

Wealth, Risk Management And Hedge Funds Buck Wall Street Job Cuts

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NEW YORK -(Dow Jones)- While most of Wall Street awaits more layoffs and lower bonuses, job seekers who can manage money for wealthy clients and professionals with experience in risk management are in luck.

With banks posting hundreds of billions of dollars in credit losses and write-downs over the past year and firms cutting over 100,000 jobs so far this year, the hiring outlook in financial services looks bleak from a distance.

But as banks continue to cater to the richest of the rich, filling wealth-management positions remains a top priority across the industry. Firms are also looking to avoid the mortgage problems that have plagued their balance sheets, which means more job opportunities in risk management.

Despite their recent weak performance, some of the bigger hedge funds are still looking to pluck bankers away from firms beaten down by the credit and mortgage crises.

"In last year, particularly the last eight months or so, you've seen a much more challenging employment market in the securities industry, but recruitment activity has continued throughout and continues today. It's just that the pattern is shifting slightly," said John Benson, chief executive of eFinancialCareers, which provides a network of career Web sites for the financial-services industry.

To be sure, more job losses on Wall Street are certain, as banks struggle to cut costs amid earnings shortfalls.

Last Wednesday, Challenger, Gray & Christmas Inc., an executive-placement firm, said layoffs in financial services fell to 2,182 in August from the 35,752 cuts last year and the 14,396 job losses averaged over the previous seven months.

While the decline might spur talk of a recovery in employment for the sector, Chief Executive John Challenger warned that layoffs will pick up in the next four months in what he labeled "the heaviest job-cutting period of the year."

In just one example of more reductions on the way, Lehman Brothers Holdings Inc. (LEH) cut roughly 1,200 positions across the board this week in the investment bank's fourth round of layoffs this year.

"I don't think we are halfway through the firings and the layoffs," said Hank Higdon, a managing partner at Higdon Partners, a New York executive-search firm that focuses on asset management. "There's at least another 75,000 [layoffs] coming."

Yet recruiters and industry watchers say not all doors are closed on Wall Street.

Data from eFinancialCareers show that hedge funds, in particular, are continuing to put out feelers to attract employees from the banks as job postings in the May to July quarter rose 38% from the same period a year earlier.

"With the changes in risk appetite, perhaps those traders [at the banks] have smaller amounts of money to play with and it's likely to be less financially rewarding to them [to stay]," Benson said.

D.E. Shaw & Co., a New York firm with about \$39 billion in assets under management, has increased the number of investment professionals by 15% in 2008. Last week, the firm recruited Richard McKinney from Lehman Brothers as managing director of its newly formed asset-backed securities unit.

Citadel Investment Group, a prominent hedge fund based in Chicago, has added 200 employees over the past year, with more than a dozen senior level hires in 2008. In May, the firm hired Bill King from JPMorgan Chase & Co. (JPM) to lead its securitized-products business.

Sandy Gross, a managing partner at Pinetum Partners, a hedge-fund executive recruiting firm, noted that because many of these funds are privately held, " they are able to experience more of a lag in their ability to hold on to people and ride the tide more" than publicly traded companies which are bound to shareholder approval.

Yet banks are showing no signs of slowing down their recruiting in the high margin, wealth-management business. As the industry has expanded in recent years to include service offerings such as trust advice, estate planning, and tax services, rich clients are looking to professionals more than ever before to help them maintain and grow their wealth.

"The wealthy are staying wealthy and are becoming more wealthy and there's a race to see who can manage their money," said Andrew Reese, an executive-search consultant at McCormick Group.

Morgan Stanley's (MS) global wealth-management group is just one of the firms actively recruiting brokers. Morgan Stanley is up several hundred financial advisors year-to-date, according to a person familiar with the firm.

Wachovia Wealth Management, a unit of Wachovia Corp. (WB), is also recruiting for nearly 100 jobs, 75% of which are producing positions, according to a company spokeswoman.

"We are just as steady as we have ever been," said Stan Kelly, president of Wachovia Wealth Management.

Another area of need for banks is risk management. Industry watchers agree that investing in complex mortgage-backed securities is what led financial institutions into the current credit and mortgage crises. As firms continue to pile up write-downs, the pressure will be on CEOs to beef up the staff whose job it is to keep losses within predetermined levels.

"We definitely have seen growth," said Chris Donohue, a managing director of research at the Global Association of Risk Professionals, a not-for-profit group that offers training workshops and job placement services for risk managers.

Donohue said that job postings in risk management rose 30% year over year. In addition, registration for the firm's financial-risk-manager program in August rose 36% from the same period a year earlier.

In May, UBS AG (UBS), one of the firms hurt badly by four consecutive quarters of write-downs, revamped its risk-management capabilities in an effort to prevent future losses. The Swiss bank also hired former Morgan Stanley Chief Risk Officer Thomas Daula to work for its investment bank.

"If you look at financial services, risk management is of exceedingly great importance and the people that will be hired in the restructuring that's going on [at banks] will allow it to be taken more seriously as a profession," said Richard Lipstein, a managing director at Boyden Global Executive Search.