



## Wall Street Firms Cut 34,000 Jobs, Most Since Dot-Com Bust in Forum March 24 2008 (Bloomberg) –

Wall Street banks hit by mortgage losses and writedowns have cut more than 34,000 jobs in the past nine months, the most since the dot-com boom fizzled in 2001.

Citigroup Inc., Lehman Brothers Holdings Inc. and Morgan Stanley are among the firms that have disclosed headcount reductions so far. After the Internet bubble burst, 39,800 jobs were eliminated during the same period; the number climbed to 90,000 in the next two years, according to the Securities Industry and Financial Markets Association.

The collapse of the subprime mortgage market last year and the ensuing credit contraction have saddled the world's largest financial institutions with at least \$200 billion of writedowns and losses. Bear Stearns Cos., once the fifth-biggest U.S. securities firm, became the emblem of panic on Wall Street two weeks ago, when it was forced to submit to an emergency takeover backed by the Federal Reserve as clients and lenders deserted the company. More bank losses are likely, according to analysts.

“This crisis is much worse than 2001 and we don't know how long it's going to last,” said Jo Bennett, a partner at executive search firm Battalia Winston International in New York. Job cuts “could be more than 100,000 in a few years.”

Securities firms started eliminating positions in mortgage departments as early as last July, when rising delinquencies on home loans to borrowers with poor credit histories led to a decline in the prices of bonds tied to the loans. Between July and December, almost 17,000 jobs were lost, according to data compiled by

### **Bloomberg.Shuttered Lenders**

Lehman's home-loan unit, BNC Mortgage LLC, employed 1,600 people before the firm closed it down in August. Mortgage lender First Franklin Financial had 2,300 employees when it was acquired by Merrill Lynch & Co. in January 2007.

Merrill shuttered the business this month. All told, at least 100 mortgage companies have suspended operations, closed or been sold since the start of 2007.

This year, banks including Lehman, Citigroup and Morgan Stanley have been winnowing out employees in fixed income trading, securitization, asset management and investment banking. Administrative and technology staff have also been let go. So far, Citigroup has eliminated 1.7 percent of its workforce, while Lehman has chopped 18 percent. Morgan Stanley has cut 6.2 percent, and Merrill has eliminated 4.5 percent.

The bursting of what Glenn Reynolds of CreditSights Inc. has called the "securitization bubble" is affecting other industries. Lawyers who helped create mortgage-backed bonds, realtors who sold more houses as home ownership in the U.S. rose and mortgage brokers who found new customers as lending standards were relaxed are now looking for work, according to Jeanne Branthover, a managing director at Boyden Global Executive Search in New York.

#### Black Cars

"This is filtering down to the vendor," Branthover said. "The firms Wall Street was using are also feeling the pain."

Even the black cars that shuttle bankers and traders home from their Manhattan offices are seeing demand for their services dwindle, and the firms may have to fire some drivers, said Battalia Winston's Bennett.

Bear Stearns, once the biggest U.S. underwriter of mortgage securities, agreed to be acquired by JPMorgan Chase & Co. on March 16 after a run on the securities firm left it facing potential bankruptcy. While JPMorgan hasn't said how many Bear Stearns employees may lose their jobs, half of the 14,000 people at the company may be let go, estimates Boyden's Branthover. The two firms have overlapping businesses and JPMorgan, the third-largest U.S. bank by assets, may shut down some Bear Stearns units, she said.

#### Fed Action

Revenue for Wall Street brokers may decline as much as 30 percent this year, Standard & Poor's said March 21, when it cut the outlook for credit ratings at Lehman and Goldman Sachs Group Inc., the biggest U.S. securities firm. While the Federal Reserve's March 16 decision to open a lending facility for brokers may ease cash concerns, "persisting market turmoil" may still erode brokers' earnings, S&P said.

Goldman said in January that it may fire 1,500 people to weed out underperformers. On March 18, Chief Financial Officer David Viniar said headcount was unchanged during the first quarter and might grow in the "low to mid-single digits" this year, mostly because of hiring outside the U.S.

Some firms haven't fully disclosed their job cuts because they don't want to appear financially weak, according to Battalia Winston's Bennett. ``They're all dribbling people out the door, so the numbers don't show the true extent of the problem yet," said Bennett.

## **Ousted CEOs**

Merrill, which didn't announce job reductions last year, said on March 5 that 70 percent of the staff at its First Franklin mortgage unit had been eliminated since July. Merrill is a passive, minority investor in Bloomberg LP, parent of Bloomberg News.

Senior Wall Street executives haven't escaped unscathed. Six chief executive officers, eight presidents or other officers and at least 19 division heads have lost their jobs as a result of the subprime meltdown.

Citigroup CEO Charles O. ``Chuck" Prince, Merrill CEO Stan O'Neal, Bear Stearns CEO James ``Jimmy" Cayne and UBS AG CEO Peter Wuffli were the highest-ranking casualties.

**Compared with the fallout after public markets slammed shut on speculative Internet companies in 2001, more high-level Wall Street executives are losing jobs in the current crisis, according to Gustavo Dolfino, president of New York based executive search firm Whiterock Group LLC. When the dot-com boom ended, the people who lost jobs were predominantly rank and file, he said.**

## **Human Capital**

**``Clearly there's a trend to make people pay," Dolfino said. ``Firms have also been moving lower-ranked staff from the U.S. to Asia, where they need more hands. Top people don't want to move as easily."**

Boyden's Branthover said she doesn't expect this cycle of job cuts to reach post-2001 levels. One of the lessons the firms learned from that period is that it's costly and difficult to replace human capital lost during times of distress, she said.

``A lot of support staff will be cut because those are easier to replace when the business turns around," she said.

The following table shows jobs eliminated by the biggest banks and securities firms since the collapse of the subprime mortgage market in July 2007. The figures are based on company disclosures.

## **Firm Positions Cut**

Citigroup 6,200  
Lehman Brothers 4,990  
Bank of America 3,650  
Morgan Stanley 2,940  
Washington Mutual 2,600  
Merrill Lynch 2,220  
HSBC 1,650  
Bear Stearns 1,550  
WestLB 1,530  
UBS 1,500  
Goldman Sachs 1,500\*  
National City 900  
Credit Suisse 820  
Royal Bank of Canada 500  
Fortis 500  
Wells Fargo 500  
Wachovia 443  
Deutsche Bank 370  
JPMorgan Chase 100

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TOTAL 34,463