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By JESSICA SOMMAR

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December 30, 2002 -- Wall Street staffers - already suffering from waves of layoffs this year - can expect more of the same in the new year, labor pros warn.

"Wall Street isn't finished" cutting, predicted Mike Iswalt, economist at Economy.com. "In 2002, the number of finance layoffs skyrocketed - but they started late in the cycle and will end layoffs after everyone else has."

The pain might start as soon as January - after the banks reveal lackluster earnings for the fourth quarter.

"I think everyone will probably go through continued layoffs in the next two months, and Wall Street will, too, to correspond with what's going on in the economy," said Rick Cobb of outplacement firm Challenger, Gray & Christmas.

The cuts put New York in a particularly precarious position, Iswalt explained: "Financial services job losses in New York City have experienced a sharper decline than the magnitude of the drop in manufacturing across the nation."

Since 9/11, layoffs in New York from financial services have topped 6 percent, higher than the national average for manufacturing, which stands at 5 percent, Iswalt added.

"It's been that bad," he said.

The cuts come as Wall Street is burdened by a quadruple threat: a rare, three-straight-year bear market, lingering stagnation in the deals arena and the threat of imminent military confrontations overseas - as well as a wobbly, jobless recovery in the economy at large.

Banks reportedly earned $14.1 billion in fees this year, down from $17.9 billion a year ago and $21.2 billion in 2000.

Salomon reported $2 billion in fees, followed by Morgan Stanley and CSFB with about $1.2 billion each. In the fourth quarter, disclosed fees fell 40 percent from a year ago, to $2.89 billion industrywide.

"If we continue to see a complete dearth in capital markets activity, there will still be the need for cuts," warned Craig Woker, stock analyst with independent researchers Morningstar Inc.

"The whole industry has positioned themselves for some type of recovery for late next year. But we can't rule out first-quarter layoffs entirely."

Military action would further complicate the situation.

If there's a war, "all bets are off," said James Zamparelli, senior relationship manager at Snelling Personnel Services.

Wall Street has seen $260 billion in market value vanish since the end of 2000 - more than the combined current values of Citigroup Inc., Goldman Sachs Group Inc. and Merrill Lynch & Co., according to Bloomberg News.

Investment banks have reportedly already cut about 15 percent of their workers over the last two years, with the worse cuts hitting the industry's elite: the investment bankers themselves.

Industrywide, 25 percent of bankers were given their pink slips in 2001, and another 25 percent were let go in 2002, sources said.

Brokerages suffered higher layoffs, Economy.com's Iswalt explained, because they were the worst performers compared with banks and other finance companies. But financial services companies also beat out other industries for sheer size of layoffs.

Securities firms have lost nearly 100,000 jobs in the last two years, but those cuts won't be enough to bolster Wall Street's sagging profits.

"If a firm is not geared to this [current environment] being normal, they will have some [layoffs] to do," an executive recruiter said. "If they are geared to the fact that this is normal, however, they won't have to make any cuts."

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