



## New Jersey Continues Attracting Financial Services Businesses

by Michael Valeriano, Bureau of Labor Market Information

Infrastructure, value and talent are all key elements in attracting financial services firms to the state of New Jersey and keeping them here. New Jersey hosts one of the world's most extensive fiber optics networks, and has multiple data centers housing the servers that have become the lifeblood of high frequency trading. In addition, New Jersey's close proximity to New York City, highly competitive corporate real estate rates and an unmatched talent pool, provide an ideal fit for these operations.

Mergers and acquisitions are part of the stock-in-trade of some businesses in the financial services industry cluster and workforce reductions often result from these activities. With multiple mergers occurring among large institutions in the cluster, however, such as the acquisition by GE Capital Financial of MetLife Bank's retail banking business, employment levels within the cluster still have remained relatively stable in New Jersey.

Since the official end of the national recession (June 2009) financial services

employment in the state has averaged approximately 197,000 through August 2012 (New Jersey Department of Labor & Workforce Development, Current Employment Statistics). These more recent employment levels are below (-9.7 percent) the industry's peak years before the recession when employment in the sector averaged just over 218,000 jobs annually from 2000 to 2007. The industry peaked in 2002 (221,300 annual average jobs), starting its expansion in the late 1990s.

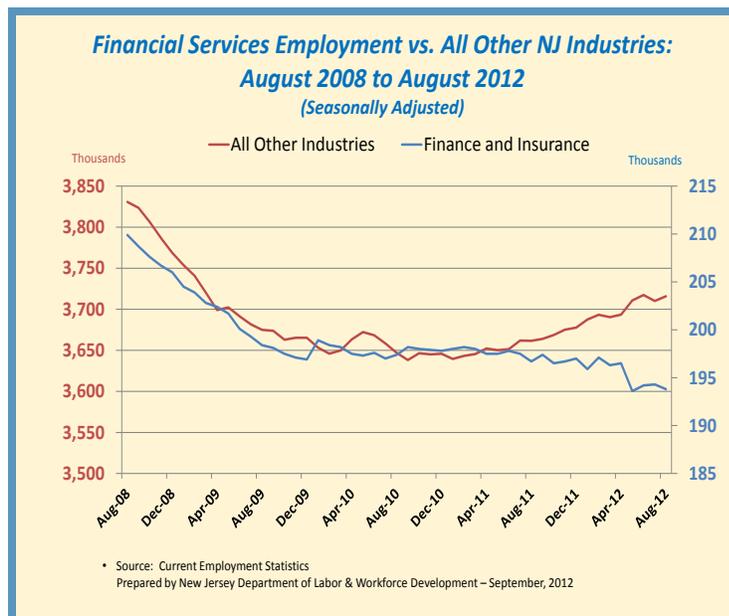
However, the industry also continued to be a significant driver of the state's economy contributing almost \$37 billion, or roughly 9.0 percent, to the 2011 Gross State Product. Finance and insurance industry employers in New Jersey paid almost \$19.7 billion in total wages in 2011 (Quarterly Census of Employment & Wage), accounting for roughly 11 percent of the state's total private sector wages. The annual average wage for the cluster was above

\$107,000, more than 88 percent higher than the state average for total private sector employment.

Recognizing the importance of this industry cluster, New Jersey continues to develop the groundwork for future growth. In addition to a pool of highly-skilled workers, business infrastructure and operational-cost incentives continue

**In 2011, financial services contributed almost \$37 billion, or roughly 9.0 percent, to New Jersey's Gross State Product**

*This is the second in a series of NJ Labor Market Views articles on New Jersey's financial services industry cluster. The full series of NJ Labor Market Views is available by clicking [here](#). For more information on the industry cluster contact: Michael Valeriano at (609)984-5952 or [michael.valeriano@dol.state.nj.us](mailto:michael.valeriano@dol.state.nj.us)*



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to attract and retain financial services firms for the state.

During recent years, New Jersey has seen companies such as Bank of America/Merrill Lynch and Goldman Sachs move across the Hudson River from Manhattan to Jersey City in Hudson County, a location which other industry giants have long called home. Hudson County is presently home to nearly one-fifth of all financial services employment in New Jersey and has become a significant force in regional financial transactions.

Fidelity Investments is one of the latest firms to expand its presence in New Jersey bringing 600 jobs to Jersey City, including 240 new positions. Fidelity chose to locate its new central regional office in Jersey City because the region is a growing financial services hub that offers an excellent talent pool with financial industry skills and experience in institutional trading; securities execution and clearing; and other superior financial and technological skills.

Following Fidelity's example, The Bank of Tokyo-Mitsubishi UFJ, Ltd recently signed a long-term lease expansion of their offices in Jersey City's Harborside Financial Center with the intention of adding 400 to 500 new employees at the site, many of these workers coming from Japan. The deal also included restructuring of their current lease to add ten years to the 2019 expiration and to include tenant improvement money for on-premise data center upgrades.

Overall, business activity has been picking up for many New Jersey employers, a hopeful sign that the state economy may be bouncing back from the long national recession. Financial institutions nationally and in New Jersey which suffered losses during the recession triggered by the subprime mortgage crisis and

the bursting of the housing bubble have been slow to rebound. While recent economic data indicate that overall, sales, profits, purchases and employment activity of individual financial companies are showing improvement, New Jersey's financial services employment continues to remain fairly level, showing less improvement than other industry sectors.

## Industry Description

The financial services industry encompasses a broad range of organizations that deal with the management of money. Some of these organizations conduct transactions involving the creation, liquidation, or change in ownership of financial assets. Others act as facilitators of these financial transactions. Monetary authorities such as central banks and reserve banks are also included in this sector.

The Insurance Carriers and Related Activities component combined with the Credit Intermediation and Related Activities component typically account for about 74 percent of New Jersey's financial services employment at any given time. When the Securities, Commodities, and Other Financial Investments and Related Activities subsector is added, the three components account for over 99 percent of employment.

New Jersey's Financial Services Cluster Subsector Breakdown (2011)				
NAICS	Description	Employment	Establishments	Average Annual Wage (\$)
521	Monetary Authorities – Central Bank	168	9	113,301
522	Credit Intermediation and Related Activities	67,422	4,835	73,781
523	Securities, Commodities, and Other Financial Investments and Related Activities	46,576	3,175	168,105
524	Insurance Carriers and Related Activities	68,574	4,051	98,298
525	Funds, Trusts, and Other Financial Vehicles	1,012	174	122,659

*Source: NJ Dept of Labor and Workforce Development, Quarterly Census of Employment and Wages, 2011 Annual Average*

**New Jersey's Financial Services Cluster  
Employment by County (2011)**

Area	Employment	Establishments	Average Annual Wage (\$)
<b>New Jersey</b>	<b>183,754</b>	<b>12,235</b>	<b>107,143</b>
Atlantic County	2,561	251	59,990
Bergen County	14,364	1,638	90,428
Burlington County	13,959	590	75,037
Camden County	5,207	542	73,195
Cape May County	1,021	111	48,406
Cumberland County	1,095	114	52,563
Essex County	19,011	917	116,063
Gloucester County	1,902	236	43,446
Hudson County	33,597	692	159,412
Hunterdon County	N/A *	N/A *	N/A *
Mercer County	14,529	642	95,941
Middlesex County	13,325	950	110,288
Monmouth County	10,265	1,040	81,803
Morris County	15,918	1,015	114,397
Ocean County	3,655	466	51,924
Passaic County	5,198	463	63,382
Salem County	N/A *	N/A *	N/A *
Somerset County	10,611	519	122,968
Sussex County	821	139	56,193
Union County	7,692	696	85,066
Warren County	613	108	47,389
Undistributed	5,052	879	134,232

Source: NJ Dept of Labor and Workforce Development, Quarterly Census of Employment and Wages, 2011 Annual Average

\* Data for industries with few units or for industries where one employer makes up a significant portion of industry employment have been suppressed.

Location plays an interesting role in the type of financial services activity seen throughout New Jersey. In Hudson County, due to its proximity to the trading exchanges in New York, the subsector with the highest concentration of employment is securities, commodities and other financial investments. Central northern counties contain a high concentration of insurance carriers. For instance, Prudential and Horizon Healthcare Services are located in Essex County and Chartis Claims and MetLife are both located in Morris County. In the southern half of the state, there is far less financial services activity, so with the exception of TD Bank North America's headquarters in Cherry Hill (Camden County) and Mt. Laurel (Burlington County), small bank branches make up most of the financial services employment in those areas.

## Financial Services Industry Outlook

The financial services industry in New Jersey reacts to economic and market conditions across the nation and around the world. Domestically, the financial services industry cluster depends heavily on both the state and national economies for its growth and prosperity. Certain economic indicators directly influence the condition of New Jersey's finance and insurance firms.

While real estate is not specifically a part of the financial services industry cluster, New Jersey's commercial and residential real estate markets are important indicators because of the financing and mortgage demands that are directly correlated to the banking industry. Currently, home sales are slightly softer since the start of the year, but the rental market has continued to improve. Commercial real estate markets have been mixed but slightly improved.

According to data filed with the Federal Deposit Insurance Commission (FDIC), New Jersey-based banks made a little less than \$6.6 billion in commercial and industrial loans in 2010, up 2.9 percent from 2009, but still 2.6 percent less than before the recession hit in 2007. Banks instead are buying treasury bonds, refinancing existing mortgages, paying off debt and cutting expenses.

Bankers, during the first quarter of 2012 are reporting increased loan demand which is typically a good sign of economic growth. However, this is being met by a further tightening in credit standards for commercial borrowers. As a result, banks have seen lower delinquency rates across all categories of loans except home mortgages.

The industry has already seen these tighter lending standards in the residential market over the past few years. The new environment is a complete reversal from before the bursting of the "housing bubble" when banks approved mortgage loans to borrowers with very few creden-

tials. As a result, banks are now making loans to far fewer home buyers and at a much slower rate.

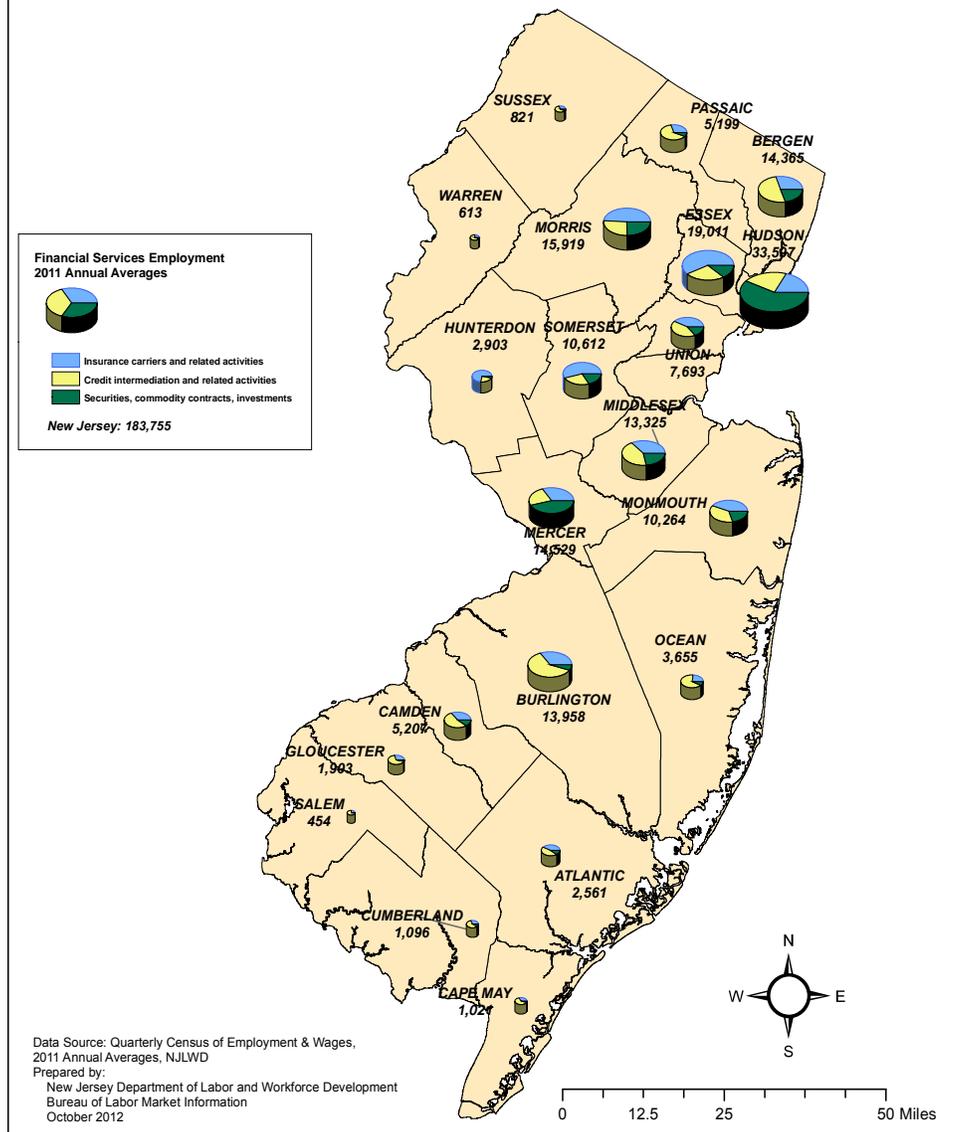
According to a survey by the New Jersey Bankers Association, 52 banks in the state responded that they do not expect to lay off any employees this year. Six banks said they plan to decrease numbers while seven said they intend to hire. This survey seems consistent with the stabilization of employment numbers in the industry here in New Jersey over the past few years. This stabilization is the basis for projected job gains over the next few years. As worldwide economic conditions settle, employment numbers in the state should rise along with new growth in global trade.

Another piece of positive growth is Farmers Insurance, the nation's third-largest insurer of homes and passenger vehicles, is moving into Parsippany-Troy Hills (Morris County) and Cherry Hill (Camden County) and plans to hire 250 agents over the next few years. While Farmers is a household name out west, it has virtually no presence east of the Mississippi River. New Jersey is one of the first locations in their state-by-state approach to gaining a foothold on the east coast.

The finance and insurance industry in New Jersey remains a key factor in

the state's economy. The industry cluster's substantial strength and presence in the state continues to influence and support many other industry sectors, and in turn, the overall condition of New Jersey's residents.

## Financial Services Employment by Industry Sector New Jersey Counties (2011 Annual Averages)



For information regarding NJ Labor Market Views please contact JoAnne Caramelo by phone at (609)292-2582 or by email at joanne.caramelo@dol.state.nj.us. To subscribe, email njfdc@dol.state.nj.us with Labor Market Views in the subject line.