



NEWSANALYSIS

Skill shortages vs job shedding

A cursory glance at the newspapers over the past few months would seem to paint a bleak picture for those working in — and recruiting for — financial firms in the City. **Lucia Cockcroft** looks beneath the headlines and discovers a much more complex outlook

Newspaper headlines have made gloomier reading than usual over the past few months for recruiters.

Economics consultancy Capital Economics recently warned that more than 1,200 people a day are set to lose their jobs over the next 18 months — hit by a double whammy of falling house prices and rising unemployment.

The banking and financial sectors are bearing the brunt of this fallout from the credit crunch. Latest figures from the Office of National Statistics (ONS) showed a small drop in the number of jobs in financial services in the year to December 2007. There were a total of 1.038m jobs — down from 1.047m in September that year. A year earlier, in December 2006, there were 1.044m jobs.

JPMorgan, Citigroup and UBS are among the financial services firms which have announced job cuts since the beginning of this year. And researchers at JPMorgan predicted that the City could lose up to 40,000 jobs, or around 5% of its workforce. German banking giant Commerzbank also announced 300 jobs would go in London, mostly City traders, because of poor performance.

But is the picture really as gloomy as the headlines are making out? And which areas of recruitment are being hardest hit and which positions are at risk?

Recruitment analyst Ian Jermin, from European corporate bank Landsbanki, expects the fall in jobs to be greater when the ONS reports the next set of figures for the first quarter of 2008. However, Jermin believes the dearth in skilled staff is prompting employers to hesitate before cutting jobs.

Jermin told *Recruiter*: "I don't think there is a huge amount of job losses in the City generally. It is so hard to get staff and if you



Ian Jermin

let go of quality labour, it will be costly to re-acquire people with those skills when the upturn does come. So employers are biting the bullet and holding on."

The City job losses that have taken place are confined to derivatives and hedge fund companies "slimming down" their workforce, he adds, and some "lightening" on the IT and back-office side.

Rob Booth, managing director of IT recruitment firm Genesis, part of the InterQuest Group, told *Recruiter* that IT contractors have been hardest hit by the economic situation. Otherwise, it's a case of trimming some jobs rather than a mass cull.

Booth says: "Everyone is thinking short term — they know this year is tricky but feel next year may not be. We are just as busy on the permanent side, if not slightly busier than usual."

"But we are struggling on contract numbers, and some banks are actively converting people from contract to permanent positions."

Uzair Bawany, group managing director of Contact Recruitment Group, has also seen a softening of demand for contractors, in contrast to the situation during the last downturn.



Jatpa Chandarana

Bawany told *Recruiter*: "In some banks you have to get chief executive sign-off for a contractor. We are seeing companies really try to utilise the people in their business and I think that's an encouraging sign for the market."

"The biggest casualties are in the fixed income and credit areas. Also, senior level hiring has become very tight. By contrast, graduate entry level has not significantly fallen."

Product control is another growth area, he says; rates have rocketed and candidates are in short supply.

In contrast, Jatpa Chandarana, manager of investment management at financial services recruiter Joslin Rowe, said she has not seen any job losses.

However, she told *Recruiter*: "There are lower volumes of recruitment, probably only about 10% down on this time last year."

"Investment management does tend to stay consistent. We haven't seen a sudden influx of candidates — it's still business as usual."

"The credit crunch has had some knock-on effect; there are a lot more front office vacancies — research analysts, fund managers, performance analysts. That seems to be due to companies' expansion; clients don't see any



Uzair Bawany

dramatic head losses or redundancies."

Sarah Butcher, editor of *e-Financialcareers.com*, recognised a different picture. She said the City was shedding jobs at all levels of seniority from junior staff to managing directors.

She told *Recruiter*: "In terms of business areas affected, the ones most hit are asset-backed securitisation teams (structured credit)."

"Jerker Johansson [chairman and chief executive] of UBS came out this week and said he had been trying to implement redundancies across all levels of seniority — he is trying to be impartial."

On a more positive note, in the US, global financial services firm JPMorgan Chase has launched a campaign to find jobs for more than 5,000 employees who are being sacked after its takeover of Bear Stearns in March.

As part of the plan, called Talent Network, JPMorgan has asked more than 1,800 companies and scores of headhunters to provide it with a list of their vacancies.

City financiers will be hoping this is a trend that will migrate over to this side of the pond if the situation worsens.