



## The State of Employment in the Banking and Finance Sector

Employment in the banking and finance sector of the economy has taken a dramatic downturn in the last few months. While the news has highlighted layoffs at financial institutions, the layoffs have not been confined to the banking industry. Last week, unemployment claims jumped to over four hundred thousand.



Many jobs are still being cut as a result of the slumping economy, a weak housing market, and overall lower consumer confidence. The majority of the layoffs in banking have stemmed from failing mortgages. Most financial institutions were allowing people with a good credit history to set up what they called "stated income mortgages." This allowed someone who could only show

enough income to afford a home valued at \$150 thousand to buy a home valued at twice that amount. Common sense tells us that at some point the difference will catch up, and guess what? It has. Banks now refer to these loans as "liar loans."

As banks continue to write off "liar loans" that are going bad, they are forced to shorten their staffing to make up for billions of dollars in empty foreclosed homes. The downward spiral continues from housing to every other sector because families struggling to make high mortgage payments cut back on other areas. For example, a family trying to protect their most prized possession, their home, is much less likely to buy a new car, go out to eat, or even take vacations.

With all this being said, the situation is not all gloom and doom. The upside comes from banks reporting better than expected earnings overall for the second quarter of 2008. They have tightened credit criteria and discontinued the use of "stated income" lending. More good news has come from the fact that fuel prices have continued to drop over the past week. This means that people can actually afford to put gas in their car and drive around to all the open houses being held by banks on their foreclosed properties.

Overall, the economy, and therefore the job market, continues to struggle. It is highly unlikely that we will see a drastic change overnight. We all wonder what will happen next. Will more banks look to be bailed out by larger competitors? Will more financial institutions close their doors? Will we see more layoffs in banking? These are all definite possibilities, but many measures are being taken to prevent this from happening. I did ask my crystal ball what was going to happen, and it didn't tell me a thing! History, however, tells us that the United States economy likes to bounce back, so take heart. Things may be looking up soon!

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