

October 8, 2002 12:08 a.m. EDT

Wall Street to Slash More Jobs As Market Remains Depressed

CSFB Will Reduce Staff by About 7%; J.P. Morgan, Others Also Weigh Moves

By SUSANNE CRAIG and RANDALL SMITH
Staff Reporters of THE WALL STREET JOURNAL

Harry S. Truman once said it's a recession when your neighbor loses his job; it's a depression when you lose yours. By that measure, there soon will be many more depressed investment bankers and traders on Wall Street.

The nation's securities firms -- having already cut 32,287 employees, or 8.8% of their work force since year-end 2000 -- are bracing for their most significant rounds of job cuts yet, as the bear market in stocks shows no signs of easing.

In the latest move, Credit Suisse First Boston is readying a new round of cuts, to be announced imminently, of roughly 7% of the firm's global work force, or about 1,700 employees, including investment bankers, traders and salespeople, according to people familiar with the firm. CSFB's parent, Zurich-based **Credit Suisse Group**, last week said its securities unit will report an operating loss for the third quarter.

"Because the majority of costs in a firm like ours are personnel related, most - but not all -- of the cost savings will come from reducing staff levels," says CSFB in a memo to its staff to be released Tuesday.

CSFB isn't alone. As profits continue to slide, the staffing outlook at many banks and securities firms has taken a turn for the worse. **J.P. Morgan Chase & Co.** is considering cutting as many as 4,000 employees, primarily in its

THIS TIME AROUND

- [J.P. Morgan Plans New Round of Layoffs](#)¹
10/07/02
- [Lehman Is Likely to Trim Staff](#)²
09/23/02
- [Schwab Expects to Cut Staff by About 10%](#)³
09/18/02

COMPANIES

Dow Jones, Reuters

Credit Suisse Group ADS (CSR)

| | |
|--------------|-------|
| PRICE | 13.73 |
| CHANGE | -1.14 |
| U.S. dollars | 10/7 |

J.P. Morgan Chase & Co. (JPM)

| | |
|--------------|-------|
| PRICE | 16.77 |
| CHANGE | 0.23 |
| U.S. dollars | 10/7 |

Goldman Sachs Group Inc. (GS)

| | |
|--------------|-------|
| PRICE | 59.53 |
| CHANGE | -2.52 |
| U.S. dollars | 10/7 |

Citigroup Inc. (C)

| | |
|--------------|-------|
| PRICE | 26.73 |
| CHANGE | -1.25 |
| U.S. dollars | 10/7 |

Merrill Lynch & Co. Inc. (MER)

| | |
|--------|-------|
| PRICE | 28.43 |
| CHANGE | -1.74 |

investment-banking department, or about 20% of that division, in the coming weeks. However, a firm spokeswoman cautioned that no final decisions have been made. **Goldman Sachs Group Inc.**, which is expected to cut about 250 people, or about 10% of its investment-banking division, in the coming weeks has axed more than 2,800 jobs, or 9% of its employees, in the past year.

The reason is simple: supply and demand. Companies across the nation shutter factories all the time when business slows. But on Wall Street, executives had been hoping to hold on to as many employees as possible, betting that the bear market would lift. Now they seem to be waving the white flag -- and handing out the pink slips.

"It's like a waterfall out there," says Mike Corasaniti, director of research at boutique investment firm Keefe, Bruyette & Woods Inc. and an adjunct professor in the business department of Columbia University in New York. "Investment bankers are just sitting on their hands. In the paper industry, you shutter a mill and in investment banking you lay off people."

Just look at the numbers. Wall Street's biggest money machine, mergers-advisory work, is flailing. Activity is down 43% to \$351 billion, from \$616 billion this time last year. Global underwriting volume fell 12.6% to \$774 billion in the quarter from the third quarter of 2001, which was itself hard hit by the terrorist attacks, according to Thomson Financial, which tracks such activity. The impact was felt more severely in underwriting fees, which slumped 21% to \$2.31 billion amid a falloff in more-lucrative stock deals, such as initial public offerings of stock.

The falloff has worsened lately, as CSFB notes in its memo to staff. U.S. companies went ahead with only seven public offerings in the third quarter, the fewest since 1980. And underwriting fees in the third quarter alone, it says, fell 45% from the previous quarter.

The current round of piecemeal layoffs contrasts with prior downturns on Wall Street. In the past, Wall Street staffing often lurched, as firms lopped off chunks of their staff quickly amid slowdowns, then ramped them up again amid rebounds.

And in the mid-1990s, several major firms closed business lines, with the former Salomon Brothers Inc. (now part of **Citigroup Inc.**) retreating from the brokerage business, and CSFB shutting its municipal-bond operations.

Now, "you haven't seen anybody withdraw from a business," said Reilly Tierney, who follows the securities business at the Fox-Pitt, Kelton unit of Swiss Re. "I think most of the businesses that are left are businesses, like corporate bonds, that are viewed as fairly strategic to the whole customer relationship."

So far in this cycle, the pain hasn't been evenly distributed. Some securities firms moved more swiftly to deal with the slump. Others, worried that they will cut too far and then be caught shorthanded, have resisted deep cuts.

For instance, **Merrill Lynch & Co.**, the nation's largest brokerage firm, has cut 17,400 people, roughly 25% of its staff, since the end of 2000. On Monday, Merrill denied published reports that it is about to cut more employees, saying it believed it already had taken strong measures to deal with the downturn.

A Merrill spokesman says that the firm is looking at "selective cuts" in certain areas, but is also hiring in others. "The bulk of our layoffs are behind us," the spokesman says.

U.S. dollars 10/7

[Charles Schwab Corp. \(SCH\)](#)

PRICE 7.26

CHANGE **-0.57**

U.S. dollars 10/7

[Lehman Brothers Holdings Inc. \(LEH\)](#)

PRICE 42.59

CHANGE **-2.32**

U.S. dollars 10/7

* At Market Close

Charles Schwab Corp., feeling the pinch from a continued slump in online trading and individual-investor activity, last month indicated it intends to lay off an additional 1,900 or so workers. This would bring reductions at the nation's largest online brokerage firm to about 9,100, or 35% of its staff, since its employment peaked at the end of 2000. A spokesman for the San Francisco-based firm says it too has no further cuts in the works.

Some firms have resisted large-scale layoffs entirely. **Lehman Brothers Holdings Inc.**, for instance, has said its employees will have to make due with smaller bonuses for now. Lehman was among the firms that most aggressively built up its operations during the stock-market boom of the late 1990s. Lehman, whose third-quarter earnings came under pressure due to a drop in corporate-bond issues, says it expects staffing levels to be about 12,800 at the end of November, marginally lower than the 12,980 on Aug. 31, despite pressure from investors and analysts that stronger medicine is required.

Other firms finally are taking some action. Goldman, which nearly doubled its staffing levels from 1997 to 1999, resisted rolling back its ranks until March. In a conference call with analysts a few weeks ago, it says more cuts are likely this year.

"Those decisions will consume most of my waking hours for the next few weeks, as well as the time of most other senior managers on Wall Street," David Viniar, Goldman's chief financial officer, said a few weeks ago in a conference call with analysts.

What has been difficult for morale is that those firms cutting employees now already have had prior layoffs in the downturn. Before the soon-to-be announced cuts, CSFB had layoffs totaling 4800, or 16% of its work force.

And J.P. Morgan Chase -- the product of a 2000 merger between J.P. Morgan & Co. and Chase Manhattan Bank -- already has cut thousands of employees from its work force during the past two years, some as a result of overlap from the merger, but many in the wake of the prolonged downturn in the financial markets.

A regulatory effort to overhaul Wall Street firms could also pinch staffing. The effort with the broadest potential for cuts is an expected Securities and Exchange Commission proposal to separate firms' research operations from their investment-banking staffs.

Wall Street firms could be forced to reduce their research budgets by an average of 23%, predicts Brad Hintz, an analyst at Sanford C. Bernstein & Co. Staffing, he says, could fall by about the same amount, or even more.

Meantime, some displaced employees are finding work at smaller firms. Samuel Morse, an institutional stock salesman who was laid off in July when **FleetBoston Financial Corp.** pulled the plug on its Robertson Stephens securities-firm unit, recently took a job at Pacific Growth Equities, a small investment-banking boutique based in San Francisco.

Mr. Morse, 39 years old, says: "Not finding work was always in the back of my mind."

Write to Susanne Craig at susanne.craig@wsj.com⁴ and Randall Smith at randall.smith@wsj.com⁵

URL for this article:

<http://online.wsj.com/article/0,,SB1034034570663530600.djm,00.html>

Hyperlinks in this Article:

(1) <http://online.wsj.com/article/0,,SB1033956056195347113,00.html>

(2) <http://online.wsj.com/article/0,,SB1032737939885800833,00.html>

- (3) <http://online.wsj.com/article/0,,SB1032273635186664515,00.html>
- (4) <mailto:susanne.craig@wsj.com>
- (5) <mailto:randall.smith@wsj.com>

Updated October 8, 2002 12:08 a.m. EDT