



## **Garden State the Destination for Financial Services Businesses**

**by Michael Valeriano, Labor Market Analyst**

The bulls and the bears may run on Wall Street, but many financial services firms now run key operations here in the Garden State making New Jersey a hotbed of the financial services industry.

The growth of electronic trading has reduced the need for trading and brokerage firms to maintain all of their operations in New York's famed Financial District near the world's most prolific exchanges - NYSE/AMEX/NYMEX/COMEX/NYBOT.

New Jersey's close proximity to New York City, highly competitive corporate real estate rates and an unmatched talent pool, provide an ideal fit for these operations and have attracted companies to move across the river from Manhattan.

Financial powerhouses such as Goldman Sachs and Bank of America/ Merrill Lynch have already migrated across the Hudson River to new homes in New Jersey which other industry leaders, such as Prudential Financial, Lord, Abbett & Co., Chubb Corporation and Dun & Bradstreet Corporation, already called home. Presently, 22 out of 25 of New Jersey's largest financial services employers are located within 40 miles of Manhattan.



Infrastructure, value and talent are all key elements in attracting these businesses. In addition to competitive real estate rates, New Jersey hosts one of the world's most extensive fiber optics networks, and has multiple data centers housing the servers that have become the lifeblood of high frequency trading. In fact, Jersey City, often referred to as "Wall Street West," is presently home to more than 15 percent of all financial services employment in the state and has become the new place in the region in which to conduct financial transactions.

Here are some of the factors that make New Jersey an attractive place for financial services businesses:

- New Jersey has one of the most extensive fiber optic networks in the world to support the financial industry's high-speed communications needs.
- Competitive corporate real estate in New Jersey offers inexpensive options for both headquarter operations as well as support locations.
- The state has a highly educated talent pool - more than 34 percent of New Jersey's workforce has earned a bachelor's degree or higher.
- The financial services cluster is supported by a strong business services sector in the state.

### **The Financial Services Industry Cluster**

Overall, business activity has been picking up for many New Jersey employers, a hopeful sign that the state economy may be bouncing back from

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the long national recession. Recent economic data indicate that overall, sales, profits, purchases and employment activity of individual companies are showing improvement. Perhaps this evidence is seen best in the financial activities sector.



Nationally, in 2009 financial firms conducted transactions that equated to approximately \$1.172 trillion or 8.3 percent of the nation's Gross Domestic Product. And in New Jersey, the finance and insurance industry accounted for approximately \$41.957 billion or 10 percent of Gross State Product.

The financial services industry employed about 190,000 workers in 2009 (6% of all jobs in New Jersey). While employment declined by 6.1 percent from 2004 to 2009 (-9.0 percent from its peak of 207,000 workers in 2006), the number of financial establishments in the state has actually grown more than 13 percent over this time period. Wages also have increased significantly over the period as employees of the financial services industry enjoyed annual average wages of more than \$97,000 in 2009 (+17.9% from 2004).

Financial institutions nationally and in New Jersey suffered significant losses during the recent national

recession triggered by the subprime mortgage crisis and the bursting of the housing bubble.

## Industry Description

The financial services 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. Monetary authorities such as central banks and reserve banks are also included in this sector.

## Industry Employment

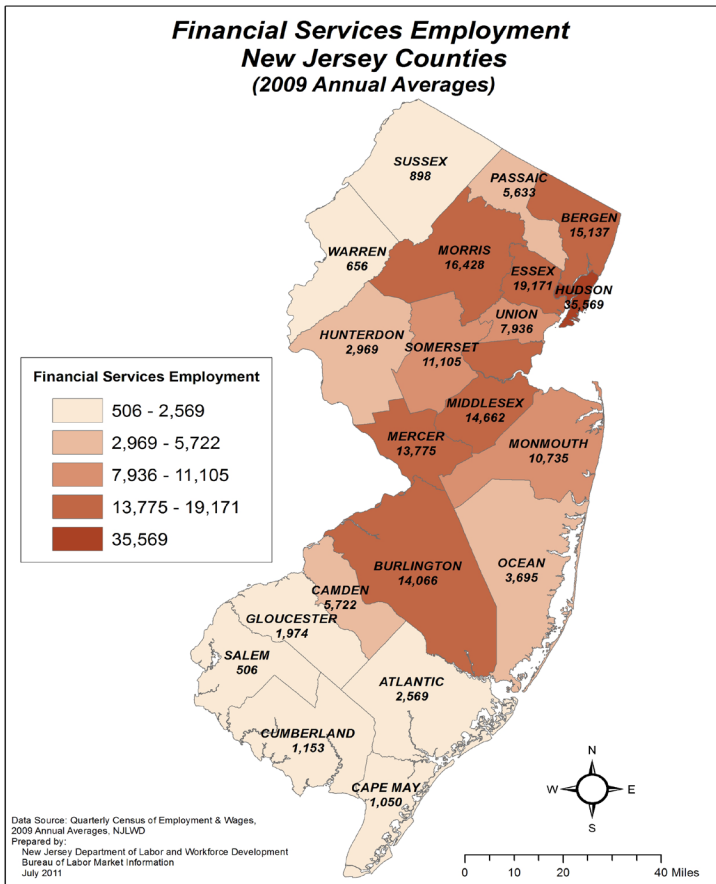
Financial services industry employment made up about 6 percent of New Jersey's total employment in 2009 (approximately 190,000 jobs). While financial services is relatively small in terms of employment, it continues to be a primary economic driver accounting for 10 percent of the state's GDP.

While total employment in NJ was down by 3.5 percent over the 2004-2009 period, New Jersey's financial services sector lost 6.1 percent of its employment base. On a national level, the industry was only 3.2 percent lower over the same period. This reflects the strong setback the industry experienced in New Jersey during the recent recession.

However, the employment decline could also be partly attributed to the multitude of mergers and acquisitions

New Jersey's Financial Services Cluster (2009)			
Industry Components	Employment	Establishments	Average Annual Wage (\$)
Monetary Authorities - Central Bank	181	13	113,469
Credit Intermediation and Related Activities	68,926	5,327	67,558
Securities, Commodities, and Other	48,533	2,968	148,337
Financial Investments and Related Activities			
Insurance Carriers and Related Activities	71,139	4,061	91,176
Funds, Trusts, and Other Financial Vehicles	1,135	170	13,556
<b>Private Sector Employment, NJ Total</b>	<b>3,158,235</b>	<b>259,906</b>	<b>54,543</b>
<i>Source: NJ Dept of Labor and Workforce Development, Quarterly Census of Employment and Wages, 2009 Annual Average</i>			

### Financial Services Employment New Jersey Counties (2009 Annual Averages)



of banks during and after the recession. As companies merge, consolidation is sometimes inevitable. Some notable mergers include Bank of America and Merrill Lynch, TD Bank's acquisition of Commerce Bank and more recently, Wells Fargo taking over Wachovia Bank.

Some of the world's strongest corporations are financial services firms and in New Jersey; the industry's largest 25 employers account for over 42 percent of the total financial services industry employment in the state.

### Industry Wages

- In 2009, New Jersey's employers in the financial services industry paid about \$18.5 billion in total wages.
- The 2009 annual average wage for the financial services industry in the Garden State was \$97,367, up by 17.9 percent from the 2004 average of \$82,617.

- 16 of 41 (39%) financial sector industries enjoyed annual average wages of over \$100,000.

Employees in the financial activities sector, on average, are very well compensated. While financial activities workers make up only six percent of the state's employment, their total wages account for almost 11 percent of the state total.

With an annual average wage of \$97,367, New Jersey's financial activities employees are paid (on average) 22 percent more than those of the rest of the nation, 78.5 percent more than the state average for total employment, and more than double the nation's average annual wage for all industries (a stunning 104.4% higher).

### Industry Occupations

The financial activities cluster employs a wide variety of occupations. From front-line tellers and loan officers to behind-the-scenes financial analysts and trading specialists, it takes many different types of occupations to make some of the world's strongest financial institutions run efficiently. In financial services, the high growth occupations are heavily dependent on continuous skill development because workers must keep up with the rapidly changing array of products and services offered by the industry. Given the global transformation of the financial services cluster, skills development is increasingly vital to state and regional economies.

Overall, employment of financial analysts and personal financial advisors is expected to increase by 20 percent by 2018 which is much faster than average for all occupations through 2018, resulting from increased investment by businesses and individuals. Personal financial advisors are projected to grow by 30 percent over the same period.

### Industry Workforce

The education of the workforce in the financial services industry ranges from



high school education to post graduate study. Many of the office and administration positions require a high school education, with some institutions offering further educational opportunities for in-house advancement.

Management and many professional positions require a minimum of a bachelor's degree, and there is growing demand for further education. However, some management positions continue to be filled in the banking and insurance sectors by promoting experienced and technically skilled professionals.

Workers in some occupations choose to attain master's degrees in business administration (MBA) to achieve high level positions such as those in the securities industry. Further requirements such as licenses must also be obtained by some individuals employed in the cluster in accordance with their specialties (i.e. series 7 for securities brokers, series 63 or 66 for financial advisors, a CMB for mortgage bankers, etc.).

New Jersey is home to more than sixty universities, colleges and technical schools, most of which offer multiple business and economics programs. Princeton University and Rutgers University both have nationally recognized departments engaged in business and economics curriculums. More than 34 percent of New Jersey's workforce has earned a bachelor's degree or higher and almost 13 percent had a master's degree or higher.

**Top Ten Occupations in the Financial Activities Sector: New Jersey, 2009**

Occupation	Employment	Annual Average Wage (\$)	Education/Training Requirements
Bank Tellers	18,422	25,960	Short-Term On-The-Job Training
Securities, Commodities and Financial Sales Agents	15,129	92,010	Bachelor's Degree
Customer Service Representatives	14,523	36,900	Moderate-Term On-The-Job Training
Insurance Claims and Policy Processing Clerks	9,276	37,390	Moderate-Term On-The-Job Training
Claims Adjusters, Examiners, and Investigators	9,196	66,410	Long-Term On-The-Job Training
Insurance Sales Agents	8,878	72,470	Post-Secondary Vocational Training
Financial Managers	8,612	126,940	Bachelor's Degree or Higher, Plus Work Experience
First-Line Supervisors/Managers of Office and Administrative Support Workers	7,988	53,990	Work Experience in a Related Occupation
Secretaries, Except Legal, Medical and Executive	5,589	35,390	Short-Term On-The-Job Training
Financial Analysts	5,004	79,510	Bachelor's Degree

Source: NJ Dept of Labor and Workforce Development, Occupational Employment Statistics (OES) Wage Survey, 2009

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