

New Jersey's Financial Services Cluster

An In-Depth Analysis

Prepared by:
New Jersey Department of Labor & Workforce Development
Division of Labor Market & Demographic Research
Bureau of Labor Market Information
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Introduction

The financial services industry is a vital component, not only of NJ's economy, but for the US 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.



Banking



Securities
and
Commodities



Insurance



Financial Services

Industry Description

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

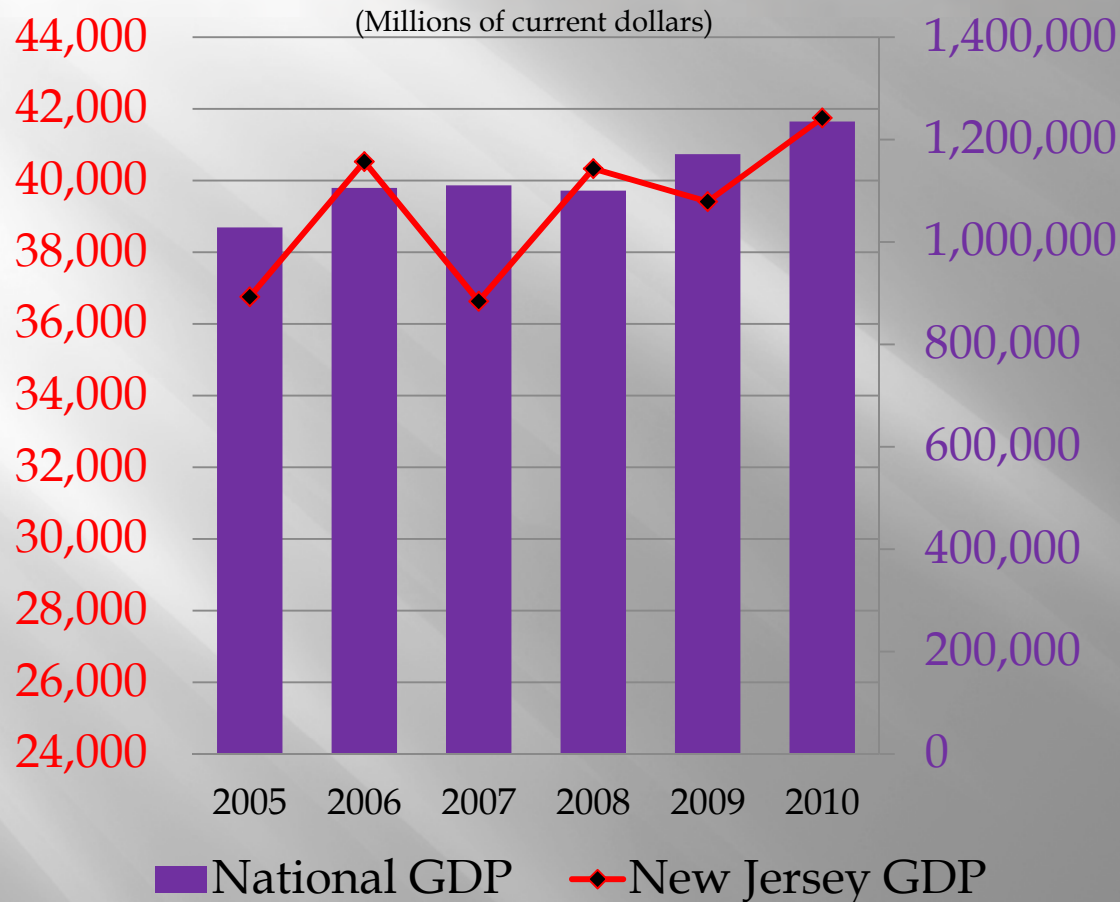
- ▣ Banking
- ▣ Securities and Commodities
- ▣ Insurance

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

Gross Domestic Product of the Financial Services Sector

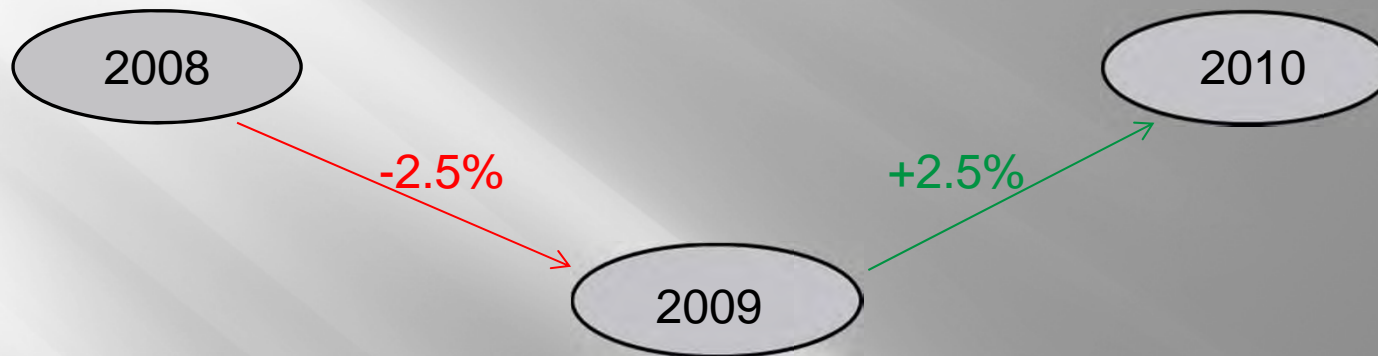


In 2010, financial services organizations conducted transactions that equated to more than \$1.2 Trillion (8.4% of the nation's Gross Domestic Product).

In New Jersey alone, the financial services industry contributed almost \$43.3 billion to gross state product, so even with a relatively small share of total employment, New Jersey's financial services sector accounts for almost 10% of GSP.

*Source: U.S. Bureau of Economic Analysis
Prepared by New Jersey Department of Labor & Workforce Development

Real GDP by Metropolitan Area



According to new statistics released by the U.S. Bureau of Economic Analysis, real U.S. Gross Domestic Product by metropolitan area increased 2.5% in 2010 after declining 2.5% in 2009.

The economic growth was widespread as real GDP increased in 304 of the 366 metropolitan areas across the U.S. (83 percent). The growth was led by durable-goods manufacturing, trade, and financial activities.

Real GDP by Metropolitan Area

The New York–Northern NJ–Long Island, NY-NJ-PA metropolitan area easily ranks number one in current-dollar gross domestic product over all other areas.

Of the ten largest metropolitan areas, the New York–Northern NJ–Long Island, NY-NJ-PA metropolitan area ranked second fastest in real GDP growth in 2010 with 4.7% growth, only slightly behind the Boston–Cambridge-Quincy, MA metropolitan area which grew at a rate of 4.8%.

Metropolitan Area	Current-Dollar GDP in Millions of dollars				Rank
	2007	2008	2009	2010*	
New York-Northern New Jersey-Long Island, NY-NJ-PA	1,215,151	1,242,822	1,214,209	1,280,517	1
Los Angeles-Long Beach-Santa Ana, CA	731,337	745,732	717,176	735,743	2
Chicago-Joliet-Naperville, IL-IN-WI	521,998	525,865	516,820	532,331	3

*Source: U.S. Bureau of Economic Analysis – Current-Dollar GDP * Advanced Statistics
Prepared by New Jersey Department of Labor & Workforce Development



Industry Employment



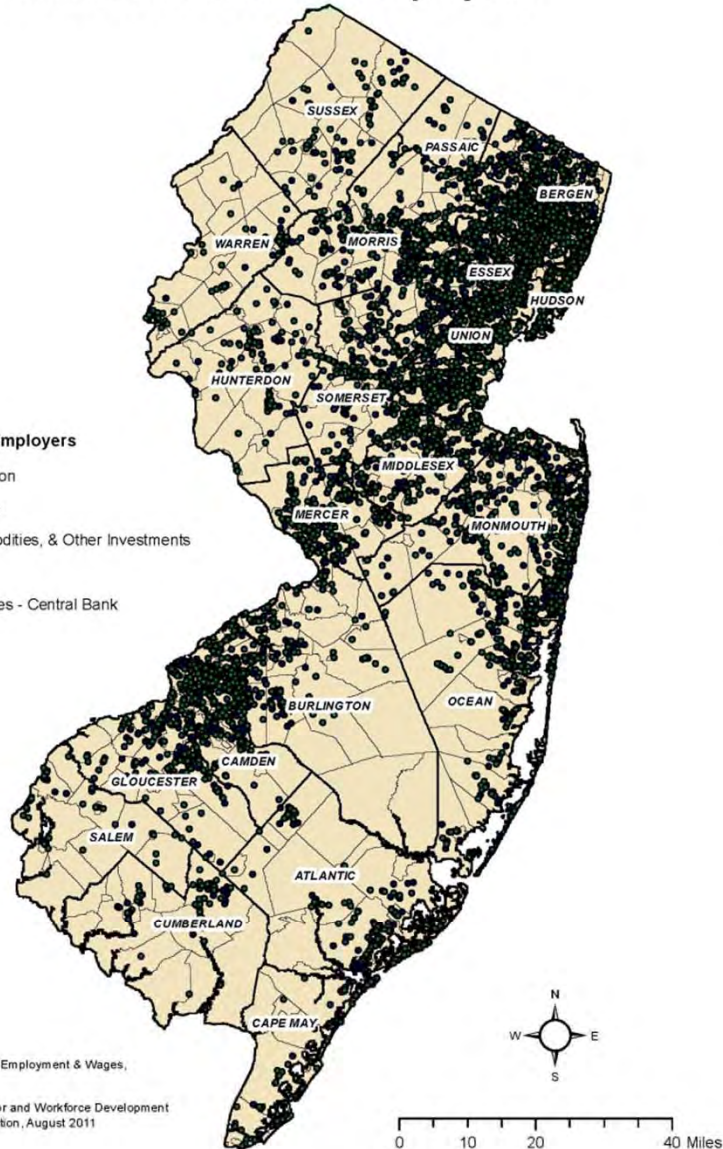
Employment “Fast Facts”

- ▣ In 2010, New Jersey’s financial services industry workforce consisted of approximately 185,470 workers, accounting for about six percent of all jobs in New Jersey.
- ▣ From its peak in 2006 to 2010, the New Jersey’s financial services industry saw a decline in employment of 11.6 percent.
- ▣ The Insurance Carriers and Related Activities component combined with the Credit Intermediation and Related Activities component made up 73.7 percent of New Jersey’s financial services employment in 2010.
- ▣ 16 of New Jersey’s top 100 employers are financial services firms. Combined employment for these 16 companies is 78,391 (or 42 percent New Jersey’s total finance and insurance industry employment).

Finance & Insurance Employers

Finance & Insurance Employers

- Credit Intermediation
- Insurance Carriers
- Securities, Commodities, & Other Investments
- Other Financial
- Monetary Authorities - Central Bank



Data Source: Quarterly Census of Employment & Wages,
2010 Second Quarter, NJLWD
Prepared by:
New Jersey Department of Labor and Workforce Development
Bureau of Labor Market Information, August 2011

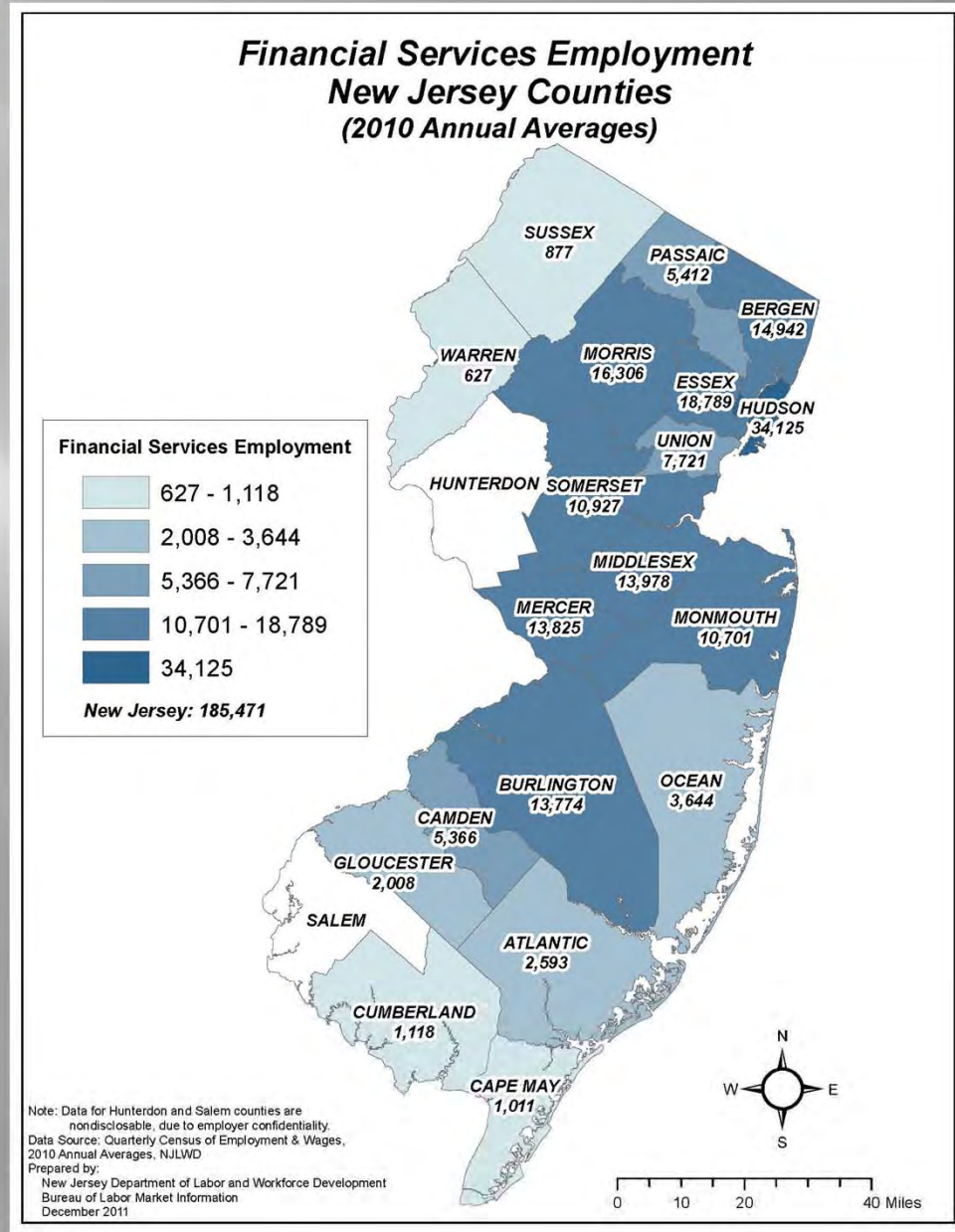


As with many other industries, the majority of New Jersey's financial services establishments are located near Manhattan and Philadelphia. This is a classic example of economies of agglomeration; the economic concept used to describe the benefits that firms gain from locating near one another. Even within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

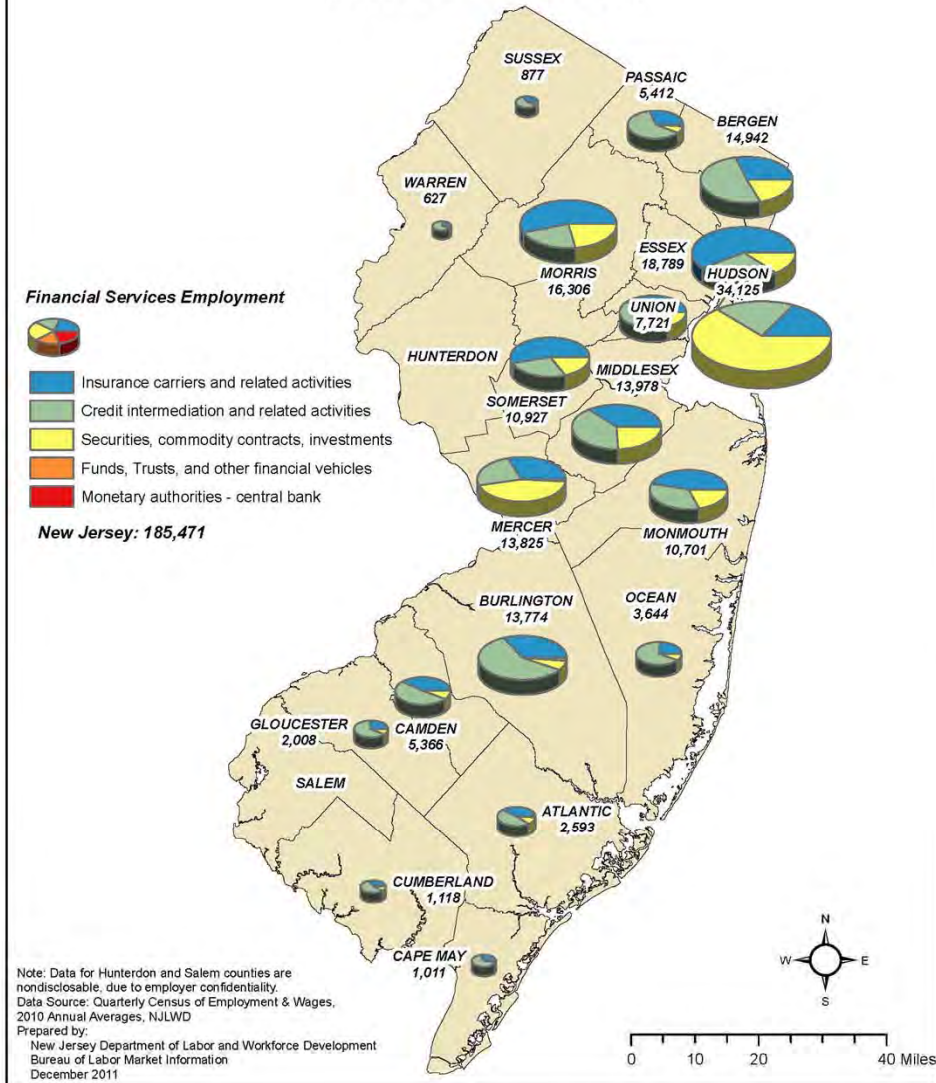


Hudson County is New Jersey's smallest county (by land area), yet it is home to far more of the state's financial services workers than any other county. With well over 35,000 industry jobs, Hudson county (located closest to Manhattan) accounts for over 19% of New Jersey's sector employment.

Over 46% of the state's financial services sector employment is located in only four counties (Hudson, Essex, Morris and Bergen).



Financial Services Sector Employment New Jersey Counties (2010 Annual Averages)



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.

Subsector Breakdown

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

NAICS	Description	Establishments	Employment	Wages
521	Monetary Authorities – Central Bank	11	177	\$101,135
522	Credit Intermediation and Related Activities	5,066	67,190	\$69,930
523	Securities, Commodities, and Other Financial Investments and Related Activities	3,179	47,378	\$167,209
524	Insurance Carriers and Related Activities	4,135	69,582	\$94,753
525	Funds, Trusts, and Other Financial Vehicles	183	1,143	\$117,990

The Insurance Carriers and Related Activities component combined with the Credit Intermediation and Related Activities component made up 73.7 percent of New Jersey’s financial services employment in 2010. When the Securities, Commodities, and Other Financial Investments and Related Activities subsector is added, the three components account for 99.3 percent of employment.

- Source: Quarterly Census of Employment and Wages
Prepared by New Jersey Department of Labor & Workforce Development

Location Quotient

Location Quotient is a ratio that compares the concentration of state employment to that 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.

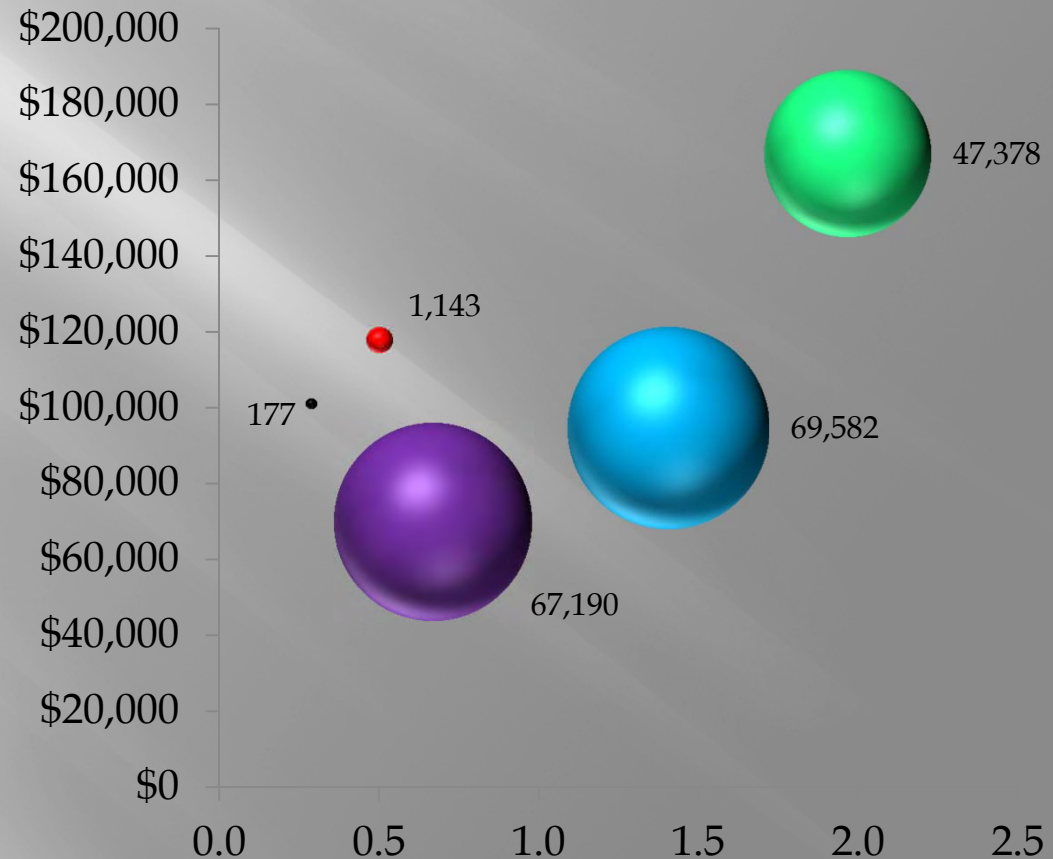
**Securities, Commodity
Contracts, and Other
Financial Investments
and Related Activities**

**Insurance Carriers and
Related Activities**

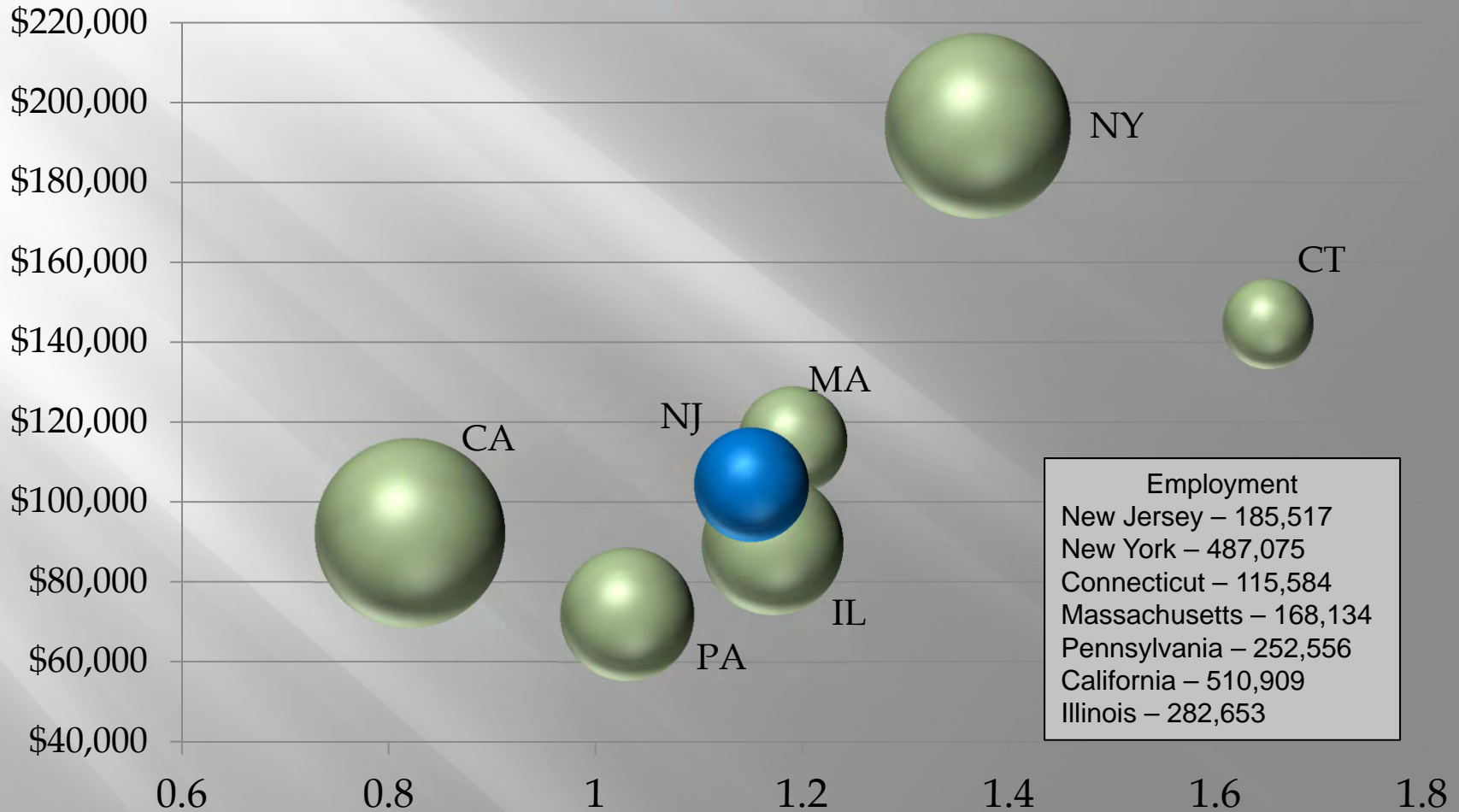
**Credit Intermediation and
Related Activities**

**Funds, Trusts, and Other
Financial Vehicles**

**Monetary Authorities –
Central Bank**



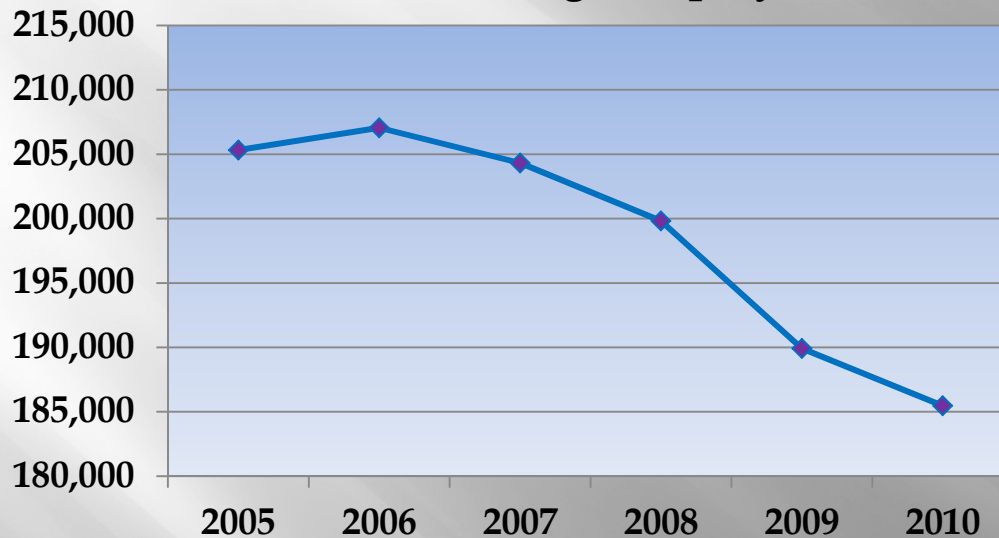
New Jersey vs. Selected States



*Source: U.S. Bureau of Economic Analysis
Prepared by New Jersey Department of Labor & Workforce Development

Employment

Annual Average Employment



- The financial services industry showed a loss in employment even before the start of the recent recession (December, 2007 – June, 2009)
- From it's peak in 2006 to 2010, the industry saw a decline in employment of 11.6 percent.
- New Jersey's financial services sector lost 9.5 percent of its employment base between 2005 and 2010, compared to only a 7.1 percent decline in the sector at the nationwide 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 185,500 financial services workers employed in New Jersey.

• Source: Quarterly Census of Employment and Wages
Prepared by New Jersey Department of Labor & Workforce Development

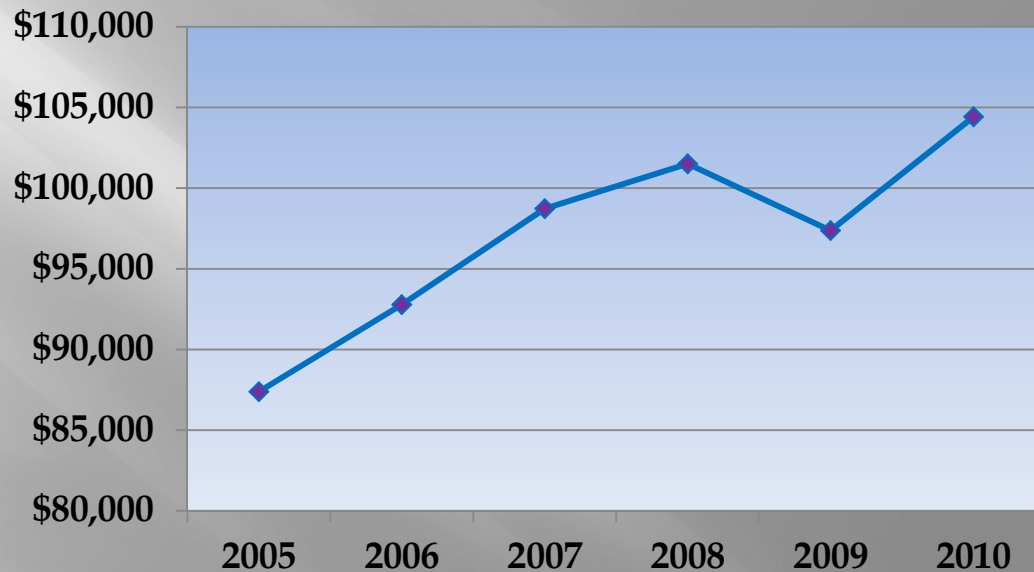
Industry Wages

Annual Average Wages

- Almost \$19.4 billion in total wages was paid by New Jersey's employers in financial services industries in 2010.

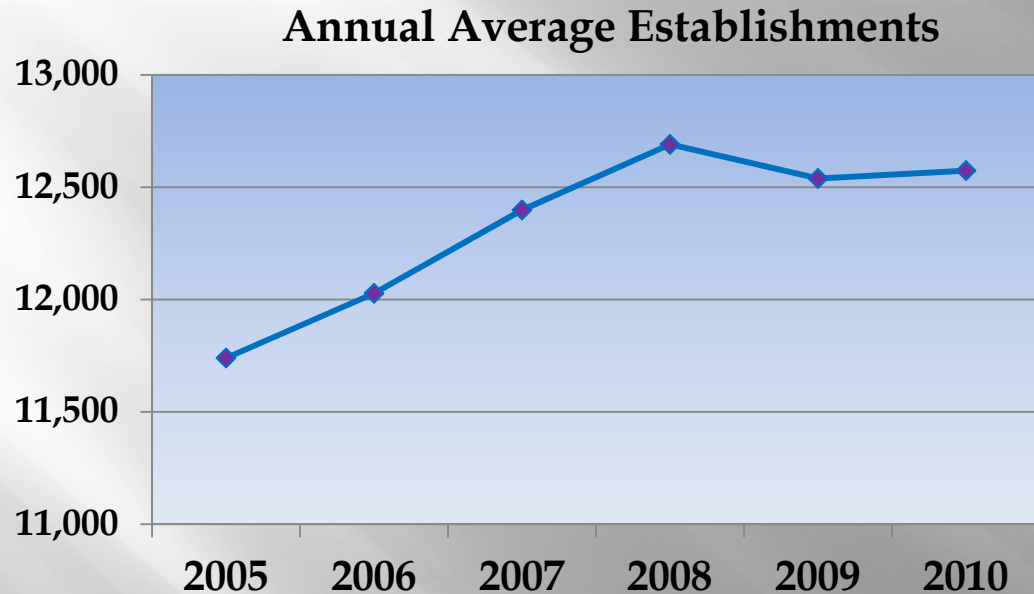
- With an annual average wage of \$104,418, the sector's employees are paid

(on average) 23.5% 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 124.8% higher).



- Source: Quarterly Census of Employment and Wages
Prepared by New Jersey Department of Labor & Workforce Development

Establishments



- Even in times of recession, establishment counts do not necessarily mirror employment declines. As many banks merged and consolidated over the 2005-2010 period, they could not afford to close doors. Bank branches were forced to remain open to

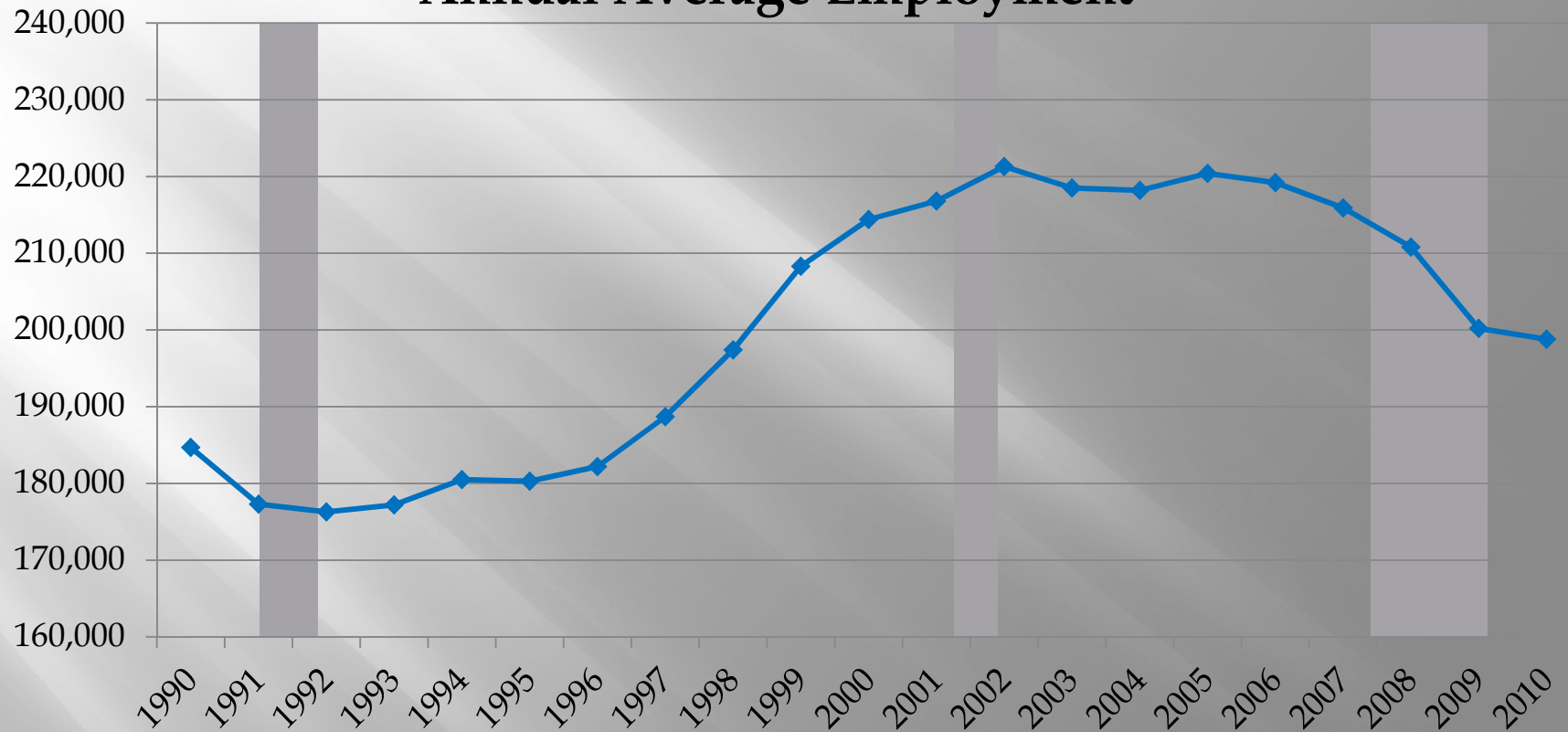
retain area coverage so as not to lose customers to other banks. Many, of course, had to change their names and appearances.

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

- Source: Quarterly Census of Employment and Wages
Prepared by New Jersey Department of Labor & Workforce Development

1990 - 2010 Time Series (Current Employment Statistics Data)

Annual Average Employment



From 1990 – 2010, the financial services industry cluster still saw a net accumulation of jobs even after three recessions.

* Shading indicates recessionary periods



Occupational Analysis



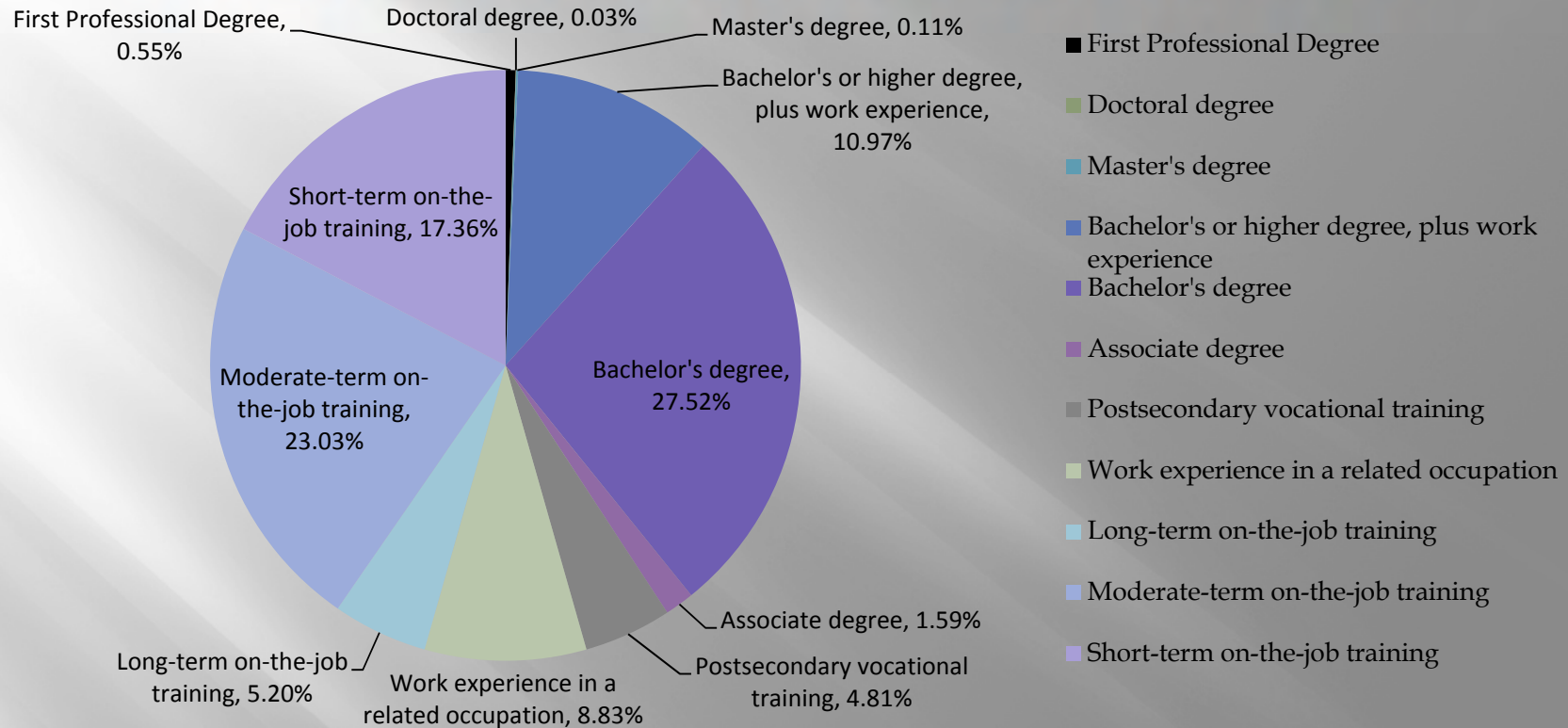
Training Requirements of Top 10 Financial Services Occupations by Employment

There are more than 100 different occupations identified in New Jersey's financial services industry. The top 10 occupations in the sector account for over 102,000 jobs, or approximately 55 percent of the state's financial services employment.

Occupation	2010 Employment	2010 Annual Average Wage	Education/Training Requirements
Bank Tellers	17,962	\$25,990	Short-term on-the-job training
Securities, Commodities, and Financial Sales Agents	14,906	\$93,660	Bachelor's degree
Customer Service Representatives	14,467	\$37,120	Moderate-term on-the-job training
Insurance Claims and Policy Processing Clerks	9,404	\$38,110	Moderate-term on-the-job training
Claims Adjusters, Examiners, and Investigators	9,325	\$66,660	Long-term on-the-job training
Insurance Sales Agents	9,003	\$73,680	Postsecondary vocational training
Financial Managers	8,547	\$133,940	Bachelor's or higher degree, plus work experience
First-Line Supervisors/Managers of Office and Administrative Support Workers	7,886	\$57,840	Work experience in a related occupation
Secretaries, Except Legal, Medical, and Executive	5,606	\$36,980	Moderate-term on-the-job training
Financial Analysts	4,984	\$78,770	Bachelor's degree

* Source: New Jersey Department of Labor & Workforce Development, Occupational Employment Projections program, Occupational Employment Statistics Wage Survey 2010. Prepared by: NJLWD Division of Labor Market & Demographic Research, Bureau of Labor Market Information, November 2011

Education Requirements of Finance Cluster Workers



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 (2010) from Current Employment Statistics and Occupational Employment Statistics Wage Survey. Prepared by New Jersey Department of Labor & Workforce Development

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: ONETonline.org

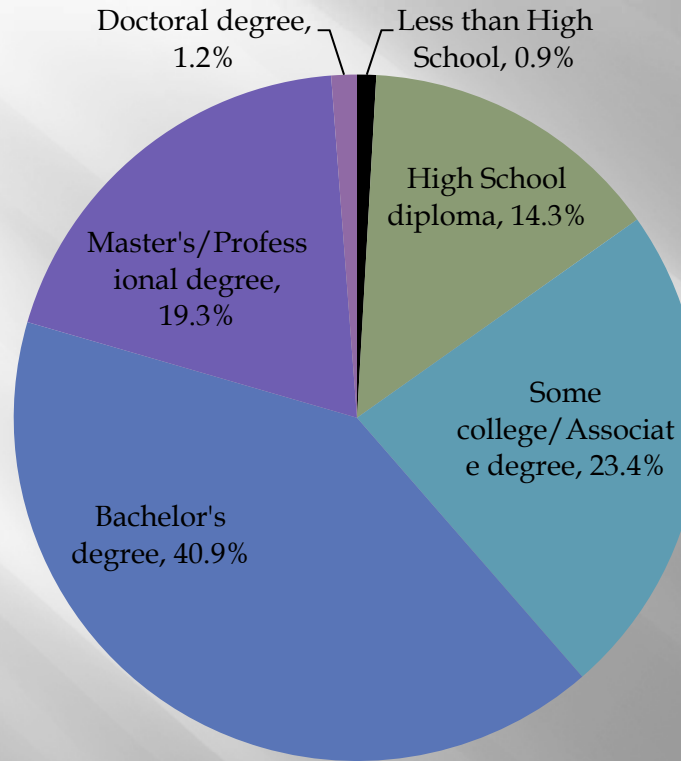
Prepared by New Jersey Department of Labor & Workforce Development



Demographic Characteristics of Industry Workforce



Education Level of New Jersey Financial Industry Employees



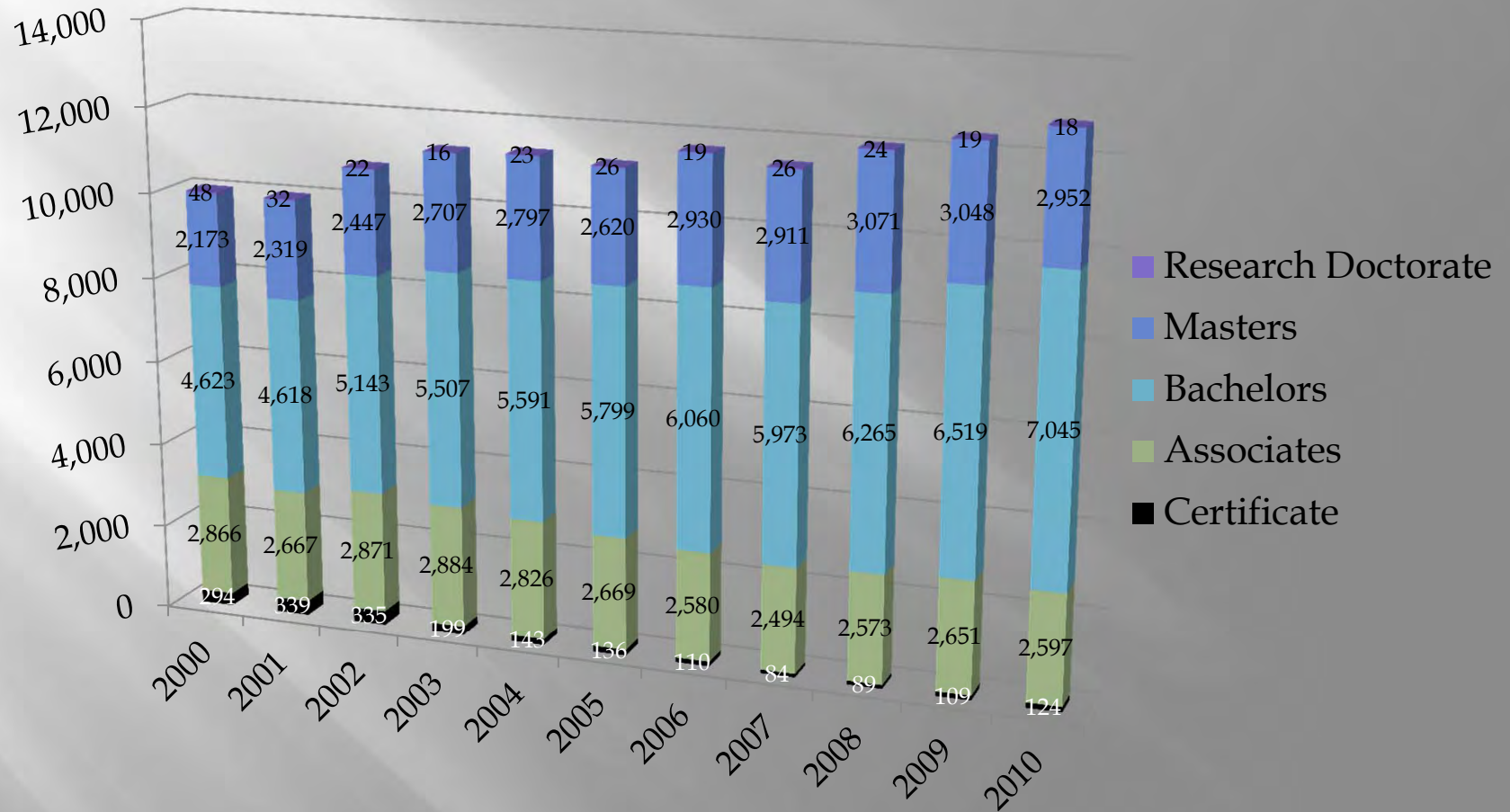
American Community Survey data shows that, in actuality, over 60% of New Jersey's Finance sector workers have a bachelor's degree or higher.

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 15.5% 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: 2010 American Community Survey Public Use Microdata Sample (5% sample).
Prepared by New Jersey Department of Labor & Workforce Development

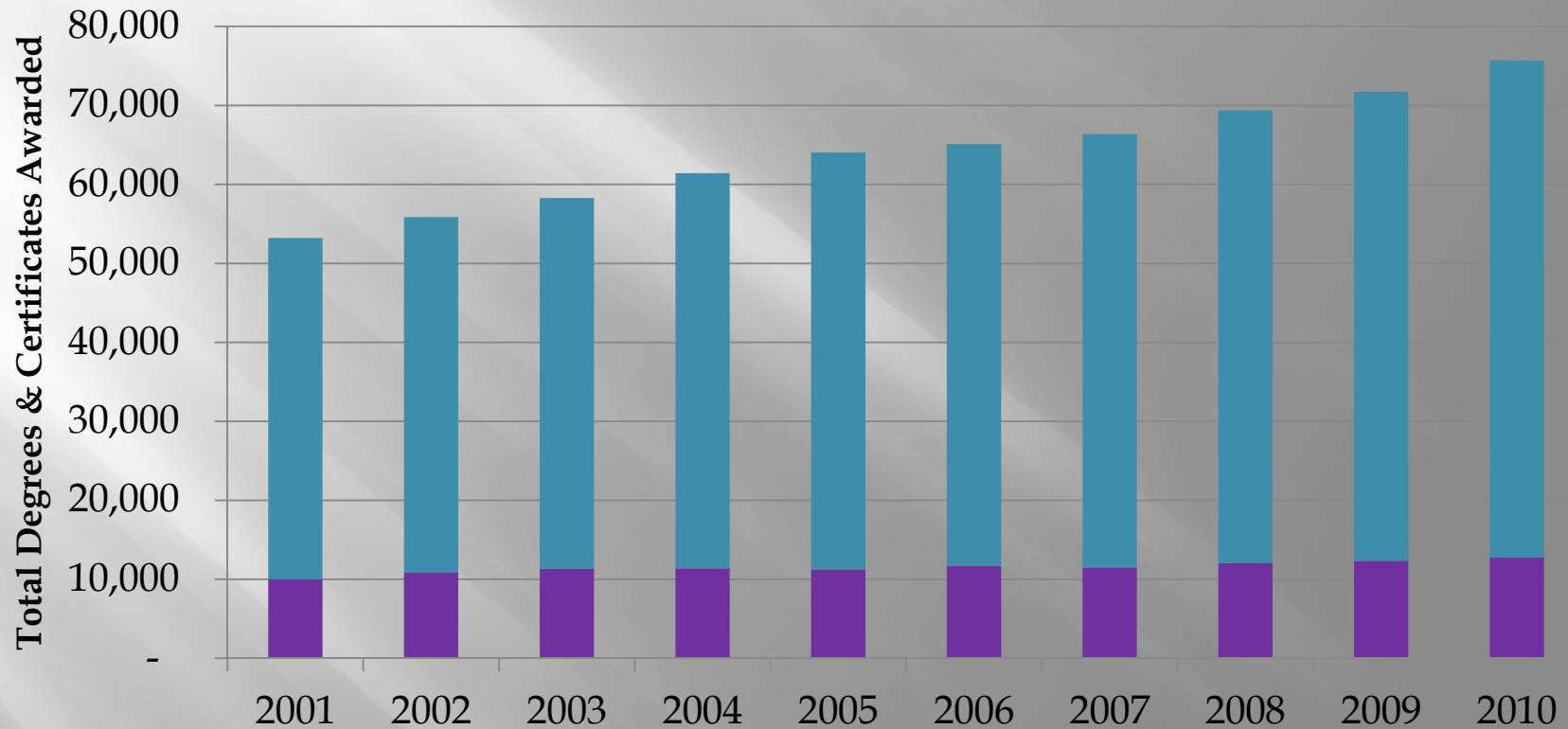
Breakdown of Degrees in Business Majors



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

Degrees & Certificates Awarded by New Jersey Institutions

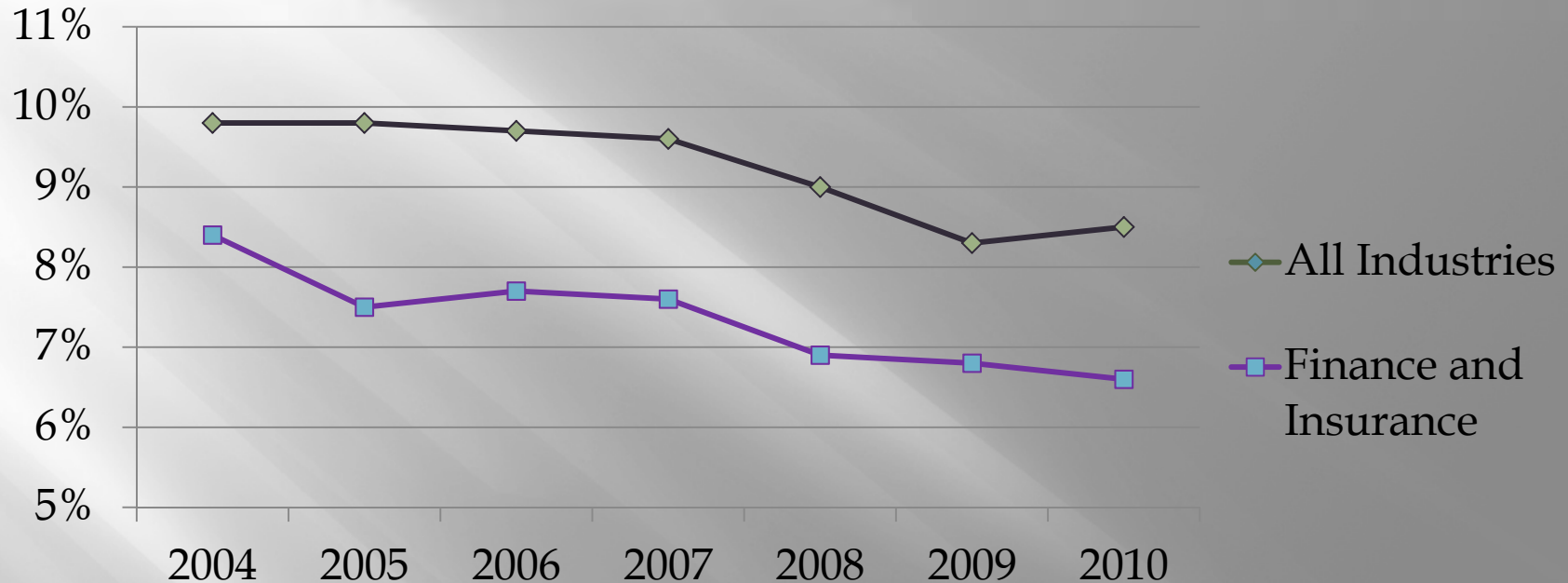
■ Business Degrees ■ Other



Business degrees maintained a steady 18 percent average of the total degrees awarded in all majors from 2001 – 2010.

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

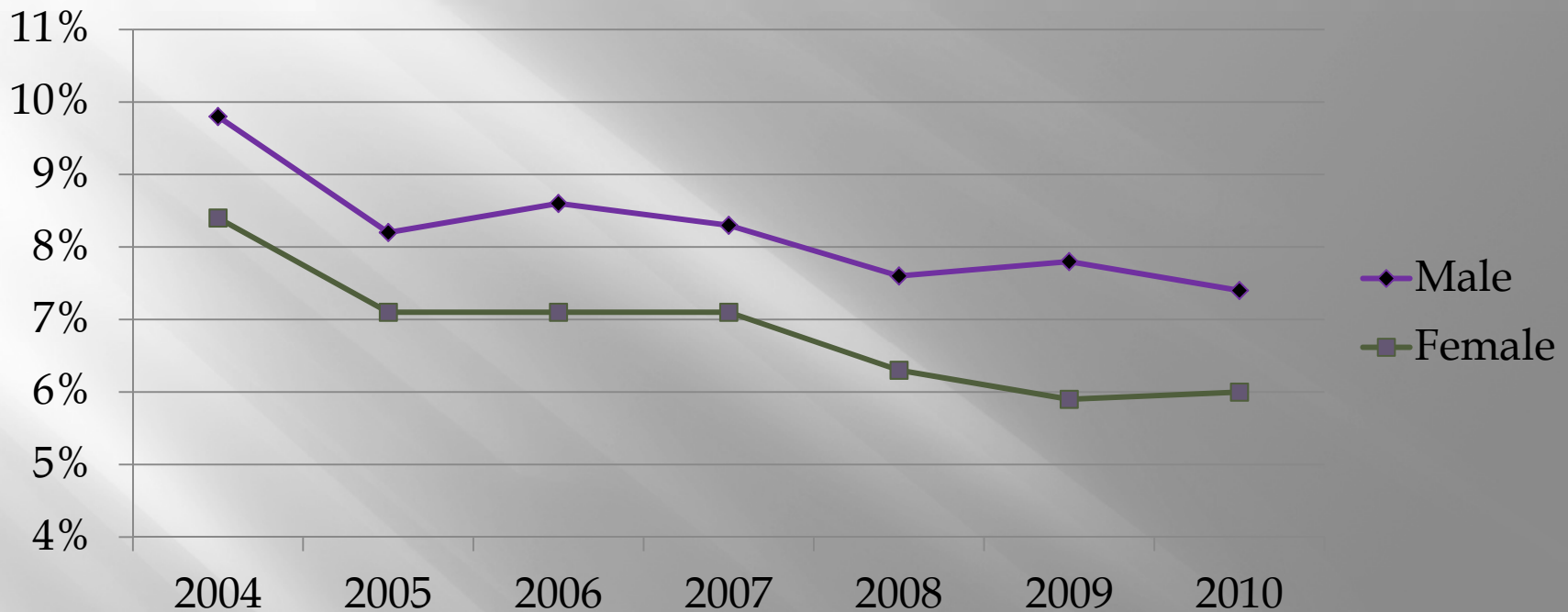
Employment Turnover Rate



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. 2004-2009 uses average of Q4 + 3 prior quarters. 2010 data uses average of Q3 (most recent data) + 3 prior quarters.
Prepared by New Jersey Department of Labor & Workforce Development

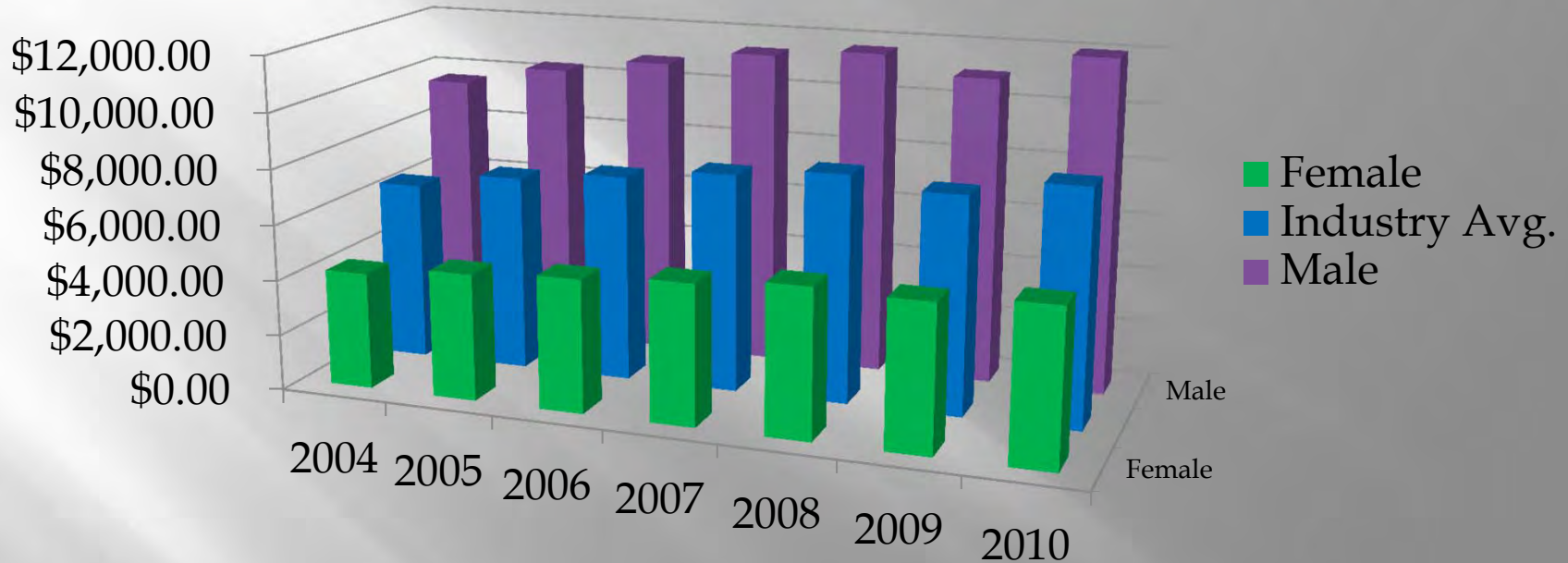
Employment Turnover by Gender



The most recent data shows that the financial services sector is comprised of approximately 44.7% male workers and 55.3% female workers. However, males averaged a 1.4% higher turnover rate than female workers over the 2004 – 2010 period.

- Source: U.S. Census Bureau – Local Employment Dynamics Quarterly Workforce Indicators. 2004-2009 uses average of Q4 + 3 prior quarters. 2010 data uses average of Q3 (most recent data) + 3 prior quarters.
Prepared by New Jersey Department of Labor & Workforce Development

Average Monthly Earnings by Gender (LED Average of Q4 + Prior 3 Quarters)

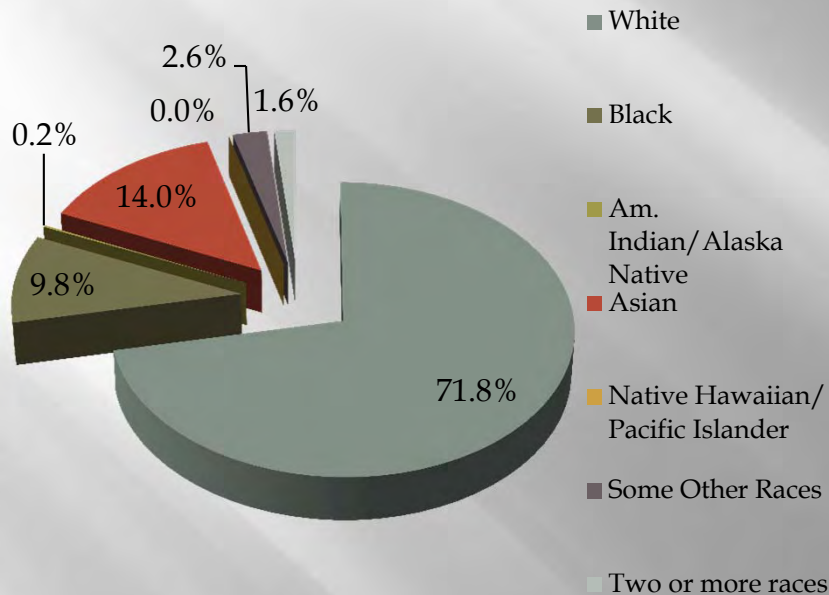


In each of the six base years, earnings of male financial services workers more than doubled those of females. The most logical explanation is taken from census data which shows females dominating the share of the largest occupation in the industry (Bank Tellers) which pays well below average wages. 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.

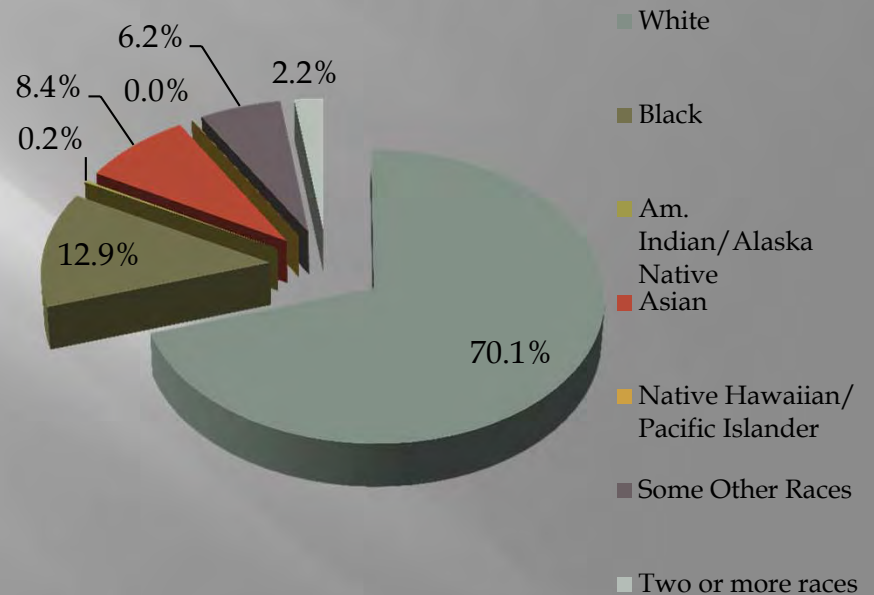
- Source: U.S. Census Bureau – Local Employment Dynamics Quarterly Workforce Indicators. 2004-2009 uses average of Q4 + 3 prior quarters. 2010 data uses average of Q2 (most recent data) + 3 prior quarters.
Prepared by New Jersey Department of Labor & Workforce Development

Financial Industry Breakdown by Race

Financial Services Industry



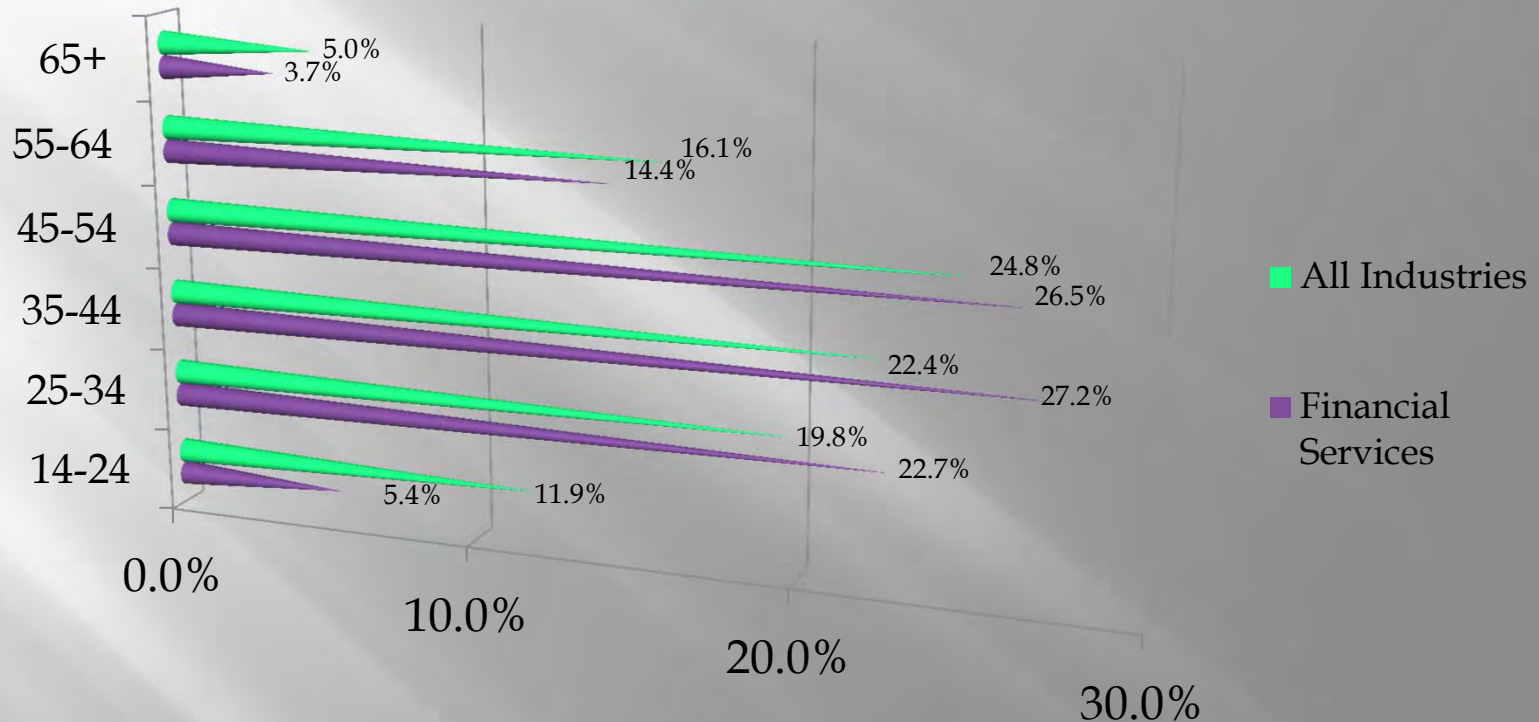
All Industries



The races of Financial Services workers are fairly consistent with those of other industries with the noticeable exception of Asian workers (highlighted in Orange) with a significantly higher percentage (14.0% vs. 8.4%).

*Source: 2010 American Community Survey Public Use Microdata Sample (5% sample).
Prepared by New Jersey Department of Labor & Workforce Development

Percentage of Employment by Age



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

*Source: 2010 American Community Survey Public Use Microdata Sample (5% sample).
Prepared by New Jersey Department of Labor & Workforce Development

Industry Outlook



Industry Outlook

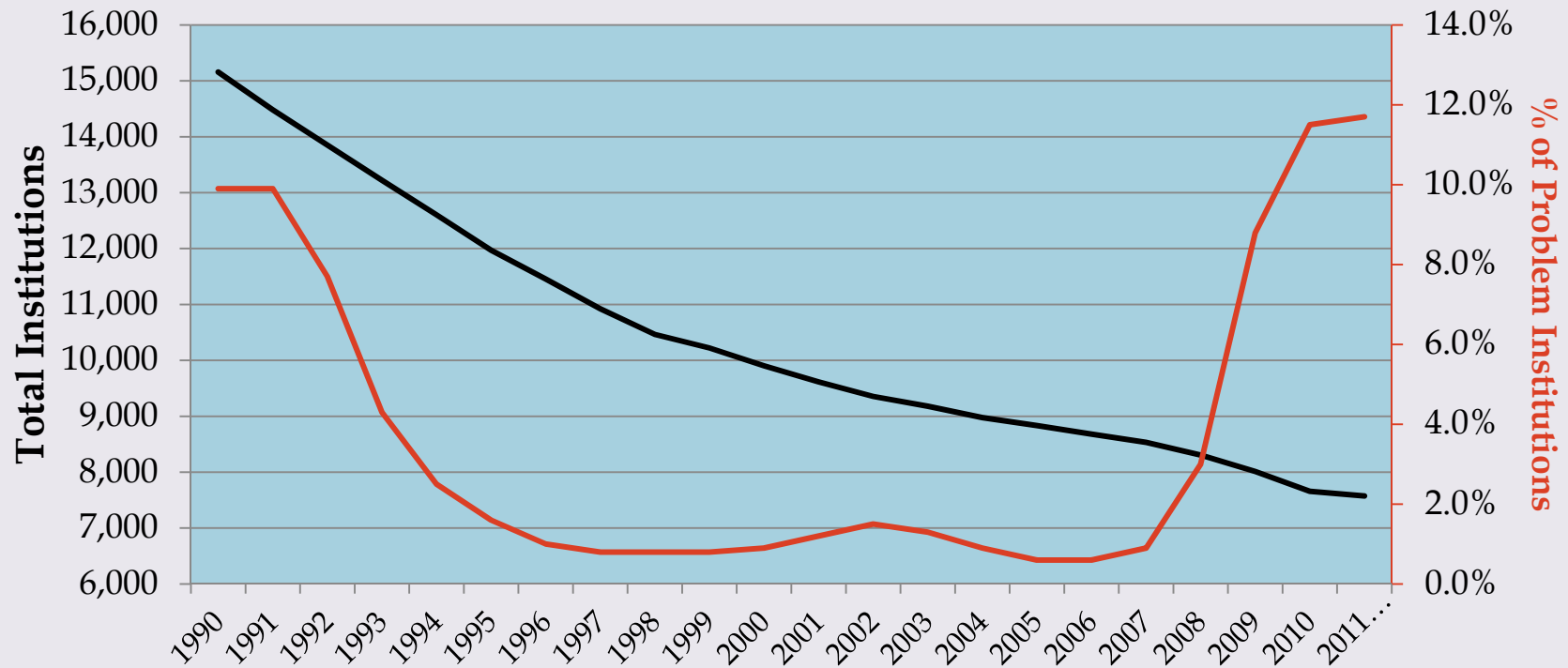
Industry projections released in 2010 indicate that there would be significant employment growth in the financial services industry from 2008 to 2018; however, recent developments suggest a less optimistic outlook.

While employment projections remain positive, growth in New Jersey's financial services sector may evolve at a much slower rate than originally though given the condition of the current economy. For instance:

- ▣ Declining home prices were one of the biggest causes of the recent financial crisis. As home values declined, many borrowers defaulted on their mortgages. Effects of the recent subprime mortgage crisis are still lingering. Foreclosures rates have lowered over the past 12 months, but there is still no solid evidence that the housing market is staging any kind of turnaround. While banks are repossessing fewer homes, they still have too much distressed inventory for supply get any tighter
- ▣ Recent volatility in equities and commodities markets continues to force investors to stay conservative and search for safe havens such as gold futures and U.S. Treasuries
- ▣ Recently, Standard & Poor's lowered the US's long-term credit rating for the first time in history, from AAA to AA+

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

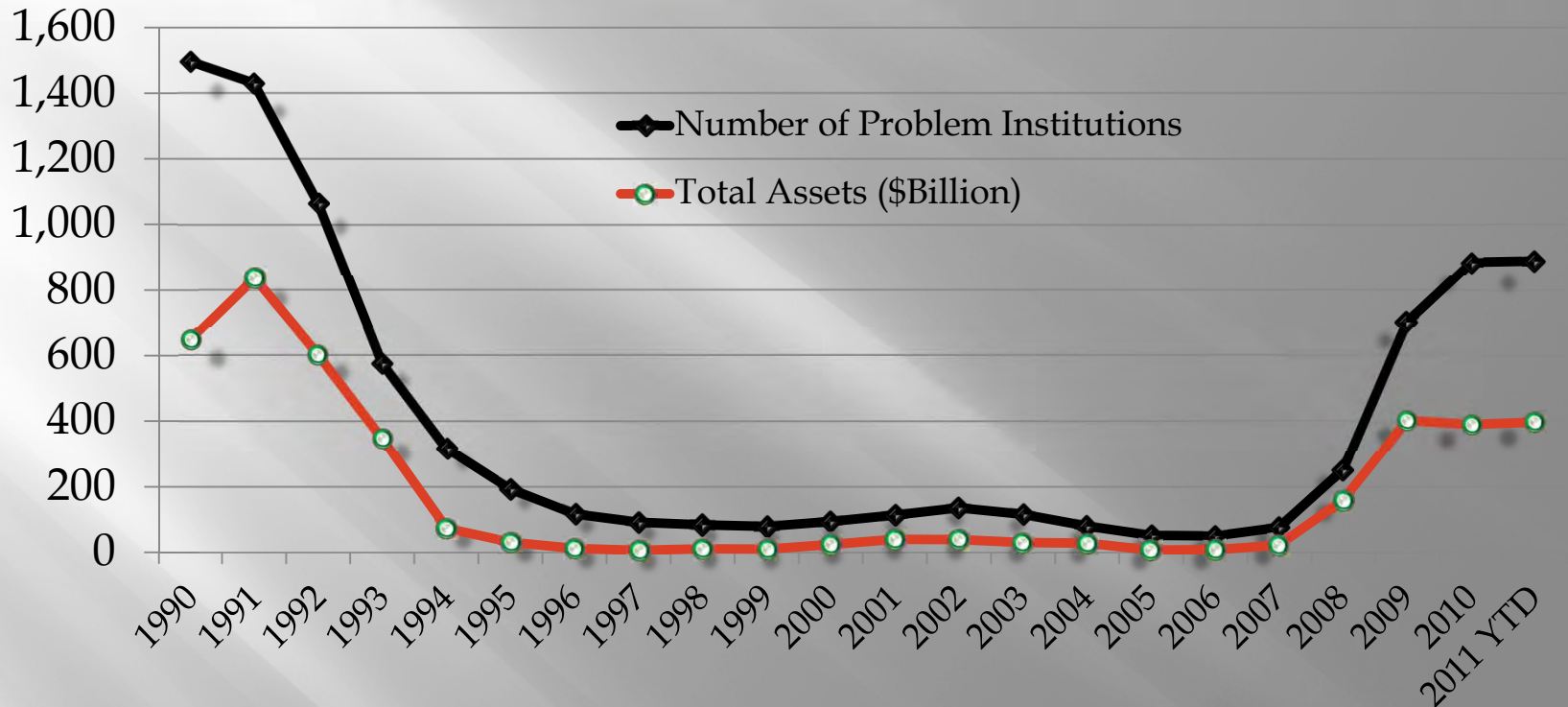
Problematic Banking Institutions *(Nationwide)*



As the number of total institutions nationwide has declined each year for more than 20 years, the percentage of total institutions identified as problematic is larger than ever in 2011 at 11.7%

- Source: Federal Deposit Insurance Corporation (FDIC)
Prepared by New Jersey Department of Labor & Workforce Development

Problematic Banking Institutions (Nationwide)



The FDIC "Problem List" contains more banks and thrifts than it has since 1992 and is continuing to grow, however, there's a bit of good news for New Jersey. While 408 banks have failed nationwide since October 1, 2000, **only four were located in New Jersey**. Also, as of the end of July, a total of 58 banks have failed this year throughout the country but **none were in New Jersey**.

- Source: Federal Deposit Insurance Corporation (FDIC)
Prepared by New Jersey Department of Labor & Workforce Development

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 34% 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 Industry is supported by a strong business services sector

New Jersey Department of Labor & Workforce Development

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http://lwd.dol.state.nj.us/labor/lpa/LMI_index.html

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