

# ***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**  
LABOR AND WORKFORCE DEVELOPMENT  
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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

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# 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

# RECENT DEVELOPMENTS

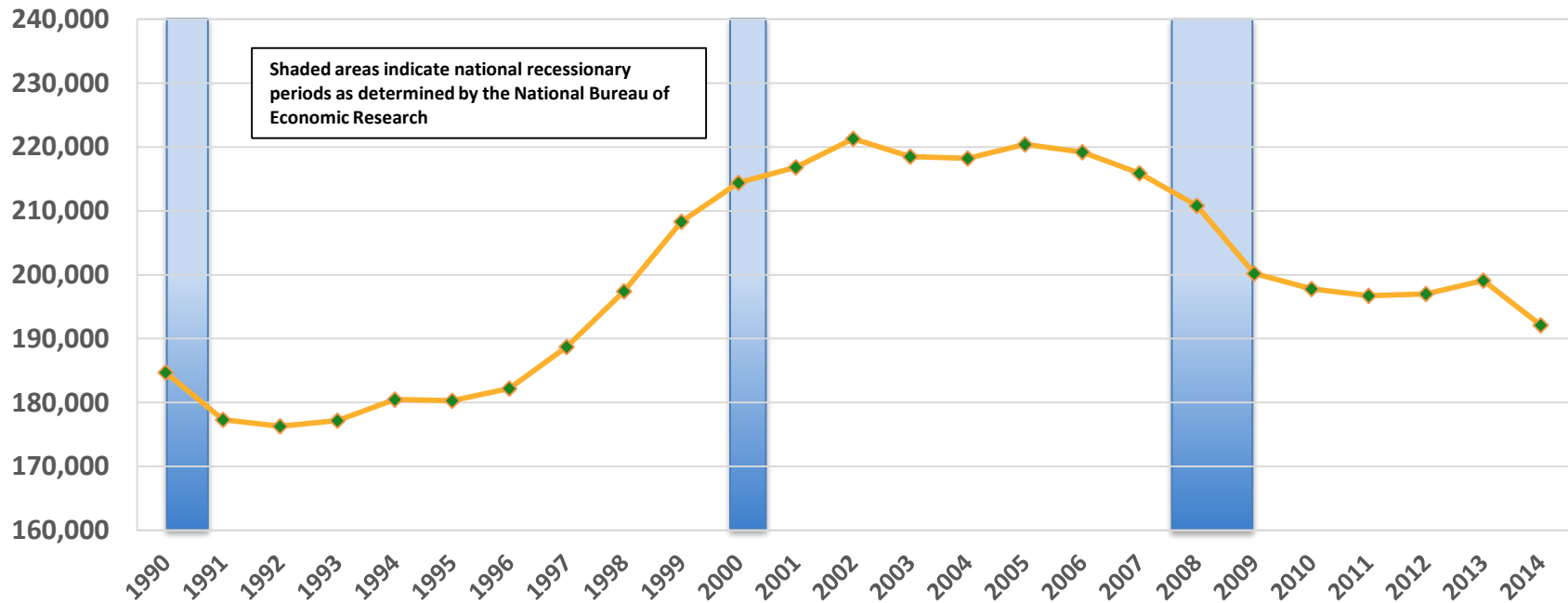
- In spite of a global job cut trend by major financial institutions in recent years, New Jersey is doing its part to maintain its finance industry employment. Persuaded by tax incentives of \$188 million over 10 years, JP Morgan Chase decided to move 2,150 of its Manhattan jobs into their existing Jersey City location. The decision comes not long after a prior tax break that provided the financial giant an opportunity to retain 2,600 Jersey City jobs and add 1,000 more in an effort to create a technology and operations hub.
- Following multiple regulatory delays, M&T Bank finally completed acquisition of Hudson City Savings Bank on November, 1, 2015. In the wake of the transaction, 366 former Hudson City employees will be losing their jobs beginning in January, 2016. The loss is centered around overlapping positions at the bank's Paramus headquarters in Bergen County.



# INDUSTRY DATA



# 1990-2014 ANNUAL AVERAGE EMPLOYMENT CURRENT EMPLOYMENT STATISTICS DATA

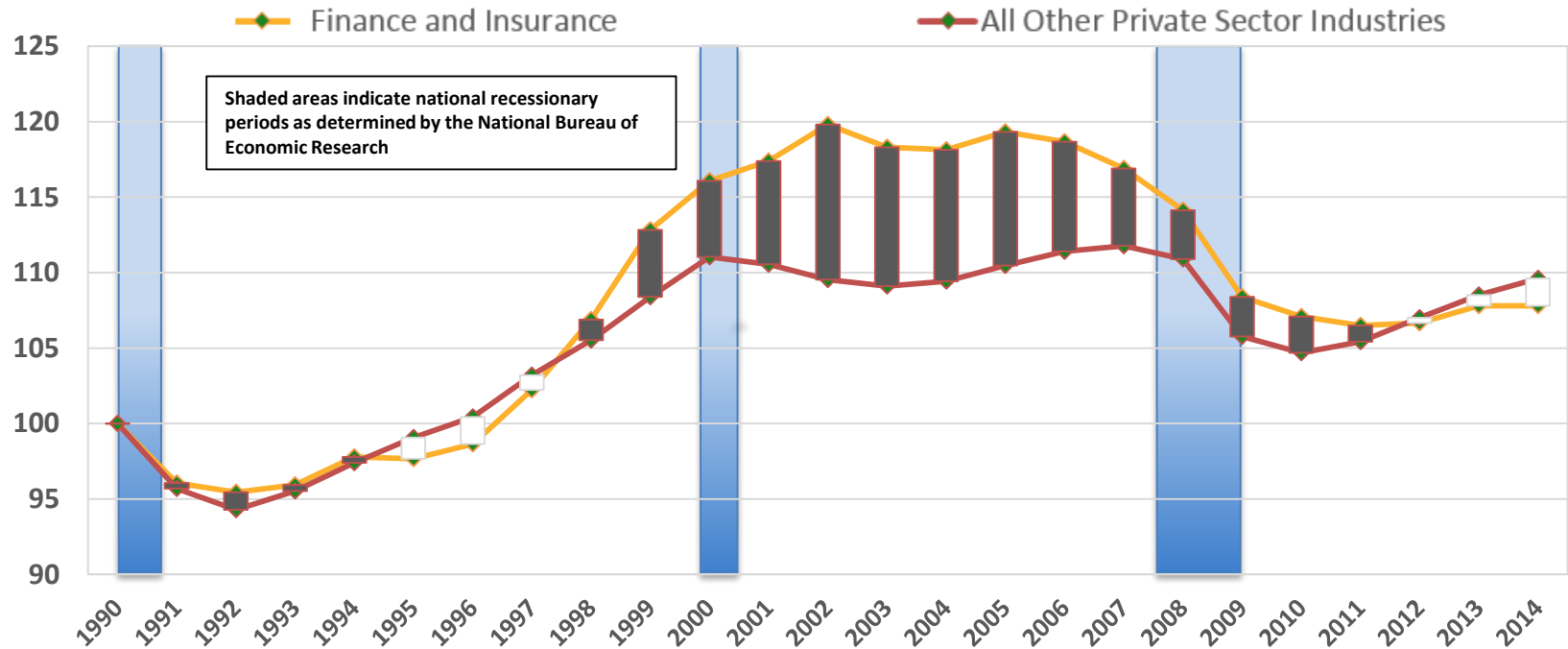


Regardless of three recessions during the 1990 to 2014 period, New Jersey's financial services industry sector still achieved a net accumulation of jobs (approximately 7,400).





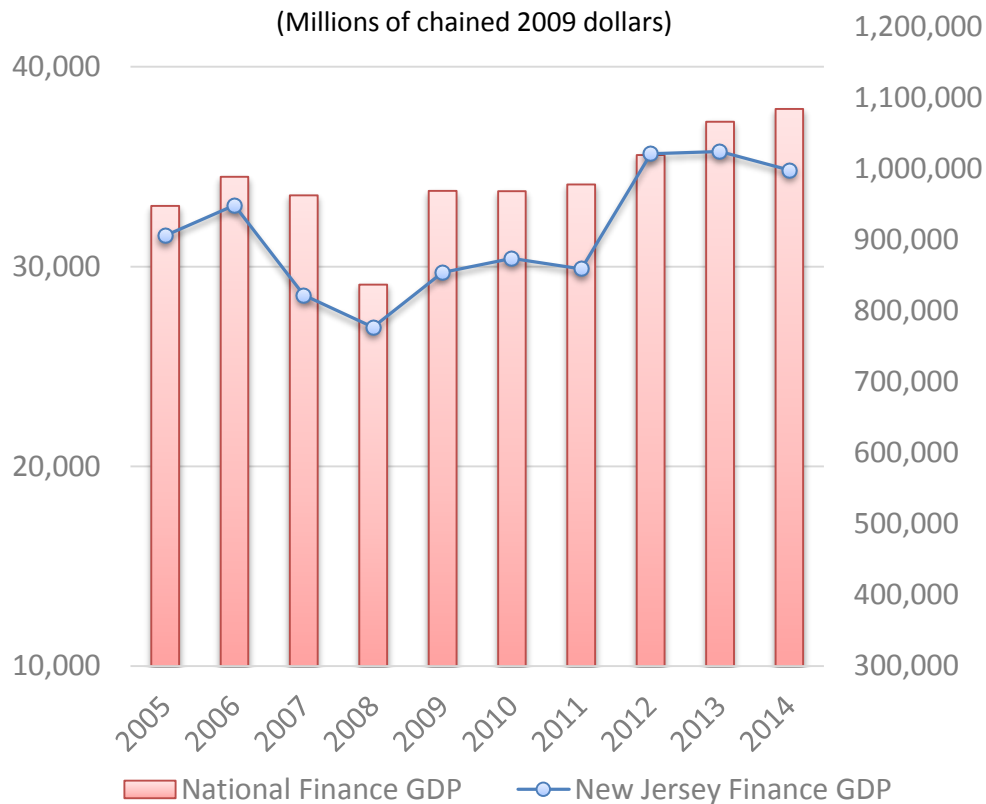
# FINANCIAL SERVICES EMPLOYMENT VS. ALL OTHER NEW JERSEY PRIVATE SECTOR INDUSTRIES



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.



# GROSS DOMESTIC PRODUCT



## Gross Domestic Product of the Financial Services Sector

According to the U.S. Bureau of Economic Analysis, in 2014, financial services organizations conducted transactions that equated to almost \$1.1 trillion (or 7.8 percent of the nation's total Gross Domestic Product).

In New Jersey alone, the financial services industry contributed almost \$35 billion. Even with a relatively small share of total employment, New Jersey's financial services cluster accounts for almost eight percent of gross state product.

Regarding financial services alone, New Jersey accounts for about 3.2 percent of the entire nation's GDP for this cluster.



# INDUSTRY CLUSTER FAST FACTS

- In 2014, New Jersey's financial services cluster employed almost 175,000 workers, accounting for 5.3 percent of all jobs in the state.
- From 2009 to 2014, New Jersey's financial services cluster saw an employment decline of over 15,000 jobs (an eight 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 77.3 percent of New Jersey's financial services employment in 2014.
- The average annual wage for workers in the financial services cluster increased 19.2 percent to just over \$116,000 between 2009 and 2014.
- The 31 highest paying occupations in the cluster each earns a mean annual wage of more than \$100,000 and account for almost 51,000 workers or 29.1 percent of finance and insurance employment.

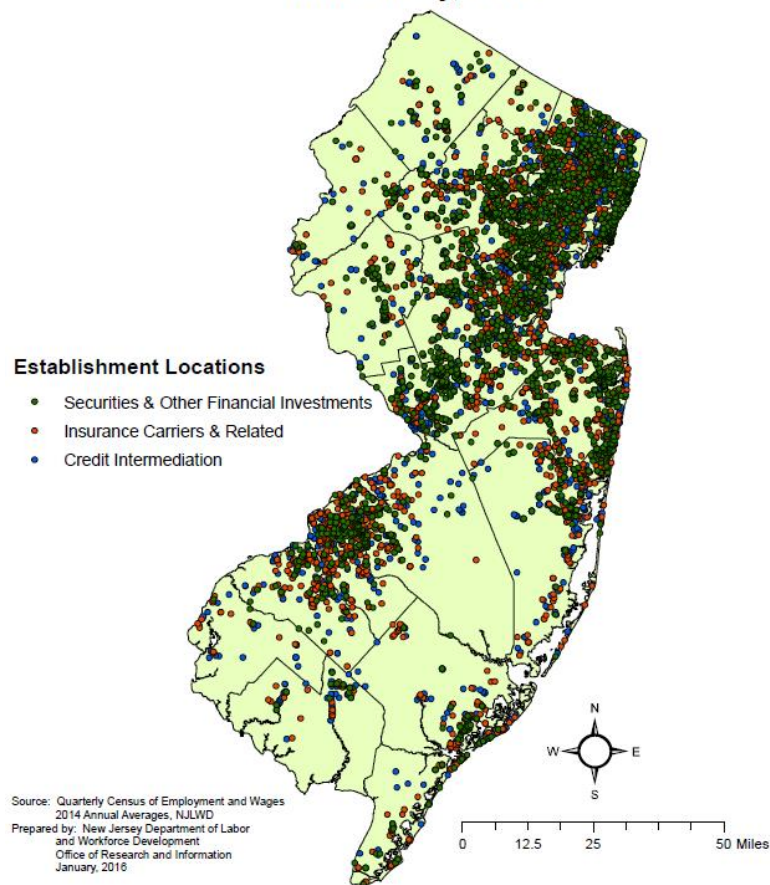
# ESTABLISHMENTS

## Finance and Insurance Establishments Across the State

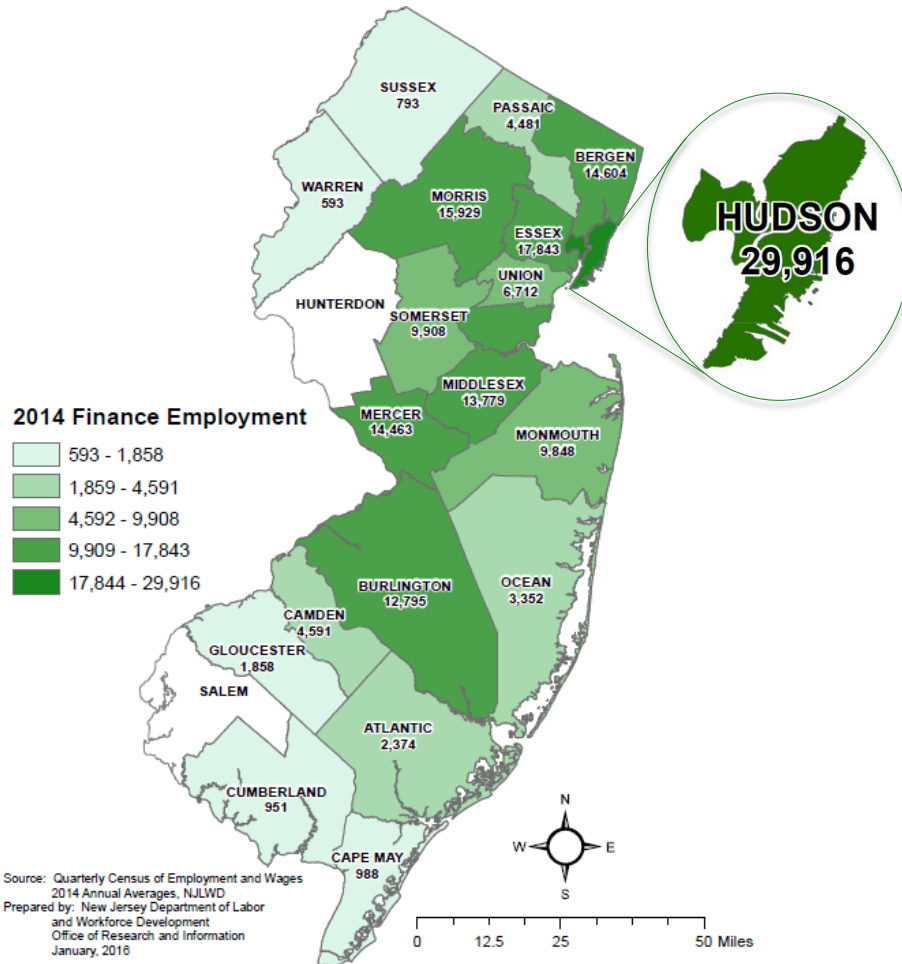
As illustrated, the majority of New Jersey's financial services establishments are located near Manhattan and Philadelphia. This is a classic example of economies of agglomeration; the economic concept used to describe the benefits that firms gain from locating near one another. Even within industry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

Nearly 45 percent of the industry cluster's establishments are in the six northeastern counties (Bergen, Hudson, Passaic, Morris, Essex and Union).

## Establishment Locations by Financial Subsector New Jersey, 2014



# FINANCIAL SERVICES EMPLOYMENT BY COUNTY



## Finance and Insurance Employment by County

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 nearly 30,000 industry jobs, Hudson County accounts for more than 17 percent of New Jersey's cluster employment due to its proximity to Manhattan, one of the largest financial centers in the world.

Almost 45 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

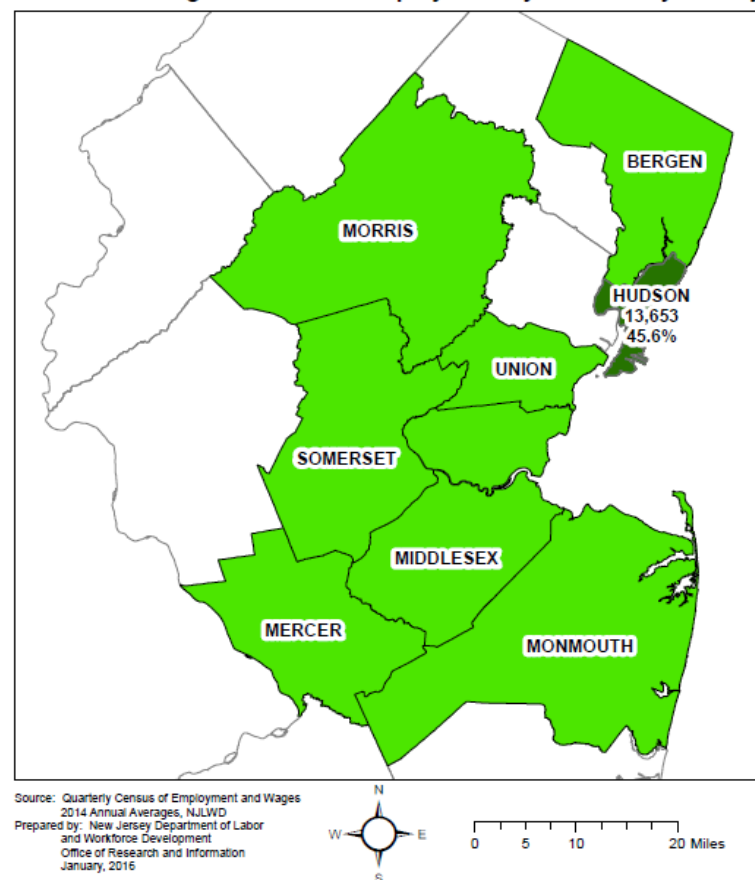
## Securities, Commodity Contracts, and Other Financial Investments and Related Activities

Hudson County is home to the highest concentration of workers statewide employed in the Securities, Commodities, and Other Financial Investments component. More than 45 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. The investment subsector component composes approximately 41 percent of the county's finance employment concentration as a result of several large investment banks, trading firms and hedge funds residing in the Princeton area, a convenient location along the Northeast Corridor and centered between Philadelphia and Manhattan.

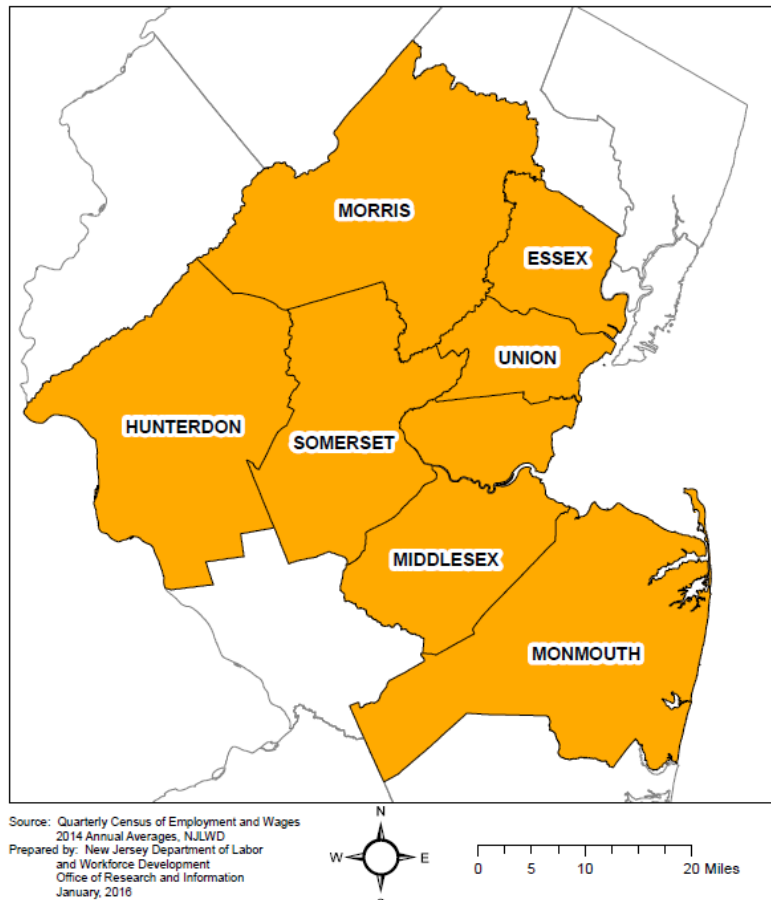
The shaded counties shown on the map represent eight of the top nine counties in the state with the highest concentration of employment for this specific component.

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



# EMPLOYMENT CONCENTRATION BY COMPONENT

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



## 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 in the insurance carriers and related activities component are located in the north-central part of the state.



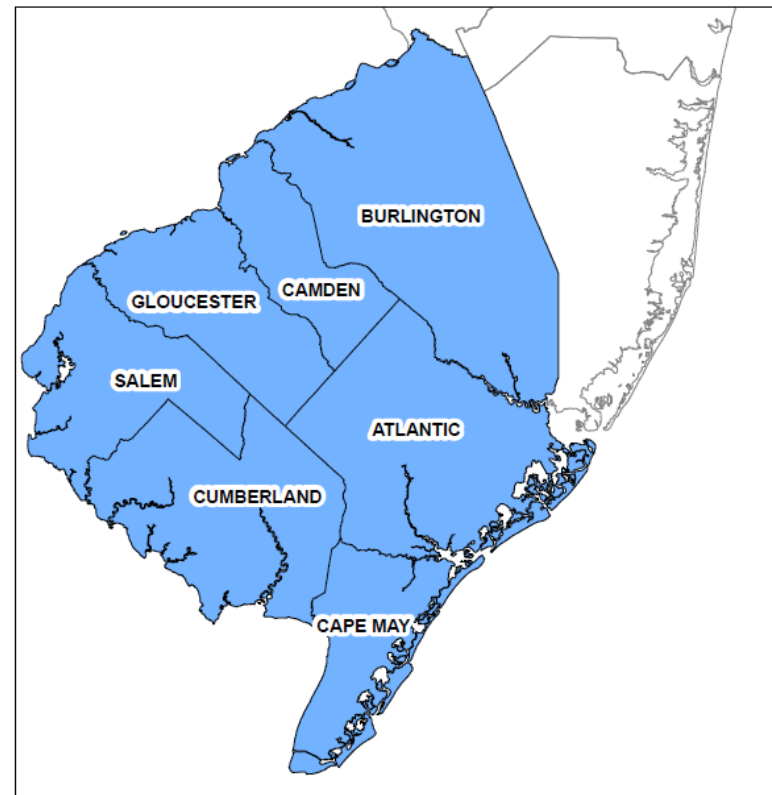


# EMPLOYMENT CONCENTRATION BY COMPONENT

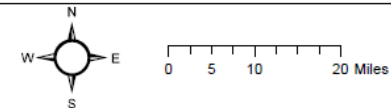
## Credit Intermediation and Related Activities

The Credit Intermediation component accounts for the largest percentage of financial services employment in all seven Southern New Jersey counties, mostly in the form of bank branches.

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



Source: Quarterly Census of Employment and Wages  
2014 Annual Averages, NJLWD  
Prepared by: New Jersey Department of Labor  
and Workforce Development  
Office of Research and Information  
January, 2016





# EMPLOYMENT BY REGION: 2014

Area	Region	Establishments	Annual Averages		Total Wages	Employment %
			Employment	Wages		
<b>New Jersey</b>		<b>11,546</b>	<b>174,636</b>	<b>\$116,107</b>	<b>\$20,276,411,390</b>	
<b>Northern Region</b>		<b>6,046</b>	<b>103,683</b>	<b>\$128,542</b>	<b>\$13,327,632,530</b>	<b>59.4%</b>
Hudson	North	641	29,916	\$159,233	\$4,763,618,167	
Essex	North	862	17,843	\$131,179	\$2,340,630,871	
Morris	North	1,003	15,929	\$127,755	\$2,035,059,344	
Bergen	North	1,532	14,604	\$102,896	\$1,502,704,166	
Somerset	North	497	9,908	\$130,406	\$1,292,009,739	
Union	North	643	6,712	\$98,824	\$663,313,133	
Passaic	North	454	4,481	\$72,013	\$322,714,059	
Sussex	North	120	793	\$60,962	\$48,347,879	
Hunterdon	North	ND	ND	ND	ND	
Warren	North	ND	ND	ND	ND	
<b>Central Region</b>		<b>2,952</b>	<b>41,442</b>	<b>\$103,574</b>	<b>\$4,292,313,490</b>	<b>23.7%</b>
Mercer	Central	606	14,463	\$100,900	\$1,459,269,193	
Middlesex	Central	875	13,779	\$120,423	\$1,659,331,730	
Monmouth	Central	1,021	9,848	\$99,289	\$977,826,445	
Ocean	Central	450	3,352	\$58,434	\$195,886,122	
<b>Southern Region</b>		<b>1,786</b>	<b>23,997</b>	<b>\$75,940</b>	<b>\$1,822,330,014</b>	<b>13.7%</b>
Burlington	South	576	12,795	\$84,710	\$1,083,867,249	
Camden	South	490	4,591	\$77,687	\$356,654,600	
Atlantic	South	226	2,374	\$66,405	\$157,656,337	
Gloucester	South	224	1,858	\$51,556	\$95,804,782	
Cape May	South	115	988	\$56,580	\$55,910,071	
Cumberland	South	ND	ND	ND	ND	
Salem	South	ND	ND	ND	ND	
<b>Undistributed</b>		<b>763</b>	<b>5,513</b>	<b>\$151,296</b>	<b>\$834,135,356</b>	<b>3.2%</b>



# SUBSECTOR BREAKDOWN

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

NAICS	Description	2014 Annual Averages		
		Establishments	Employment	Wages
521	Monetary Authorities - Central Bank	ND	ND	ND
522	Credit Intermediation and Related Activities	4,592	64,839	\$81,843
523	Securities, Commodities, and Other Financial Investments and Related Activities	2,960	39,309	\$178,924
524	Insurance Carriers and Related Activities	3,945	70,205	\$112,135
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 77.3 percent of New Jersey's financial services employment in 2014. When the Securities, Commodities, and Other Financial Investments and Related Activities subsector is added, the three components account for 99.8 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.



# 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 meant 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 2014 annual average wages for the subsector.
- The location of the bubble on the X-axis represents the location quotient of the subsector.



# LOCATION QUOTIENT

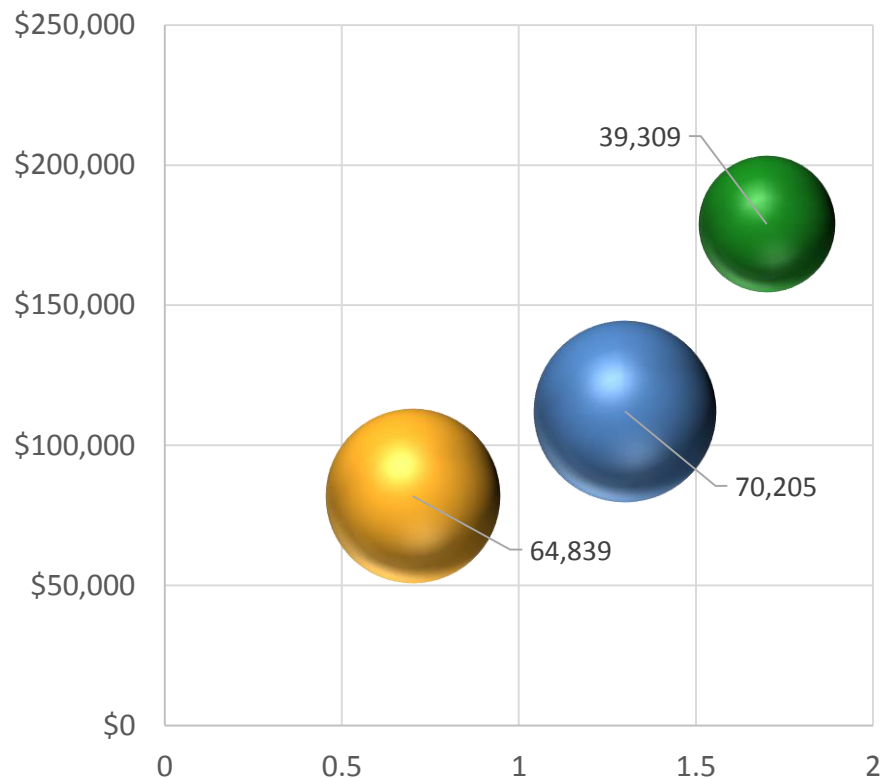
In this case, the location quotient compares the concentration of the industry subsectors in the state to those of the nation. Industries with a location quotient above 1 are known as “basic industries” which (in theory) export a good or service from the state and in return, bring in wealth.

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

**Insurance Carriers and Related  
Activities**

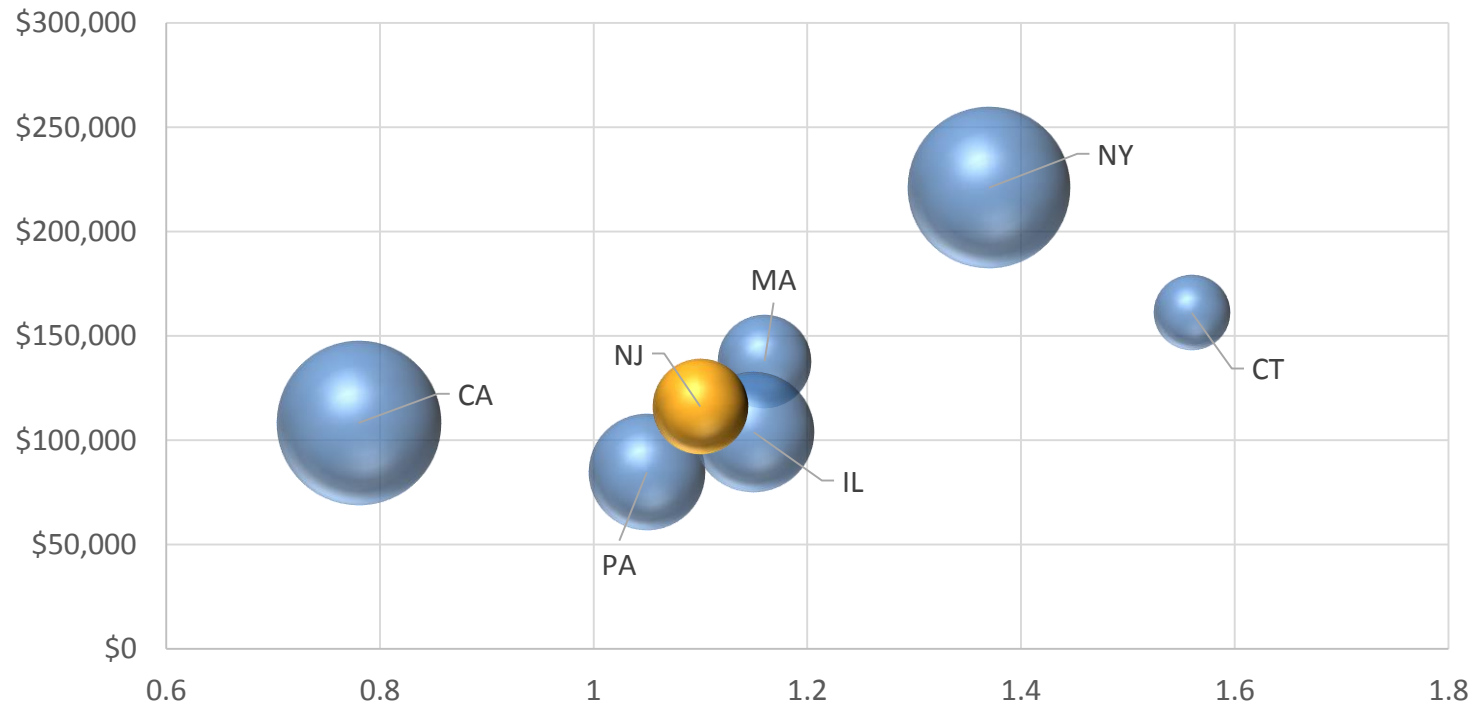
**Credit Intermediation and Related  
Activities**

**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

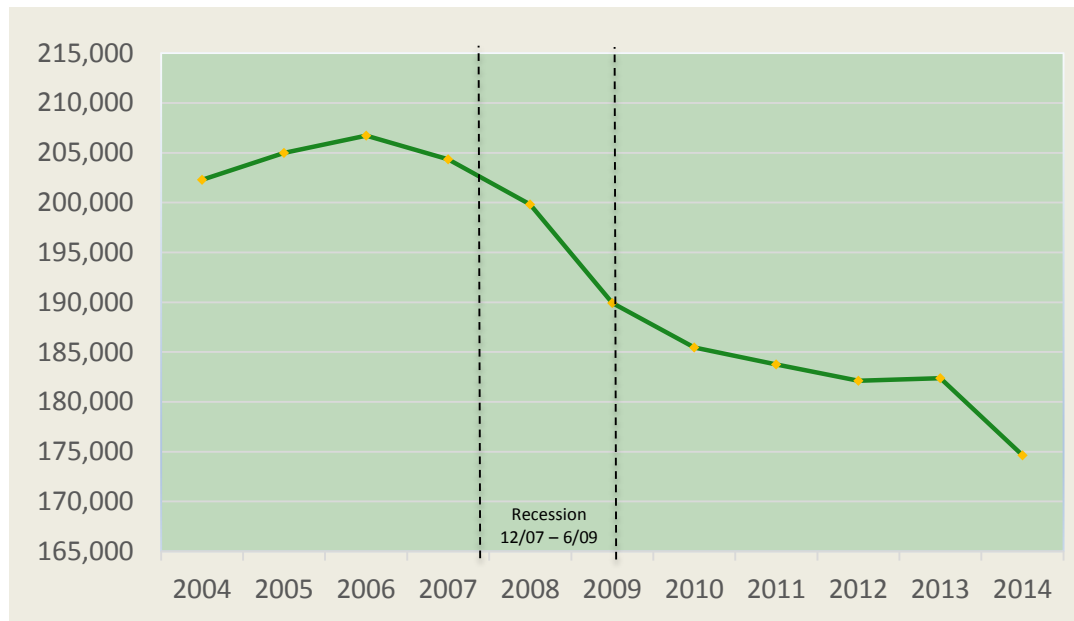
## New Jersey's location quotient vs. other relevant states.



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 2004-2014



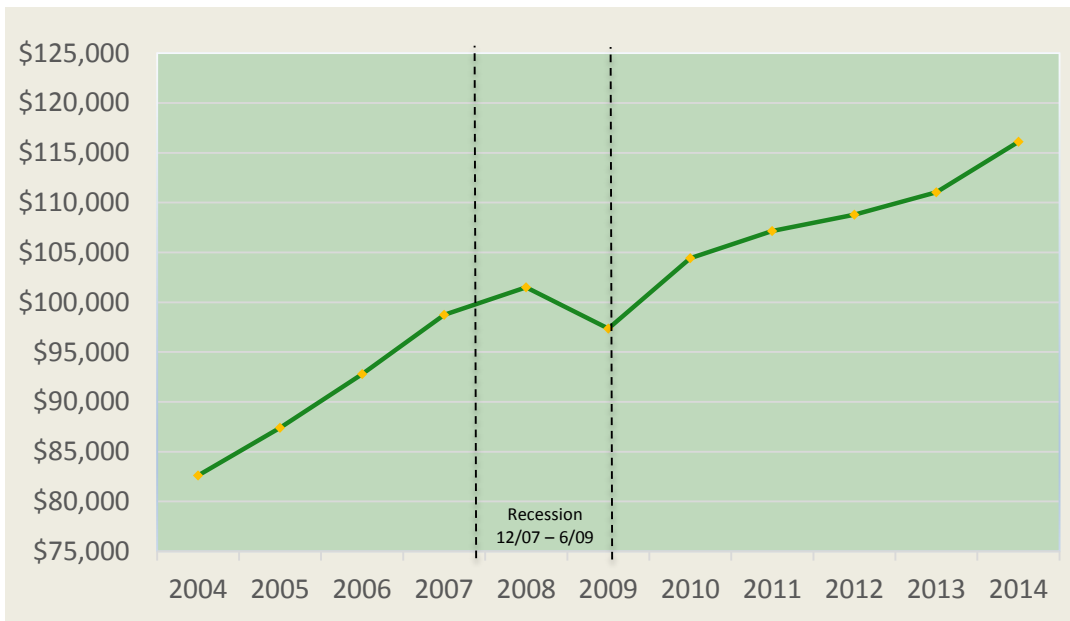
## Annual Average Employment

The financial services industry cluster showed a loss in employment even before the start of the most recent recession (December, 2007 – June, 2009) and had declined an average of 2.1 percent every year since until a very slight gain from 2012-2013 (+0.1%). However, the industry then declined another 4.3 percent from 2013-2014, almost as severe as the five percent drop from 2008-2009.

New Jersey's financial services sector employment experienced a total decline of 15.5 percent since its peak in 2006, compared to only a 6.2 percent decline in the sector at the national level which reflects the significance the industry cluster has on the state's inhabitants. There are currently about 174,650 financial services workers employed in New Jersey.



# INDUSTRY WAGES TREND 2004-2014



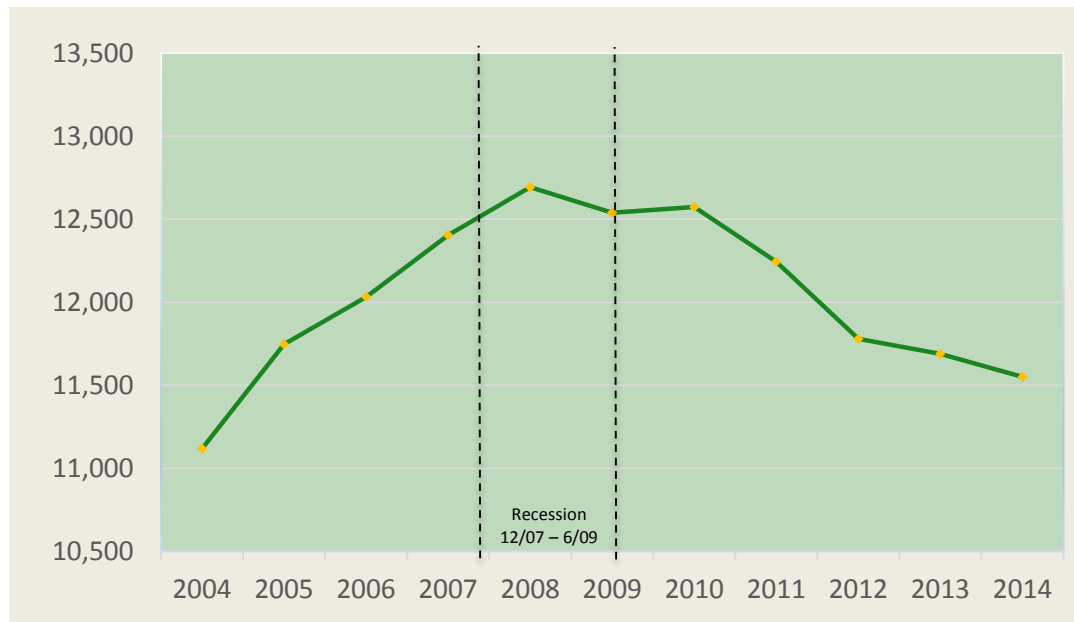
## Annual Average Wages

More than \$20.2 billion in total wages were paid by New Jersey's employers in the financial services cluster in 2014.

With an annual average wage of \$116,107, the state's financial services workers earned an average wage 19.2 percent higher than sector workers nationally, 93 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 (126.4 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 2004-2014



## Annual Average Establishments

Along with a decline in employment from 2009-2014 came a decline in New Jersey's industry establishment count of approximately the same rate. Financial services establishments have dropped 7.9 percent over the five year period. The multitude of mergers and acquisitions and 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



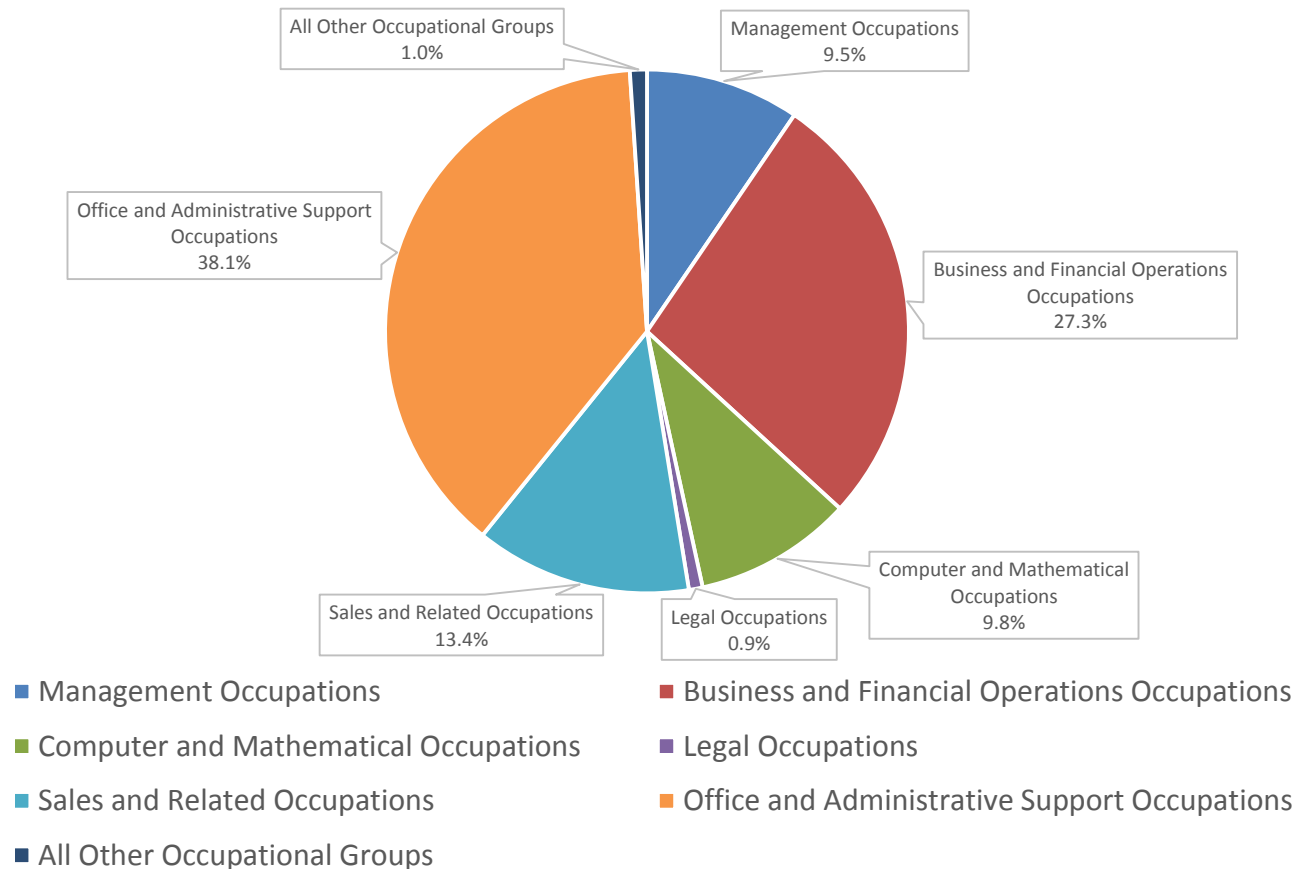
# EMPLOYMENT BY MAJOR OCCUPATIONAL GROUP

Occupational Group	Employment	% of Cluster
43 Office and Administrative Support Occupations	67,250	38.1%
13 Business and Financial Operations Occupations	48,130	27.3%
41 Sales and Related Occupations	23,570	13.4%
15 Computer and Mathematical Occupations	17,230	9.8%
11 Management Occupations	16,780	9.5%
23 Legal Occupations	1,500	0.9%
<i>All Other Occupational Groups</i>	<i>1,850</i>	<i>1.0%</i>
<b>Total (All Finance and Insurance Occupations)</b>	<b>176,410</b>	<b>100%</b>

Nearly 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

Tellers	15,990
Customer Service Representatives	11,370
First-Line Supervisors of Office and Administrative Support Workers	7,020

## Business and Financial Operations Occupations

Claims Adjusters, Examiners, and Investigators	9,440
Personal Financial Advisors	5,670
Loan Officers	5,120

## Sales and Related Occupations

Securities, Commodities, and Financial Services Sales Agents	9,860
Insurance Sales Agents	9,270
First-Line Supervisors/Managers of Non-Retail Sales Workers	1,960

## Management Occupations

Financial Managers	6,370
General and Operations Managers	2,850
Computer and Information Systems Managers	2,270

## Computer and Mathematical Occupations

Software Developers, Applications	4,500
Computer Systems Analysts	3,510
Computer Programmers	1,230

## Legal Occupations

Lawyers	900
Paralegals and Legal Assistants	340
Title Examiners, Abstractors, and Searchers	220

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.



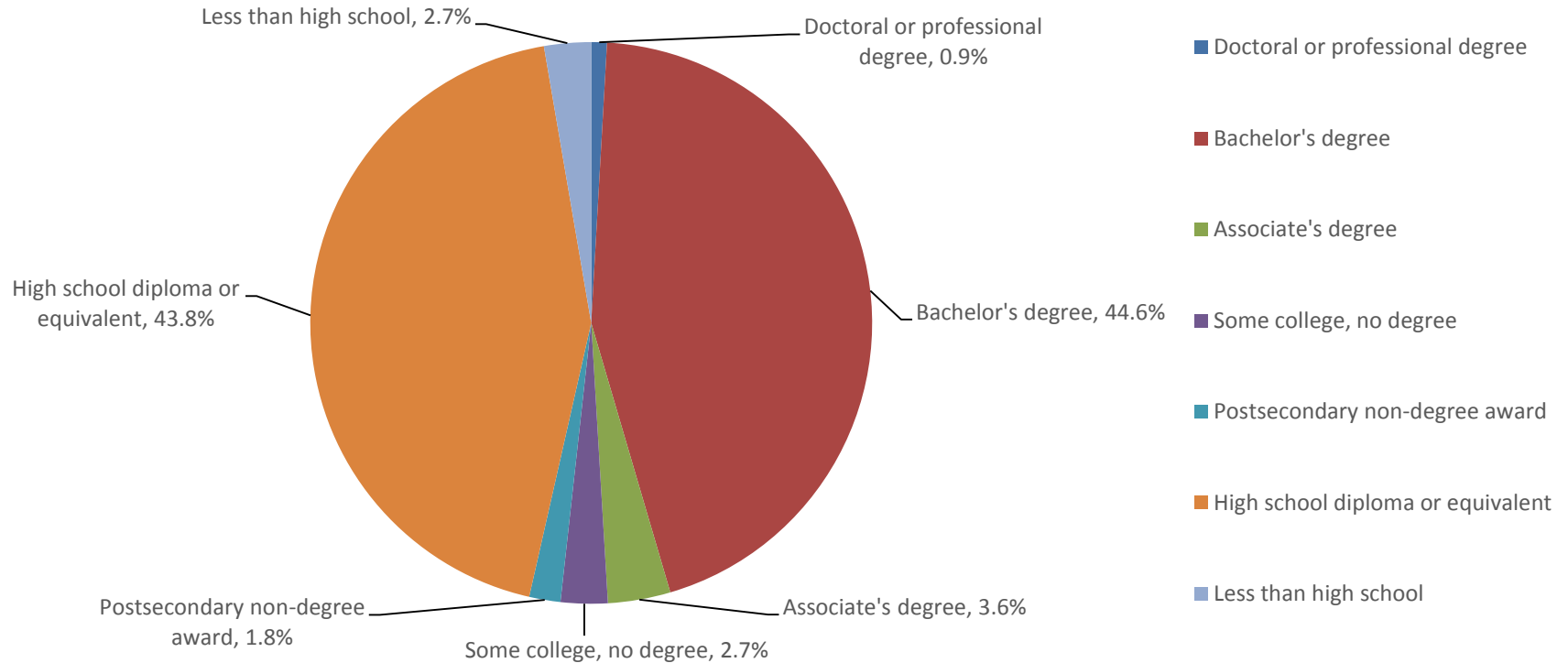
# EDUCATION REQUIREMENTS OF THE TOP 12 FINANCIAL SERVICES OCCUPATIONS BY EMPLOYMENT

There are well over 100 different occupations identified in New Jersey's financial services cluster. The top 12 occupations in the cluster account for almost 95,000 jobs, or more than half of the state's financial services employment.

Occupation	Employment	Annual Avg. Wages	Education Requirements
Tellers	15,990	\$28,447	High school diploma or equivalent
Customer Service Representatives	11,370	\$38,700	High school diploma or equivalent
Securities, Commodities, and Financial Services Sales Agents	9,680	\$101,521	Bachelor's degree
Claims Adjusters, Examiners, and Investigators	9,440	\$70,492	High school diploma or equivalent
Insurance Sales Agents	9,270	\$72,859	High school diploma or equivalent
First-Line Supervisors of Office and Administrative Support Workers	7,020	\$68,130	High school diploma or equivalent
Financial Managers	6,370	\$145,506	Bachelor's degree
Insurance Claims and Policy Processing Clerks	5,810	\$42,275	High school diploma or equivalent
Personal Financial Advisors	5,670	\$113,350	Bachelor's degree
Loan Officers	5,120	\$83,683	High school diploma or equivalent
Software Developers, Applications	4,500	\$107,283	Bachelor's degree
Financial Analysts	4,400	\$102,368	Bachelor's degree



# EDUCATION REQUIREMENTS OF FINANCIAL SERVICES CLUSTER OCCUPATIONS

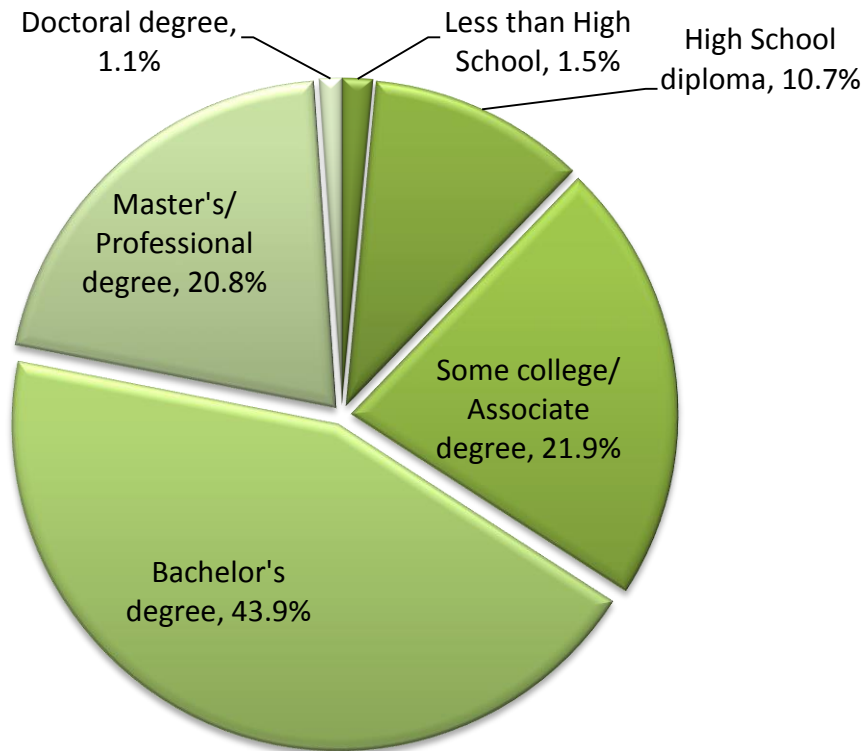


Some occupations have further requirements such as licenses that must also be obtained. For example:

- 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 2014 American Community Survey data shows that, in actuality, 65.8 percent of New Jersey's financial services resident workforce has a bachelor's degree or higher.

New Jersey ranks sixth in the nation with 37.4 percent of people 25 years and over who have completed a bachelor's degree... and eighth in the nation with 14.3 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.



# TOTAL CERTIFICATES AND DEGREES AWARDED BY NEW JERSEY INSTITUTIONS

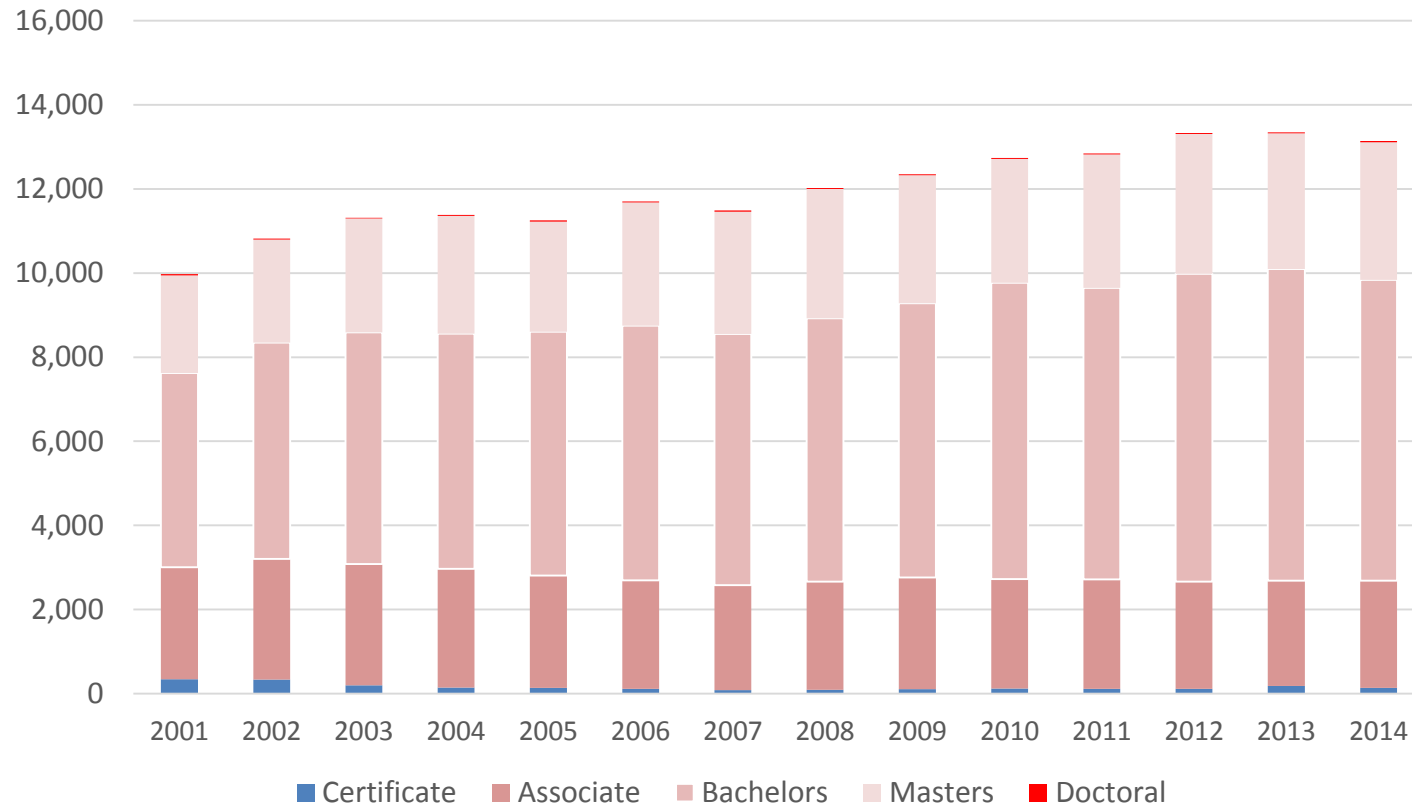


The total number of degrees and certificates awarded to all majors continues to trend higher over time. The outright number of business degrees has increased as well, however their percentage of the total has decreased from 19.4 percent in 2002 to 15.3 percent in 2014.



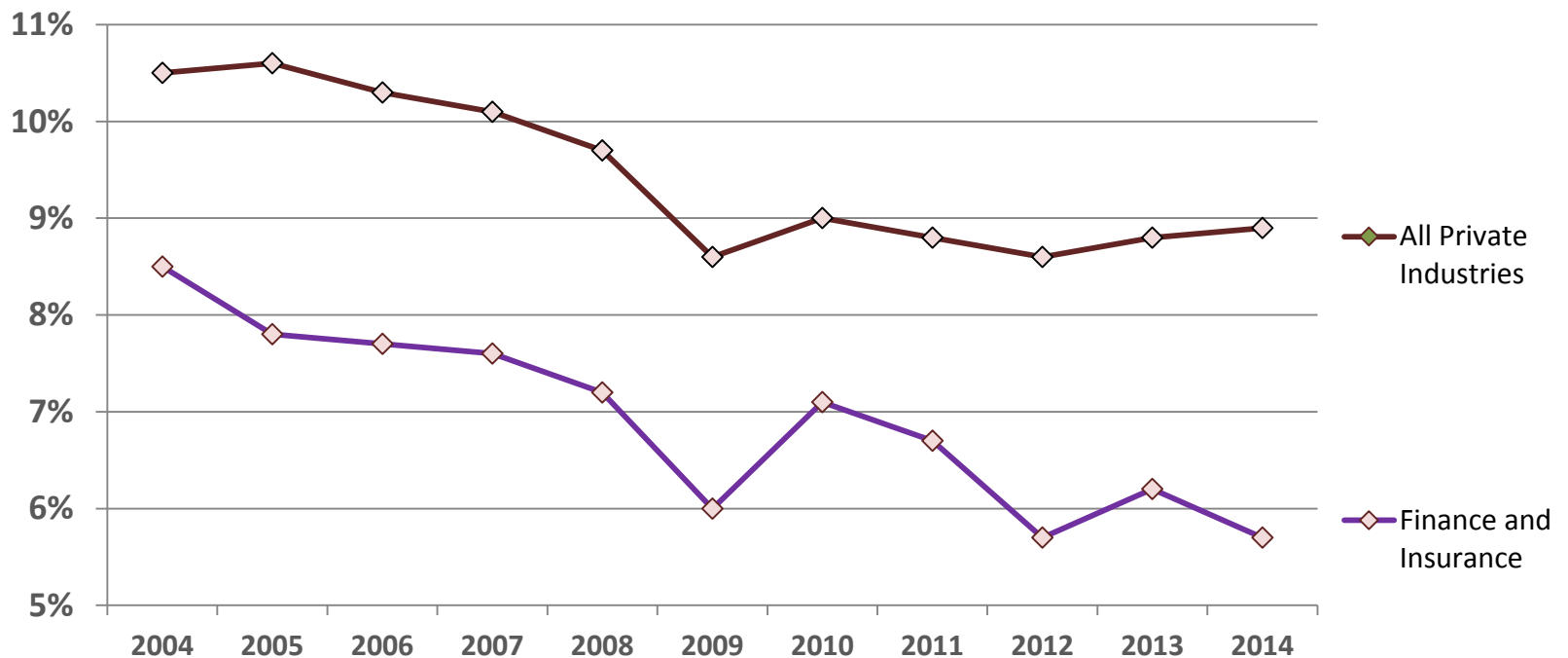


# BREAKDOWN OF DEGREES AWARDED IN BUSINESS MAJORS



# EMPLOYMENT TURNOVER RATE

## Finance vs. All Private Industries

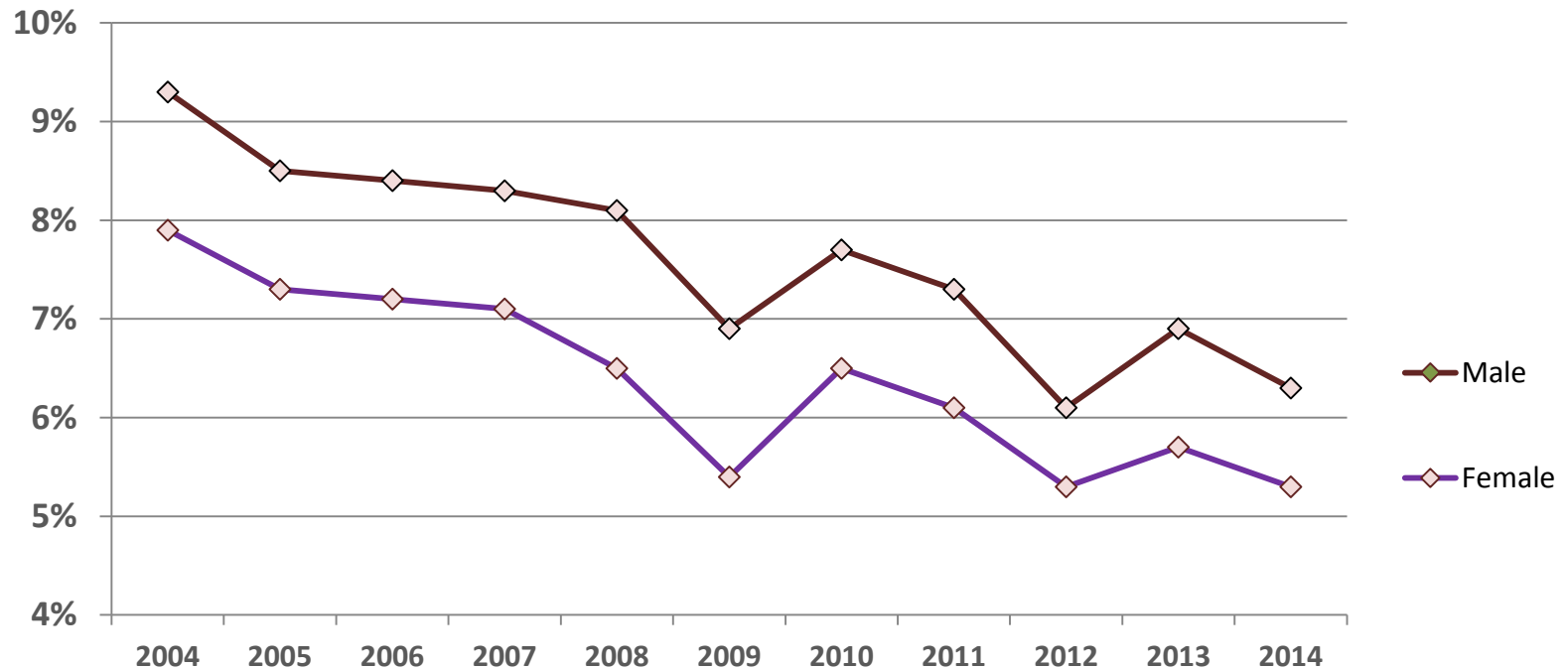


Historically, the financial services industry cluster has enjoyed a significantly lower turnover rate than most industry clusters. Higher average pay could certainly be a top contributing factor.

Note: 2004-2013 uses average of Q4 + 3 prior quarters (Private Ownership). 2014 data uses average of Q3 (most recent data) + 3 prior quarters.



# FINANCE EMPLOYMENT TURNOVER BY GENDER

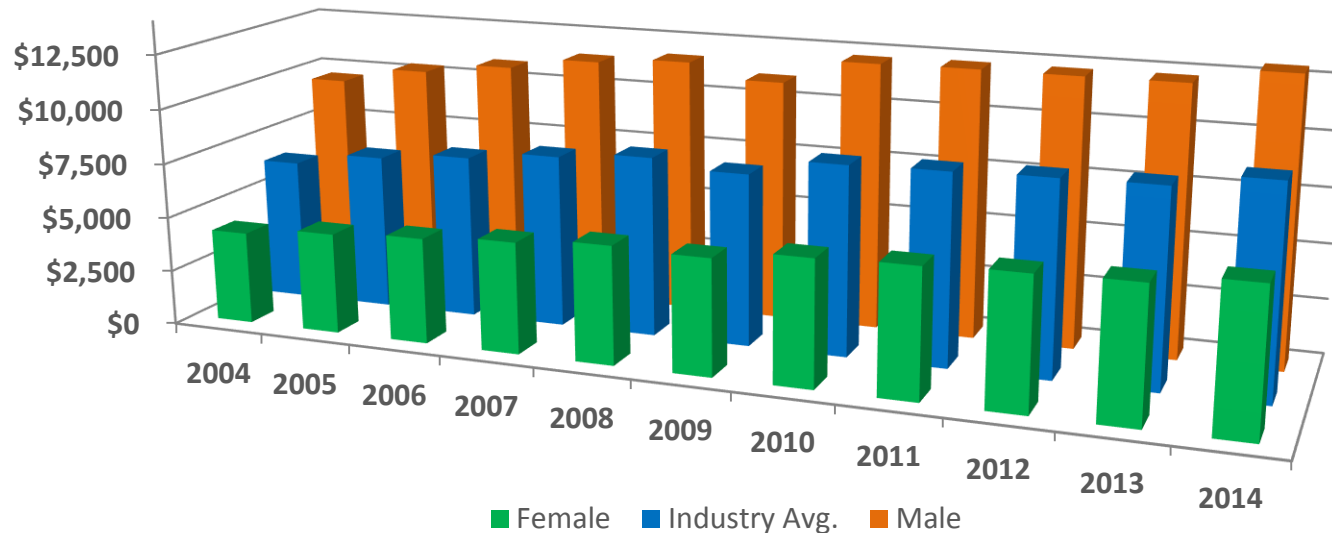


The latest available Quarterly Workforce Indicator data shows the financial services cluster workforce is composed of approximately 46.5 percent male workers and 53.5 percent female workers. Males averaged a 1.2 percent higher turnover rate than female workers over the 2004 – 2014 period.

Note: 2004-2013 uses average of Q4 + 3 prior quarters (Private Ownership). 2014 data uses average of Q3 (most recent data) + 3 prior quarters.



# AVERAGE MONTHLY EARNINGS BY GENDER



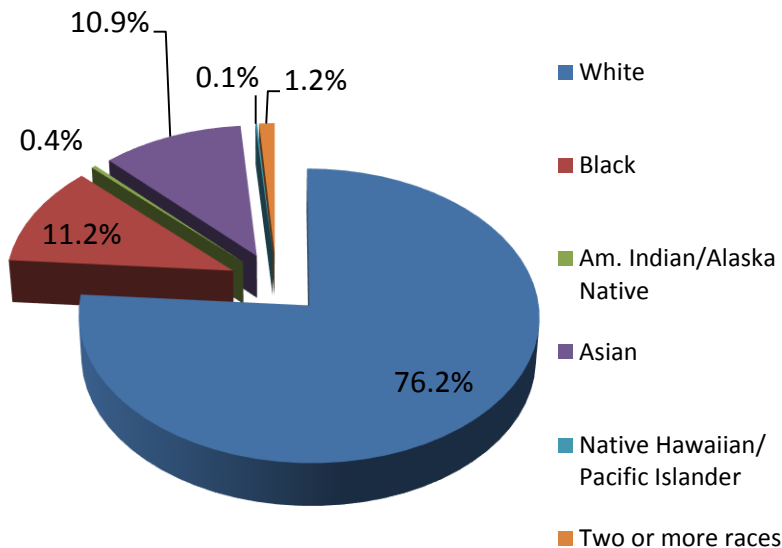
Over the 2004 – 2014 period, earnings of male financial services workers was more than double that of females. The most logical explanation is taken from census data that shows females dominating the share of the largest occupation in the industry (Bank Tellers) which pays well below the average wage. 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 average wage. Of course, location is also a major factor as women in Hudson County's finance sector earned the same or more on average than men in several of New Jersey's southern counties.

Note: 2004-2014 uses average of Q4 + 3 prior quarters (Private Ownership).

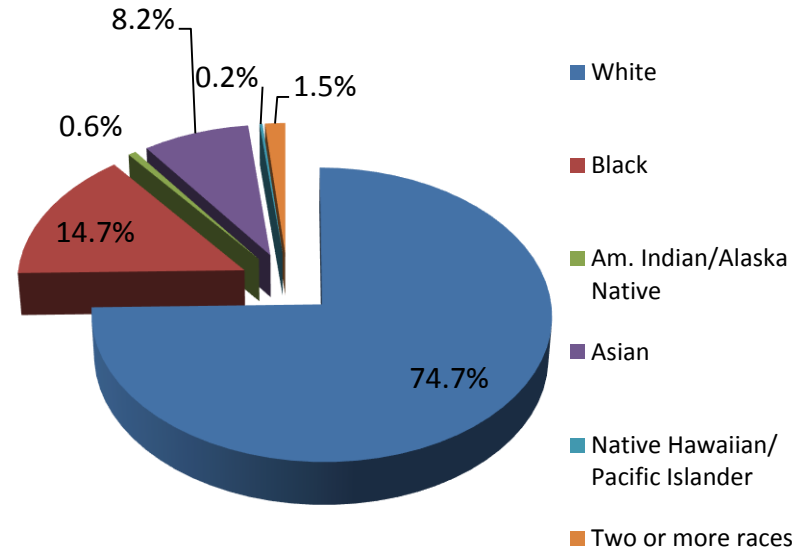


# FINANCIAL INDUSTRY BREAKDOWN BY RACE

## Financial Services Industry



## All Private Industries

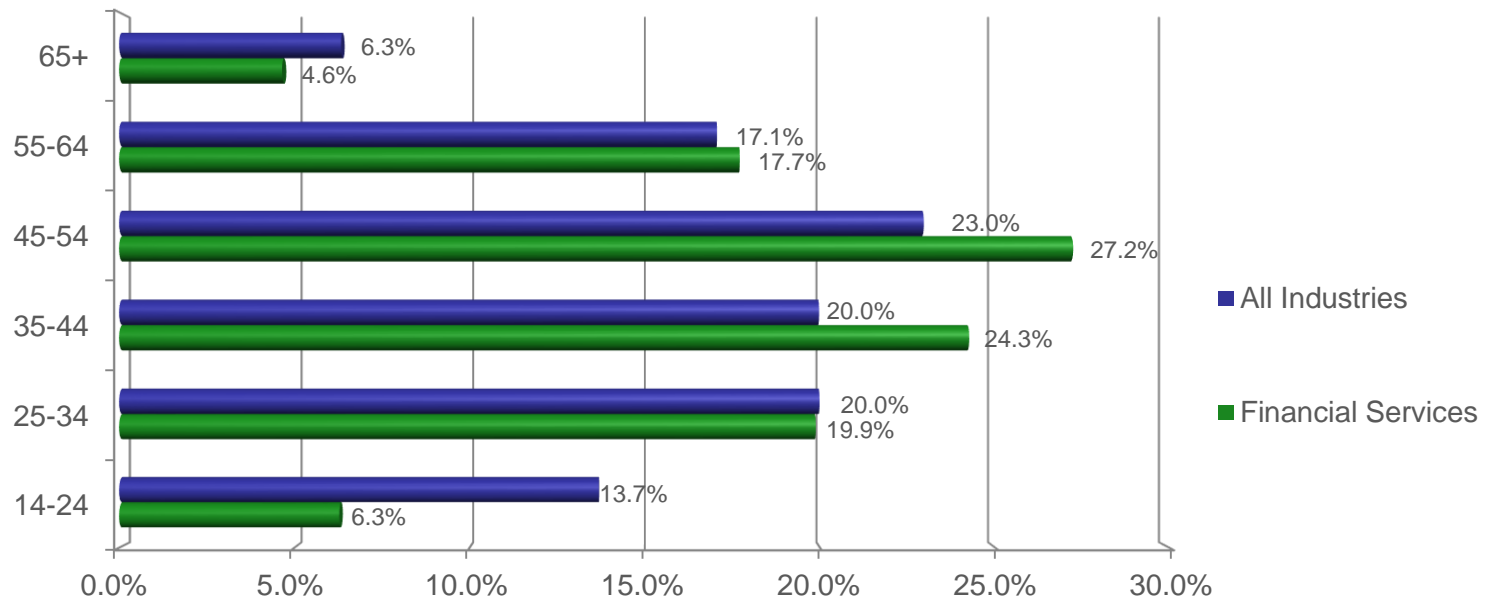


The races of Financial Services workers are fairly consistent with those of other industries.

Note: The data uses the average of Q1, 2015 (most recent data) + 3 prior quarters (Private Ownership).



# EMPLOYMENT PERCENTAGE BY AGE



Approximately 63 percent of New Jersey's Financial Services Industry workers are evenly distributed between 25 and 54 years of age. Most of the age groups are fairly consistent with total private industries except for the under 25 cohort.

Note: The data uses the average of Q1, 2015 (most recent data) + 3 prior quarters (Private Ownership).



# INDUSTRY AND OCCUPATIONAL PROJECTIONS 2012-2022



# INDUSTRY PROJECTIONS AND OUTLOOK

Long-term industry projections call for a 4.8 percent rise in financial services cluster employment to a total of more than 206,500 workers by 2022 from its 2012 level (or 0.5% annually). However, considering the employment correction following the recent recession, current economic conditions in the United States and abroad, and the slower than expected job recovery across the nation, possible setbacks could be faced in achieving these projections.

While employment projections remain positive, growth in New Jersey's financial services cluster continues to 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. 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 employment growth, wages may also increase at slower rates than originally expected.





# OCCUPATIONAL PROJECTIONS

According to industry and occupational projections, the top 10 financial services industry cluster occupations in NJ (by employment) are expected to see an employment increase of 6.5 percent from 2012 to 2022 for a total of 5,320 added jobs.

Insurance Sales Agents jobs are projected to grow at the fastest rate (15.3%) over the ten year period, followed by Customer Service Representatives which are projected to grow at a rate of 11.4 percent.



# NEW JERSEY DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

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