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Goldman cuts M&A jobs as business slows

As much as 25% of employees at the vice-president level could go

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(*Reuters*)—Goldman Sachs Group laid off investment bankers last week as it reacts to slowing markets and a slump in merger activity, according to people familiar with the situation and Wall Street recruiters.

The cuts, described as in the hundreds, were concentrated among support staff and junior level bankers. One insider told Reuters that 25% of employees at the vice-president level were let go.

In April the world's largest securities firm initiated a round of market-related cuts, hitting such areas as leveraged lending and mortgage securities, though none have been announced publicly.

Goldman Sachs spokesman Michael DuVally declined to comment specifically to the investment-banking job cuts, but repeated an earlier statement.

"Given market conditions, we have been looking at a number of areas of the firm where we believe we have too many people. We have transferred some to other areas and to other regions, but unfortunately, some people have been asked to leave the firm," he said.

The company had 31,874 employees worldwide at the end of February, up from 30,500 at the end of November 2007. Goldman's head count reflected the bank's acquisition of Litton Loan Servicing, a company that provides back-office support for home mortgage lenders.

The New York-based company has so far suffered the least damage in the global credit crunch and it remains the leading adviser to mergers and IPOs worldwide.

DEALS DOWN 25 PERCENT

Even so, the cuts show the firm cannot completely avoid the pinch of an environment where megabuyouts have disappeared and global year-to-date announced M&A deals and deal volumes are down more than 25%.

According to Thomson Reuters data, $1.77 trillion of acquisitions have been announced worldwide this year, compared with $2.39 trillion for the first six months of 2007.

The number of deals fell to 16,120 year to date in 2008 vs. 21,803 in the first half of last year, according to Thompson Reuters, a drop of 26%.

With seized-up credit markets slowing everything from deal finance to underwriting, Goldman is expected to report a 33% drop in second-quarter earnings Tuesday.

Some recruiters noted that Goldman has steered clear of cutting managing directors, higher ranking executives responsible for sourcing deals and generating fees.

“They’re holding up better than their competitors, but they are still hurt. If you had anything to do with any credit-related vehicles or products, you're going to be hit,” said Jeanne Branthover, head of the global financial services practice at Boyden Global Executive Search. “The question is, is this it for Goldman or will they hit other levels (of management) as well?”

Reuters earlier this year reported that Goldman slashed about 1,500 employees, targeting the bottom performers in annual reviews.

Yet while the rest of Wall Street is slashing jobs – more than 60,000 since the credit crunch took hold – Goldman has insisted it will increase global head count this year at a low single-digit rate.

Job cuts in mature markets like the United States, executives have said, will be more then offset by aggressive hiring in fast growing regions such as Asia and businesses such as distressed-debt investing

Gustavo Dolfino, president of recruiting firm WhiteRock Group, said the extent of Goldman’s cuts are not all that material though they still send an important signal.

“What matters is not the number of cuts: It’s the trend. Goldman’s catching up with the rest of the industry.”