

Lehman, Merrill to pound already bloody job market

Monday, December 8, 2008



A worker carries a box out of the Lehman Brothers offices in the Canary Wharf district of London, September 15, 2008. REUTERS/Andrew Winning

By Jonathan Spicer

NEW YORK (Reuters) - The imminent disappearance of major investment banks Lehman Brothers Holdings Inc and Merrill Lynch & Co Inc presents a double-barreled hit to an already wounded job market and will likely depress salaries on Wall Street.

Lehman filed for bankruptcy protection after frantic attempts to find a rescuer failed on Sunday, while Merrill Lynch agreed to be taken over by Bank of America Corp.

Headhunters and consultants said the U.S. financial services sector, already suffering from a glut of unemployed talent after shedding more than 100,000 jobs this year, must now brace for up to 50,000 more job losses.

"This is seriously going to impact compensation this year, across the Street and all over the world as well," he said. "The golden years of compensation in the financial services industry are over, and it doesn't help with the Bear Stearns people still looking for work." Bear Stearns agreed in March to a takeover by JPMorgan Chase & Co.

Bank of America, the second-largest U.S. bank, agreed to buy Merrill in an all-stock deal worth \$50 billion, as the world's largest retail brokerage sought refuge from fears that it could be the next victim.

The takeover would make Bank of America the top U.S. bank, and would likely put 40 percent, or about 24,000, of Merrill's 60,000 non-broker employees worldwide out of work, said Gustavo Dolfino, president at New York-based recruiting firm WhiteRock.

That, combined with Lehman's approximately 26,000 workers, will send shockwaves through the job market.

Global outplacement firm Challenger, Gray & Christmas said on Monday the U.S. financial sector has shed nearly 103,000 jobs this year, and could now surpass the record 153,105 job cuts announced in 2007.

"BEGGARS, NOT CHOOSERS"

The Lehman and Merrill situations will also squeeze New York City, which relies heavily on the financial services industry.

"Some of these professionals are not going to get what they usually get because they're beggars, not choosers, and they're competing with others," Dolfino said, adding that there will be "a lot less money for the state and the federal government."

"We're going to ride it out, but what it truly means for the tax base is that the government will have no option than to raise taxes," he said.

Although Wall Street is not New York's biggest employer, it is the city's economic anchor. Each financial-sector worker is believed to create as many as four other New York jobs, due to their high salaries.

On Monday, New York State Governor David Paterson said Wall Street might lay off 30,000 workers in the worst case scenario, following the Lehman and Merrill news. He added that the impact might not be known for years.

The credit crunch has led to deficits in both the city and state budgets.

Democratic City Comptroller William Thompson said last week he was "very concerned" about the resolution of the Lehman saga, and warned it would cut into New York's economy and tax revenues.

Lehman staffers in Europe, where the investment bank employs around 6,000 people, also feared for their jobs.

Global stock markets fell sharply on Monday, sparking concerns that other financial companies with exposure to subprime-related assets could be pushed to the brink.

The recruiters said the job losses would drive even more talent to the buy-side and abroad, despite the global economic slowdown, which was spawned by the breakdown in the U.S. subprime mortgage market last year.

Dolfino pointed to the Middle East and Russia as regions hungry for U.S. financial professionals: "The demand is on the buy-side and it's international and it's opportunistic," he said.

(Additional reporting by Olesya Dmitracova in London; editing by Simon Jessop and Gerald E. McCormick)