NJ Labor Market Views issue #30

ORI Office of Research & Information

NJ Financial Services Employment Remains Stable Despite Uncertainty

by Michael Valeriano, Bureau of Labor Market Information

Although New Jersey's financial services sector represents a relatively small segment of New Jersey's total private sector employment, the cluster represents a significant percentage of the state's Real Gross Domestic State Product due in part to a significant number of jobs that pay more on average than those in other industries. Competitive salaries also reflect the growing percentage of financial service jobs that involve information technology. While several large mergers and layoffs have raised questions about the industry's long-term outlook, other less publicized mergers and moves into the state have kept employment levels relatively stable in the sector.

The net result of the various positive and negative developments impacting financial services in general is that sector employment statewide has remained steady over the past several years. Since the end of the Great Recession (December 2007 – June 2009 according to the National Bureau of Economic Research) employment in the New Jersey financial services sector has averaged 198,400 jobs each year with less than one percent variation.

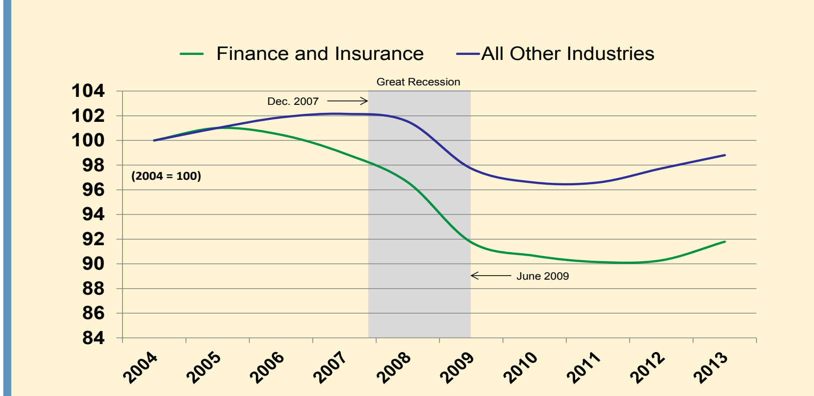
This stability is very evident in the statewide Current Employment Statistics annual average employment chart below. The chart shows annual average employment change for the finance and insurance industry sector versus the aggregate of all other private sector industries, indexed to 2004 for comparison.

Employment in the financial services sector stayed fairly stable over the last several years

Employment Shifts

The stability in New Jersey's financial and insurance employment takes place against a backdrop of larger financial institutions cutting overhead costs and paring employment worldwide. The eventual impact of these global cutbacks on New Jersey-based facilities and employees is not yet known. For now, uncertainty surrounds planned staff reductions by:

- **Barclays** (19,000 jobs over the next three years) which seeks to focus more on retail operations as its investment banking



Financial Services Employment vs. All Other NJ Industries: Annual Averages, Index = 2004

Source: Current Employment Statistics
Prepared by New Jersey Department of Labor & Workforce Development – June, 2014

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revenue declines amid investor uncertainty and tough post-crisis regulation.

- **Royal Bank of Scotland (RBS)** (30,000 jobs, including 18,000 in the United States) as emphasis shifts from investment banking to its domestic retail and commercial business.
- **Bank of America** 30,000 retail and support positions companywide over the past year, including 469 workers at its Newark (Essex County) location.
- **HSBC** (another 14,000 jobs worldwide, on top of 50,000 cut since 2011) It remains unclear how many of the firm's employees in New Jersey would be effected.

Other 2013 transactions impacting finance and insurance jobs in New Jersey include **MetLife** shuttering its Somerset (Somerset County) office to move jobs to North Carolina — and **M&T Bank's** takeover of **Hudson City Savings Bank** (resulting in 384 layoffs).

Despite these layoff announcements, there has been positive news regarding finance and insurance employment in the past year as well.

Perhaps the most notable gain took place when nearly 2,000 positions with the **Depository Trust and Clearing Corporation (DTCC)** moved from lower Manhattan to Jersey City (Hudson County) in the wake of Superstorm Sandy. The DTCC had already expected to move a large portion of their workforce across the river from Manhattan — but flooding in their New York offices due to the hurricane expedited the process, causing a spike in New Jersey's Current Employment Statistics employment recorded at the end of 2012. Additional job growth will come as **JP Morgan** expands its regional technology and operations hub in Jersey City. With the New Jersey Economic Development Authority approving a 10-year, $22.4 million per year Grow New Jersey award, the state has worked to retain the firm's 2,612 employees — with the potential of creating another 1,000 new jobs at the site.

Royal Bank of Canada also has been approved for a ten-year Grow New Jersey award of $7.8 million annually to renovate and occupy space in Jersey City's Goldman Sachs Tower. That move is expected to bring 900 new finance industry jobs across the river from New York as a result of lease expirations in Lower Manhattan.

The most notable gain to occur in the past year and a half took place when nearly 2,000 positions with the Depository Trust and Clearing Corporation (DTCC) moved from lower Manhattan to Jersey City (Hudson County) in the wake of Superstorm Sandy

Bank Mergers and Acquisitions

Bank mergers and acquisitions have become commonplace in the state, with several taking place within the last year. The new banking environment is making it more difficult for smaller banks to compete. With more stringent and complex regulations put in place since the Great Recession and fewer ways to generate revenues because of weak loan demand and low interest rates, several community banks have found it more efficient to merge with larger, more streamlined banks that are already equipped with adequate legal and compliance staff.

The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law in response to the financial crisis of 2007 - 2009 as a means of adopting federal regulations that would help guard against a similar recession. Along with greater financial regulations comes a need to employ legal counsel in order to assure compliance. Many community banks simply can't afford to hire high-priced labor in a time of shrinking revenues and cost cutting.

One example of how Dodd-Frank regulations are affecting community banks took place in Central New Jersey where **Roma Bank**, headquartered in Robbinsville, Mercer County, merged with the larger **Investors Bank** of Short Hills (Essex County). Roma had 26 branches and over 300 full-time employees, approximately 50 of which did not join the new bank due to overlapping positions in the merged bank. The deal was approved and completed in December 2013.

Investors Bank also continued its push towards the southern region of the state and the Greater Philadelphia area by acquiring **Gateway Community Financial Corporation**, a four-branch community bank in Gloucester County. The deal that was announced in early April, 2013 was approved by the Federal Reserve Board just weeks after the Roma deal closed.

On a larger scale, M&T Bank (based in Buffalo, NY) announced in August, 2012 that it would acquire Hudson City Bancorp, headquartered in Paramus, Bergen County. The deal has been delayed twice, however, with a new deadline of December 31, 2014 now set. The delays are the result of the Federal Reserve Board's orders for M&T to bolster certain policies and procedures before completing the transaction.

The acquisition of Hudson City Bancorp could have the largest impact of the mergers on financial services employment in the state with as many as 384 layoffs planned. The layoffs are expected to reduce job function redundancies in the merged bank. The positions consist of back office jobs such as accounting and human resources but the bank would retain all of its "customer-facing" employees, according to company officials. M&T also intends to hire 175 additional bankers in the state over the next few years. Of Hudson City's 135 total branches, 95 are in New Jersey.

Driven by the demand for more and faster information, the financial services industry is seeing its workforce change from employees with traditional banking skills such as cash handling, risk management and financial analysis to information technology or IT-based occupations

In January, 2014, Englewood-based, (Bergen County) **ConnectOne Bancorp Inc.** and Union Township-based, (Union County) **Center Bancorp Inc.** agreed to join one another in a deal that would create the fourth largest bank headquartered in New Jersey. The joint entity would have 24 branches throughout the northern half of the state. The merger is focused on growth and is expected to result in little, or no, reduction in employment between the two banks.

Other mergers in the last year and a half included TF Financial of Newtown, PA acquiring **Roebling Bank** of Florence, Burlington County, and **Haven Savings Bank** of Hoboken, Hudson County acquiring **Hilltop Community Bank** of Summit in Union County. Also, Fairfield (Essex County)-based **Kearny Financial Corp** agreed in February, 2014 to acquire Atlas Bank, a small Brooklyn, NY-based bank in an attempt to expand its commercial lending business in New York City.

Technology in Finance

As technology has advanced over the years, the financial landscape has evolved with it. From the electronic transfers and ATMs of decades ago to the algorithmic trading, electronic brokerage, internet and mobile banking of today, technology has affected the financial services industry as much, or more, than most others.

Driven by the demand for more and faster information, the financial services industry is seeing its workforce change from employees with traditional banking skills such as cash handling, risk management and financial analysis to information technology or IT-based occupations.

The New Jersey Department of Labor and Workforce Development — through its agreement with Burning Glass Technologies — is able to provide labor market information aggregated from online employer job listings during a given time period. This data provides valuable insight regarding current employer demand for characteristics such as skills and educational requirements. Note that this data is not meant to represent all available employment opportunities, but rather should be viewed in terms of analysis of labor market demand.

In a study of online job listings in New Jersey over a sixty day period (April 11, 2014 – June 9, 2014):

- 12 of New Jersey's top 50 listings for jobs in finance are technology-related occupations such as software developers, computer systems analysts, database administrators, IT project managers, computer systems engineers, etc.
- 14 of the top 75 skills in demand for finance job listings are technology related skills such as SQL (Structured Query Language), Java, Oracle, SDLC (Systems Development Life Cycle), UNIX, LINUX, etc.

There is much debate about how technology has affected financial markets. By some estimates, algorithmic trading (computer-aided high-frequency trading) accounts for more than 70 percent of the total trading volume for stocks and commodities. Millions of contracts can be bought and sold in fractions of seconds with no human interaction at all. Some argue that these transactions are taking a toll on investor confidence, while proponents say the new method of trading adds liquidity to the markets. One thing is certain: the logistics and fundamentals of the marketplace have changed.

Twelve of New Jersey's top 50 listings for jobs in finance are technology-related occupations

From an employment standpoint, the financial services industry is changing in order to adapt. Banker, trader and broker positions are being replaced by computers — and the people that program them and administer the systems. Internet and mobile banking is also changing the appearance of banks. Today, it could be argued that demand is higher for workers with technology degrees and computer programming skills rather than those with business and economic backgrounds.

For information regarding NJ Labor Market Views please contact JoAnne Caramelo by phone at (609)292-2582 or by email at joanne.caramelo@dol.state.nj.us. To subscribe, email njsdc@dol.state.nj.us with Labor Market Views in the subject line.