



A double-barreled hit to already wounded job market

15.09.2008

The likely disappearance of investment banks Lehman Brothers and Merrill Lynch presents a double-barrelled hit to an already wounded job market, and will likely depress salaries on Wall Street

With Lehman probably headed for bankruptcy and Merrill expected to head into the arms of buyer Bank of America, two of Wall Street's four pillars could crumble overnight

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

On Sunday, eleventh-hour talks to sell Lehman were set to fail, making bankruptcy a near certainty. See: At the same time, Bank of America, the second-largest U.S bank, was wrapping up a surprise acquisition of Merrill, the world's largest brokerage, in a deal that would save Merrill from Lehman's fate

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

BEGGARS, NOT CHOOSERS

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

The two firms' probable disappearance would 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 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

The year-long 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 impact New York's economy and tax revenues

Further tremors could hit that tax base in coming months, as Lehman's undoing was expected to spark a drop in world stock markets that could push other wobbly financial companies to the brink

The recruiters said the job losses would drive even more talent to the buy-side and to overseas countries, 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