

As Riches Fade, So Does Finance's Allure

Jeanne Branthover, executive recruiter of Boyden New York, is quoted in a [WSJ.com](#) article, on how C-Level executives who are losing their jobs use this economic turmoil to re-evaluate their lives.

By Lisa Bannon, Of WSJ.COM

Like nearly 30% of Massachusetts Institute of Technology graduates in recent years, Ted Fernandez set his sights on finance. Though he majored in materials science and engineering, he was wowed by tales of excitement from friends who went to Wall Street.

But when he stopped by an investment bank's booth at a job fair a year ago, it was eerily empty. The booth belonged to Lehman Brothers Holdings Inc., and the date was Sept. 18, three days after the 158-year-old bank filed for bankruptcy. Now Mr. Fernandez, 22 years old, is getting a master's in engineering at M.I.T. and aiming for a career in solar-power technology.

"Undoubtedly, I would have gone into finance if the financial meltdown hadn't occurred," he says. "Now I won't make as much money, but I can go home at night and feel good about what I do. That's worth more than any amount of money."

Over the past 20 years, finance grew faster than almost any other sector of the U.S. economy, offering rich pay and luring a growing share of bright minds to trade securities, make loans, manage portfolios, engineer mergers and turn mortgages into complex derivatives. Now the finance bubble has deflated, forcing hundreds of thousands of employees to search for other work and

sending new graduates looking elsewhere for careers.

The job losses in finance extend far beyond the money center of New York. About 3,400 people in Seattle lost their jobs when a stumbling Washington Mutual was suddenly sold to J.P. Morgan Chase & Co. last year. Charlotte, N.C., headquarters of Bank of America Corp., is down 9,000 finance and insurance jobs, or 14%, from its peak in May 2006, according to Moody's Economy.com. The firm counts 23,000 lost finance jobs in Chicago, 47,100 in Los Angeles and 437,700 nationwide, a 7.1% drop.

Although the biggest banks are showing a revived appetite for risk taking and certain exotic instruments such as credit derivatives, many of the vanished jobs aren't expected to be back soon. The White House Council of Economic Advisers expects finance and insurance jobs to decline to 4.1% of the work force in 2016 from 4.8% at the end of last year, a point at which many were already gone. "Business and financial services are predicted to decline substantially from their pre-recession levels," the Council said in a July report.

Meanwhile, health and education services will grow to nearly 18% of the U.S. work force in seven years, from 16% in 2008, the Council predicted.

Harvard's 2009 graduating class shows the

shift in career directions. Those entering finance and consulting tumbled to 20% of graduates this year from nearly twice that in 2008 and 47% the year before, according to a survey by the university's newspaper, the *Crimson*. Fifteen percent this year planned to go into education -- up by half from last year -- and the proportion going into health care doubled to 12%.

Even a modest shift of talent could have an effect on society. When smart people become entrepreneurs, "they improve technology in the line of business they pursue, and, as a result, productivity and income grow," said a study by economists Kevin M. Murphy, Robert W. Vishny and Andrei Schleifer in 1990. By contrast, they said, allocation of talent to professions such as finance and law -- where returns come from distribution of wealth from others rather than wealth creation -- leads to lower productivity growth, fewer technological opportunities and slower economic growth.

"Some professions are socially more useful than others, even if they are not as well compensated," the economists said.

Wall Street refugees often discover that new jobs lack both the social status and the fat paycheck of their old careers. Gil Schor was a portfolio manager for French investment bank Natixis SA until July 2008, when Natixis shut down his department. Now he owns and operates Green World Taxi in New Rochelle, N.Y. Using his savings, he bought three Nissan Altima hybrids, billed his taxi and limo service as environmentally friendly and dreamed of expanding it throughout the New York metropolitan area.

Mr. Schor's new routine can be grueling. With just one hired driver, he often must get up at 4:30 a.m. to drive someone to the airport himself. He has no paid vacation, perks or support staff, and is responsible for everything from printing marketing materials to pumping gas. He says his income has shrunk to about a quarter of the \$200,000, "plus or minus,"

that he earned at the investment bank. He is skipping a vacation this year. Instead of buying books, he often goes to the library.

At age 44, and after 14 years in finance, Mr. Schor sometimes struggles to come to terms with his new identity. "My daughter said, 'You used to be a banker and now you're a cab driver,' " he says. "I said, 'No. I'm the owner of a transportation service.' "

Yet, for all its challenges, his new path has certain rewards. "You have the power to call important shots. You make your own hours. It's erratic, but you get used to that," he says.

While finance always drew a fair share of educated workers, the sector really began to take off in the early 1980s, with the lifting of certain interest-rate ceilings, along with eased restrictions on branch banking, a growing globalization of markets and the rise of junk bonds and leveraged buyouts. From 1982 to 2000, the volume of financial transactions skyrocketed as a long-term bull market, in bonds as well as stocks, drew both institutional and small investors from around the world.

The gradual deregulation of finance and insurance spawned ever-more-complex financial instruments. Creating, analyzing, selling and trading these drew brainy and aggressive people. Computer and math jobs, entailing financial modeling to assess risk, quadrupled to 5% of finance and insurance jobs in 2005 from 1.2% in 1980, according to a study by Thomas Philippon, a finance professor at New York University's Stern School of Business. Trading stocks, bonds, commodities and other assets jumped to 9% of finance jobs from 2.8%.

The income thus generated became a bigger part of the economy. The "value added" of finance -- the contribution its labor and capital made to the overall economy -- was 2.3% of the economy just after World War II. By 1997 it was 4.4% and by 2006 it had hit 8.1%, according to Mr. Philippon.

The earnings of an engineer and someone in finance with the same level of postgraduate degree were roughly the same in 1980, but by 2005, the finance professional earned 30% to 40% more, on average, Mr. Philippon found. Finance lured 25% of the graduates at California Institute of Technology in 2007 and 30% at the University of Pennsylvania's engineering school.

It wasn't just the money. When Vivian Pan got her Ph.D. in geology and geophysics from Yale in 1989, research funding was tight, and a job monitoring radiation for the U.S. Energy Department was "incredibly boring" to her. Looking for dynamism, she went to Wall Street, becoming president and chief investment officer of an investment advisory firm, Hamlin Capital Management.

Some of the people now losing these jobs use the occasion to re-evaluate their lives. "Something I've never seen before in 30 years is that this economy has made people really soul-search," says executive recruiter Jeanne Branthover, who heads global financial services for Boyden Global Executive Search. "They're saying, 'If I'm not going to make as much money as I did, I want to look for something that I really like this time.'"

Education is a beneficiary of the economic turmoil, and not for the first time. In the 1930s, according to Claudia Goldin, an economic historian at Harvard, when manufacturing jobs dried up amid the Depression, some of the men who would have dropped out of high school to work in factories and mills finished school instead. Others who might have taken white-collar jobs after high school went to teacher's colleges, helping staff the nation's schools for a generation.

In the current downturn, Ada Beth Cutler, dean of the College of Education at Montclair State University in New Jersey, is overseeing a program to train laid-off finance professionals to fill a longstanding shortage in U.S. education: high-school math teachers. Starting teacher salaries in the state are \$45,000

to \$55,000, she says, far under what many make in finance. Still, the college's Traders to Teachers program received 200 applications for its first class of 25 this fall. "There's nothing more rewarding than teaching," Ms. Cutler says. "But you're not going to earn a lot of money."

It's a shift that Gordon Jones was early to make. He spent 26 years selling stocks and convertible securities, most recently as a vice president at J. Giordano Securities in Stamford, Conn. In 2007, as financial instruments grew increasingly inscrutable, Mr. Jones began to sour on the whole sector. "There was, I thought, a disconnect between prices and anything resembling value in the convertible market," he says. "The business had a musical-chairs feel to it, and I did not want to be around when the music stopped."

He decided to quit, update an undergraduate degree in education and become a math teacher. Now the 54-year-old teaches at Greenwich High School in Connecticut, earning a quarter of the \$250,000 he averaged in finance.

He and his wife sold their house, hitting "a red-hot Greenwich market" just before the housing slump, and moved to an apartment. To Mr. Jones, the rewards of teaching outweigh the sacrifice. "From my first moment back in the classroom, I have been completely re-energized," he says. Last year, he coached the school's math team to a state math championship. "Interacting with the students is a pleasure, and the feeling that you can help them is very satisfying. There are no regrets."

The finance downturn also appears to coincide with a rising interest in government and public service. Forty percent of U.S. workers are open to considering federal careers, up from 24% in 2006, according to an April Gallup poll conducted for the Partnership for Public Service, a nonprofit.

"People used to look at government like a car company: a place where you go and retire

with a good pension, [not] to be extraordinary,” says Yewande Fapohunda. “Now, people are starting to think you can do extraordinary things without making extraordinary money,” she says.

Ms. Fapohunda was recruited by Goldman Sachs while at the University of Pennsylvania’s Wharton School and began a coveted job as an analyst when she graduated in 2005. Starting analyst jobs there for someone with an undergraduate degree pay about \$100,000, including bonus.

Just as the financial crisis struck last year, her three-year stint was ending. She took a hard look at her future. Dropping plans to get an M.B.A., Ms. Fapohunda, 25, has enrolled at Harvard’s Kennedy School of Government to study public policy and economic development, with the goal of working with the developing world. “I realized the type of work I did mattered more to me than the compensation,” she says.

Yet the bursting of the finance bubble, while battering many areas of the industry,

has meant new work for a few. Distressed investing, bankruptcy law and restructuring are expanding, thanks to opportunities to invest in struggling companies and dicey debt. Mergers and acquisitions related to bankruptcies or restructurings have totaled 140 this year, valued at \$84.4 billion, versus 102 worth \$20 billion in all of 2008, according to data provider Dealogic

. Third Avenue Management LLC, which often invests in undervalued companies and beaten-down debt, has used the downturn as an opportunity to build its talent and expand its mutual-fund offerings. During the last week of August, Third Avenue launched a debt fund that will invest in distressed securities.

In a week, the firm raised \$60 million for the new fund. “That’s exponentially more than we’ve ever been able to do,” says David Barse, CEO. Third Avenue, which has 100 employees, has hired 18 experienced financial professionals in the past year and expects to hire more. “I was astounded at the level of excellence and expertise I was able to hire,” Mr. Barse says.

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