

# ***New Jersey's Financial Services Cluster***

Prepared by:  
New Jersey Department of Labor & Workforce Development  
Office of Research & Information  
**Bureau of Labor Market Information**  
**Winter 2014-2015**



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# *Introduction*

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

A robust finance industry:

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

## *Industry Description/Overview*

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



## *Prominent Objectives of the Financial Services Industry Cluster*



# *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

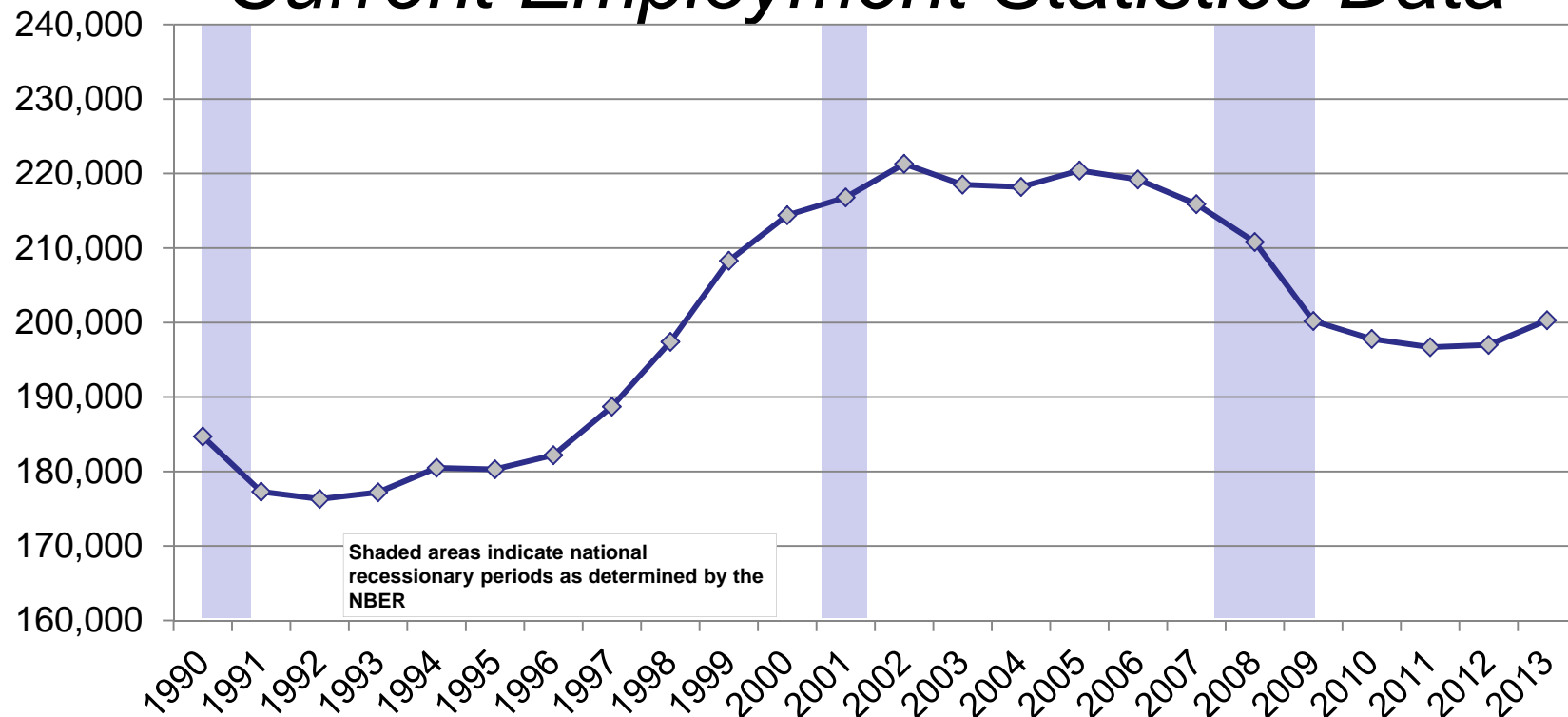


## *Recent Developments*

- In one of the largest recent takeovers, Buffalo, NY based M&T Bank is in the process of acquiring Hudson City Bancorp, New Jersey's largest community bank. The deal, worth about \$3.7 billion when the announcement was made in 2012, has been delayed multiple times since early 2013 and is awaiting approval of the Federal Reserve Board after concerns about M&T's anti-money laundering policies arose. The deal's completion date was most recently pushed back to April 30, 2015.
- Wayne, New Jersey-based Valley National Bancorp has recently completed its expansion into Florida with the acquisition of 1<sup>st</sup> United Bancorp of Boca Raton, a deal worth \$312 million. The two banks expect to be fully integrated by March, 2015.
- The New Jersey Economic Development Authority Board approved a Grow New Jersey award, worth \$12.1 million over 10 years, to BlackRock Inc., a global investment firm headquartered in Princeton, NJ. The award was given on the basis of BlackRock's plan to add at least 255 new jobs at the site over a three-year period.



# 1990 – 2013 Annual Average Employment Current Employment Statistics Data



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

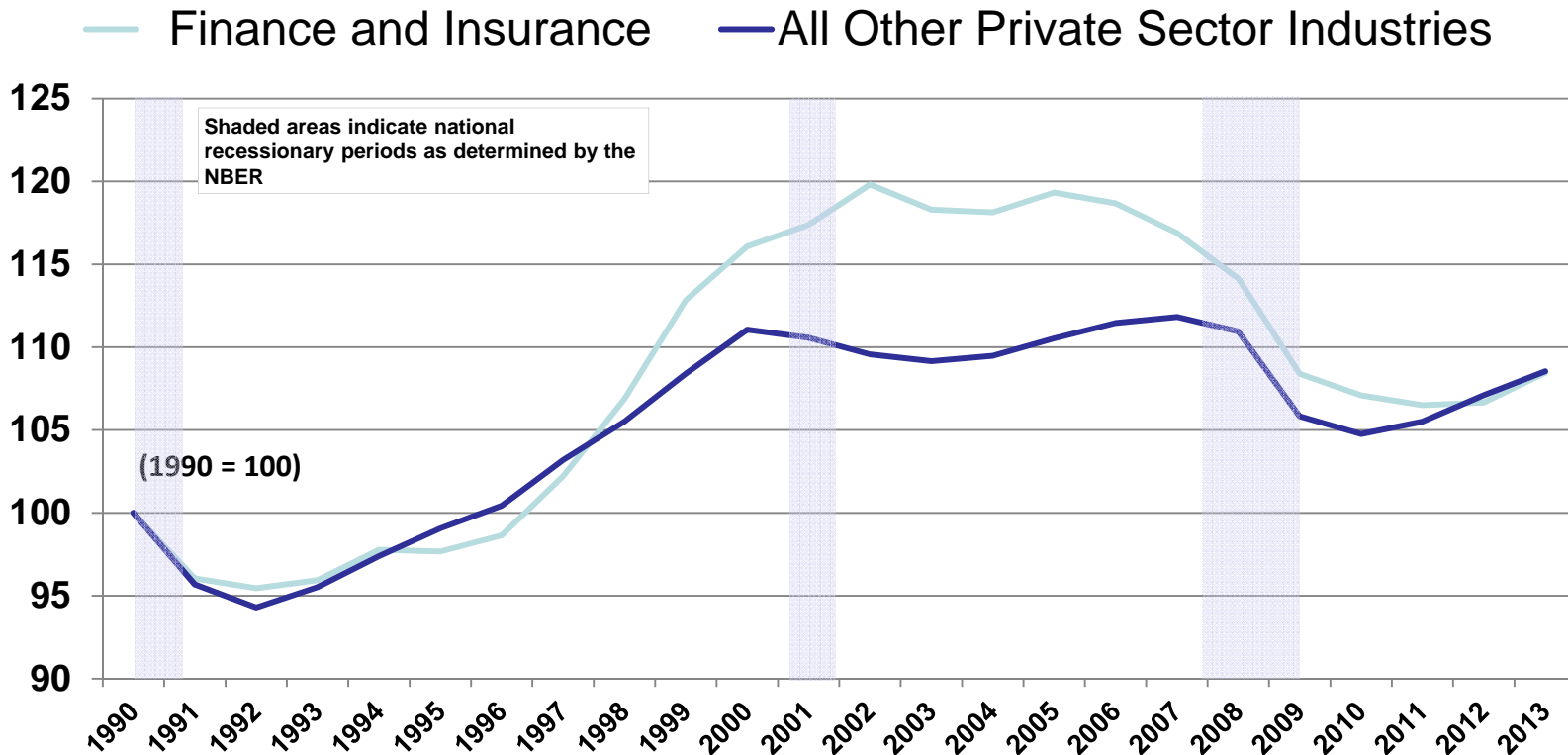
- Source: NJLWD, Current Employment Statistics, 2013 Annual Averages  
Prepared by New Jersey Department of Labor & Workforce Development, March 2014



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## ***Financial Services Employment vs. All Other NJ Private Sector Industries: 1990 – 2013 Annual Averages Seasonally Adjusted - Indexed to 1990***



Indexed to 1990, the financial services sector enjoyed solid employment gains through the late 1990s and into the mid-2000s. For several years the sector outperformed the balance of all other private sector industries before the burst of the housing bubble and the subsequent recession.

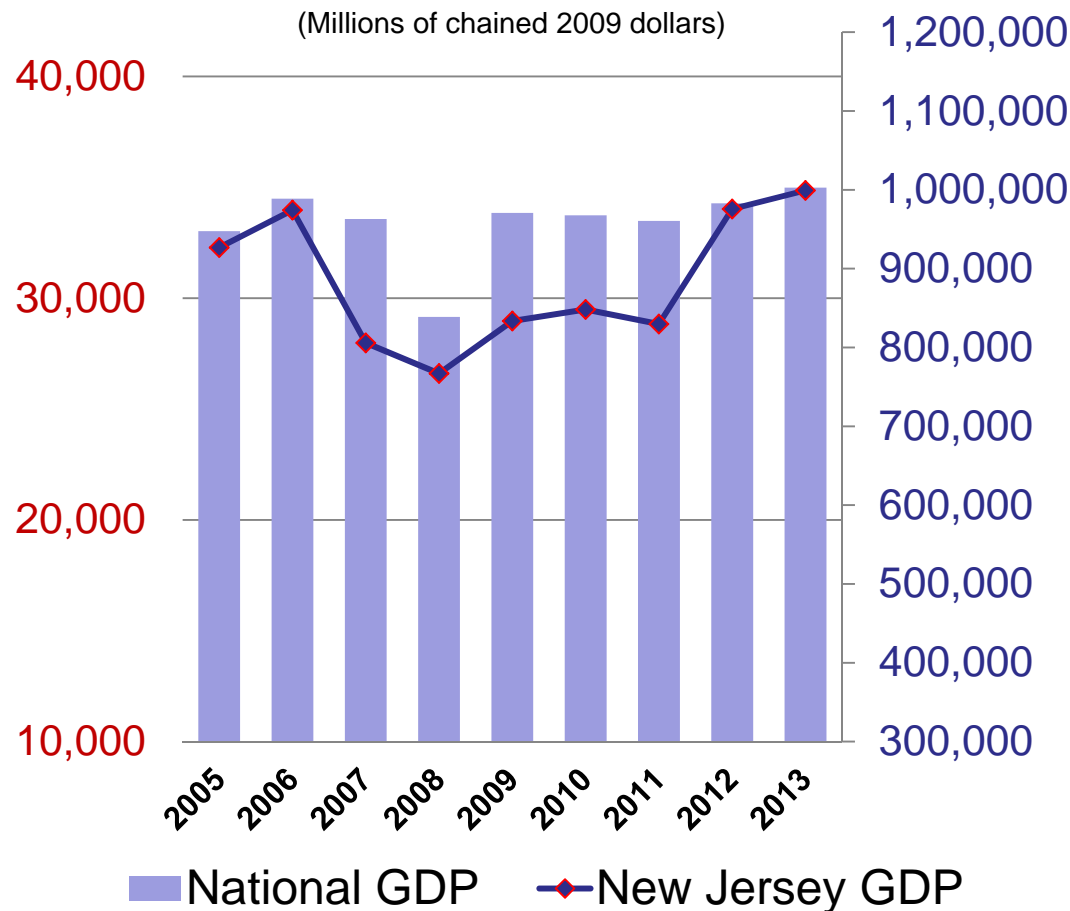
- Source: NJLWD, Current Employment Statistics, 2013 Annual Averages  
Prepared by New Jersey Department of Labor & Workforce Development, March 2014



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# Gross Domestic Product of the Financial Services Sector



According to the U.S. Bureau of Economic Analysis, in 2013, financial services organizations conducted transactions that equated to more than \$1 trillion (or 7.4 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 8 percent of gross state product.

In terms of financial services alone, New Jersey accounts for almost 3.5 percent of the entire nation's GDP for this cluster.

\*Source – U.S. Bureau of Economic Analysis

Prepared by New Jersey Department of Labor & Workforce Development – September 2014



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# *Industry Cluster “Fast Facts”*

- In 2013, New Jersey’s financial services cluster employed approximately 182,400 workers, accounting for almost six percent of all jobs in New Jersey.
- From 2008 to 2013, the New Jersey’s financial services cluster saw a decline in employment of 8.7 percent.
- Combined, the Insurance Carriers and Related Activities component along with the Credit Intermediation and Related Activities component made up 76.7 percent of New Jersey’s financial services employment in 2013.
- The annual average wage for workers in the financial services cluster increased 9.4 percent to just over \$111,000 between 2008 to 2013.
- The 26 highest paying occupations in the cluster each earn a mean annual wage of more than \$100,000 and account for approximately 27,000 workers or 15 percent of finance and insurance employment.

• Source: NJLWD, Quarterly Census of Employment and Wages, Annual Averages  
Prepared by New Jersey Department of Labor & Workforce Development, September 2014



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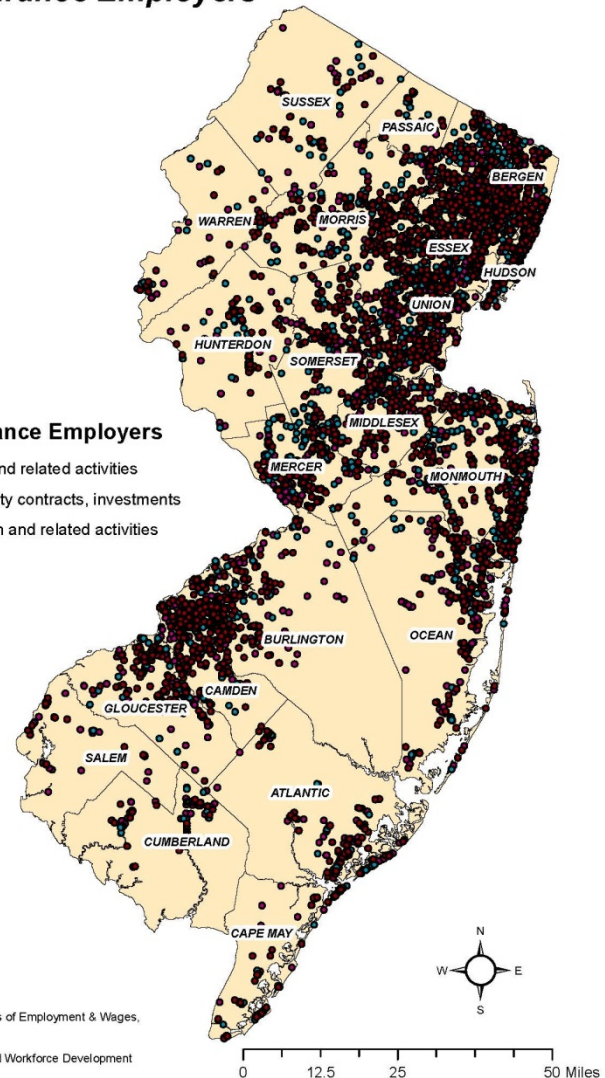
As with many other industries, the majority of New Jersey's financial services establishments are located near Manhattan and Philadelphia. This is a classic example of economies of agglomeration; the economic concept used to describe the benefits that firms gain from locating near one another. Even within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

The three industry subsectors displayed in this map comprise 99.9 percent of employment and 99.6 percent of establishments for the industry sector statewide.

### Finance & Insurance Employers

#### Finance and Insurance Employers

- Insurance carriers and related activities
- Securities, commodity contracts, investments
- Credit intermediation and related activities

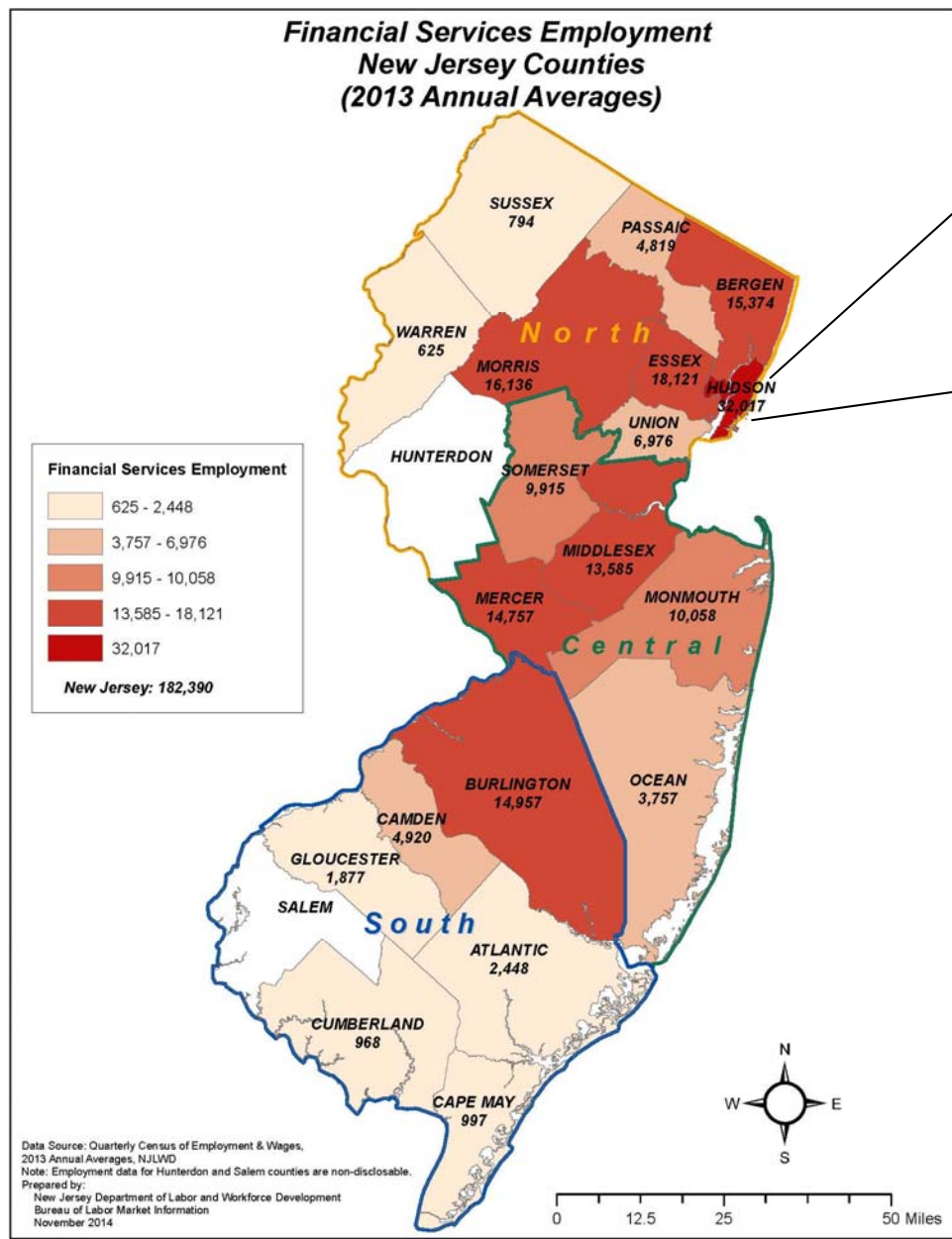


Data Source: NJLWD, Quarterly Census of Employment & Wages,  
2013 Third Quarter  
Prepared by:  
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November 2014



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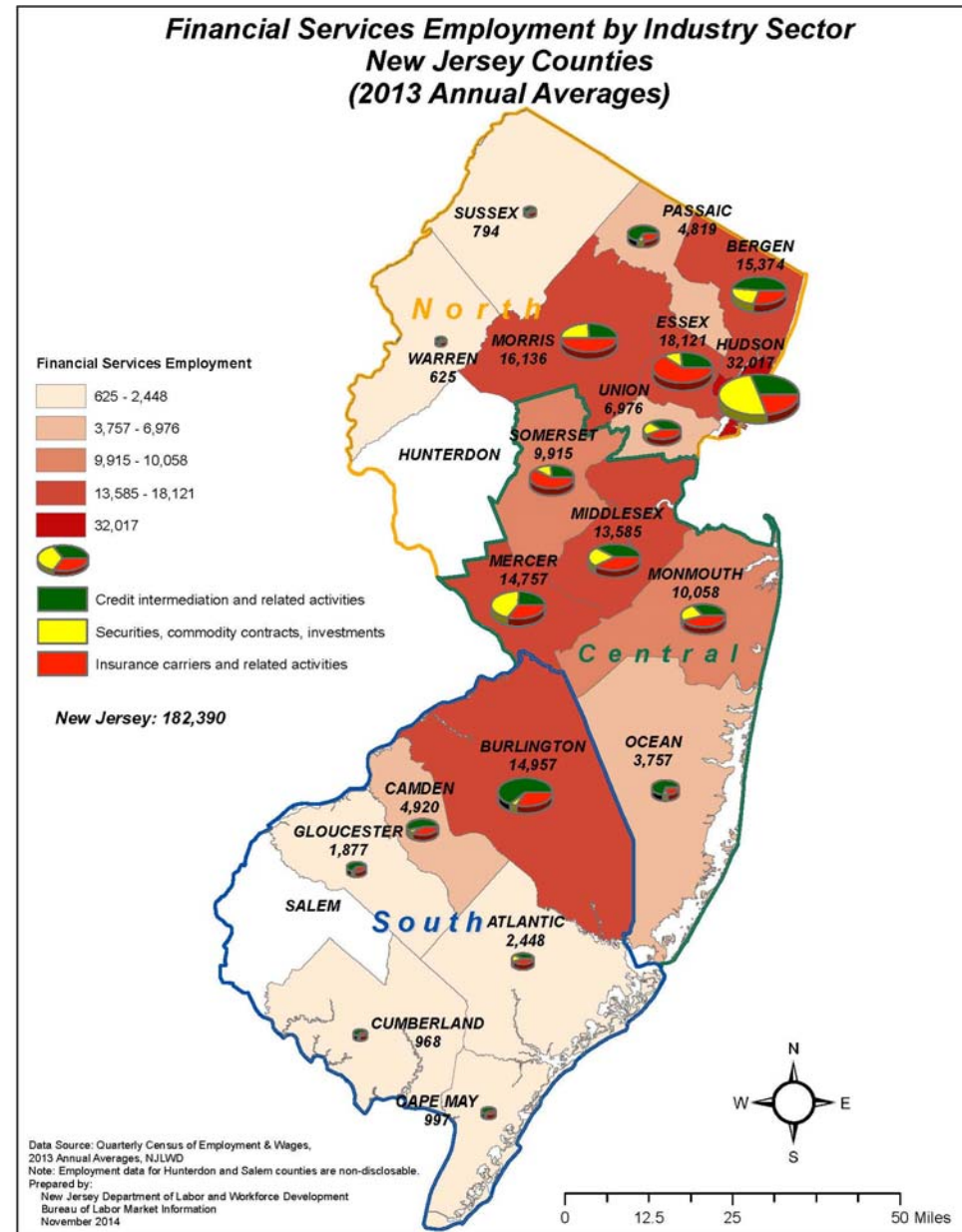
Hudson County is New Jersey's smallest county (by land area), yet it is home to far more of the state's financial services workers than any other county. With over 32,000 industry jobs, Hudson County accounts for almost 18 percent of New Jersey's cluster employment due to its proximity to Manhattan, 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).



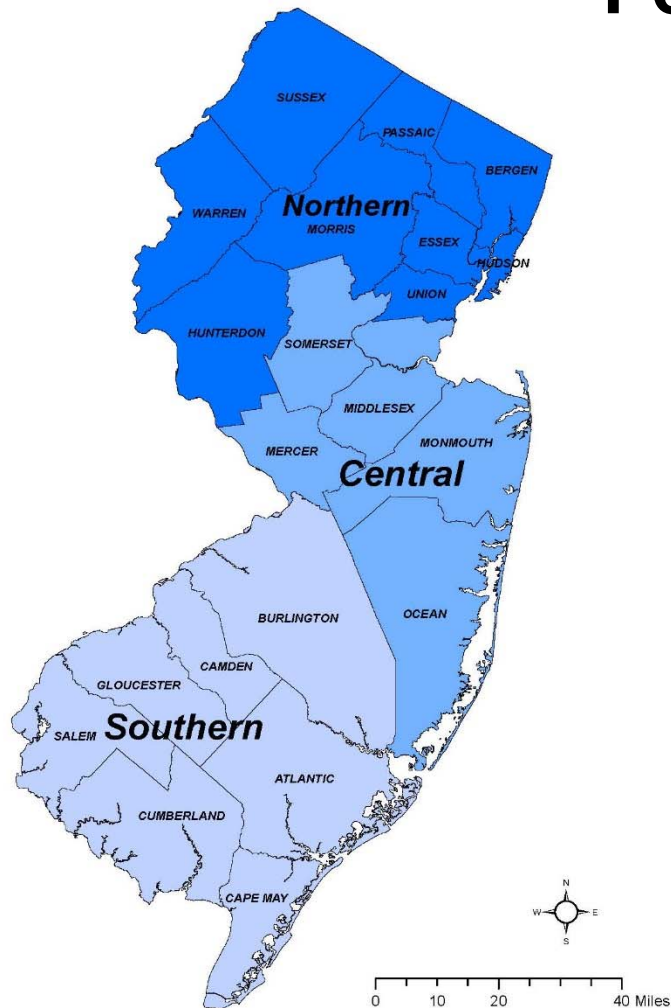
Hudson County is home to the highest percentage of workers statewide employed in the Securities, Commodities, and Other Financial Investments component while the Insurance Carriers component is most highly represented in Morris, Essex and Somerset counties.

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





# Percentage of Employment by Region



## Northern NJ 53.5%

Bergen	Essex	Hudson
Hunterdon	Morris	Passaic
Sussex	Union	Warren

## Central NJ 28.5%

Mercer	Middlesex	Monmouth
Ocean	Somerset	

## Southern NJ 14.6%

Atlantic	Burlington	Camden
Cape May	Cumberland	Gloucester
Salem		

## Undistributed 3.3%

Source: New Jersey Department of Labor and Workforce Development

- Source: NJLWD, Quarterly Census of Employment and Wages, 2013 Annual Average  
Prepared by New Jersey Department of Labor & Workforce Development, November 2014



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# Financial Services Employment by Region: 2013

Region	Units	Employment	Wages	
			Average Annual	Total
North				
BERGEN COUNTY	1,537	15,374	\$95,936	\$1,474,959,006
ESSEX COUNTY	871	18,121	\$124,023	\$2,247,415,354
HUDSON COUNTY	664	32,017	\$150,927	\$4,832,180,873
HUNTERDON COUNTY	N/A	N/A	N/A	N/A
MORRIS COUNTY	1,023	16,136	\$128,616	\$2,075,318,858
PASSAIC COUNTY	468	4,819	\$72,436	\$349,039,173
SUSSEX COUNTY	120	794	\$60,118	\$47,753,991
UNION COUNTY	653	6,976	\$93,513	\$652,367,268
WARREN COUNTY	106	625	\$54,068	\$33,792,387
Central				
MERCER COUNTY	618	14,757	\$97,335	\$1,436,383,638
MIDDLESEX COUNTY	875	13,585	\$114,171	\$1,550,989,669
MONMOUTH COUNTY	1,015	10,058	\$94,179	\$947,287,011
OCEAN COUNTY	453	3,757	\$63,832	\$239,812,807
SOMERSET COUNTY	513	9,915	\$130,285	\$1,291,726,242
South				
ATLANTIC COUNTY	232	2,448	\$66,367	\$162,481,903
BURLINGTON COUNTY	594	14,957	\$76,580	\$1,145,374,740
CAMDEN COUNTY	497	4,920	\$76,162	\$374,750,760
CAPE MAY COUNTY	121	997	\$54,420	\$54,261,028
CUMBERLAND COUNTY	107	968	\$53,372	\$51,659,447
GLOUCESTER COUNTY	216	1,877	\$51,112	\$95,937,756
SALEM COUNTY	N/A	N/A	N/A	N/A

- Source: NJLWD, Quarterly Census of Employment and Wages, 2013 Annual Average  
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# Subsector Breakdown

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

NAICS	Description	2013 Annual Averages		
		Establishments	Employment	Wages
521	Monetary Authorities – Central Bank	ND	ND	ND
522	Credit Intermediation and Related Activities	4,674	68,554	\$76,559
523	Securities, Commodities, and Other Financial Investments and Related Activities	3,021	42,259	\$166,632
524	Insurance Carriers and Related Activities	3,950	71,408	\$104,132
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 76.7 percent of New Jersey's financial services employment in 2013. When the Securities, Commodities, and Other Financial Investments and Related Activities subsector is added, the three components account for 99.9 percent of employment.

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

- Source: NJLWD, Quarterly Census of Employment and Wages, 2013 Annual Average  
Prepared by New Jersey Department of Labor & Workforce Development, September 2014



*The following bubble charts are meant to show three data points at once.*

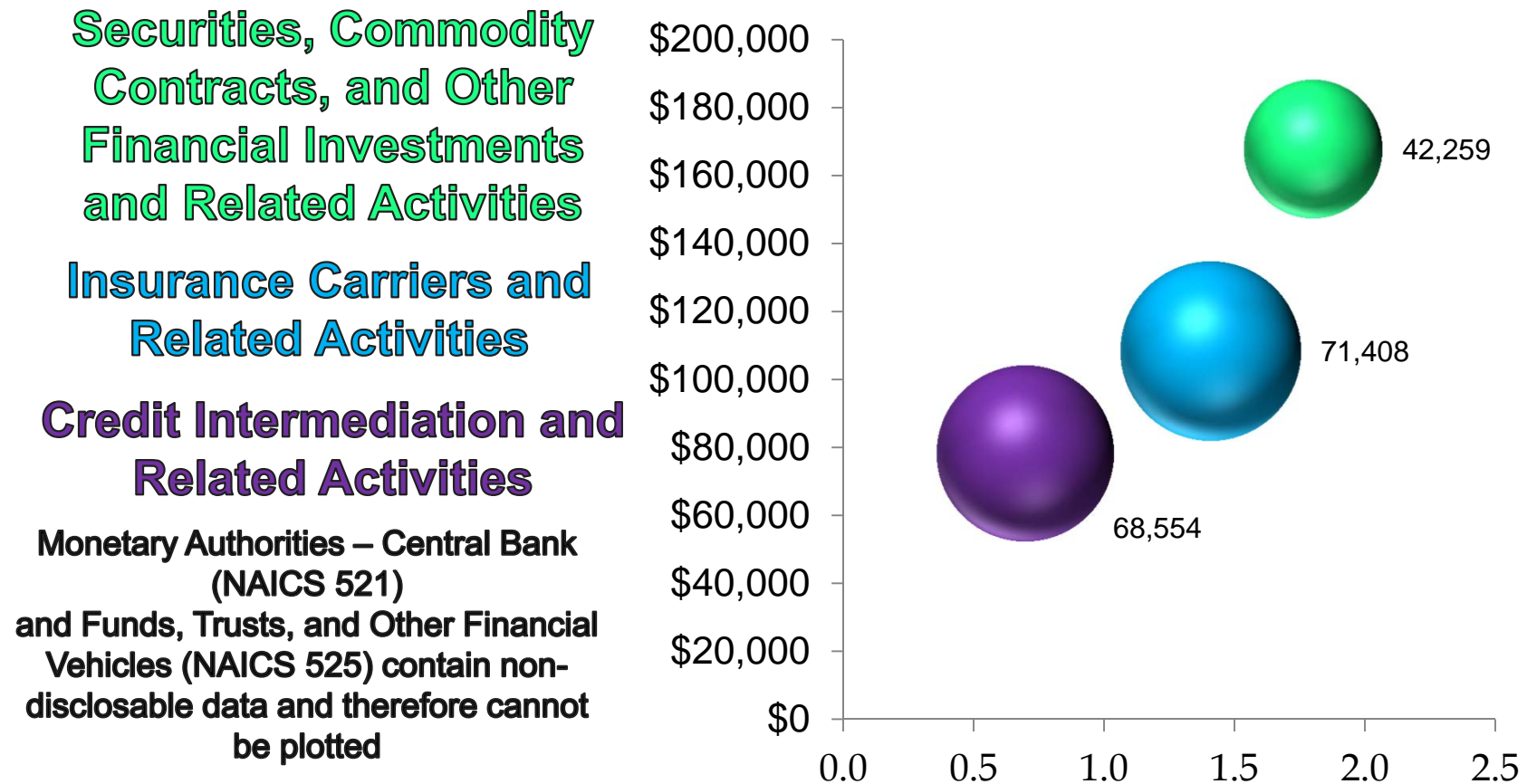
- The bubble size represents the employment size of the subsector.
- The bubble's location on the Y-axis represents 2013 annual average wages for the subsector.
- The bubble's location on the X-axis represents location quotient.
  - Location quotient is a way of quantifying the concentration of an industry in a region versus a larger geographic area.





# Location Quotient

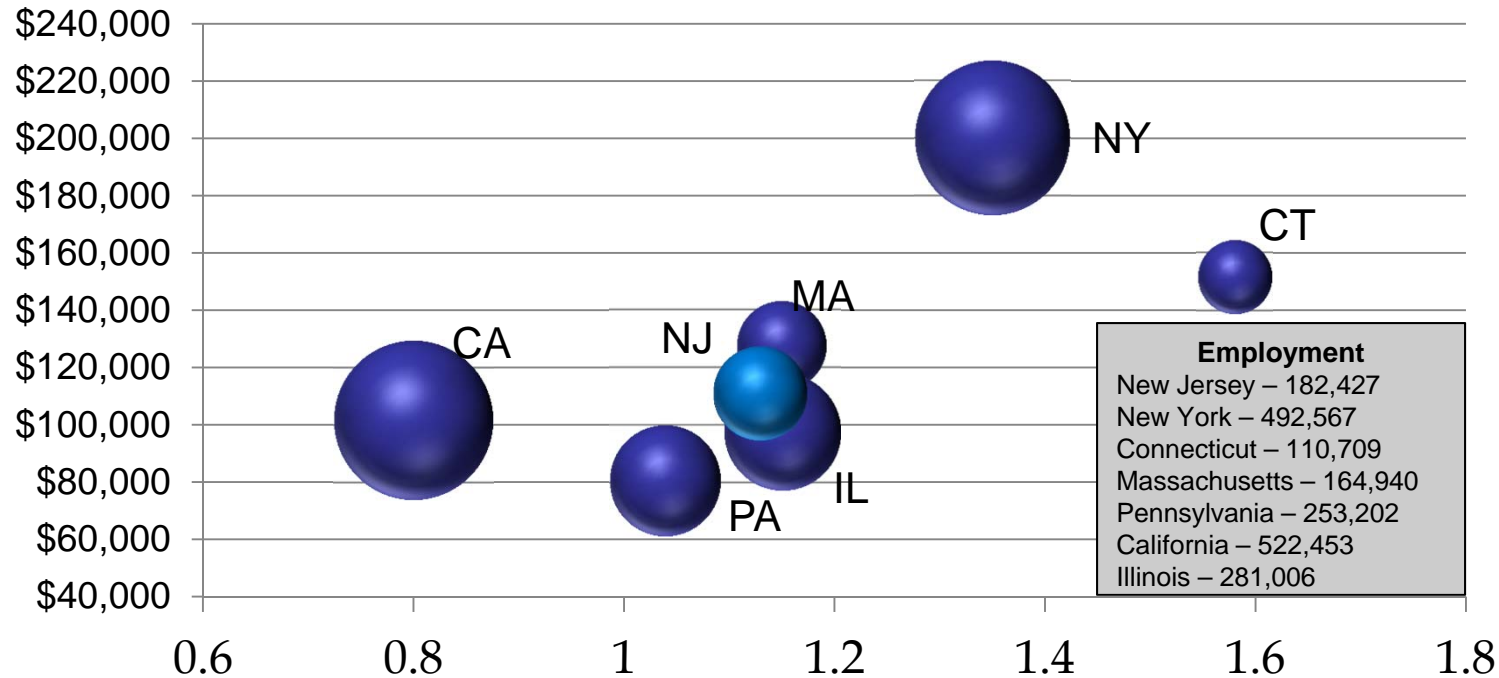
In this case, the location quotient compares the concentration of the industry subsectors in the state to those of the nation. Industries with a location quotient above 1 are known as “basic industries” which (in theory) export a good or service from the state and in return, bring in wealth.



- Source: NJLWD, Quarterly Census of Employment and Wages, 2013 Annual Average  
Prepared by New Jersey Department of Labor & Workforce Development, September 2014



# *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.

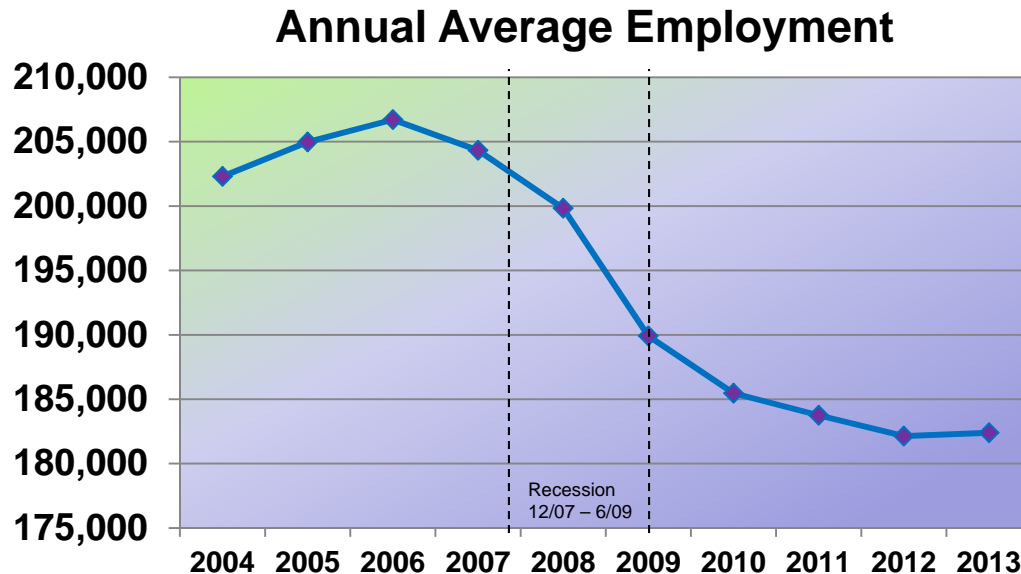
\*Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Annual Average  
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# Employment Trend 2004-2013



- 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 every year since until a very slight gain from 2012-2013.
- New Jersey's financial services sector employment experienced a decline of 12.2

percent since its peak in 2006, compared to only a 6.4 percent decline in the sector at the national level. This reflects the significance the industry cluster has on the state's inhabitants and the harsh impact of the recession. There are currently about 182,400 financial services workers employed in New Jersey.

- Source: NJLWD, Quarterly Census of Employment and Wages, Annual Averages  
Prepared by New Jersey Department of Labor & Workforce Development, November 2014



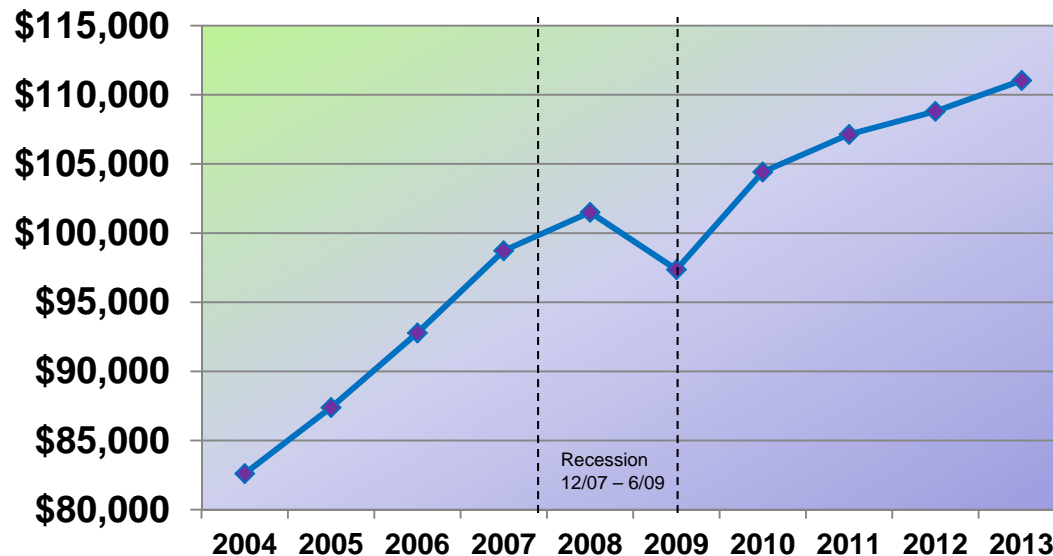
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# Industry Wages Trend 2004-2013

Annual Average Wages

- More than \$20.2 billion in total wages were paid by New Jersey's employers in the financial services cluster in 2013.
- With an annual average wage of \$111,037, the state's financial services workers earned an average wage 20.9 percent higher than workers nationally, 88.1 percent higher than the state's average wage for the private sector, and well more than double the nation's average for private sector industries (an astounding 123.4 percent higher).
- The average annual wage for New Jersey's financial services cluster was down in 2009 due to the Great Recession. This followed the trend for the private sector's annual average wage which also faced a recessionary decline in 2009.



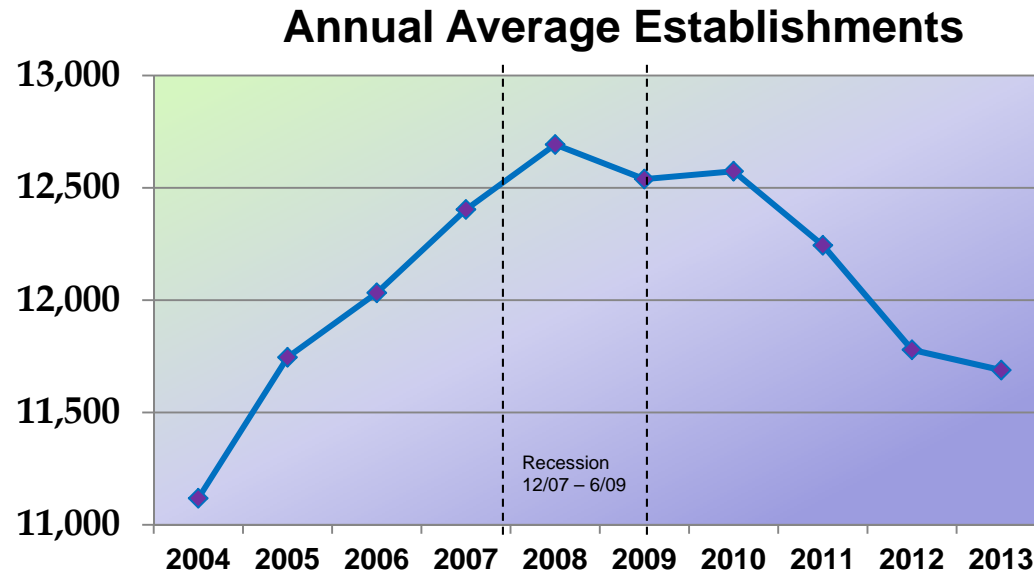
Source: NJLWD, Quarterly Census of Employment and Wages, Annual Averages  
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# *Establishment Trend 2004-2013*



- Along with a decline in employment from 2008-2013 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 subsequent consolidations among financial institutions are largely to blame.

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

- Source: NJLWD, Quarterly Census of Employment and Wages, Annual Averages  
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# Employment by Major Occupational Group

Occupational Group	Employment	% of Cluster
43 Office and Administrative Support Occupations	85,327	42.6%
13 Business and Financial Operations Occupations	47,576	23.7%
41 Sales and Related Occupations	28,764	14.4%
11 Management Occupations	18,289	9.1%
15 Computer and Mathematical Occupations	16,819	8.4%
23 Legal Occupations	1,760	0.9%
All Other Occupational Groups	1,798	0.9%
<b>Total (All Finance Occupations)</b>	<b>200,333</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.

\*Source: I/O Matrix data (2013) from Current Employment Statistics and Occupational Employment Statistics Wage Survey, 2013.  
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## Top Three Occupations (by Employment) Within Each Major Occupational Group

Office and Administrative Support Occupations		Management Occupations	
Tellers	19,254	Financial Managers	7,514
Customer Service Representatives	14,064	Computer and Information Systems Managers	3,284
Insurance Claims and Policy Processing Clerks	8,266	General and Operations Managers	2,626
Business and Financial Operations Occupations		Computer and Mathematical Occupations	
Claims Adjusters, Examiners, and Investigators	10,231	Computer Systems Analysts	4,333
Loan Officers	5,706	Software Developers, Applications	3,978
Financial Specialists, All Other	4,448	Actuaries	1,300
Sales and Related Occupations		Legal Occupations	
Securities, Commodities, and Financial Services Sales Agents	13,294	Lawyers	920
Insurance Sales Agents	10,306	Paralegals and Legal Assistants	491
First-Line Supervisors/Managers of Non-Retail Sales Workers	1,951	Title Examiners, Abstractors, and Searchers	323

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 varies greatly.

\*Source: I/O Matrix data (2013) from Current Employment Statistics and Occupational Employment Statistics Wage Survey, 2013.  
Prepared by New Jersey Department of Labor & Workforce Development, November 2014





# *Education Requirements of Top 10 Financial Services Occupations by Employment*

There are more than 190 different occupations identified in New Jersey's financial services cluster. The top 10 occupations in the cluster account for over 101,000 jobs, or more than half of the state's financial services employment.

Occupation	2013 Employment	2013 Annual Average Wages	Education Requirements
Bank Tellers	19,250	\$27,980	High school diploma or equivalent
Customer Service Representatives	14,060	\$39,225	High school diploma or equivalent
Securities, Commodities, and Financial Sales Agents	13,290	\$97,835	Bachelor's degree
Insurance Sales Agents	10,310	\$71,170	High school diploma or equivalent
Claims Adjusters, Examiners, and Investigators	10,230	\$68,775	High school diploma or equivalent
Insurance Claims and Policy Processing Clerks	8,270	\$41,310	High school diploma or equivalent
First-Line Supervisors/Managers of Office and Administrative Support Workers	7,901	\$65,995	High school diploma or equivalent
Financial Managers	7,510	\$145,865	Bachelor's degree
Loan Officers	5,710	\$81,110	High school diploma or equivalent
Office Clerks, General	4,730	\$31,785	High school diploma or equivalent

Source: NJLWD, Occupational Employment Statistics Wage Survey, 2013.

Prepared by: NJLWD Division of Labor Market & Demographic Research, Bureau of Labor Market Information, October 2014

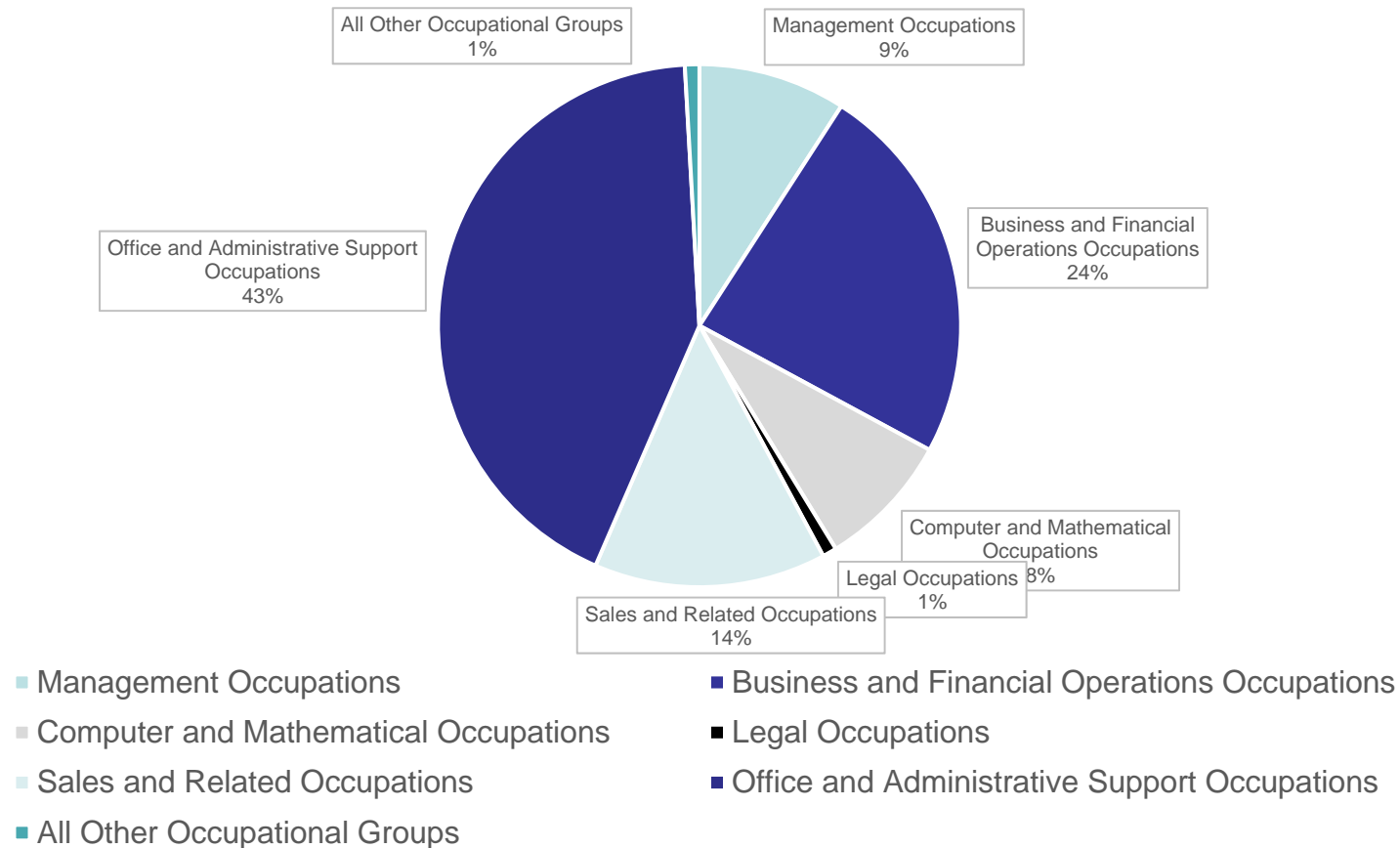


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# Employment by Major Occupational Groups



Source: NJLWD, Occupational Employment Statistics Wage Survey, 2013.

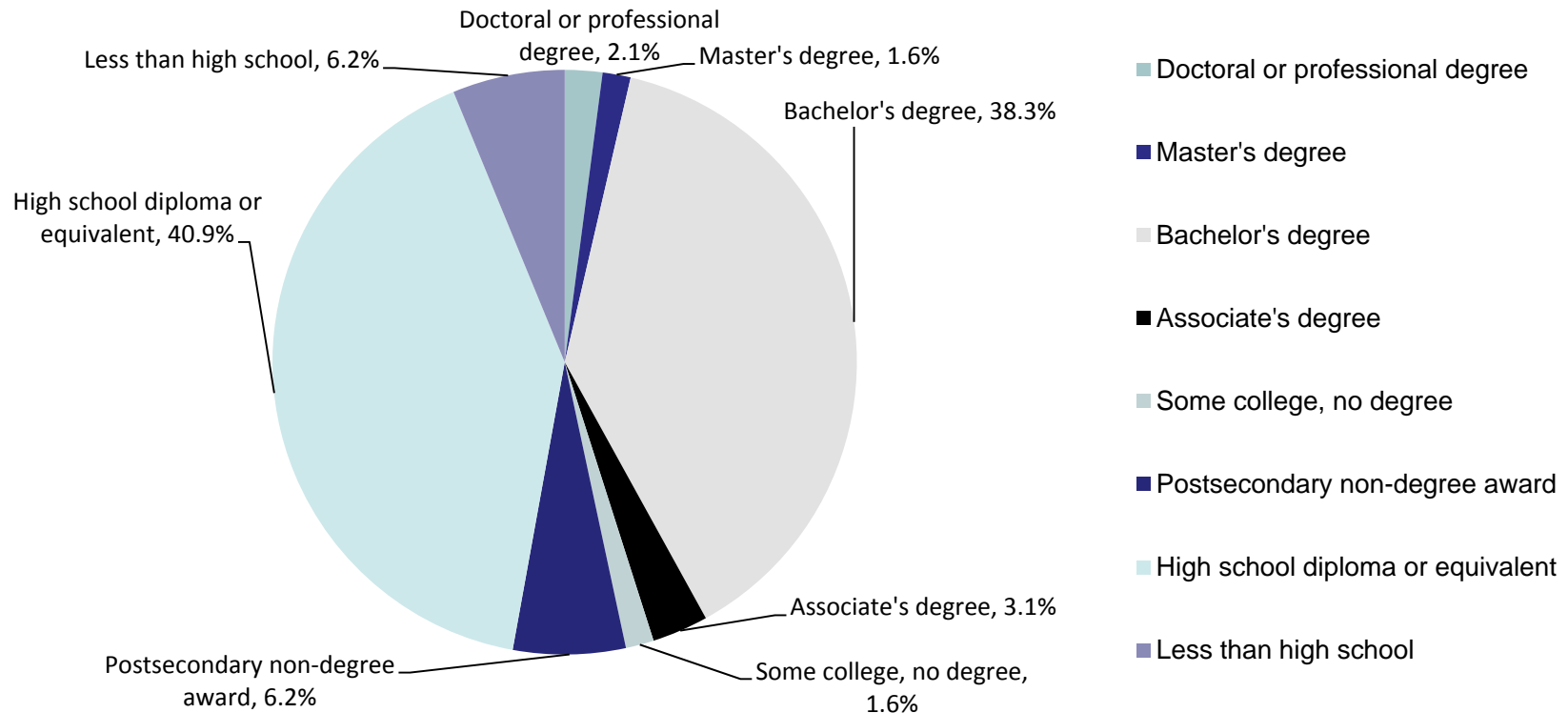
Prepared by: NJLWD Division of Labor Market & Demographic Research, Bureau of Labor Market Information, October 2014



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# Education Requirements of Finance 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.

\*Source: I/O Matrix data (2013) from Current Employment Statistics and Occupational Employment Statistics Wage Survey, 2013.  
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# *Skills, Knowledge and Abilities of Financial Industry Workers*

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

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

\*Source: O\*NET, ONETonline.org

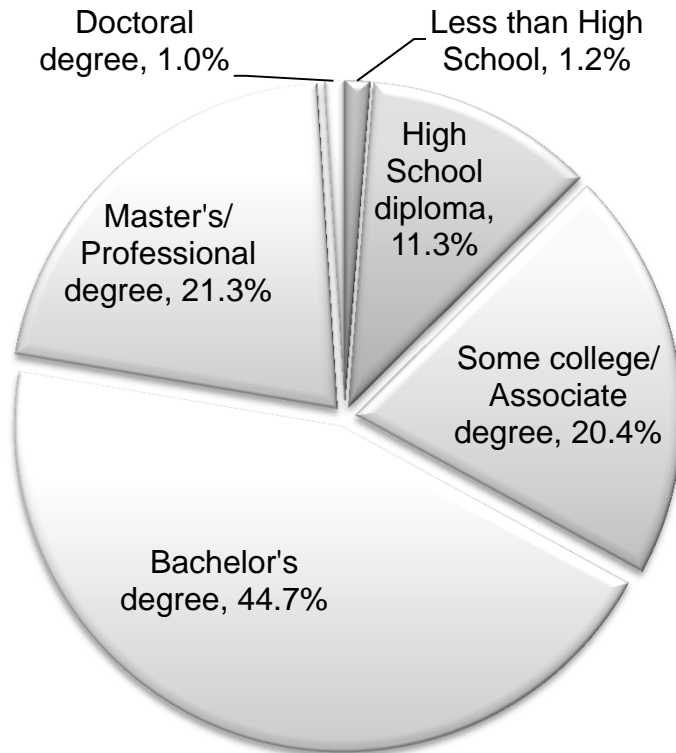
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# *Education Level of New Jersey Residents in the Financial Services Industry*



U.S. Census Bureau 2013 American Community Survey data shows that, in actuality, 67 percent of New Jersey's financial services resident workforce has a bachelor's degree or higher.

New Jersey ranks sixth in the nation with 36.1 percent of people 25 years and over who have completed a bachelor's degree... and ninth in the nation with 13.7 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.

\*Source: U.S. Census Bureau, 2013 American Community Survey Public Use Microdata Sample (5% sample).  
Prepared by New Jersey Department of Labor & Workforce Development, October 2014

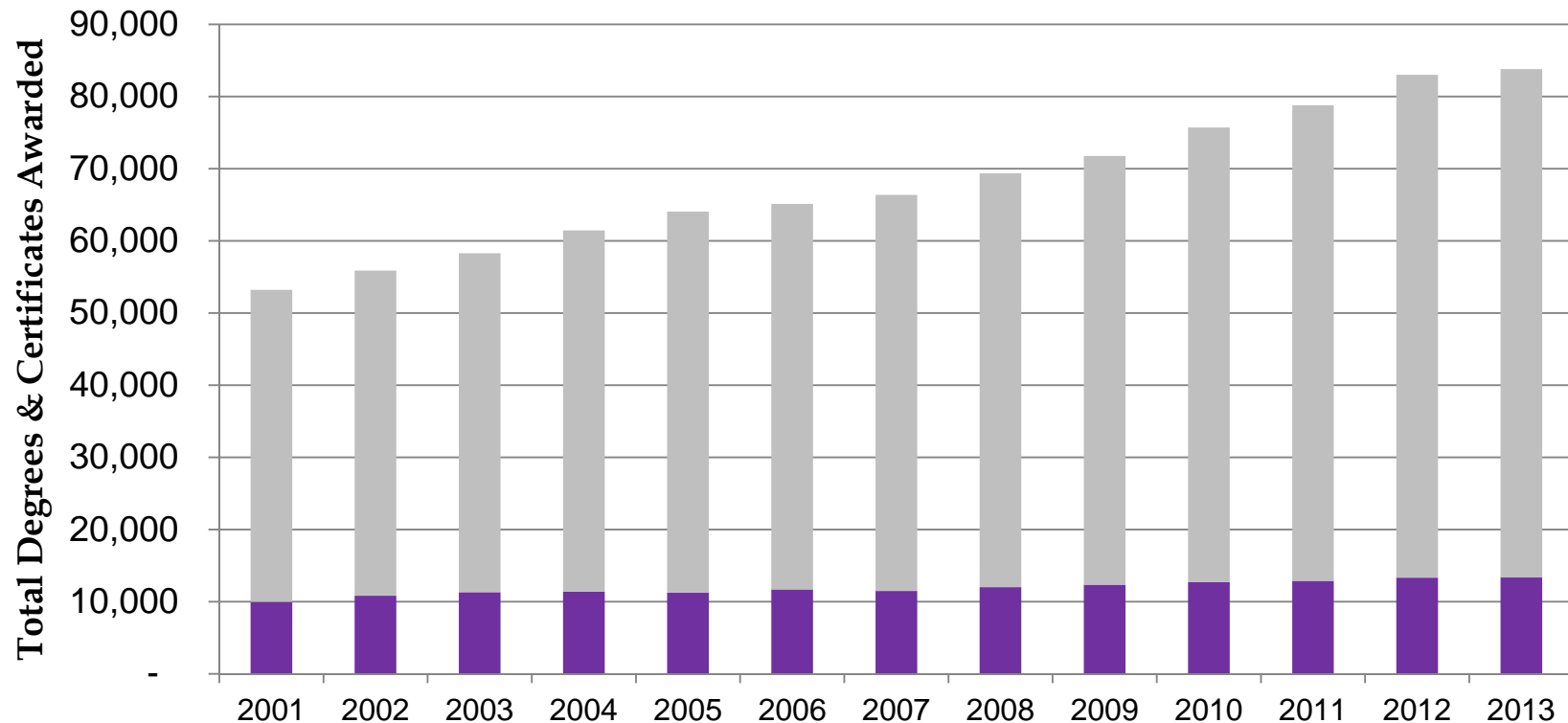


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# *Total Certificates and Degrees Awarded by New Jersey Institutions*

■ Business Degrees ■ Other



The total number of degrees and certificates awarded to all majors has increased steadily over time. The outright number of business degrees has increased as well, however their percentage of the total has decreased from 18.7 percent in 2001 to 15.9 percent in 2013.

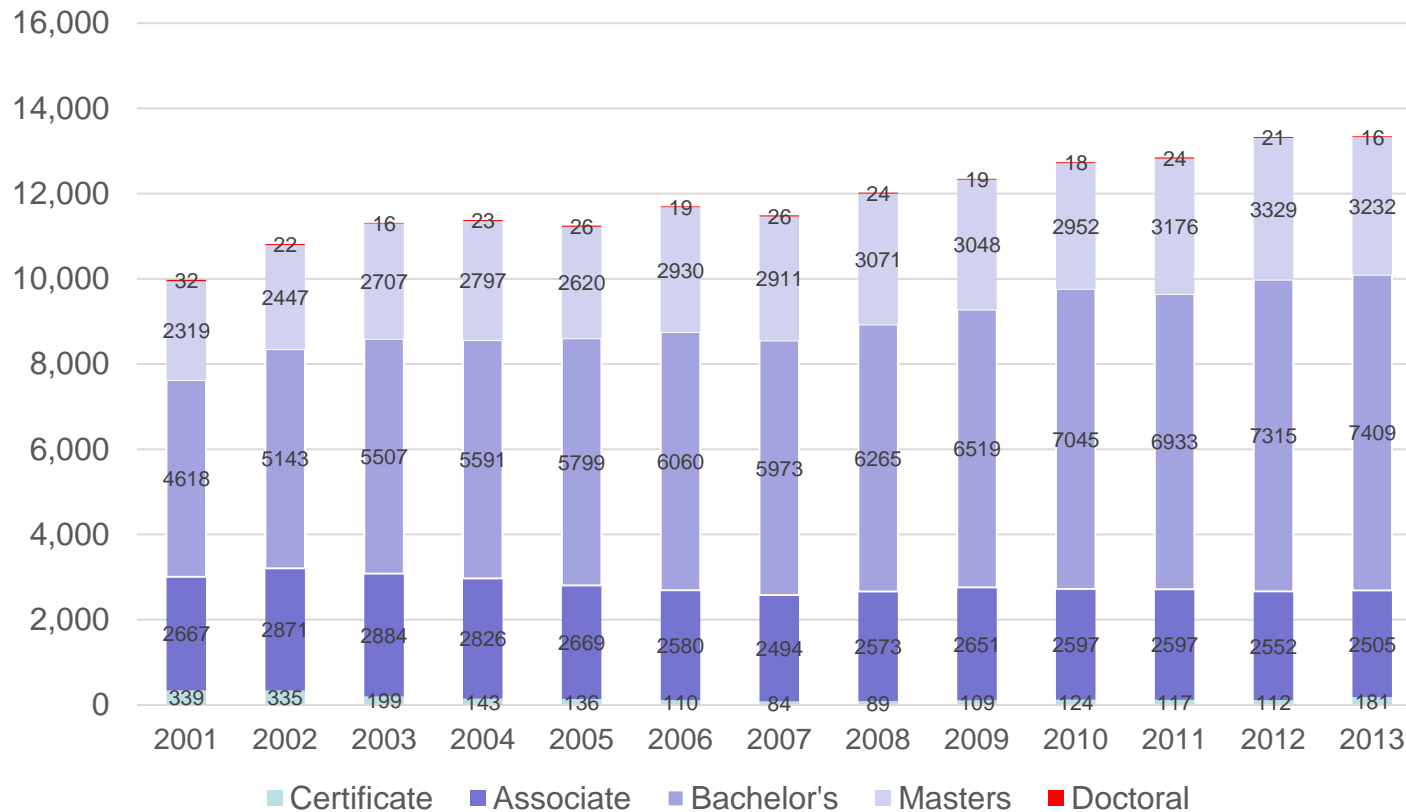
- Source: New Jersey Office of the Secretary of Higher Education, Integrated Postsecondary Data System (IPEDS)  
Prepared by New Jersey Department of Labor & Workforce Development, December 2014



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# Breakdown of Degrees in Business Majors



- Source: New Jersey Office of the Secretary of Higher Education, Integrated Postsecondary Data System (IPEDS)  
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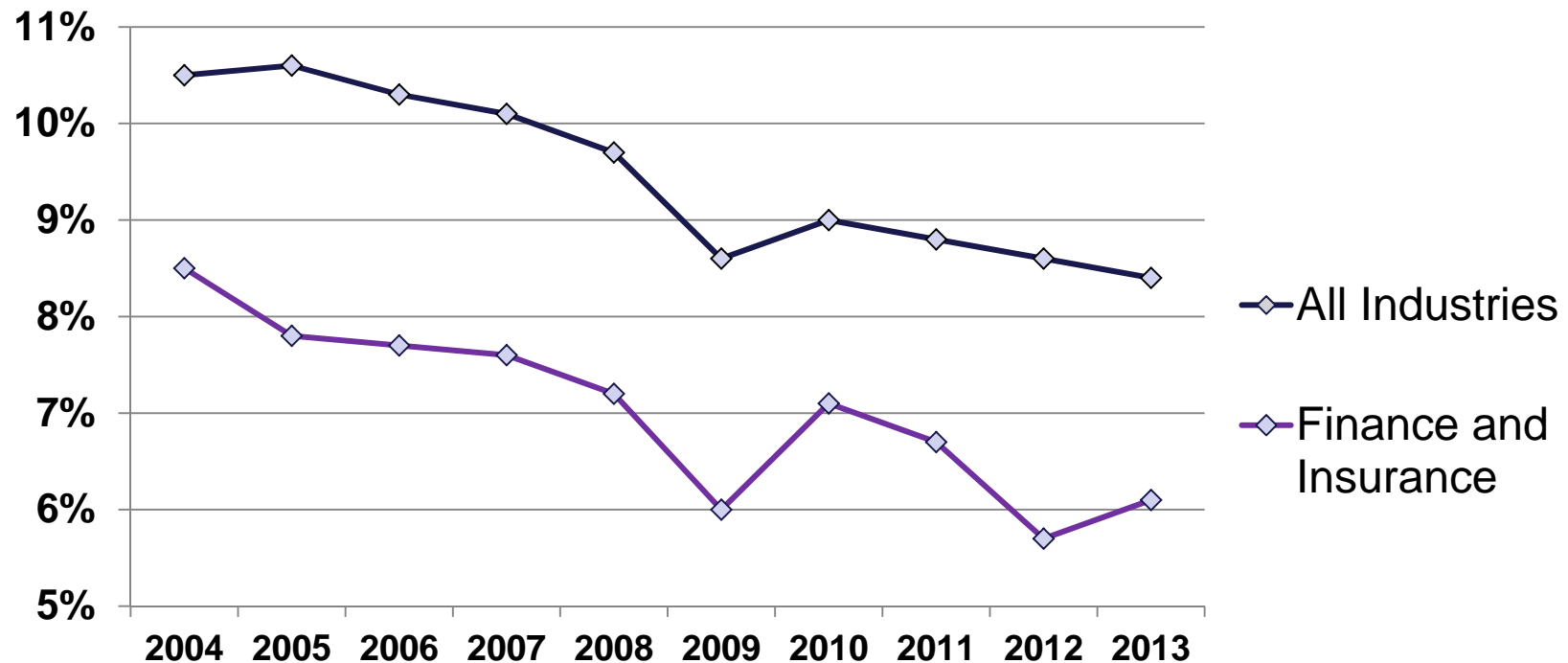


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# Employment Turnover Rate

*Finance vs. All 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.

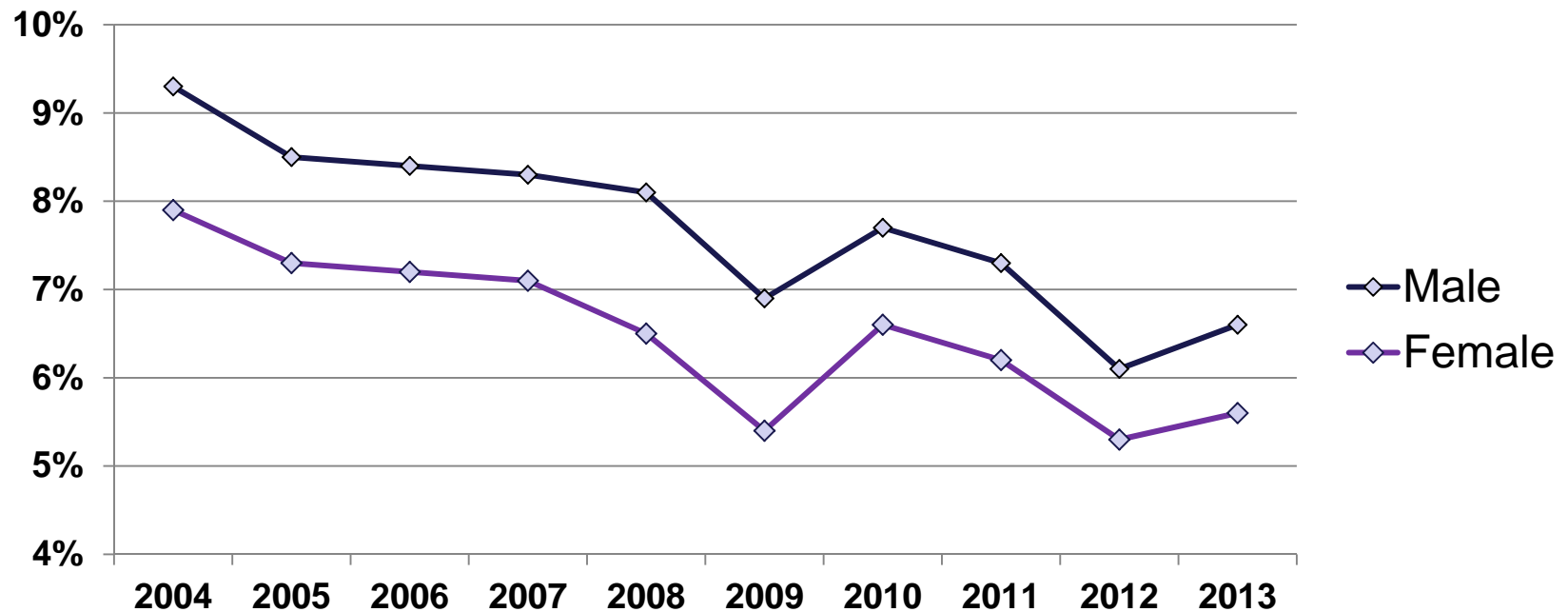
- Source: U.S. Census Bureau – Local Employment Dynamics Quarterly Workforce Indicators. 2004-2012 uses average of Q4 + 3 prior quarters (Private Ownership). 2013 data uses average of Q2 (most recent data) + 3 prior quarters.  
Prepared by New Jersey Department of Labor & Workforce Development, October 2014



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# *Finance Employment Turnover by Gender*



The latest available Quarterly Workforce Indicator data that the financial services cluster workforce is comprised of approximately 45.7 percent male workers and 54.3 percent female workers. Males averaged a 1.2 percent higher turnover rate than female workers over the 2004 – 2013 period.

- Source: U.S. Census Bureau – Local Employment Dynamics Quarterly Workforce Indicators. 2004-2012 uses average of Q4 + 3 prior quarters (Private Ownership). 2013 data uses average of Q2 (most recent data) + 3 prior quarters.  
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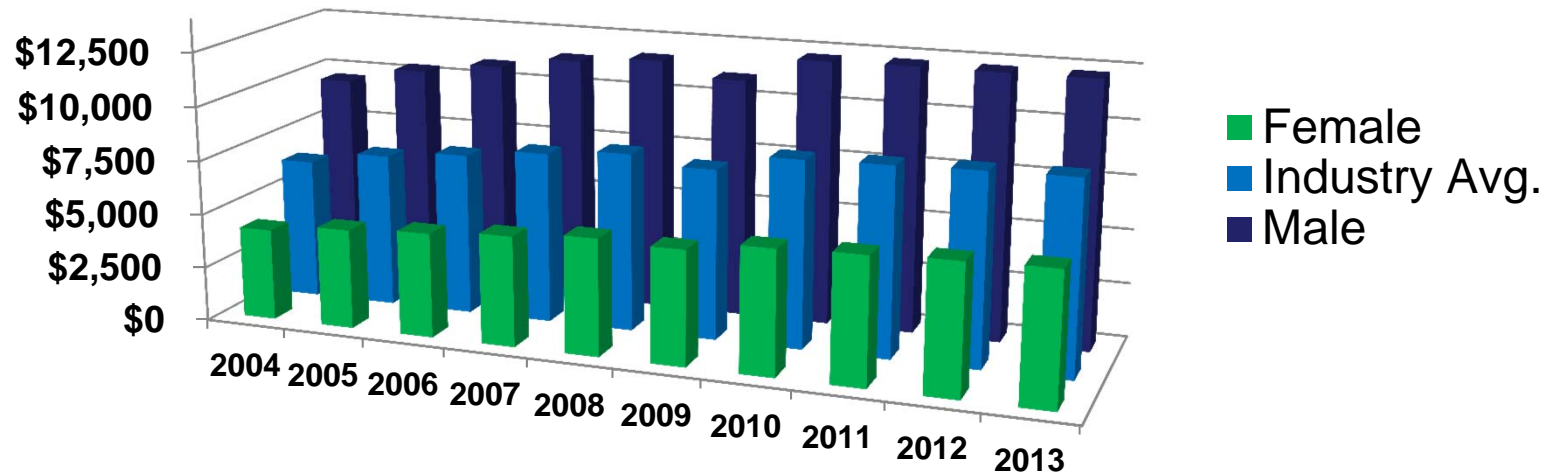
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# *Average Monthly Earnings by Gender*

(LED Average of Q4 + Prior 3 Quarters)



In each of the ten base years, earnings of male financial services workers was more than double that 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. 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.

- Source: U.S. Census Bureau – Local Employment Dynamics Quarterly Workforce Indicators. 2004-2012 uses average of Q4 + 3 prior quarters (Private Ownership). 2013 data uses average of Q2 (most recent data) + 3 prior quarters.  
Prepared by New Jersey Department of Labor & Workforce Development, July 2014

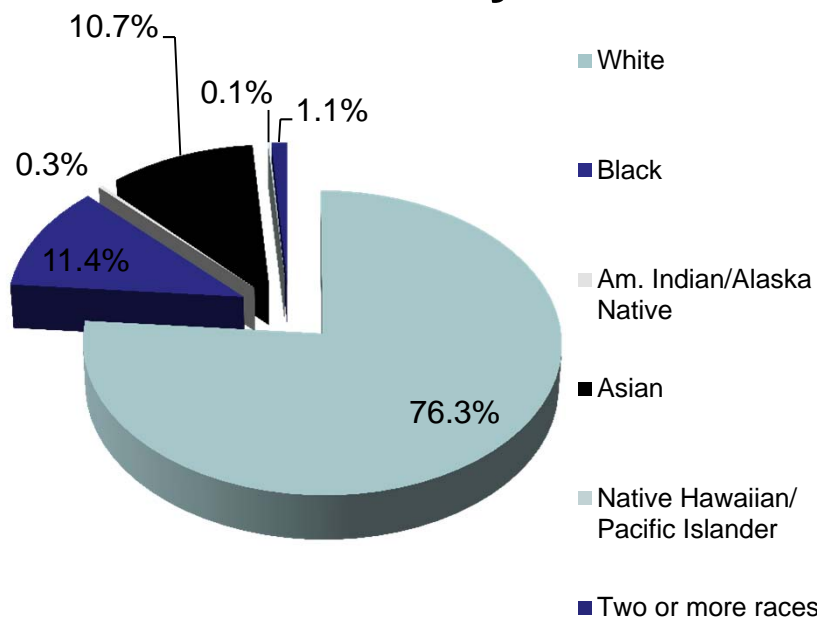


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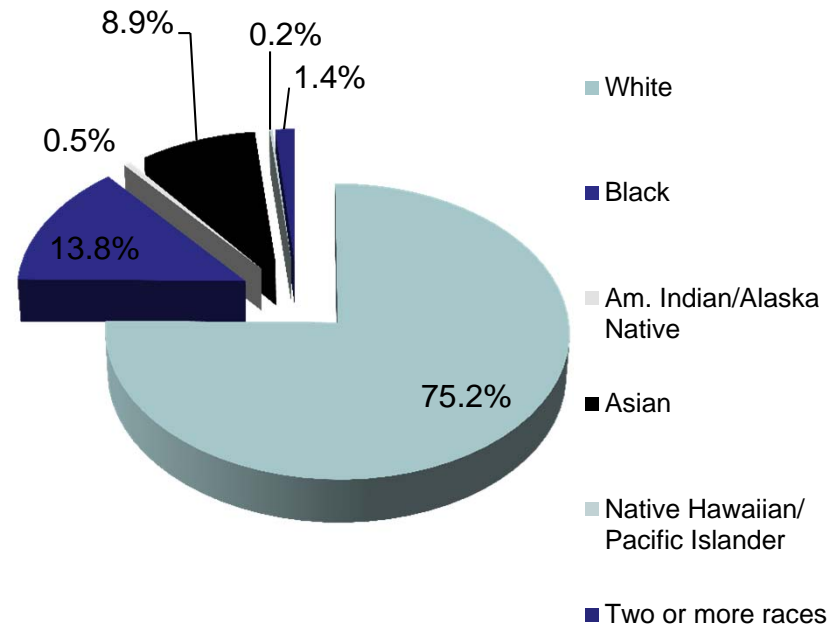
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# *Financial Industry Breakdown by Race*

## Financial Services Industry



## All Industries



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

- Source: U.S. Census Bureau – Local Employment Dynamics Quarterly Workforce Indicators. 2013 data uses average of Q2 (most recent data) + 3 prior quarters.

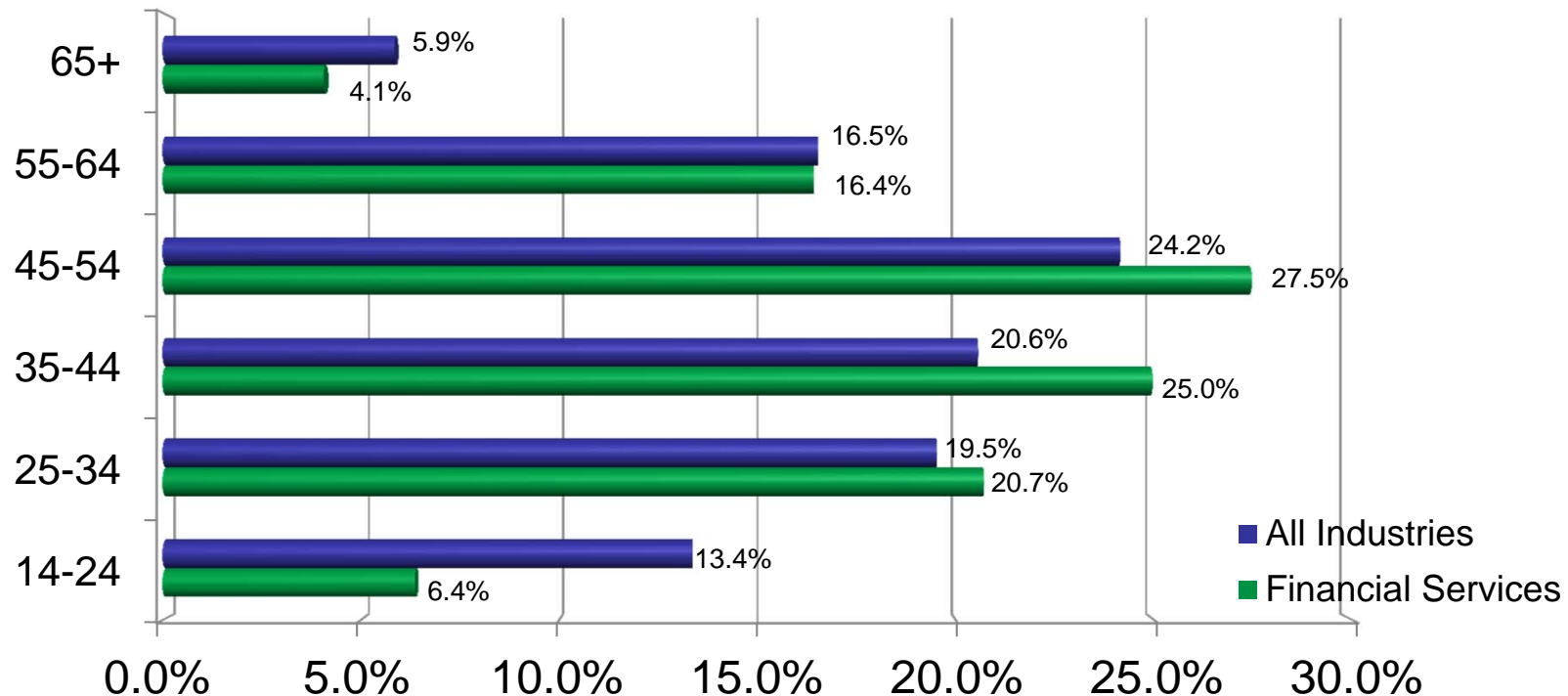
Prepared by New Jersey Department of Labor & Workforce Development, July 2014



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# Percentage of Employment by Age



More than 73 percent of Financial Services Industry workers are generally distributed between 25 and 54 years of age. Most of the age groups are fairly consistent with other industries except for the 14-24 range.

- Source: U.S. Census Bureau – Local Employment Dynamics Quarterly Workforce Indicators. 2013 data uses average of Q2 (most recent data) + 3 prior quarters.

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## ***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.

\*Source: 2012 - 2022 Industry and Occupational Employment Projections.  
Prepared by New Jersey Department of Labor & Workforce Development, November 2014



## *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 36 percent of New Jersey's entire workforce has earned a bachelor's degree or higher
- The state has lower utility costs, corporate taxes and cost of living relative to some other nearby states
- New Jersey's financial services industry cluster is supported by a strong business services sector



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