2009 Financial Services Job Forecast

by Kathy Graham

SUMMARY:
For individuals in the financial services field, the entire year 2009 will be a year of transformation: a year in which many financial services professionals change from one configuration into another one more suitable to the new set of variables that will be shaping their industry. Hence, an opening picture of windmills in motion, transforming one form of energy—wind—into another more useful to us type of energy—electricity—using new technologies that free us from the negative effects of previous energy sources, seems quite fitting.

My 2008 Financial Services Job Forecast was correct, which makes all six of my annual predictions to date completely accurate. The 2008 theme was "Winter can be a lovely season…but watch the weather for storm warnings." As forecasted, the year 2008 was a downturn all year with some really big storms blowing in. Thankfully, the global economies managed—although barely—to escape a humongous blizzard.

Unfortunately, some industries and individuals were close enough to that blizzard to suffer frostbite. They will emerge in 2009 in a different form than what their appearance was previously. As for the rest of us, well, we became very cold, even those of us who were dressed for the season. Shaking off that cold by finding ways to warm up via transforming their skill sets into new activities is probably going to take many finance professionals all of 2009 to accomplish.

This article begins by reviewing the history and process that enables me to reach this conclusion, then provides the positive and negative factors that are creating this condition. It finishes by stating what financial services sectors and jobs will be growing and which ones won't, and then offers advice as to how to enhance your career based upon what sector your current skill set resides in.

The volume of negative factors far outweighed the few positive indicators this time. White knights, i.e., sources of rescue in troubled times, are few as many hedge funds, ultra high net worth individuals, private equity, investment banks, sovereign funds, and banks have taken serious hits to their resources. The size of the 2007—2008 financial fallouts have left governments as the likely option to resuscitate the industry where financial services professionals work.

When governments are involved, politics enter, processes lengthen, regulations increase, and unintended consequences occur. Thankfully, thus far, the politicians globally are moving quickly and with a depth of financial understanding. New systems, lower compensation, higher cost of capital, larger operating expenses, new regulatory requirements, and more stability and transparency are likely outcomes for the financial industry and corporations.

The year 2009 will be a phenomenally exciting time but still full of ups and downs as the new global financial infrastructure emerges and its professionals identify and settle into their roles. For those who are prepared, this period offers great possibilities to exponentially grow their careers as change creates opportunity.

HISTORY & PROCESS:
Since 2002 I've been presenting an annual financial services job forecast, which to date has been completely accurate each year. Now it's time to use the same process once again to create my 2009 Financial Services Job Forecast.

The forecast is produced by making a list of all the economic indicators in the current year that are relevant to predicting the next year's job status in the financial services field, i.e., the asset management, banking, corporate, hedge funds, investment banking, private equity, real estate, research, and turnaround/workout sectors.

The leading economic indicators used are: fiscal and industry statistics; senior financial management's outlook; status of retained search recruiters; and personal perceptions of people in the different sectors (what I call "word on the street").

Then this list of economic indicators is divided into two categories:

- ones that are likely to have a negative effect on financial services job creation
- ones that are likely to have a positive effect on financial services job creation.

The last step is easy: those job holders with more negative economic impacts than positive ones probably have a no growth to slow growth next year job forecast while those whose fields are affected by more positive than negative economic impacts will benefit from some job growth to really hot demand for their skills.

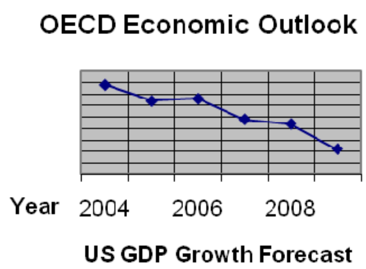
Analyzing the current year's economic indicators to forecast financial services job demand works because both a person's career and job are second derivatives. You see, what first determines the value of a person's skill set is the supply and demand level for the expertise stage the person whose career or job is being considered is at… BUT this first factor's value is dependent upon the status of the underlying economy, which makes a person's career and job second derivatives.

People routinely forget that much more than their own performance and education determines their pay level, the availability of positions, and even the speed of their career progression. Remembering that jobs and careers are dependent upon what happens in the underlying economy makes career decisions—and annual financial services job forecasts—more effective.

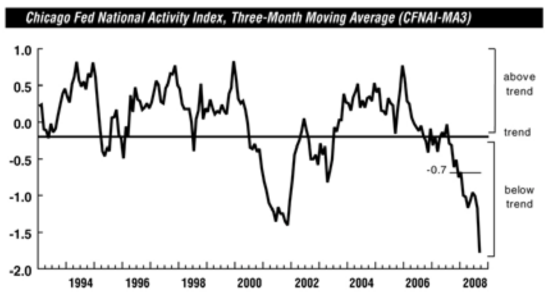
THE LEADING INDICATORS SAY:

What's negative:

✪ **STATISTICS:** **The OECD Economic Outlook** keeps trending downward for the US and the world with each semiannual update because of continuing financial turmoil, the global housing cycle, and soaring energy and food prices. Cascading from 3.9% US GDP forecasted for 2004, the latest forecast for 2009 is now 1.1%, which is still more optimistic than the IMF's forecast for 2009 US GDP. Unfortunately, the OECD's latest outlook also states that "the distribution of risk around the projections is wide," which means that the possibility of a worse or better outlook than forecasted is greater than usual.

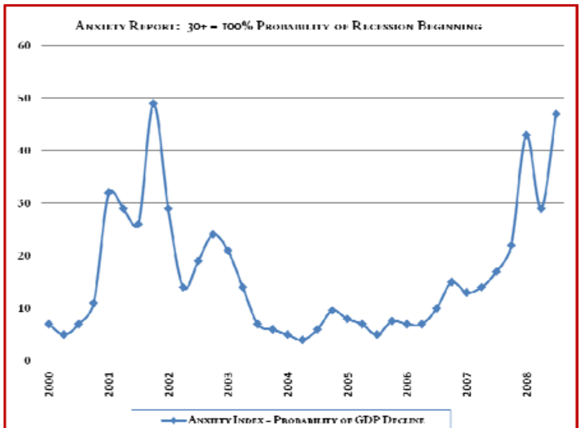


✪ STATISTICS: **The Chicago Fed National Activity Index CFNAI-MA3**'s latest (10/21/08) 3-month moving average declined further to "-1.78 in September from -1.18 in the previous month. This negative value…marks the tenth consecutive month that the CFNAI-MA3 has indicated an increasing likelihood that a recession has begun."



Note: when the CFNAI-MA3 value moves below –0.70 following a period of economic expansion, that movement signals the increasing probability that a recession has commenced.

✪ STATISTICS: **The Anxious Index**, which is what Table Four's Estimated Probability of Decline in Real GDP in The Federal Reserve Bank of Philadelphia's quarterly Survey of Professional Forecasters has been dubbed because that number is known for rising as recessions begin, peaking during them, and then declining when recovery is imminent. With first quarter 2008's number a 43, the second quarter 2008's number a 29 and the third quarter 2008's number a 47, the entire 2008 has had percentages around or above 30%, which is the starting point indicator of a recession having begun.



✪ STATISTICS: **October 2008 US Non-Manufacturing Index** plunged into recessionary territory numbers in all four of its components.

✪ STATISTICS: **Conference Board's US Employment Trends Index** "continued its decline in September 2008, suggesting even more losses to come in the labor market…The persistent slackening in labor market conditions, worsened by the financial crisis, has reached a level that in the past led to significantly slower wage growth across most industries." Confirming these results were the unrelated US Labor Department's report stating that the jobless rate in October 2008 rose to the highest since March 1994.

✪ STATISTICS: **Conference Board's US Leading Index** "has been falling since July 2007…(with) the weaknesses among the leading indicators remaining widespread over the past six months."

✪ STATISTICS: **Euro-area Economic Indicators** such as the purchasing managers' index and Ifo's business expectations gauge fell to their lowest levels ever while the European Commission's October 2008 measure of economic sentiment dropped to a fifteen year low.

✪ STATISTICS: **World Trade Organization**'s estimates for world trade volumes fell in the second half of 2008 and appear to be continuing their decline until at least the middle of 2009. "The financial crisis has not completely unfolded and the impact on the real economy may only just have started."

✪ STATISTICS: **Standard & Poor's Distress Ratio** has risen to its highest level with nearly two-thirds of all distressed issues falling into the lowest ratings.

✪ STATISTICS: **The Usual 21st Century Risks** such as terrorism, energy, pan-epidemics, healthcare costs, and operational risks (key person, fraud, settlement, judge track record, claim liability, disputed/contingent claims, holding period, liquidation, tax issues, compliance, IT, legal, infrastructure, etc…) are again economic growth derailment possibilities if they impact sizeable areas.

✪ SENIOR MANAGEMENT: **Conference Board's Measure of US CEO Confidence** has remained at levels of pessimism associated with recession all of 2008.

✪ SENIOR MANAGEMENT: **US CEO Confidence Index** plummeted to a record low in October 2008. Since it began in October 2002, never has there been such a sharp decline in all five indices (current confidence, future confidence, business condition, investment confidence, and employment confidence) simultaneously.

✪ SENIOR MANAGEMENT: **PNC Economic Outlook among US Small Business Owners**, who are the core of the US economy, are at an all-time high in pessimism, forecasting weaker sales, profits, and hiring; growing cost pressures; and tighter credit availability according to this survey taken in July 2008 – before the September and October shocks.

- **STATUS OF RETAINED RECRUITERS:** In three words: hit hard globally, for obvious reasons.
- **WORD ON THE STREET:** **Banking**, which now includes the major investment banks, on top of being more risk averse will also be more highly regulated, which means that the cost of capital will increase, dragging down GDP growth.
- **WORD ON THE STREET:** **Unemployment** in most sectors and countries is beginning to rise even more than the high numbers already racked up in 2008. With profits, debt, and equity all providing diminishing returns coupled with weakening demand, the overall number of workers employed will most likely continue to drop. Not even upper management is immune as more CEOs in 2008 than previous years have been "asked to quit" according to *Chief Executive* magazine.
- **WORD ON THE STREET:** **Consumer Cuts** are beginning to impact overall economy as unemployment rises and significant investment losses prompt consumers to minimize healthcare, consumption purchases, etc. Car and appliance repair shops, Wal-Mart, and low cost fast food firms are some of the few industries showing an increase in business.
- **WORD ON THE STREET:** **Commodity** prices are dropping, which are hurting in varying degrees emerging markets and sovereign wealth funds whose economies are dependent upon high demand for those products from foreign investors.
- **WORD ON THE STREET:** **High Net Worth** individuals have had their overall monetary value negatively impacted as diversification failed to protect their portfolios.
- **WORD ON THE STREET:** **Countries** ranging from the USA, UK, South America, Russia, India, Europe, China, the Baltics, Australia, Asia—just about everywhere except maybe Canada—are showing signs of slowing growth, rising unemployment, rising costs of capital, etc.
- **WORD ON THE STREET:** **Private Equity**, including venture capital, is being rocked by large debt, a significant amount of previous years' deals currently not worth much, growing mistrust between investors and managers, and a concern that these factors might seriously and negatively impact public and private pension systems, charitable foundations, etc., who are major investors in this asset class. Three other potential issues have yet to surface: namely, negotiating lines of credit in 2009 for deals that can't be sold because of market conditions, changing tax and regulatory rules, and the inability of investors to honor their future commitments because of negative changes in their own situations.
- **WORD ON THE STREET:** **Sovereign Wealth Funds**—many of whom invested in private equity and financial institutions plus many of whom gain their wealth from commodity sales—are thought to have lost up to 25% in their investments this year.
- **WORD ON THE STREET:** **Traditional Asset Management** of all types (mutual funds, active management, etc.) mostly saw their assets under management dwindle as diversification and modern financial management techniques failed to produce returns investors were anticipating.
- **WORD ON THE STREET:** **Investment Banks** that remain are smaller than the former bulge bracket firms that are now banks, are more middle market focused, and yet are still impacted negatively by market conditions. No large bulge brackets means less syndication fees while their equity shops are feeling the same effects as the other money managers, and the middle market firms that are their clients aren't immune this time (see small business owners).
- **WORD ON THE STREET:** **Hedge Funds**, battered by poor performance, client redemptions, increasing government regulations, and a squeeze on funding are being forced in falling markets to sell more liquid assets—even ones that are more profitable—to cover margins on more illiquid holdings. Service providers to hedge funds will see their business impacted by fewer hedge funds and lower total assets under management. Hedge funds are expected to move their expertise into other niches such as exchanges, securitizations, private equity, long only funds, etc.
- **WORD ON THE STREET:** **Bankruptcies, Turn Arounds, and WorkOuts** are picking up speed with Chapter 11 bankruptcy M&A-related activity increasing for the first time in the last six years. Although New York City is already busy with many engagements, most other areas of the US and abroad are just starting to encounter significant amounts of this type of work.

What's positive:

- **SENIOR MANAGEMENT:** **The Speed and Coordination of Government Intervention** brought the response to a potential global meltdown to a level not encountered before. Working virtually and in face-to-face meetings, together and independently, governments across the world took—and appear willing to continue to take—concerted and innovative actions to stem the liquidity and credit crunch creating this crisis all in a matter of days and weeks—not months and years.
- **SENIOR MANAGEMENT:** **Surviving** so far the gravest financial crisis since the Great Depression is no mean feat. The robustness of the global financial system even under great duress is a definite positive.
- **WORD ON THE STREET:** **Banking** systems globally are showing tentative signs of recovery.

Non-Growth Financial Services Jobs/Careers

IN GENERAL:

- **Most financial niches and positions** because overall available capital is likely to be pinched, which means new hires will be a slower longer process plus less frequent and raises smaller.

JOB SEARCH CAREER ADVICE: If you're not in a growth area, immediately
1. **broaden your search perspective**
2. **look at a larger geographic area if possible**
3. **count more on your network and less on recruiters to find you that next position**
4. **consider hiring my firm to assist you in developing *Your Career Campaign™* strategy.**

ASSET MANAGEMENT:
- **Minimal job growth** and layoffs likely where assets under management lessen.

BANKING:
- **Minimal job growth** here as cutting costs and minimizing write offs are the major focus.

CONSULTING:
- **Minimal new positions outside of accounting, compliance, government financed areas, legal, workout/turnaround or risk management** and layoffs likely as many of the industries that consultants serve shrink and minimize expenses.

CORPORATE:
- **Most positions** that are not government financed as the higher cost of capital makes more projects less feasible and demand less vibrant.

HEDGE FUNDS:
- **Most positions at a larger number of hedge funds.**

INVESTMENT BANKING:
- **Most positions at most investment banks.**

PRIVATE EQUITY:
- **Most positions**, especially ones with larger deals.

REAL ESTATE:
- **Most residential and commercial positions.**

RESEARCH:
- **Cut backs here, too.**

WHAT TO DO IF YOU'RE IN A POTENTIAL NON-GROWTH AREA

1. Dust off that resume and update it.
2. Make plans to upgrade any education and/or training that's suboptimal given your level.
3. Make a list of other positions/fields that your skill set and personality could easily transfer to. If uncertain what those might be, hire a career coach, visit your university's career development center, or identify other possible sources of help through your local business library.
4. Attend events held by associations in your potentially new field/position to develop relationships and confirm/disconfirm your interest in these other possibilities.
5. Consider purchasing my firm's latest product, ***Your Career Campaign™***, which is a three pronged approach towards propelling your career upward. The campaign plan consists of: (1) a **resume** that sells you; (2) a **strategy** that defines the sectors and positions that should be your marketing aim…and tells you some approaches to employ; (3) a **contact list** with names, phone numbers, and notes that will jumpstart your networking to increasing success. For more information, call 630.778.3416.

"Your Career Campaign™ has been the perfect solution to organizing my next career move as a C-level executive. Kathy Graham's expertise in job search strategy development and networking (she provides a personalized contact list), along with superb skills in resume and bio writing, are second to none. This clearly is a "must-do" program for every serious career campaigner who wants to do it right." -- John, CFO of a major conglomerate.

Growth Job Areas:

IN GENERAL:

The usual downturn growth positions:

- **legal in the unemployment, turnaround, bankruptcy, and securities lawsuits sectors**
- **turnaround/workout/valuations**.

THE HOTTEST NEW JOB GROWTH AREAS:

- ↑ **Clearinghouses, exchanges, and dark pools**.
- ↑ **Government financed sectors**—likely candidates appear to be working for banks and consulting firms awarded the work of tracking and disseminating bailout monies; infrastructure rebuilding; energy sustainability; real estate renewal programs, etc.
- ↑ **Financial institutions and corporations that are doing well** (note: "well" is defined as currently achieving near flat or positive revenue or investment growth) for these are the future colossally successful firms.
- ↑ **Entrepreneurs** who can invent and successfully market financial products and systems that actually work. Some possibilities:
  - portfolio level risk management systems
  - asset management products that continue to deliver positive returns under all market conditions, including liquidity and credit crunches
  - systems of tracking asset purchases and sales that provide transparency without revealing enough information that other parties can utilize that data for their own profit.

Best Career Strategy:

1. Do whatever is needed that's legal and ethical to stay financially viable.
2. Take good care of yourself—don't let stress wear you down.
3. Remember, it's the market—not the quality of your skill set—that's changed.
4. Plan and act today so that you're positioned tomorrow for greater career success.

2009 Financial Services Job Forecast:

Wow! In the six years that I've been doing this calculation, never have I seen data as nasty as these factors are. From a human capital perspective, we're not even at the bottom of this business cycle because many of the layoffs, restructurings, and workouts have not yet occurred…and there doesn't seem to be any reasons that will surface to prevent those outcomes from happening in the financial services sectors.

So, am I advocating that you consider all that effort you've invested into your financial career—which is looking quite like a frog with warts right now—as sunk opportunity cost? Is tumbling to the bottom of the job pond and enveloping yourself in the slime of oblivion your only option? No, not at all.

In change, there's opportunity. Even in the Great Depression, there were many people and companies who exited that storm in a better condition. The common actions that their stories share are that they:

- cut costs, paid down debt, and made cash "king"
- diversified
- innovated possibilities that utilized and developed core competencies.

If others have done so, you can, too.

Talk is cheap unless it is followed by actions. I took quite seriously my 2008 forecast so my company, HQ Search, Inc., has re-emerged as four fully functioning firms—HQ Services, HQ Scripts, HQ Search, and HQ Seminars, Inc.—ready to connect financial services professionals with what you need to be successful in the coming year.

Visit our websites at www.hqsearch.com to view our new product offerings. Call us at anytime—we're here to help in myriad ways transform your career and company into the best ever.

Your 2009 Transformation Goal:

Find a way to release the royalty within.

Author's Bio

KATHLEEN A. GRAHAM
THE GLOBAL FINANCIAL CONNECTION™
Connecting finance professionals with what they need.

Kathleen "Kathy" Graham is a Principal with HQ Search, Inc., a retained executive search firm specializing solely in financial services positions globally that she co-founded in 1997. HQ Search, Inc.'s clients are:

- asset/money management companies
- domestic money center, international, and suburban banks
- investment/merchant banks
- consulting firms
- corporations
- credit rating services
- pension funds
- real estate developers
- research firms
- trading institutions/hedge funds
- private equity/venture capital firms.

Graham incorporated 3 new companies in 2006:

- HQ Seminars, Inc. (custom designed financial niche and in-house seminars)
- HQ Scripts, Inc. (editing and creation of financial articles, books and newsletters)
- HQ Services (financial services compensation studies, brainstorming/focus groups, and market intelligence through reading mosaic patterns).

In addition to a track record of always being a star recruiter, she has a:

- MBA in Finance, Analytic Finance, and Econometrics & Statistics from the University of Chicago
- BA in Business Administration and Marketing from North Central College, where she has also taught classes in Corporate Finance.

INTERESTED IN HAVING KATHY GRAHAM speak at your next event?
Graham is a graduate of the National Speakers' Association's University so you'll be pleased with the caliber of her keynote speeches, seminars, and workshops—which are all custom designed to please and educate your target audience. Call 630.306.0421 or visit www.highestqualityseminars.com for further information.

Her other activities include:

- recently retired CFA Society of Chicago's Career Management Advisory Group Chair and the CFA Institute's Professional Development committee member for the Midwest US region
- four years (2001 - 2005) as a member of the University of Chicago's GSB alumni Career Advisory Committee and Global Chair of their alumni Finance Roundtable where 130-400 senior finance professionals attended their monthly events
- recognition by the University of Chicago's Graduate School of Business (GSB) with their "CEO" award (1998), a prize that's one of only five honors granted annually to the entire MBA student population.

Graham is also frequently requested as a speaker for numerous local and national finance-related groups that include the Managed Funds Association, Financial Research Associates, and the CFA Society of Chicago; and actively participates as a member of the 100 Women in Hedge Funds, CFA Society nationally and locally, Financial Women's Association, Hedge Funds Care, Illinois CPA Society, QWAFAFEW (a quantitative research alliance), GARP and PRMIA (risk management associations).

Ms. Graham is also: a free-lance journalist who has written articles for *Financial Engineering News* (which includes contributing a feature article on alternative investments that details the risk/reward/characteristics of each type (CDOs, hedge funds, real estate, and private equity) and a summary table) and for *Financial History*; the author of a book currently in publication process on applying asset valuation techniques to determine and optimize a career's net present value; plus the writer of a chapter on hedge fund careers and special issues that women face in that sector for the book, ***Hedge Fund and Investment Management*** by Izzy Nelken, PhD, published by Elsevier Limited (owns the U.S. publisher Harcourt) in December 2005.

Just released, Kathy's first children's book, ***The Land of Lemons and Nuts***, is a full-color fable that teaches children ages 4 through 9 the basics of economics, finance, and personal choice in a manner sure to enchant.