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THE FINANCIAL JOB MARKETPLACE

Recruitment trends and what should be hot in 2010



Recruitment trends for 2010

By Jenny Little

The financial services sector has felt the full impact of the economic downturn, suffering some of the worst casualties in terms of jobs lost and being heavily criticised for its role in the recession. However, as a new year dawns, recruitment experts are cautiously optimistic for 2010 with hiring in finance related jobs slowly increasing, the prospects for graduate job hunters beginning to brighten and more candidates considering a job move.

Employment upturn or a false dawn?

After two years which saw thousands of jobs axed, enormous institutions such as Lehman Brothers going bust, and recruitment freezes commonplace in surviving firms, some green shoots were evident in late 2009 in financial services recruitment. Recruiter Morgan McKinley's monthly employment monitor showed that in November 2009 new vacancies in financial services were 15 per cent higher than the same period in 2008. Employee screening firm Powerchex also reported a fractional increase in job offers at the end of 2009, pointing to greater hiring activity at investment banks, hedge funds and stock brokerage firms in particular, as well as more opportunities for IT contractors. Think tank The Work Foundation has also predicted that labour market recovery is likely to be faster than after previous downturns thanks in part to the British Government's intervention in the banking sector.

However, experts still sound a note of caution going into the new year, emphasising that a slight improvement in hiring does not signal a full recovery.

Bill Haynes, the accounting and financial services chairman for the Recruitment and Employment Confederation, said: 'We are heading in the right direction, with more vacancies in retail banking and similar growth in wealth management and private banking. The life companies continue to recruit, particularly at the top end, and most companies are still strengthening their risk functions. But is any upturn sustainable in the long-term or is it a false dawn? Confidence in the market and in the people in it is vital, but recruiters still need

to consider the long-term position of interest rates, consumer confidence and credit ratings before making major hiring decisions. Those factors will shift over the coming year and we won't have a clear idea of what is ahead until at least the end of the first quarter.

Grim times in graduate recruitment

University leavers faced a bleak job landscape in 2009 with many firms forced to slash the number of new entrants and thousands of young people competing for the few positions available. Things seem unlikely to improve significantly in 2010, though Carl Gilleard, chief executive of the Association of Graduate Recruiters, is hopeful that there may be some increased activity in graduate employment. He said: 'It is still too early to say whether we are likely to see an improvement in 2010, but there is optimism amongst graduate recruiters that the situation should start to ease somewhat. We saw one in four graduate vacancies disappear in 2009 and it will take time before the levels of 2008 are restored.'

Many companies are bracing themselves for an even greater number of applications this year, with some graduates returning to the market having opted to take a gap year in 2009 in an attempt to sit out the worst of the recession.

Haynes said: 'Most people are opting to develop existing talent and the graduate sector is where companies are at their most cautious. I think that many businesses will not really address the issue of graduate recruitment until 2011. But the issue of entry level recruitment is important and one that recruiters ignore altogether at their peril.'

Michael Rendell, global head of HR services for accountant PricewaterhouseCoopers, agrees. He said: 'Those companies that have cut their graduate intake too severely will simply find they have a hole in their business in three years time. The most sensible firms have continued to recruit but have been quite inventive in their treatment of graduates, encouraging them to be agile and able to work in different departments and even different countries, wherever the demand should arise.'

Faced with an avalanche of applicants, companies are also encouraged to be more innovative in their methods of selection. Many have added further layers of testing, with visual accuracy papers that test spelling and grammatical knowledge becoming increasingly common, along with intellectual ability trials. Law firms are also turning to verbal reasoning tests to try and identify the finest minds.

The impact of the bonus tax

In December's Pre-Budget Report, Britain's Chancellor, Alistair Darling, unveiled a controversial one-off tax on bankers' bonuses charged at 50 per cent on all payouts over £25,000 entered into between December and April 5, 2010. Some predict that the tax could stall any top tier hiring until the early summer. Senior figures wanting to change jobs will want a guarantee that their stock will be bought out, then will have to work out the standard three-month notice period. Others have warned that the punitive tax could prompt an exodus of bankers from the City of London to other international financial centres, such as Switzerland.

Stephen Herring, tax partner at accountant BDO Stoy Hayward, said: 'A one-off tax shouldn't impact hiring and as long as it isn't extended the furor will soon die down. But it will do damage at the margin and new ventures may consider setting up in a more favourable environment. As for relocation, I don't believe individuals and institutions will do so because of this one-off payment.'

Haynes added: 'Will there be a wholesale movement out of the UK? The practicalities of doing that are very restrictive. But banks will come up with some creative solutions to remuneration in the face of new restrictions on bonuses. Barclays, for example, is rumoured to be increasing base salaries by up to 150 per cent'.

Some institutions are proposing absorbing the cost of the bonus tax themselves rather than letting valued employees foot the bill. But boosting base salaries is the most straightforward strategy being used to retain top talent and some recruiters hope this will lead to an increase in the fees they can charge companies, if they are based on fixed pay. However, cynics expect banks to renegotiate rates with recruiters should higher pay levels materialise.

Greater movement in 2010

It is the case that many bonus payments are likely to be delayed, effectively sidestepping the one-off tax and its negative effects on job mobility altogether. The continued restructuring of businesses will also make hiring new skills and talent essential in some cases, so there will be vacancies to be filled in the year ahead. At an individual level, greater confidence in the market and the economy in general may see those who have stayed put in their jobs seeking new challenges after several years of stagnation.

Andrew Evans, managing director of Morgan McKinley's financial services division, said: 'Those financial services professionals in employment may now be more prepared to make the move to develop their careers after sitting tight to ride out the storm. Having said that, we are unlikely to see a great deal of movement before bonuses are confirmed in the first quarter of 2010.'

Rendell believes that recruiters may benefit if more employers do decide to try luring frustrated candidates working for rivals. He said: 'People appear to be more confident and more are talking about making a potential move, but many are, understandably, still very nervous. But generally there is a lot to be optimistic about - the UK remains a hothouse of financial innovation.'

Combining caution and confidence

While the first months of 2010 look rosier for recruiters than at any point in recent history, any optimism should still be tempered with caution. Haynes points out that any recovery seen so far could be rapidly reversed. He concluded: 'The general prognosis for 2010 is significantly better than 2009, but there's still a demanding year ahead. There's short term good news in the market and a pleasing upturn in activity, but will that growth continue throughout the year? It would be wise to reserve judgment for several months yet.'

Rendell is heartened by the fact that other geographical areas have been quicker to recover from recession than the UK or were never as hard hit in the first place. He added: 'The position in the UK still doesn't look fantastic, but in other areas of the world, such as parts of Asia, there is huge activity. Also, tougher economic conditions have driven the emergence of new business models which themselves drive some recruitment. There has been some hardening in the market and transformation work creates opportunities, but caution is still key until bonuses are paid and economic conditions are clearer.'

What should be hot in 2010?

By Sarah Butcher

With a little luck, 2010 will be like the final months of 2009, but better. With interest rates still low and the cost of holding cash still high, investors can be expected to continue searching for yield in ways best offered by investment banks and/or hedge funds.

Throw in the likely continued difficulty of getting a corporate loan and resulting disintermediation of traditional lending banks as clients go direct to capital markets, and you have further demand for investment banks' abilities – and, hopefully, additional jobs.

Among recruiters, the general perception is that 2010 will be better than 2009, but not nearly as good as 2007. "Everyone's interested in how 2010 will progress," says a senior headhunter. "It should be good, but if anyone says it will definitely be good, they're lying. It's still impossible to predict."

Here are our tentative predictions for what should be hot this year.

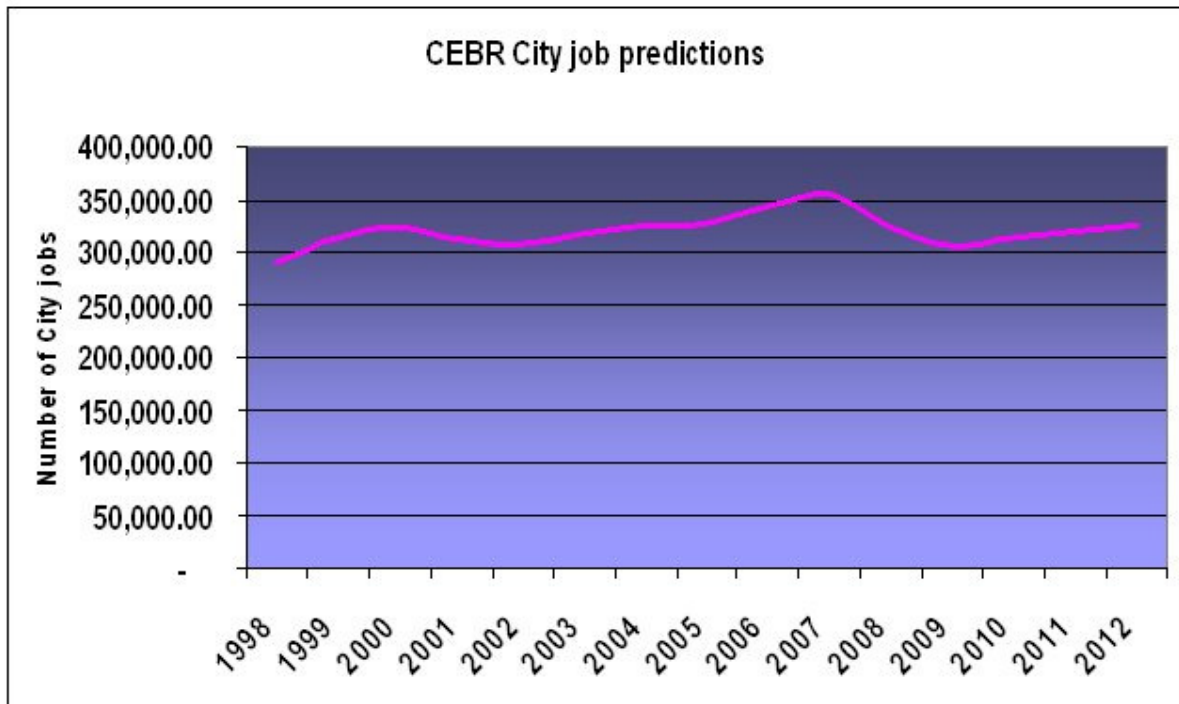
1) 'Hiring'

To avoid being called liars, we're not saying hiring will definitely be hot, but there are various reasons why it ought to be.

Regardless of whether banks opt to build out divisions in 2010, recruitment is likely to be pushed up by staff turnover. With confidence finally returning to the market, individuals can be expected to regain the confidence required to move firms.

Couple this with banks' urge to expand in strategic areas, and hiring looks inevitable. As we reported in November, most banks have strategic gaps to fill in 2010, not all of them in the same areas. Credit Suisse plans to add in commodities, investment grade debt, equity derivatives and FX, for example. Deutsche Bank has aspirations to build in commodities, equities, DMA and electronic clearing.

The CEBR is optimistic about City of London jobs next year. It predicts 9,000 additional roles will emerge. As we noted recently however, the introduction of the UK's 50% bonus tax (which will apply to sign-ons) may have the effect of delaying recruitment until June.



2) Efficiency

Despite all the hiring, we expect 2010 to also be a year of 'efficiency'. As we note in our 'going down' article, various regulatory initiatives mean profits are likely to be squeezed next year. Expect a push for increased efficiency to compensate. Deutsche Bank, for example, expects efficiency gains to deliver some of the €11bn profits it's positing for 2011 through efficiency gains. UBS plans to substantially grow its fixed income currencies and commodities division with only modest hiring.

As a result, expect banks to sweat the assets they've got, people included. If you're in a job, expect to work harder for less (in terms of cash bonus) next year; if you're not in a job, expect to prove precisely how you can add to the bottom line before being hired. Expect a push to automate where possible (see points 7 and 9 below), and expect increased demand for project managers as efficiency-focused projects crop up everywhere.

3) Emerging markets

Despite the disaster that is now Dubai, emerging markets should also prove fertile ground for expansion in 2010. JP Morgan is predicting a 30% rise in emerging market stock prices next year. Merrill Lynch is predicting a 20% increase, along with rising emerging market debt issuance.

Needless to say, banks are alert to the opportunities. Morgan Stanley plans to increase Asian headcount by ONE THIRD next year.

Deutsche recently reiterated the importance of emerging markets and Asia as a profit driver. HSBC is said to be planning an \$8bn Shanghai listing by March, Goldman and Credit Suisse are seeking to expand in India, while Goldman is pushing into private banking in Brazil. Morgan Stanley has already doubled its investment banking headcount in Brazil and plans to keep on recruiting there. Standard Chartered recently added a capital markets head for Africa as part of its plan to expand its investment banking business across the continent.

"There will undoubtedly be a fair amount of emerging markets hiring in 2010," says Mike Goggin at Brookleigh Services. "Emerging markets have taken on a new dynamic - they now include India, an increasing number of Sub-Sahara African countries, more CIS countries, North Africa and more of the Middle Eastern Gulf states. There's quite a lot of activity in those areas. There's also a lot of hiring needs in London to sell these emerging markets to European institutional and corporate clients."

4) Analysts and Associates in corporate finance and M&A

If you were made redundant in 2008, it may have seemed like the day would never come, but in 2008 analysts, associates (and maybe even VPs) in investment banking look like make a big comeback.

The driver is expected to be a resurgence in M&A activity. Analysts at Bernstein research are predicting a 35% increase in the value of global M&A next year, and a further 23% increase in 2011.

While banks like Deutsche stocked up on senior bankers in the M&A wasteland of 2009, most banks will need to supplement senior M&A recruitment with junior and mid-ranking hires in 2010.

“There will be a lot more analyst and associate hires next year. Banks over-fired and they’ve been caught short on how aggressive the upturn’s been,” says Logan Naidu at recruitment firm The Cornell Partnership.

Some banks are likely to continue hiring senior M&A staff. SG, for example, has now hired 15 senior M&A bankers this year, and plans to hire another 15-25 next year. Piper Jaffray intends to hire 60 investment bankers globally. Credit Suisse has just appointed a new global head of M&A after its advisory fees declined faster than rivals’, and can be expected to kick-start the business in 2010.

5) ECM

There’s already excitement about the potential for equity capital markets in 2010. Although secondary offerings were robust, UK IPOs hit a 15 year low in 2009 and private equity exits were non-existent (with the exception of the unsuccessful Gartmore debut),

Next year is therefore expected to see the unleashing of pent up demand. 2010 will be the year of the IPO,” Edward Law, head of western European equity capital markets at Deutsche Bank told the Financial Times earlier in December. Thomson Reuters calculates the global ECM pipeline for 2010 at \$217bn, \$73bn of which is expected to come from initial public offerings

Whether this will lead to mass hiring is, however, another matter. BarCap, Citigroup and Nomura were among those building in equity capital markets in 2009. Bob Kondal of search firm Redgrave Partners predicts 2010 will be a, “mixed bag.”

“We certainly don’t expect a return to 2006-2007; we do however envisage demand for associates and VPs to help drive transactions through,” Kondal suggests.

6) Government bond desks

With government bond issuance going through the roof and sovereign debt risk the issue of the moment, emphasis on government bond desks will increase in 2010.

"Given the spike in revenues related to government bond trading activities in 2009 and the emergence of new entrants, it's clear that 2010 will witness an unusually high demand for traders," says Piers Benbow of Eden Search.

Citadel, MF Global, Jefferies, Scotiabank, Daiwa Securities and Santander have all pushed into primary dealing in Europe in 2009. Next year hiring is expected at Deutsche, Credit Suisse, UBS, Morgan Stanley and Santander (again).

7) Electronic trading

As we noted in our review of last year, high yield trading came out of the closet in 2009. Expect continued emphasis on all aspects of electronic trading in 2010.

Deutsche Bank, for example, is targeting a top five position in electronic trading within the next two years. Morgan Stanley has been building its electronic trading arm; Citigroup appointed two top rated electronic traders in September 2009 as part of its own build.

Dominic Connor, a partner at P&D quant recruitment, says electronic trading will remain big for banks in 2010. "The drive to put credit derivatives on exchanges, dark pools, and trade optimization," will all ensure that banks need more electronic trading expertise next year.

8) Commodities

Commodities have been hottish for sometime. 2010 should be no different.

Reuters recently highlighted various banks which have big commodity expansion plans for 2010, including:

- BofA Merrill Lynch, which plans to expand its new commodities team by 25 percent over the next 2-3 years.

- Credit Suisse, which plans to add 100 commodities staff over the next 18 months.
- UBS, which axed most of its commodities business in the aftermath of the crisis and may now feel like revving up again.
- Standard Chartered, which expects to start trading commodities on a spot basis next year
- Barclays Capital, which is expected to expand into commodity derivatives trading

If this isn't sufficient, Deutsche Bank also highlighted commodities as an area of intended expansion during its recent investor day presentation, and is said to be in the bidding for RBS Sempra. Equally, Nomura wants to expand its commodities team further next year.

"Banks are building on a product basis rather than across the board," says John O'Dwyer, head of European energy recruitment at search firm Kinsey Allen. "There's demand for people to work in commodity sales, particularly to hedge funds, and in analytics as cross commodity and relative value plays become more popular."

9) Post trade processing

The not-very-exciting world of post trading process is likely to become a lot more engrossing in 2010. Europe is continuing down the tortuous route of developing a single integrated low cost and low risk post trade processing system.

The European Commission has called for mandatory clearing of standardized derivatives through central counterparties, and the US government wants the standardisation of OTC contracts in order to facilitate electronic clearing of OTC derivatives.

Deutsche, for one, aspires to 'develop self-clearing and client clearing infrastructure in all OTC derivative asset classes,' in the coming months.

And ICAP, which expanded headcount in its post trade business services division by 40% in 2009, plans further growth next year and says it's, "identified it as an area in which we will continue to invest."

10) Morgan Stanley

Morgan Stanley didn't have a great 2009. In December, current chief exec John Mack relinquished his third bonus in a row in the expectation of the bank's first ever annual loss. The expected loss is particularly shaming given arch rival Goldman Sachs is expected to make a large profit for 2009.

In 2010, hopefully, Morgan Stanley will put this ignominy behind it. John Mack is being replaced by James Gorman in January, and Gorman will hopefully preside over an organization that's already on the turn. After failing to capitalize on fixed income revenues in 2009, Morgan Stanley is doing its best to reinvigorate its shriveled fixed income business, with up to 400 sales and trading hires. It's also shaking up its prime brokerage business, both in the US and in Asia. And it plans to increase overall Asian headcount by a third next year.

"Looking into 2010 we expect stronger performance out of flow trading and a solid recovery of investment banking revenues as M&A and equity underwriting recovers late in the year," predict analysts at Bernstein Research with regards to Morgan Stanley.