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High Anxiety

by David Koeppel Jan 31 2008

How Wall Street bankers are coping with some of the worst layoffs in recent memory.

Photograph by: Shiho Fukada

Bankers and others on Wall Street continue to hold their breath as they attempt to survive what many are calling the worst round of layoffs they've seen, in the wake of the subprime mortgage debacle. The cuts are coming across the board and with more layoffs looming, career experts advise that executives prepare themselves by starting to quietly look for other job opportunities.

“Everybody's nervous, from the highest-level C.E.O.'s on down; there's tremendous discomfort up and down the food chain,” says Sandy Gross, the managing partner of Pinetum Partners in Greenwich, Connecticut, an executive-search firm that works with Wall Street investment banks. “A lot of folks are scared about losing their jobs.”

Bank of America, which suffered a 95 percent drop in fourth-quarter earnings, already announced 3,650 layoffs since October and plans more job cuts in its corporate and investment banking divisions. Citigroup, which lost almost $10 billion last quarter, said it would cut 4,200 jobs, including many investment banker positions. And Morgan Stanley and Merrill Lynch are planning cuts in their banking divisions as well. According to Roy Cohen, a longtime financial-services career counselor and a former outplacement specialist at Goldman Sachs, more big cuts are inevitable, the only question being just how large and where they will be.

“If you have these huge substantial losses in one group, it's bound to impact another,” Cohen says. “You've got to rob Peter to pay Paul.” Compounding the problem is that many of those getting laid off are high-salaried mid- or late-career employees, who will likely find it more difficult to find new jobs, according to Cohen.

Gross says her office has been flooded in recent weeks with calls and resumes from current and former investment bankers angling to find new banking jobs or to move into the hedge fund world. Many were particularly disappointed by their bonuses, which Gross says averaged 25 to 50 percent below expectations, and found it a bad sign of things to come.

“I spoke with a managing director last week who said everybody’s in a lather and they don’t see a light at the end of the tunnel,” says a top sales executive for a large Wall Street asset-management firm who requested anonymity. “Everybody’s nervous. Nobody knows where the next shoe is going to drop.” The sales executive says he recently interviewed an investment banker from the mortgage department of one of the Big Five banks who lost his job after 25 years and was extremely anxious about finding another one.

Career counselors advise those on Wall Street who are worried about their jobs to do some careful information-gathering and self-assessments to prepare.

Kate Wendleton, the president of the Five O’Clock Club, a career-counseling and networking organization for professionals, advises getting a sense of who might be hiring, and where, by networking with colleagues at other companies, attending trade association events, and talking to industry recruiters about opportunities at other investment banks or related companies, both big and small. She suggests having exploratory meetings with companies of interest to gauge their hiring situation and to practice selling yourself.

“One maxim in our industry is: The surest sign of a future downsizing is [if one’s] company has just downsized,” says Wendleton. “If a person was not caught in a recent layoff, that is not necessarily the end of the trauma at their employers.”

Cohen says higher-level executives should be especially ready to respond to possible layoffs by thinking about where else they could go and what roles they could fulfill. He says the best opportunities for investment bankers are to move into private equity, corporate development, and portfolio management, since these are the areas where their skills are most transferable. Upper-level managers can sometimes move to smaller banks as chief financial officers, Cohen says, while others may try to establish their own hedge funds or raise capital for already established ones.

Gross says that opportunities for investment bankers could exist in investment management/client services because banks and hedge funds are still looking for people who have experience dealing with investor concerns and raising capital from institutional investors. Still, she acknowledges that finding the right fit can be difficult. A managing director who has run a business at a large bank, for example, might find it a difficult adjustment to go to a hedge fund with 20 employees.

Perhaps the best advice is simply to be as prepared as possible for impending changes.

“Think about opportunities, rather than wait for the axe to fall,” says Peter Lewis, the president of the Association of Executive Search Consultants.