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Job loss fears for Wall street
Todays Risk eNews

September 19:Industry Risk - Job Security Fears Grip
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The fallout from the US credit crunch has reached across the Atlantic and Pacific Oceans, has affected millions living on other continents and has disrupted dozens of indexes worldwide. And now, according to NewYorkBusiness.com, the calamity that's rippled out from Wall Street is starting to affect the people that work there.

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Apparently, many mainstream industries, such as mergers and debt offerings, have begun to cut back by firing countless employees over the course of the past few months. It's been reported that multiple investment banks have begun firing people mercilessly, in numbers not seen for quite some time. Those in the structured finance and mortgage sectors were said to have been hit the hardest and many suspect that the worst is still in store. If the cards fall as many think they will, many financial institutions in the aforementioned sectors could potentially lose as many as a third of their current staff.

"The question is, who is not laying off people?" says Gustavo Dolfino, president of The WhiteRock Group.

For instance, just last month, investment giant LehmanBrothers closed the doors on BNC Mortgage, their subprime mortgage unit that employed more than 2,000 people. Furthermore, it's been reported that troubled firm Bear Stearns cut back some 240 mortgage-related positions and that CIT Group has promised to soon extinguish 550 slots on its payroll.

Joining the group is Merrill Lynch & Co., who stated on Monday that it will cut at least some of the 2,800 jobs at its First Franklin Financial Corp. mortgage lending unit. NewYorkBusiness.com also reports that issuance of all new debt instruments fell by a third this summer and that junk bond sales plummeted 77 percent in the month of August. It was in that same month that issuance of subprime mortgage-related securities fell an astounding 92 percent.

When all is said and done, an estimate from recruiting and consulting firm Options Group says that as many as 10,000 Wall Street workers could be back on the job market by the New Year.

"The people who run the investment banks are taking hard looks, and if they decide a particular business isn't coming back, they won't waste time before letting people go," says Raphael Soifer, chairman of Soifer Consulting and a former securities industry analyst at Brown Brothers Harriman.

In the meantime, all of the major investment banks have reportedly stopped their normally aggressive searches of new employment. With talks of a possible recession on the horizon ramping up, Wall Street was hit with a wakeup call earlier this month when the unemployment numbers dropped for the first time in over four years.

With a -4,000 unemployment bomb, the next few months could have the potential to be as (if not more) detrimental to the job market than the aftermath of the tech bubble which saw Wall Street slash 33,000 jobs in just a year