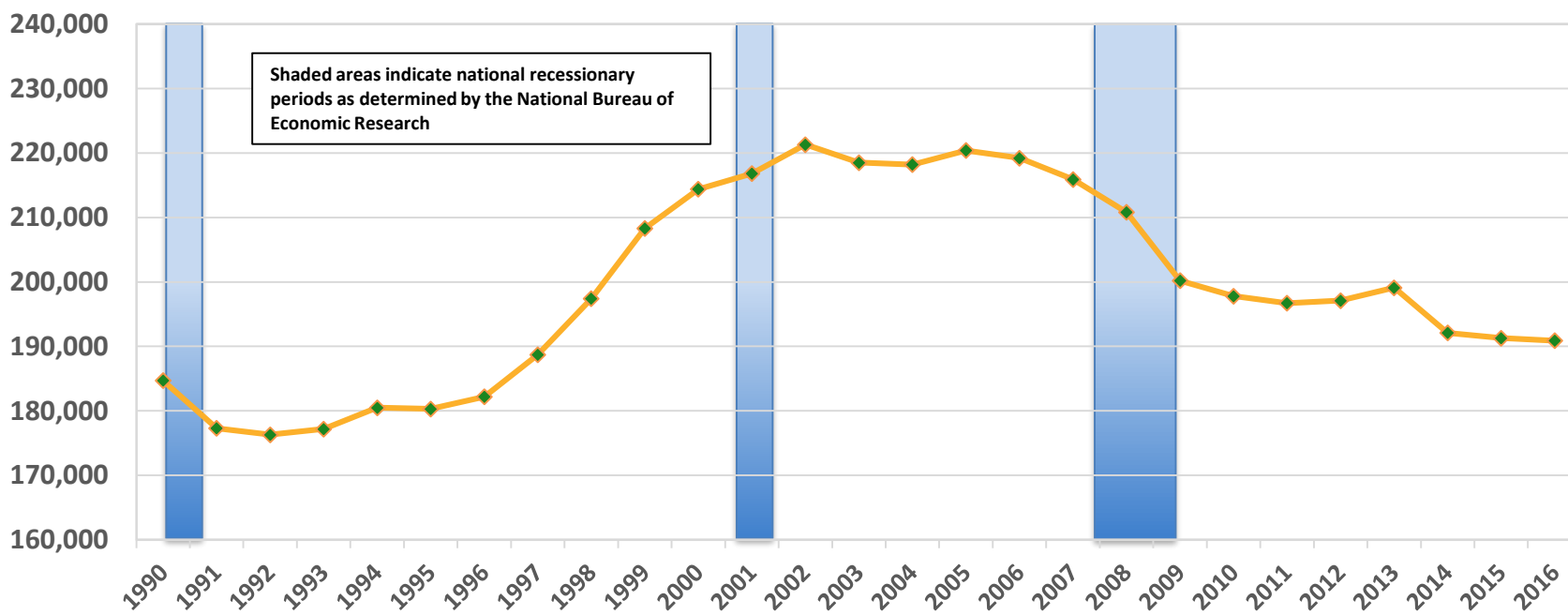
- Taking deposits and/or issuing securities
- Pooling financial risk by underwriting insurance and annuities, and
- Providing specialized services facilitating or supporting financial intermediation, insurance, and employee benefit programs



# INDUSTRY DATA

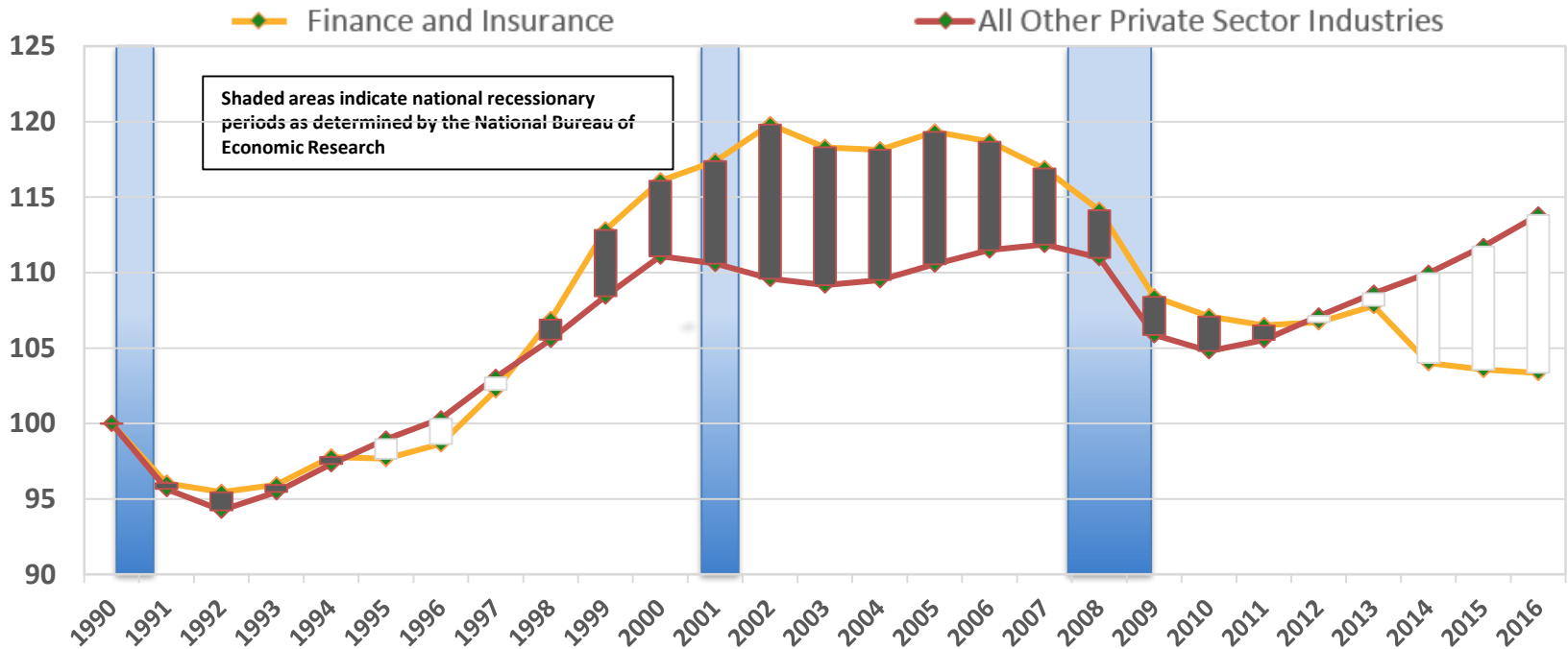


# 1990-2015 ANNUAL AVERAGE EMPLOYMENT CURRENT EMPLOYMENT STATISTICS DATA



Regardless of three recessions during the 1990 to 2016 period, New Jersey's financial services industry sector still clings to a net accumulation of jobs (approximately 6,200).

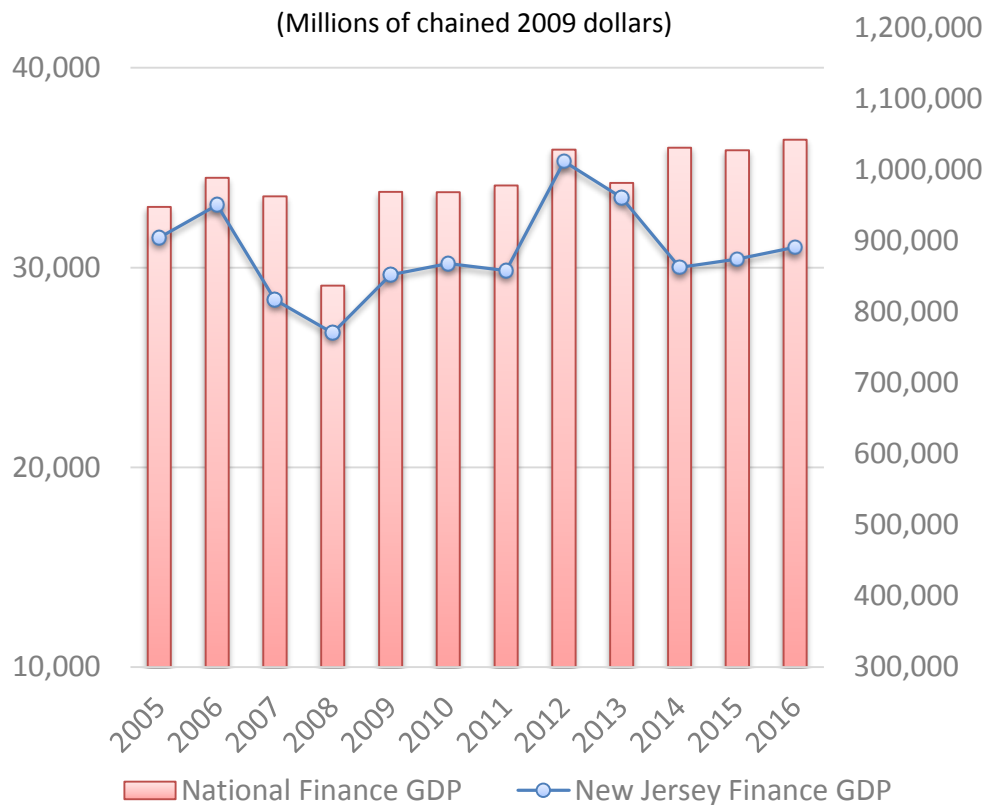
# FINANCIAL SERVICES EMPLOYMENT VS. ALL OTHER NEW JERSEY PRIVATE SECTOR INDUSTRIES



Indexed to 1990, the financial services sector enjoyed substantial employment gains through the late 1990s and into the mid-2000s. For a number of years, the sector outperformed the balance of all other private sector industries until the fallout from the burst of the housing bubble and the subsequent recession brought the two back in line. Since 2011-2012 however, recovery of the financial services sector has lagged behind that of the rest of the private sector as a whole and the disparity continues to grow.



# GROSS DOMESTIC PRODUCT



## Gross Domestic Product of the Financial Services Sector

According to the U.S. Bureau of Economic Analysis, in 2015, financial services organizations conducted transactions that equated to over \$1 trillion (or 7.2 percent of the nation's total Gross Domestic Product for the industry).

In New Jersey alone, the financial services industry contributed over \$31 billion. Even with a relatively small share of total employment, New Jersey's financial services cluster accounts for approximately 6.8 percent of Gross State Product.

Regarding financial services alone, New Jersey accounts for 2.98 percent of the entire nation's GDP for this cluster.

# INDUSTRY CLUSTER FAST FACTS

- In 2016, New Jersey's financial services cluster employed almost 179,000 workers, accounting for 5.3 percent of all private sector jobs in the state.
- From 2011 to 2016, New Jersey's financial services cluster saw an employment decline of almost 5,000 jobs (a 2.7 percent drop over the five year period).
- Combined, the Insurance Carriers and Related Activities component along with the Credit Intermediation and Related Activities component made up 77.9 percent of New Jersey's financial services employment in 2016.
- The average annual wage for workers in the financial services cluster increased 14.1 percent to over \$122,000 between 2011 and 2016.
- The 30 highest paying occupations in the cluster each earns a mean annual wage of more than \$100,000 and account for almost 43,000 workers or 24.1 percent of finance and insurance employment.



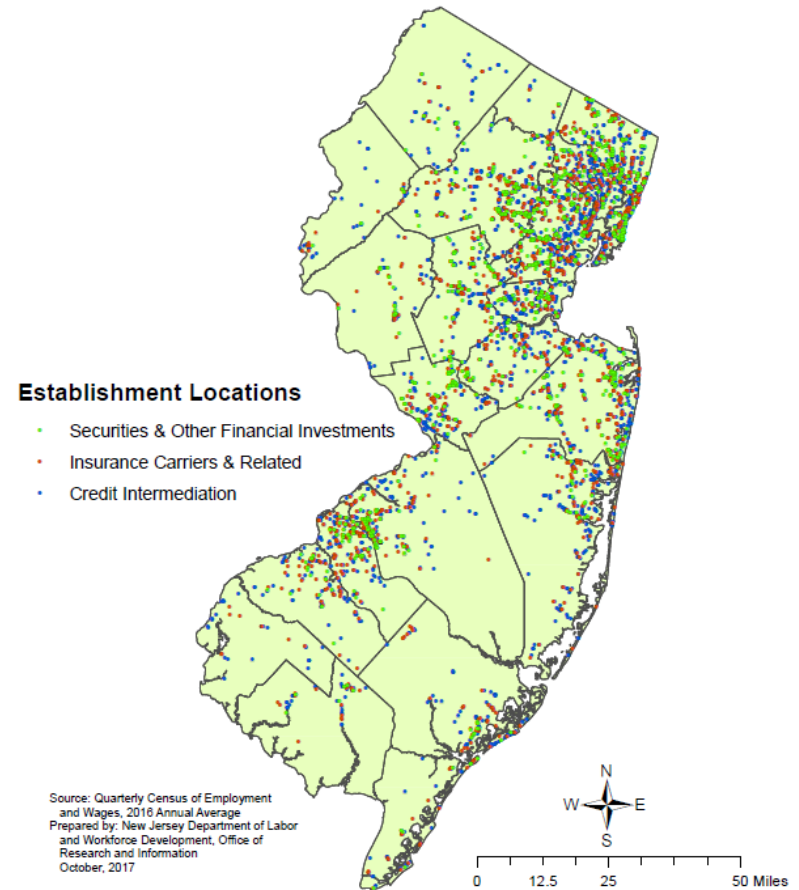
# FINANCIAL SERVICES ESTABLISHMENTS

## Finance and Insurance Establishments Across the State

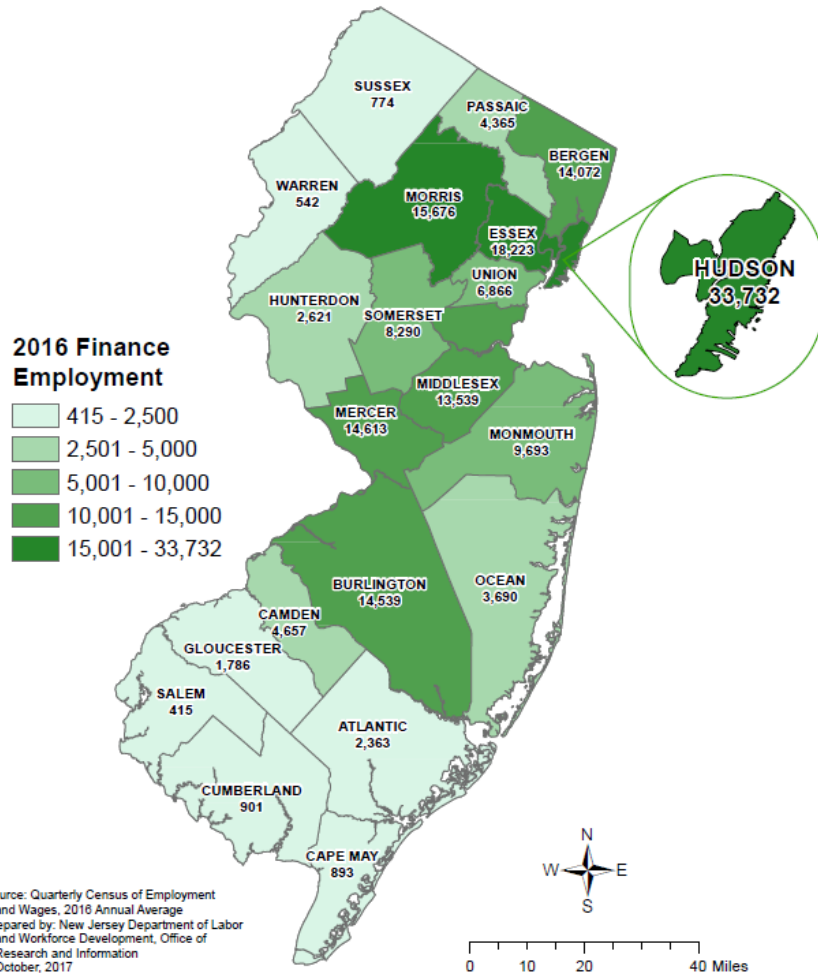
As illustrated, the majority of New Jersey's financial services establishments are located near Manhattan and Philadelphia. This is a classic example of economies of agglomeration; the economic concept used to describe the benefits that firms gain from locating near one another. Even within industry sectors, competition between firms often attracts more customers, suppliers and educated or experienced workers to specific areas.

Roughly 52 percent of the industry cluster's employees worked in establishments located in the six northeastern counties (Bergen, Hudson, Passaic, Morris, Essex and Union) in 2016.

## Establishment Locations by Financial Subsector New Jersey, 2016



# FINANCIAL SERVICES EMPLOYMENT BY COUNTY



## Finance and Insurance Employment by County - 2016

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 almost 34,000 industry jobs, Hudson County accounts for 15.9 percent of New Jersey's cluster employment due to its proximity to Manhattan, one of the largest financial centers in the world.

Nearly 46 percent of the state's financial services cluster employment is concentrated in only four Northern counties (Hudson, Essex, Morris and Bergen).

# EMPLOYMENT CONCENTRATION BY COMPONENT

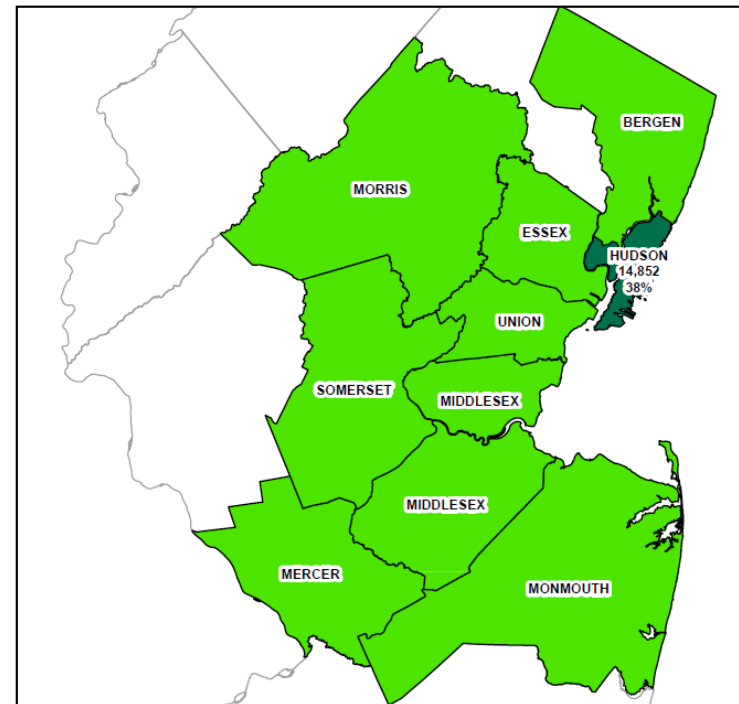
## Securities, Commodity Contracts, and Other Financial Investments and Related Activities

Hudson County is home to the highest concentration of workers statewide employed in the Securities, Commodities, and Other Financial Investments component. 44 percent of the county's total finance employment falls into this component, mainly because of its proximity to Wall Street.

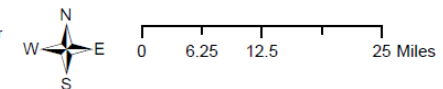
The exception to this paradigm is Mercer County (second highest concentration). The investment subsector component composes almost 35 percent of the county's finance employment concentration as a result of several large investment banks, trading firms and hedge funds claiming a Princeton address, a convenient location along the Northeast Corridor and centered between Philadelphia and Manhattan.

The shaded counties shown on the map represent nine of the top ten counties in the state with the highest concentration of employment for this specific component.

*Employment of Securities, Commodity Contracts, and Other Financial Investments and Related Activities and Percentage of Financial Employment by New Jersey County*

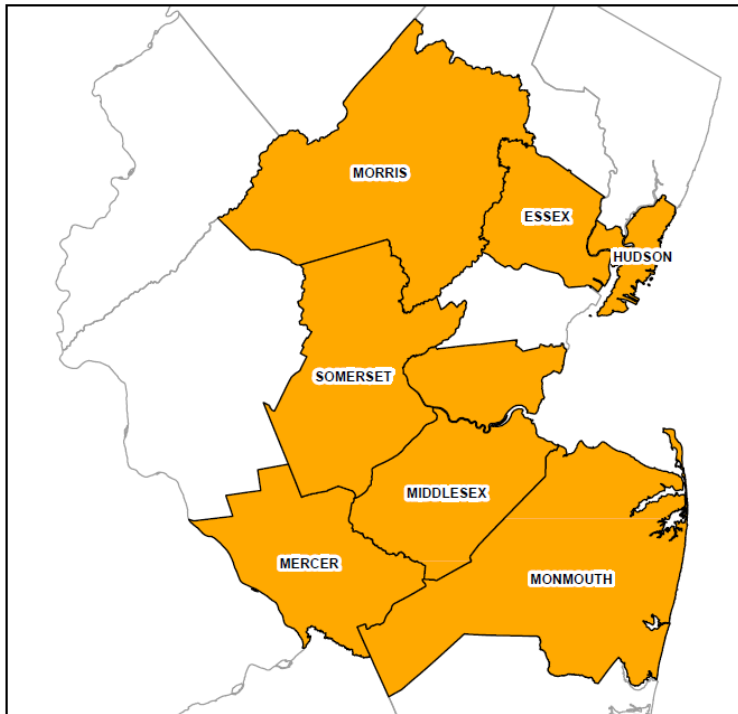


Source: Quarterly Census of Employment and Wages, 2016 Annual Averages  
Prepared by: New Jersey Department of Labor and Workforce Development, Office of Research and Information  
October, 2017

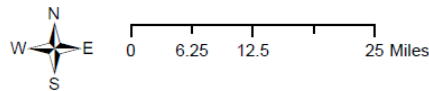


# EMPLOYMENT CONCENTRATION BY COMPONENT

## *Employment of Insurance Carriers and Related Activities and Percentage of Financial Employment by New Jersey County*



Source: Quarterly Census of Employment and Wages, 2016 Annual Averages  
Prepared by: New Jersey Department of Labor and Workforce Development, Office of Research and Information  
October, 2017



## Insurance Carriers and Related Activities

As illustrated on the previous page, location often determines employment concentration within the major industry components.

Seven of the top eight counties for employment concentration in the insurance carriers and related activities component are located in the north-central part of the state.

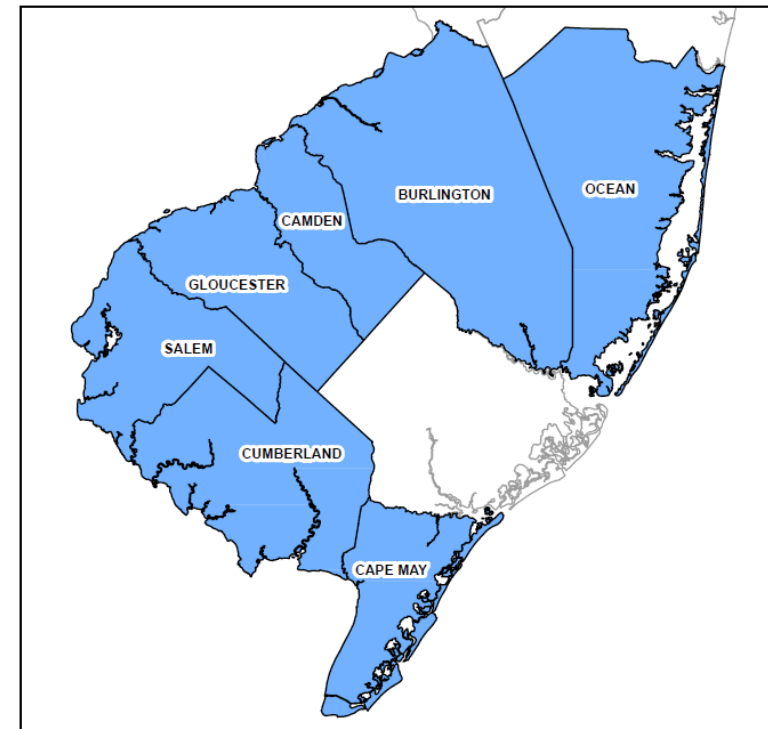


# EMPLOYMENT CONCENTRATION BY COMPONENT

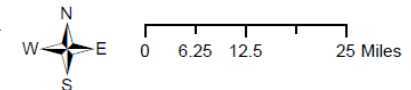
## Credit Intermediation and Related Activities

Seven of the top nine counties, whose highest concentration of county finance employment resides in the Credit Intermediation component, are located across Southern New Jersey. This high concentration comes mostly from scattered commercial bank branches in counties that hold a low overall Financial Services employment base, and with very little presence of insurance or investment activity. Burlington County is the exception in this case with multiple headquarter operations boosting employment significantly.

*Employment of Credit Intermediation and Related Activities and Percentage of Financial Employment by New Jersey County*



Source: Quarterly Census of Employment and Wages, 2016 Annual Averages  
Prepared by: New Jersey Department of Labor and Workforce Development, Office of Research and Information  
October, 2017



# EMPLOYMENT BY REGION: 2016

Area	Region	Establishments	Annual Averages		Total Wages	Employment %
			Employment	Wages		
<b>New Jersey</b>		<b>11,419</b>	<b>178,768</b>	<b>\$122,204</b>	<b>\$21,846,105,669</b>	
<b>Northern Region</b>		<b>5,840</b>	<b>105,161</b>	<b>\$136,607</b>	<b>\$14,365,742,615</b>	<b>58.8%</b>
Hudson	North	634	33,732	\$165,498	\$5,582,515,789	
Essex	North	797	18,223	\$141,129	\$2,571,772,590	
Morris	North	947	15,676	\$133,674	\$2,095,495,447	
Bergen	North	1,528	14,072	\$104,956	\$1,476,934,859	
Somerset	North	501	8,290	\$138,271	\$1,146,288,139	
Union	North	637	6,866	\$104,948	\$720,588,122	
Passaic	North	411	4,365	\$81,302	\$354,897,453	
Hunterdon	North	174	2,621	\$128,965	\$338,027,414	
Sussex	North	117	774	\$62,137	\$48,093,969	
Warren	North	94	542	\$57,477	\$31,128,833	
<b>Central Region</b>		<b>2,903</b>	<b>41,535</b>	<b>\$105,268</b>	<b>\$4,372,286,005</b>	<b>23.2%</b>
Mercer	Central	582	14,613	\$104,780	\$1,531,130,487	
Middlesex	Central	841	13,539	\$122,378	\$1,656,861,470	
Monmouth	Central	1,022	9,693	\$96,753	\$937,798,696	
Ocean	Central	458	3,690	\$66,805	\$246,495,352	
<b>Southern Region</b>		<b>1,767</b>	<b>25,554</b>	<b>\$83,651</b>	<b>\$2,137,608,755</b>	<b>14.3%</b>
Burlington	South	581	14,539	\$90,032	\$1,309,010,942	
Camden	South	486	4,657	\$90,549	\$421,661,931	
Atlantic	South	230	2,363	\$70,938	\$167,595,876	
Gloucester	South	218	1,786	\$60,039	\$107,234,759	
Cumberland	South	91	901	\$59,055	\$53,223,357	
Cape May	South	116	893	\$65,507	\$58,492,659	
Salem	South	45	415	\$49,160	\$20,389,231	
<b>Undistributed</b>		<b>913</b>	<b>6,519</b>	<b>\$148,858</b>	<b>\$970,468,294</b>	<b>3.6%</b>



# SUBSECTOR BREAKDOWN

The financial services cluster is broken down into the following five subsectors:

NAICS	Description	2016 Annual Averages		
		Establishments	Employment	Wages
521	Monetary Authorities - Central Bank	ND	ND	ND
522	Credit Intermediation and Related Activities	4,442	68,592	\$94,379
523	Securities, Commodities, and Other Financial Investments and Related Activities	3,014	39,307	\$178,796
524	Insurance Carriers and Related Activities	3,884	70,600	\$117,299
525	Funds, Trusts, and Other Financial Vehicles	ND	ND	ND

The Insurance Carriers and Related Activities component combined with the Credit Intermediation and Related Activities component made up 77.9 percent of New Jersey's financial services employment in 2016. When the Securities, Commodities, and Other Financial Investments and Related Activities subsector is added, the three components account for almost 100 percent of employment in the industry.

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



# LOCATION QUOTIENT

Location quotient is a way of quantifying the concentration of an industry in a region versus a larger geographic area.

The bubble charts on the following pages are used to show three data points at once.

- The size of the bubble represents the amount of employment in the subsector.
- The location of the bubble on the Y-axis represents 2016 annual average wages for the subsector.
- The location of the bubble on the X-axis represents the location quotient of the subsector.



# LOCATION QUOTIENT

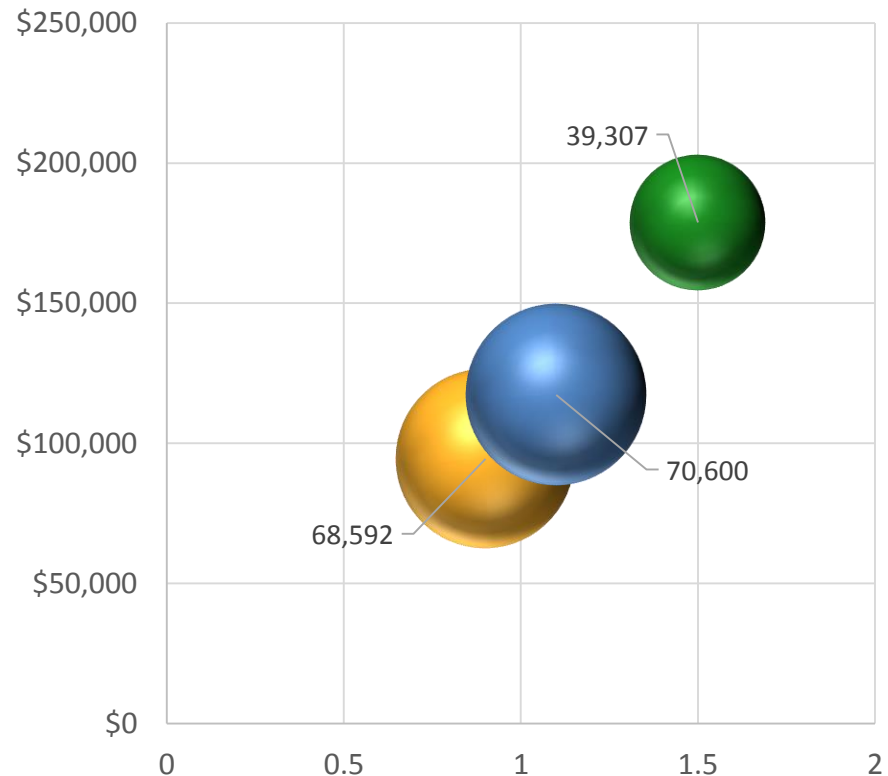
In this case, the location quotient compares the concentration of the industry subsectors in the state to those of the nation. Industries with a location quotient above 1 are known as “basic industries” which (in theory) export a good or service from the state and in return, bring in wealth.

**Securities, Commodity  
Contracts, and Other Financial  
Investments and Related  
Activities**

**Insurance Carriers and Related  
Activities**

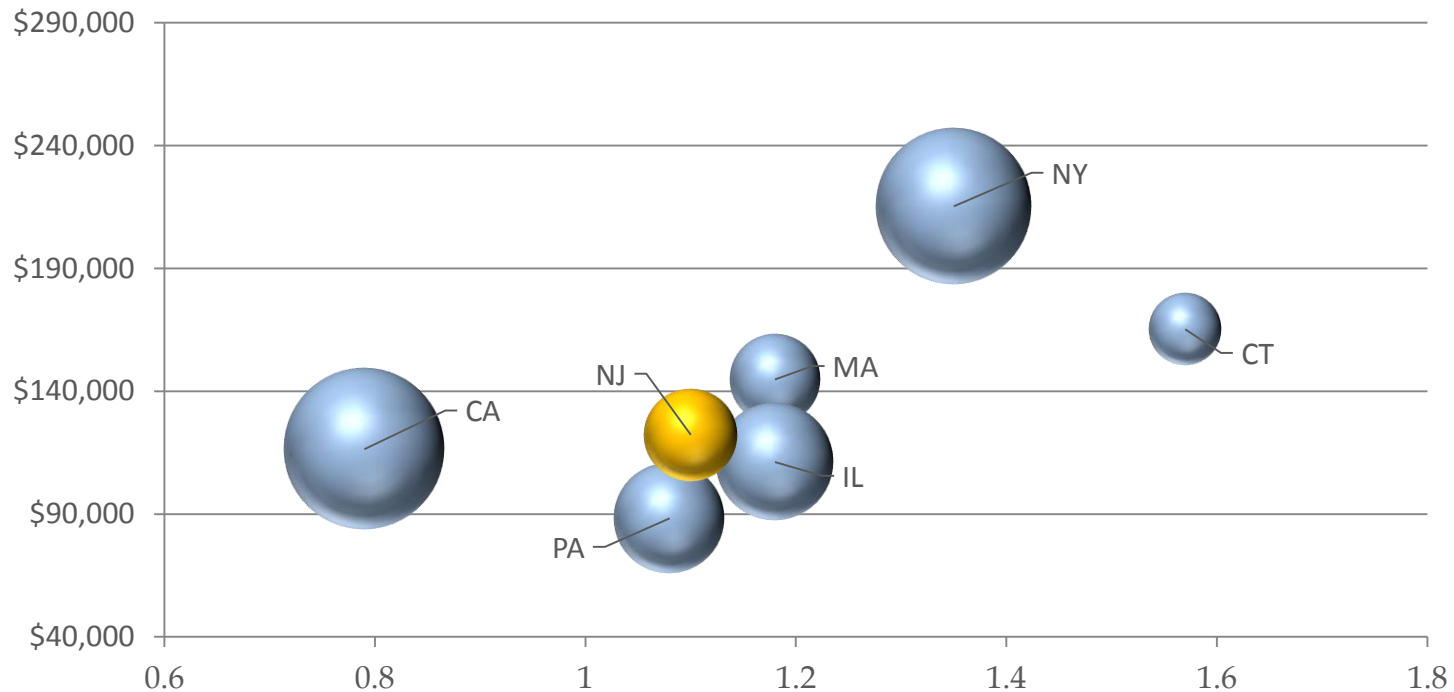
**Credit Intermediation and Related  
Activities**

**Monetary Authorities – Central Bank (NAICS 521)  
and Funds, Trusts, and Other Financial Vehicles  
(NAICS 525) contain non-disclosable data and  
therefore cannot be plotted**



# LOCATION QUOTIENT

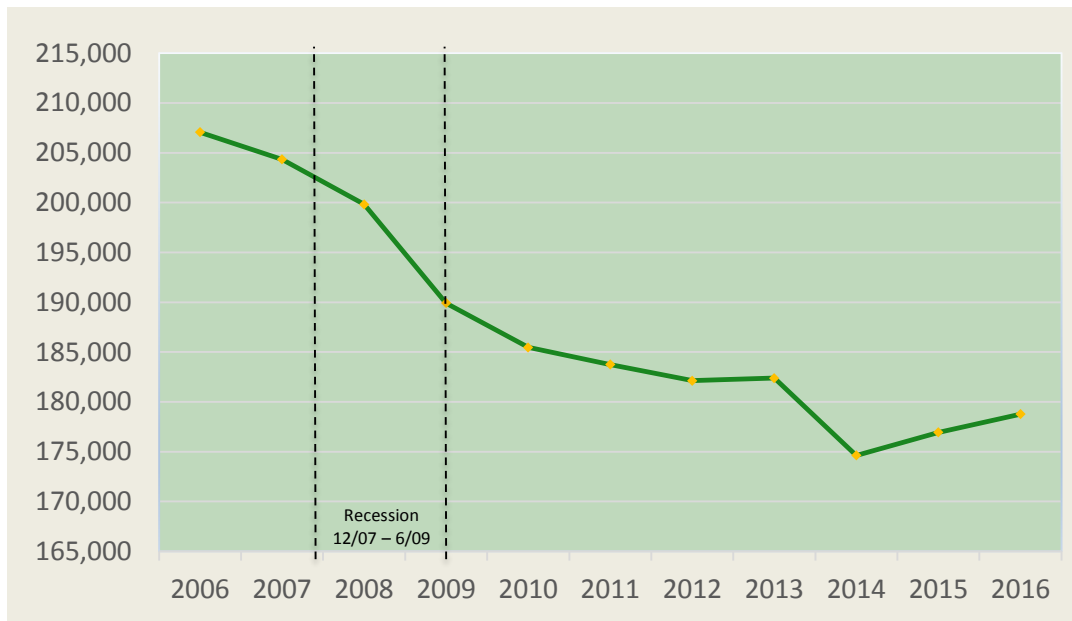
## New Jersey's location quotient vs. other relevant states.



The chart shows the state's position against other states selected due to either their proximity to New Jersey or their significant financial services sector employment.



# EMPLOYMENT TREND 2006-2016



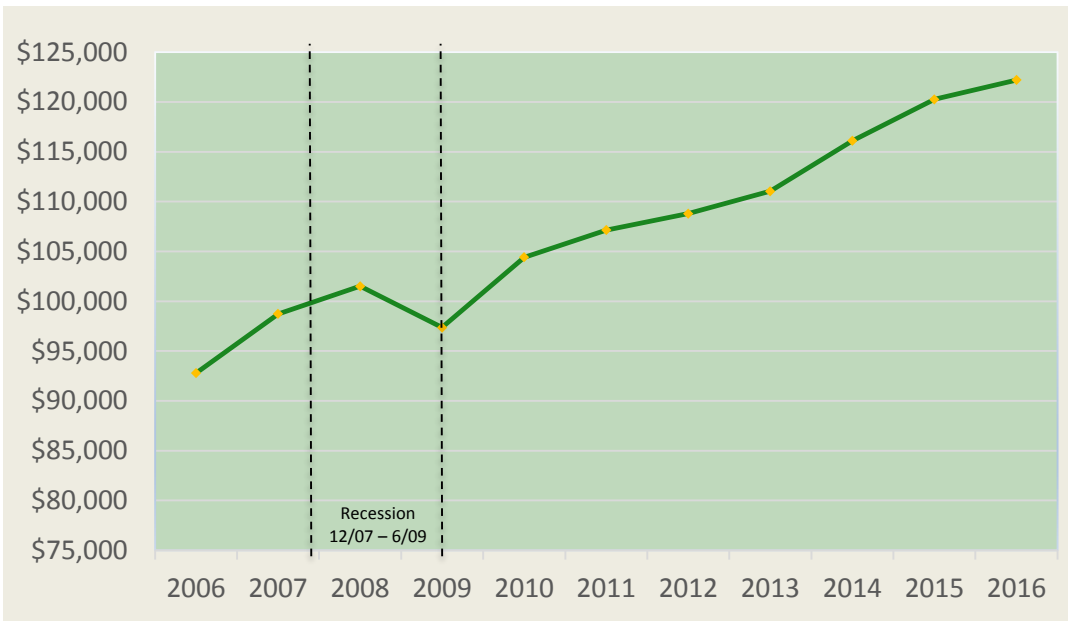
## Annual Average Employment

The financial services industry cluster began showing a loss in employment even before the start of the most recent recession (December, 2007 – June, 2009) and continued to shed workers through the following three years. A brief correction took place in 2013 (+0.1%) before falling again in 2014 (-4.3%).

The industry finally regained its composure between 2014 and 2015 with a modest 1.3 percent gain followed by a 1.0 percent gain in 2016.

New Jersey's financial services sector employment remains 13.7 percent lower from its peak in 2006 compared to only 3.0 percent lower than the sector at the national level, which reflects the significance the industry cluster has on the state's inhabitants. Approximately 178,770 financial services workers were employed in New Jersey in 2016.

# INDUSTRY WAGES TREND 2006-2016



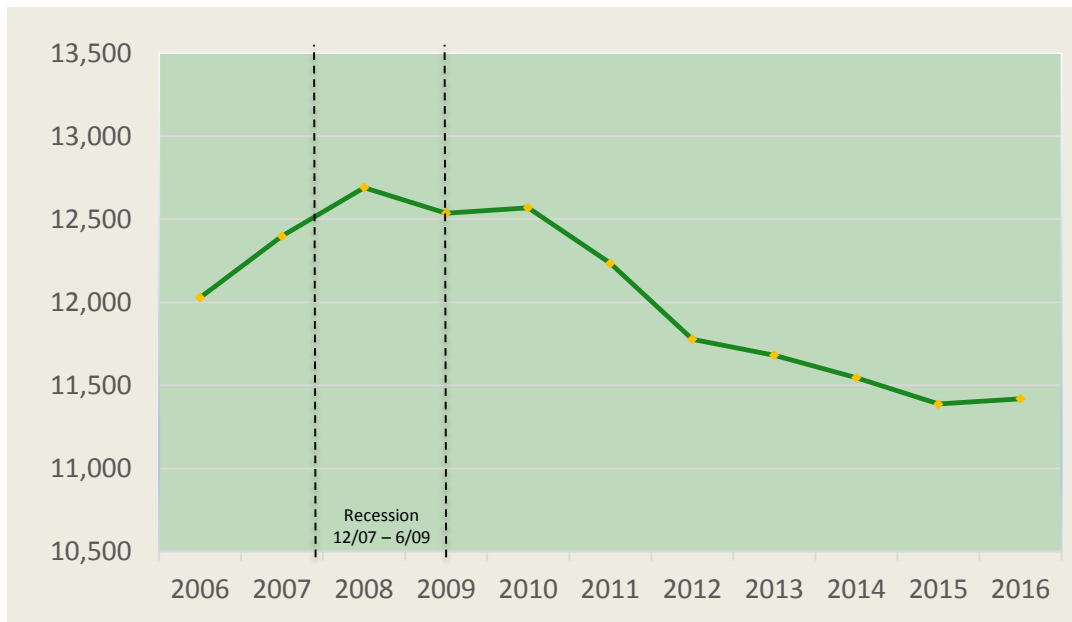
## Annual Average Wages

More than \$21.8 billion in total wages were paid by New Jersey's employers in the financial services cluster in 2016.

With an annual average wage of \$122,204, the state's financial services workers earned an average wage 20.7 percent higher than sector workers nationally, 95.7 percent higher than the state's average wage for all private sector employment, and well more than double the nation's average for all private sector industries (128.3 percent higher).

The average annual wage for New Jersey's financial services cluster dropped only in 2009 following the Great Recession, consistent with the trend for the total private sector's annual average wage, which also faced a recessionary decline in 2009.

# ESTABLISHMENT TREND 2006-2016



## Annual Average Establishments

Along with a decline in employment from 2006 onward came a decline in New Jersey's industry establishment count. Financial services establishments have dropped 10 percent since its peak in 2008. The multitude of mergers and acquisitions along with the subsequent consolidations among financial institutions are largely to blame.

Over this period, the state also 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.



# OCCUPATIONAL DATA

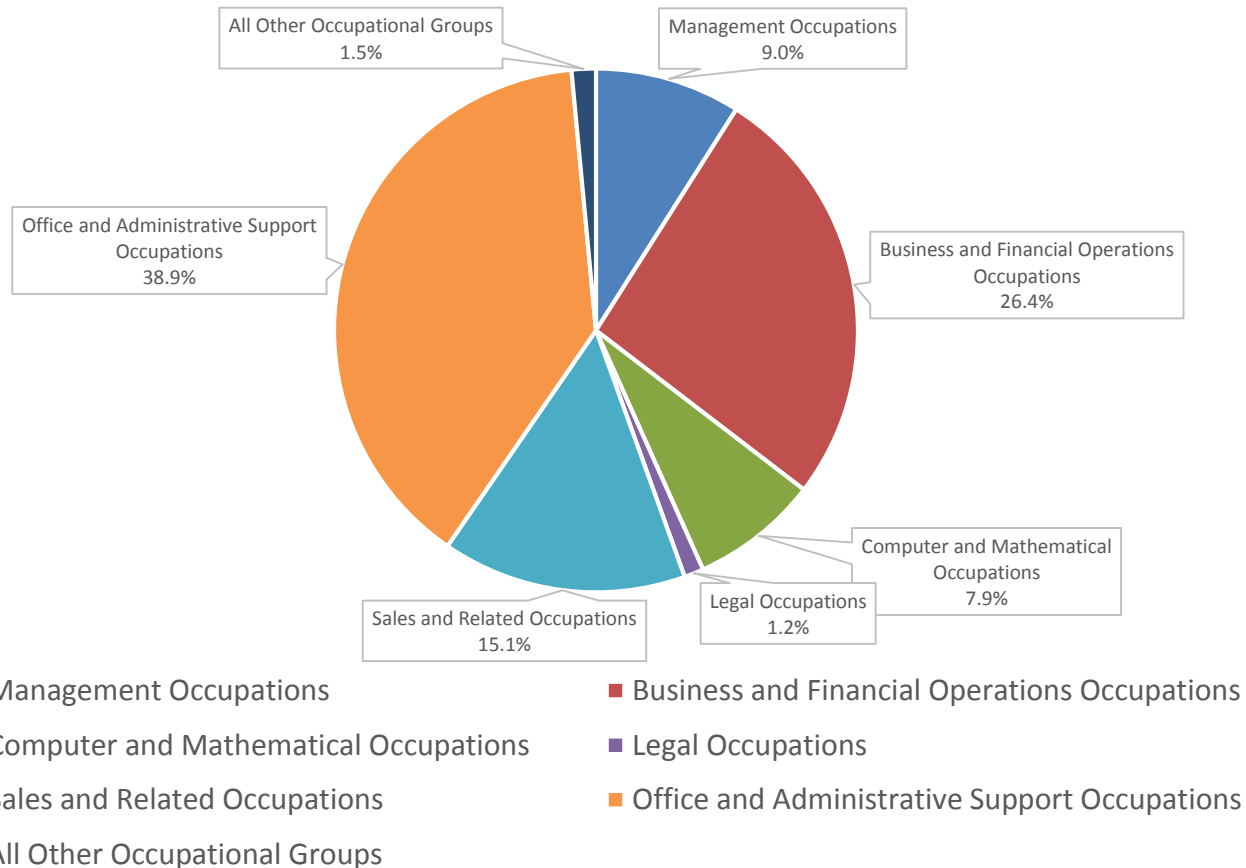


# EMPLOYMENT BY MAJOR OCCUPATIONAL GROUP

Occupational Group	Employment	% of Cluster
43 Office and Administrative Support Occupations	67,560	38.9%
13 Business and Financial Operations Occupations	45,880	26.4%
41 Sales and Related Occupations	26,210	15.1%
11 Management Occupations	15,690	9.0%
15 Computer and Mathematical Occupations	13,710	7.9%
23 Legal Occupations	1,700	1.2%
<i>All Other Occupational Groups</i>	<i>2,520</i>	<i>1.5%</i>
<b>Total (All Finance and Insurance Occupations)</b>	<b>173,620</b>	<b>100%</b>

More than 80 percent of all financial services employment in New Jersey falls under three major occupational groups: Office and Administrative Support, Business and Financial Operations, and Sales and Related Occupations.

# EMPLOYMENT BY MAJOR OCCUPATIONAL GROUP



# TOP OCCUPATIONS (BY EMPLOYMENT) WITHIN EACH MAJOR OCCUPATIONAL GROUP

Office and Administrative Support Occupations		Management Occupations	
Tellers	15,180	Financial Managers	6,150
Customer Service Representatives	11,400	General and Operations Managers	2,790
Insurance Claims and Policy Processing Clerks	7,170	Sales Managers	1,760
Business and Financial Operations Occupations		Computer and Mathematical Occupations	
Claims Adjusters, Examiners, and Investigators	7,980	Software Developers, Applications	3,690
Personal Financial Advisors	6,540	Computer Systems Analysts	2,580
Accountants and Auditors	4,880	Software Developers, Systems Software	1,060
Sales and Related Occupations		Legal Occupations	
Securities, Commodities, and Financial Services Sales Agents	11,100	Lawyers	910
Insurance Sales Agents	10,320	Title Examiners, Abstractors, and Searchers	670
First-Line Supervisors of Non-Retail Sales Workers	1,590	Paralegals and Legal Assistants	300

The 18 occupations listed above display the diversity of educational requirements for finance and insurance sector workers. From Tellers and Customer Service Representatives with high school diplomas to the professional degrees of Lawyers, the education levels of finance workers greatly varies.



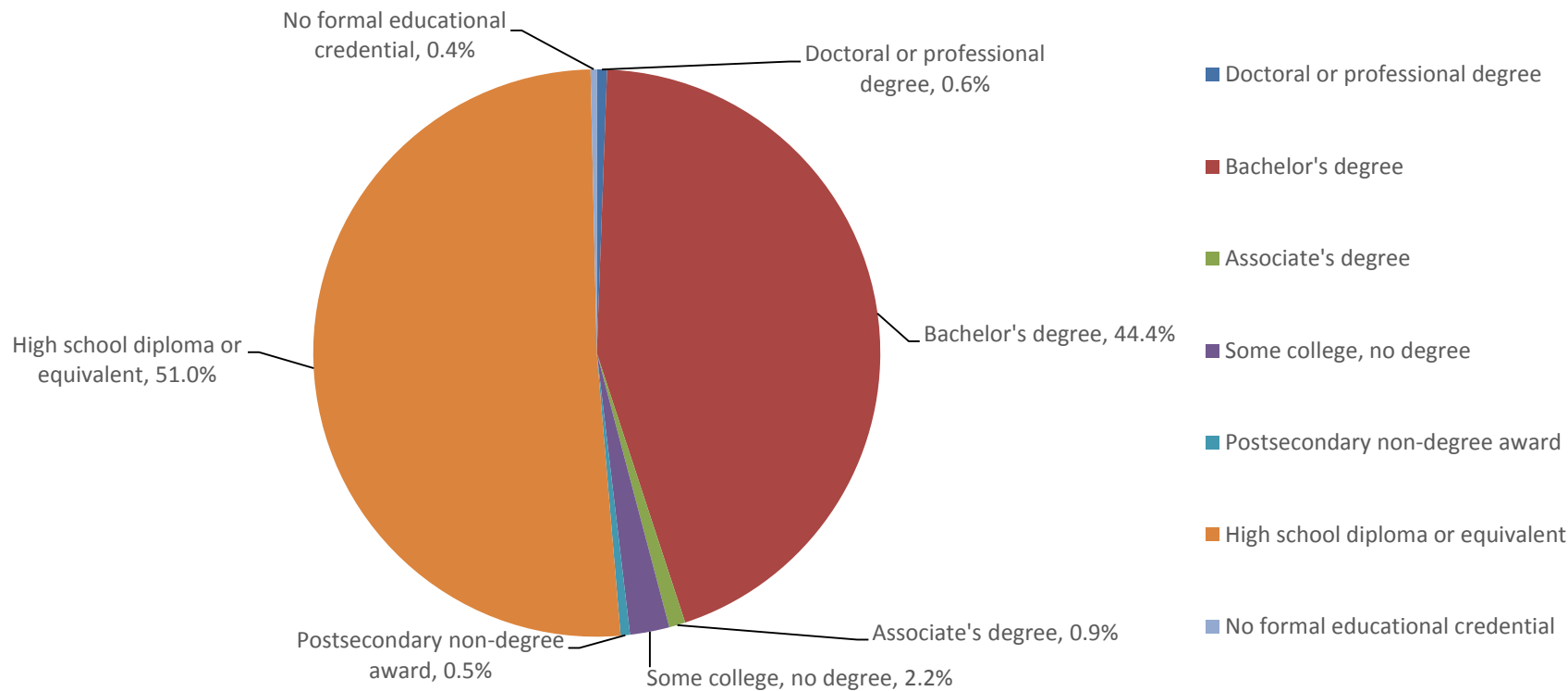
# EDUCATION REQUIREMENTS OF THE TOP 13 FINANCIAL SERVICES OCCUPATIONS BY EMPLOYMENT

There are well over 100 different occupations identified in New Jersey's financial services cluster. The top 13 occupations in the cluster account for more than 100,000 jobs, or approximately 57.9 percent of the state's financial services employment.

Occupation	Employment	Annual Avg. Wages	Education Requirements
Tellers	15,180	\$30,266	High school diploma or equivalent
Customer Service Representatives	11,400	\$40,965	High school diploma or equivalent
Securities, Commodities, and Financial Services Sales Agents	11,100	\$112,397	Bachelor's degree
Insurance Sales Agents	10,320	\$78,729	High school diploma or equivalent
Claims Adjusters, Examiners, and Investigators	7,980	\$75,042	High school diploma or equivalent
Insurance Claims and Policy Processing Clerks	7,170	\$44,868	High school diploma or equivalent
First-Line Supervisors of Office and Administrative Support Workers	6,870	\$66,732	High school diploma or equivalent
Personal Financial Advisors	6,540	\$130,956	Bachelor's degree
Financial Managers	6,150	\$160,964	Bachelor's degree
Accountants and Auditors	4,880	\$92,097	Bachelor's degree
Loan Officers	4,750	\$81,554	Bachelor's degree
Loan Interviewers and Clerks	4,210	\$41,764	High school diploma or equivalent
Financial Analysts	3,920	\$107,394	Bachelor's degree



# EDUCATION REQUIREMENTS OF FINANCIAL SERVICES CLUSTER OCCUPATIONS

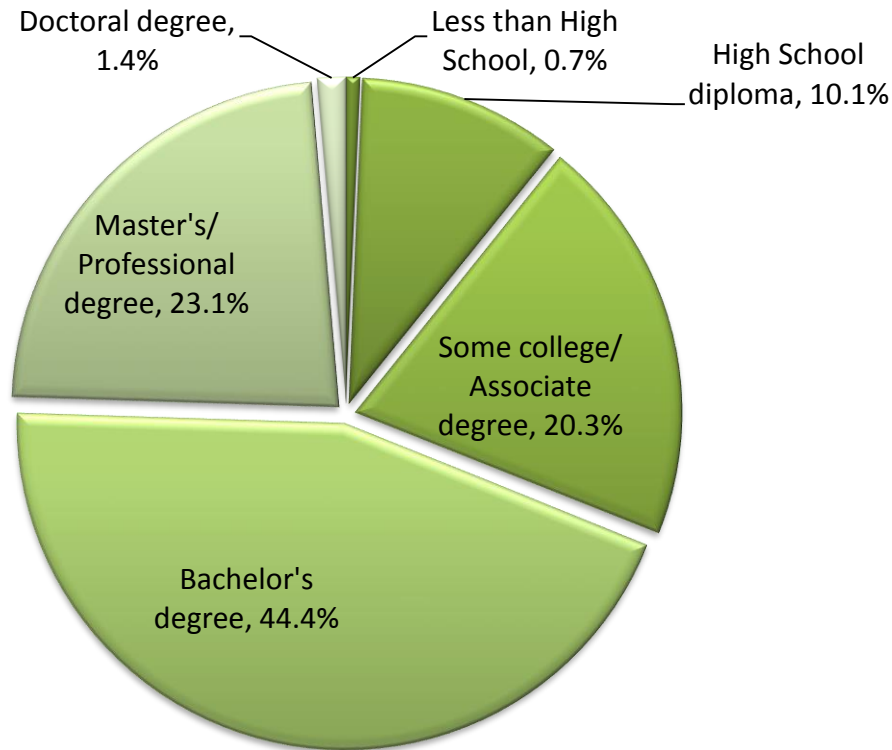


Some occupations have further requirements such as licenses that must also be obtained. For example:

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



# EDUCATION LEVEL OF NEW JERSEY RESIDENTS IN THE FINANCIAL SERVICES INDUSTRY



U.S. Census Bureau 2016 American Community Survey data shows that, in actuality, 68.9 percent of New Jersey's financial services resident workforce has a bachelor's degree or higher.

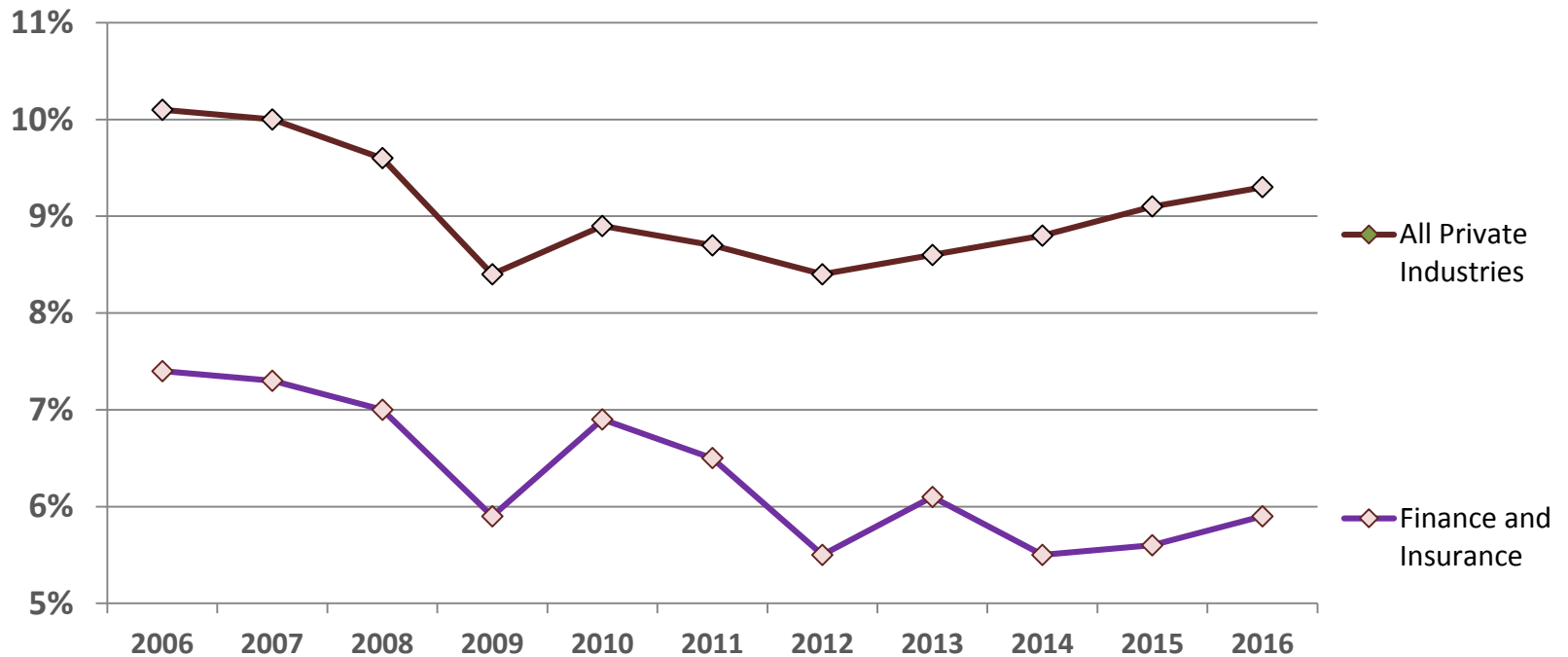
New Jersey ranks sixth in the nation with 38.6 percent of people 25 years and over who have completed a bachelor's degree... and ninth in the nation with 14.9 percent of people over 25 who have completed an advanced degree.

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



# EMPLOYMENT TURNOVER RATE

## Finance vs. All Private Industries

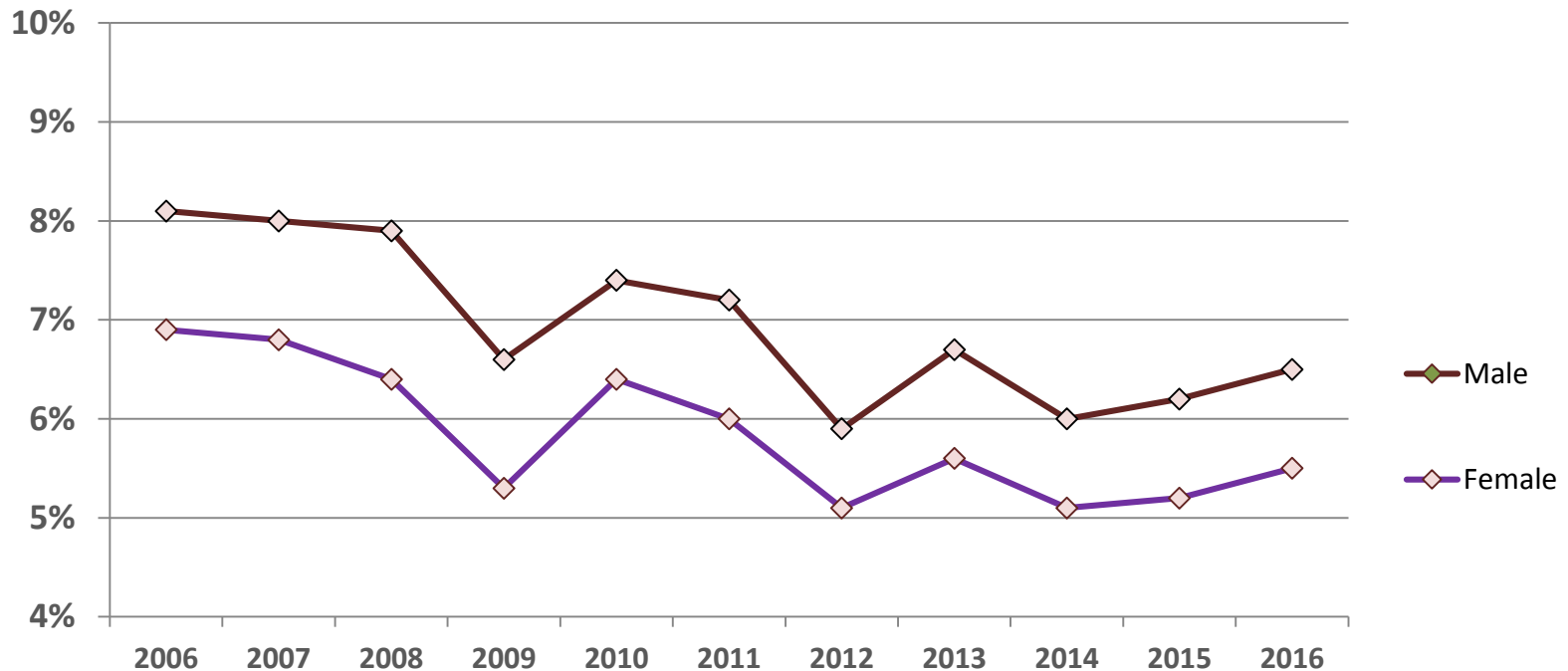


Historically, the financial services industry cluster has enjoyed a significantly lower turnover rate than most industry clusters. Higher average pay could certainly be a top contributing factor.

Note: 2006-2015 yearly averages (Private Ownership). 2016 data uses average of Q3, 2016 (most recent data) + 3 prior quarters.



# FINANCE EMPLOYMENT TURNOVER BY GENDER

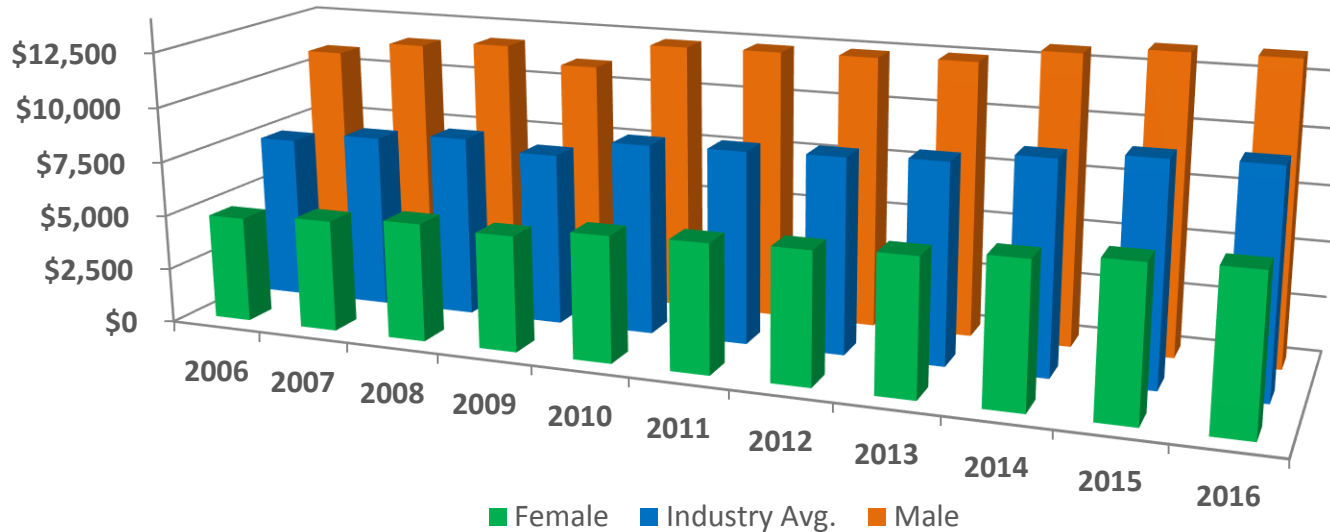


The latest available Quarterly Workforce Indicator data shows the financial services cluster workforce is composed of approximately 46.9 percent male workers and 53.1 percent female workers. Males averaged a 1.1 percent higher turnover rate than female workers over the 2006 – 2016 period.

Note: 2006-2015 yearly averages (Private Ownership). 2016 data uses average of Q3, 2016 (most recent data) + 3 prior quarters.



# AVERAGE MONTHLY EARNINGS BY GENDER



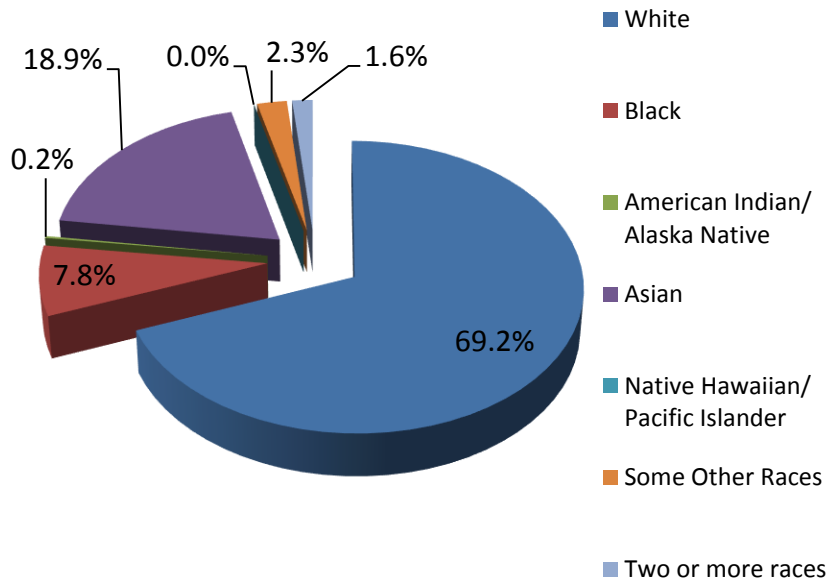
Over the 2006 – 2016 period, earnings of male financial services workers averaged almost double (or more) that of females in the sector. The most logical explanation is taken from census data that shows females dominating the share of the largest occupation in the industry (Bank Tellers) which pays well below the average wage. 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 the average wage. However, the earnings gap between male and female finance workers slowly but steadily declined almost every year over the period as more women are steadily entering higher paying finance occupations.

Note: 2006-2016 yearly averages (Private Ownership).

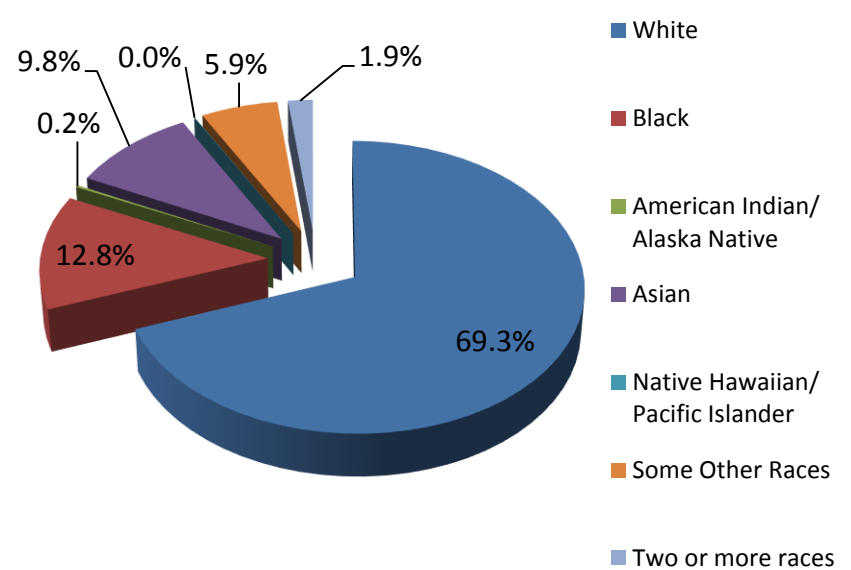


# NEW JERSEY RESIDENT BREAKDOWN BY RACE

## Financial Services Industry



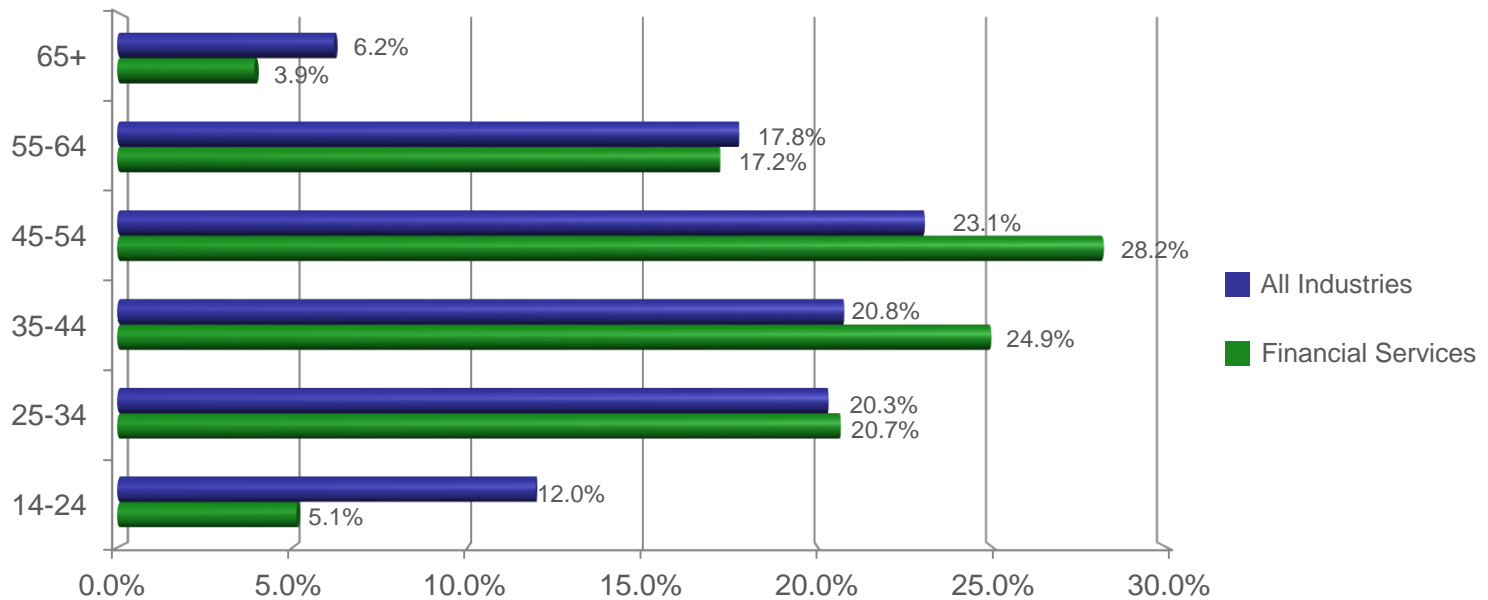
## All Private Industries



The races of Financial Services workers are fairly consistent with those of other industries.



# EMPLOYMENT PERCENTAGE BY AGE



Almost 74 percent of New Jersey's Financial Services Industry workers are distributed between 25 and 54 years of age.



# INDUSTRY AND OCCUPATIONAL PROJECTIONS 2014-2024



# INDUSTRY PROJECTIONS AND OUTLOOK

Long-term industry projections call for a 2.5 percent drop in financial services cluster employment to 187,350 workers by 2024 from its 2014 level (or -0.2% annually). This is consistent with the growing trend of banks paring employment due to industry consolidation as well as customer preferences for mobile services.

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. Over the past few years, some of those indicators have shown improvement as the economy continues to recover but overall still remains bearish.

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



# OCCUPATIONAL PROJECTIONS

According to industry and occupational projections, the top ten financial services industry cluster occupations in NJ (by 2015 employment) are expected to see an employment increase of 1.7 percent from 2014 to 2024 for a total of nearly 3,000 added jobs.

Of those top ten occupations, Customer Service Representatives jobs are projected to grow at the fastest rate (8.5%) over the ten year period, followed by First-Line Supervisors of Office and Administrative Support Workers which are projected to grow at a rate of 7.3 percent.

Due to current industry trends, automation and computerized trading, Teller jobs are expected to drop by more than twelve percent while Securities, Commodities, and Financial Services Sales Agents jobs decrease by nine percent between 2014 and 2024.

# NEW JERSEY DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

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## New Jersey Department of Labor & Workforce Development

<http://lwd.dol.state.nj.us/>

PO Box 057

Trenton, NJ 08625-0057

### Office of Research and Information

[http://lwd.dol.state.nj.us/labor/lpa/LMI\\_index.html](http://lwd.dol.state.nj.us/labor/lpa/LMI_index.html)

*Michael Valeriano – Labor Market Analyst*

Tel: (609)984-5952

Email: michael.valeriano@dol.nj.gov

