Hiring and Firing: How Covid-19 Compares to Financial Crisis, Dot-Com Bust

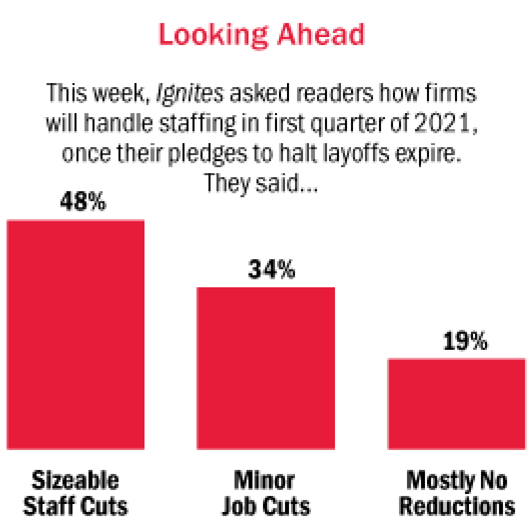
By Adrian D. Garcia April 23, 2020

The economic fallout spurred by Covid-19 has left mutual funds bleeding assets, share prices of publicly traded managers tumbling and profits dropping.

But at least one giant question mark remains: How will asset managers handle hiring amid the pandemic?

Many major fund firms, recordkeepers and service providers have promised their employees that they would not lose their jobs as a result of the pandemic.

“No one at BlackRock should be worrying right now about losing their job as a result of Covid-19,” CEO Larry Fink wrote in a statement posted April 8 on LinkedIn. However, the New York–based money manager has also frozen global hiring. JPMorgan Chase has halted hiring in several divisions, as well, including asset management.



Source: Ignites poll, April 20. Some 416 readers responded.

But most of the layoff promises expire at the end of 2020. This week, *Ignites* asked readers whether they thought industry head count would dramatically decrease at the start of next year. Some 82% said they expect fund firms to shed employees during the first quarter of next year. In all, 416 responded.

Some small shops are already struggling to keep all of their jobs. **Tortoise Capital Advisers**, for example, laid off 39 employees, or about a fifth of its staff, after the firm’s energy-focused strategies were hit by market turbulence.

And during the two most recent extended market downturns, industrywide head count plummeted.

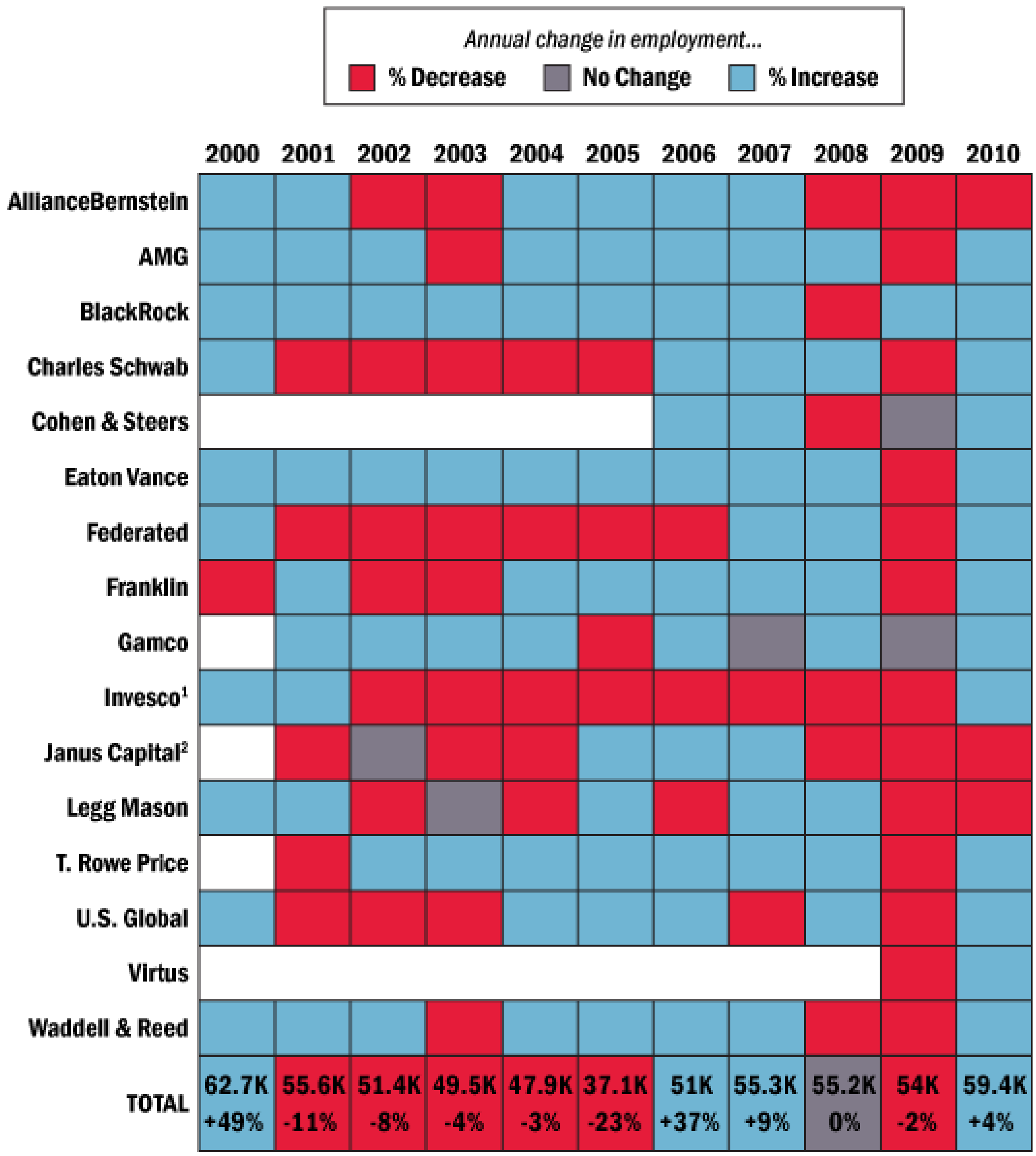
Between 2008 and 2009, 13 of the 16 then publicly traded pure-play asset management firms cut jobs. In all, they collectively shed 1,189 jobs, or 2% of employees.

And in the period following the dot-com bust, job count dropped, too. In all, the publicly traded pure-play asset management firms lost 11,334 jobs between 2000 and 2002, a 18% decline, filings show.

Another Great Recession?

Publicly traded-pure-play asset management firms tracked by *Ignites* collectively cut 7,396 employees, or 14% of their headcount, between 2000 and 2001, filings show. At the time there were 14 public firms.

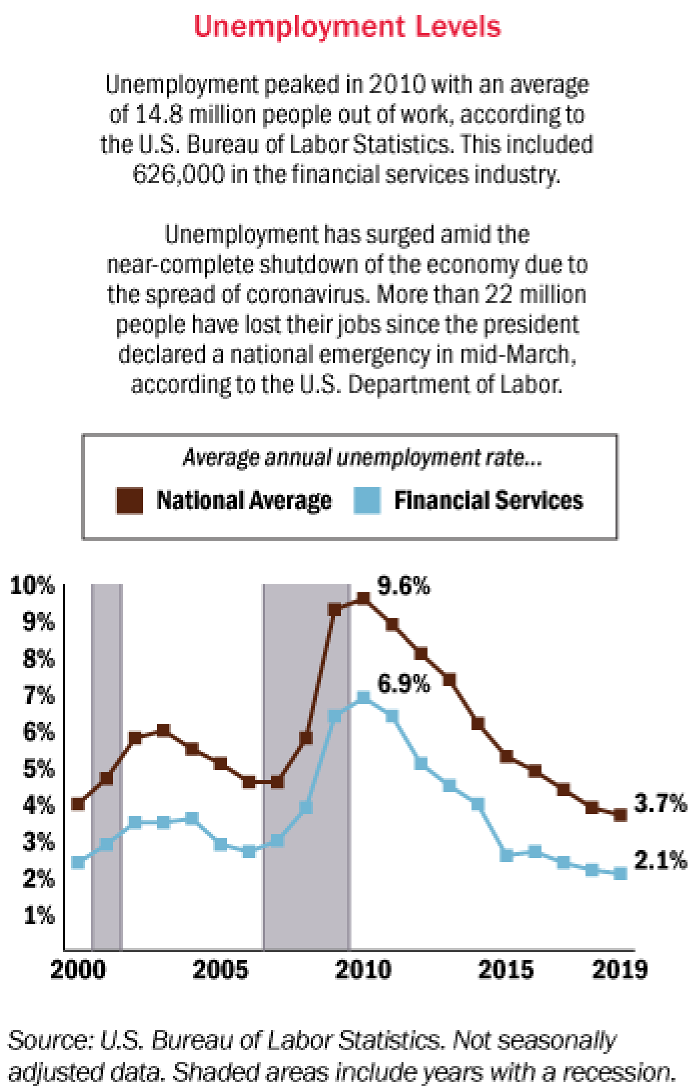
That's deeper than the cuts made during the financial crisis. The 16 firms public at the time cut 2% of their employees, or 1,189, from 2008 to 2009. The losses were recovered by 2010.



Source: Company filings. Data is for each company's fiscal year and only available for years provided to SEC.
[1]Invesco operated as Amvescap from 1997 to 2007.
[2]Janus Henderson operated as Janus Capital until 2017 when the company merged with Henderson Global. Data only reflects headcount for Janus Capital

So far during the current economic crisis, many analysts have cut their profit forecasts for the fund industry. The decline mirrors what happened during the Great Recession, says Sunayana Mehra, a director at Moody's Analytics.

However, unlike in the 2007–2009 downturn, the current crisis did not originate within the financial services industry. And the Federal Reserve and other government officials have stepped in much sooner with robust financial stimulus. Those factors could prevent major job slashing for asset managers, Mehra says.



"It needs to be seen still how this plays out ... for both the banking industry, more broadly, and asset management firms, in particular," she says. "The asset management industry will not be immune if there are widespread layoffs across the board in finance."

Staff reductions are unlikely at most firms in the near term as asset managers navigate the immediate fallout of coronavirus, says Kathy Freeman Godfrey, president of the executive recruiting firm Kathy Freeman Co.

"They're not going to cut right now in the middle of this crisis," Freeman Godfrey says. "Over the long-term course of this year, you will see staffing pullbacks, but firms will continue to keep hiring."

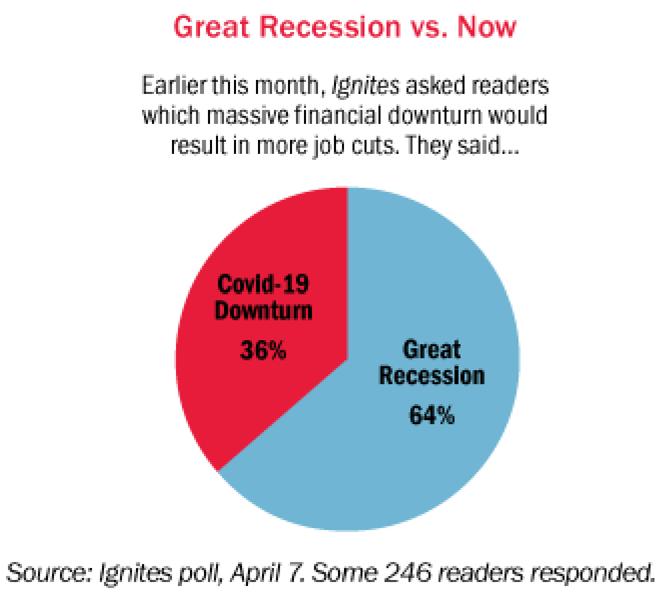
Instead, they're going to respond to the downturn by emphasizing or creating new strategies that thrive during bear markets, she adds.

Some are even hiring. Fidelity last week announced plans to add about 2,000 people in the U.S. The Boston-based firm is bringing on financial consultants, brokers and customer service representatives in response to "significant business" growth from investors opening new accounts and "unprecedented engagement" among individual clients and defined contribution participants.

Fund industry head count has progressively increased over the last several years. Last year, employment increased 3% at the publicly traded fund companies tracked by *Ignites*, according to an April analysis. In all, 81,478 individuals worked at those 17 firms.

But hiring during the current crisis is difficult for companies unable to meet clients in person while their offices are shuttered and employees are working from home, says George Wilbanks, managing partner of recruiting firm Wilbanks Partners. But the job pipeline remains open, and he doesn't expect to see a major switch from job-adding to slashing this year, he says.

They're treating this like "a very large hurricane," Wilbanks says. "It's severe. It's damaging. People's lives are at stake. But it's going to blow on by."



Economists who view the 2020 downturn as a temporary shock, similar to ones caused by a hurricane or terrorist attack, predict the markets will quickly rebound after companies reopen and the pandemic subsides.

Others are less optimistic. The chief economist for the International Monetary Fund, Gita Gopinath, expects this year will go down as the worst global economic contraction since the Great Depression.

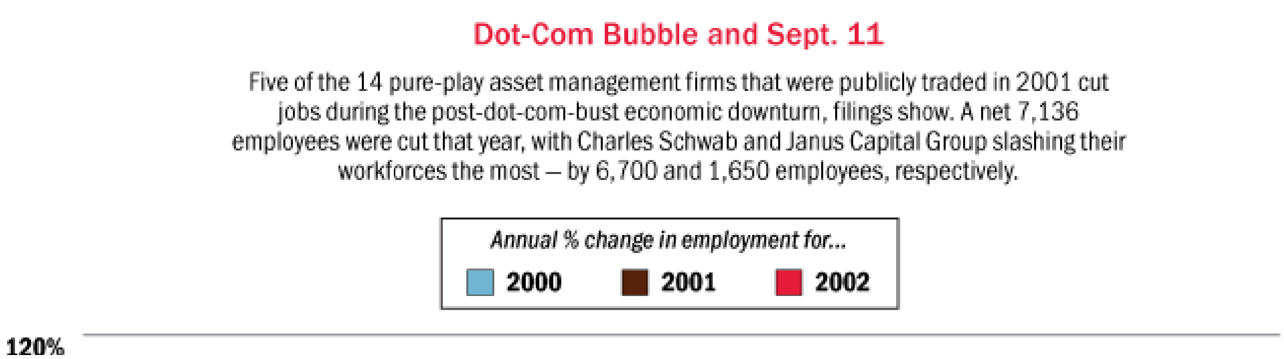
"A partial recovery is projected for 2021, with above-trend growth rates, but the level of GDP will remain below the pre-virus trend, with considerable uncertainty about the strength of the rebound," Gopinath told the *Financial Times*.

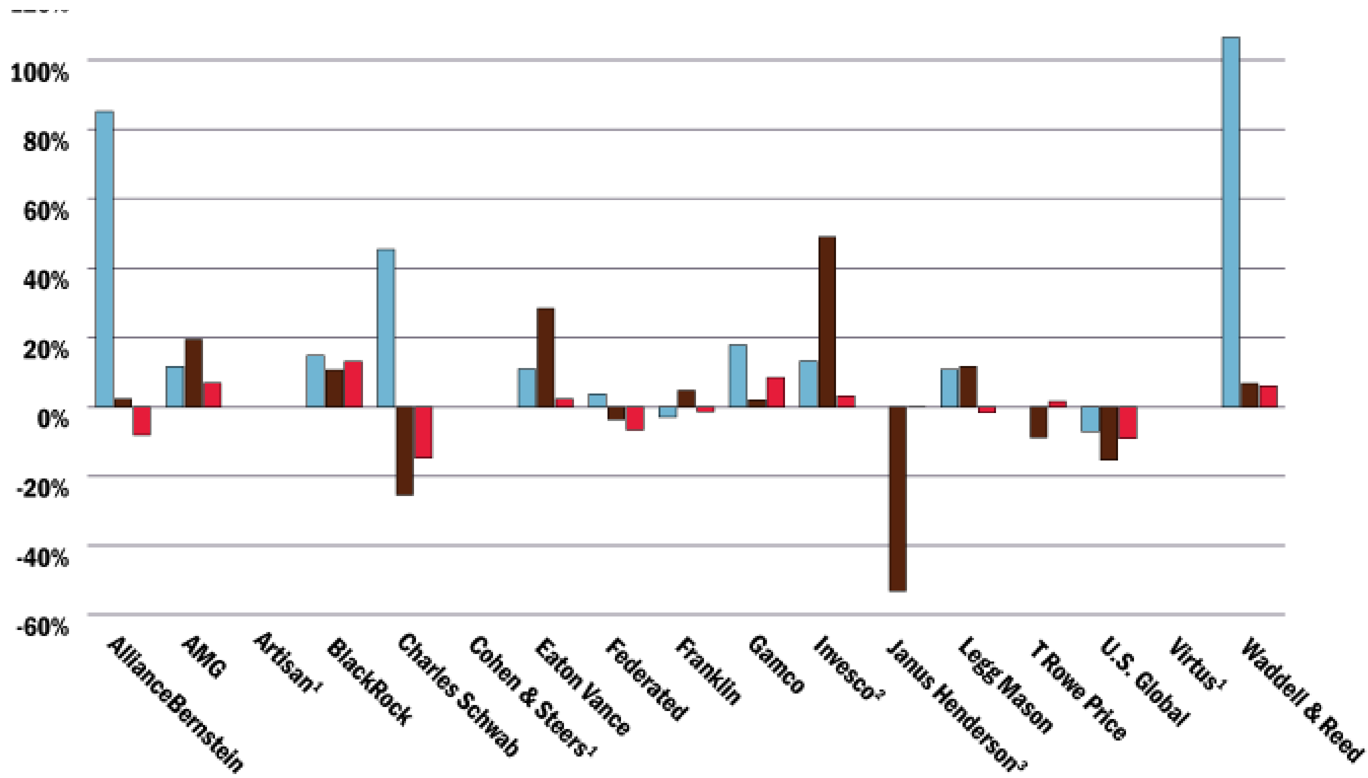
No matter what, though, fund shops won't be able to halt hiring completely, says Jeanne Branthover, global head of financial services and managing partner at DHR International.

"Companies will not put every single hiring on hold," she says. "They have to still compete."

Firms have other tools they can reach for ahead of layoffs, including retirement buyouts, furloughs and pay cuts, Branthover said.

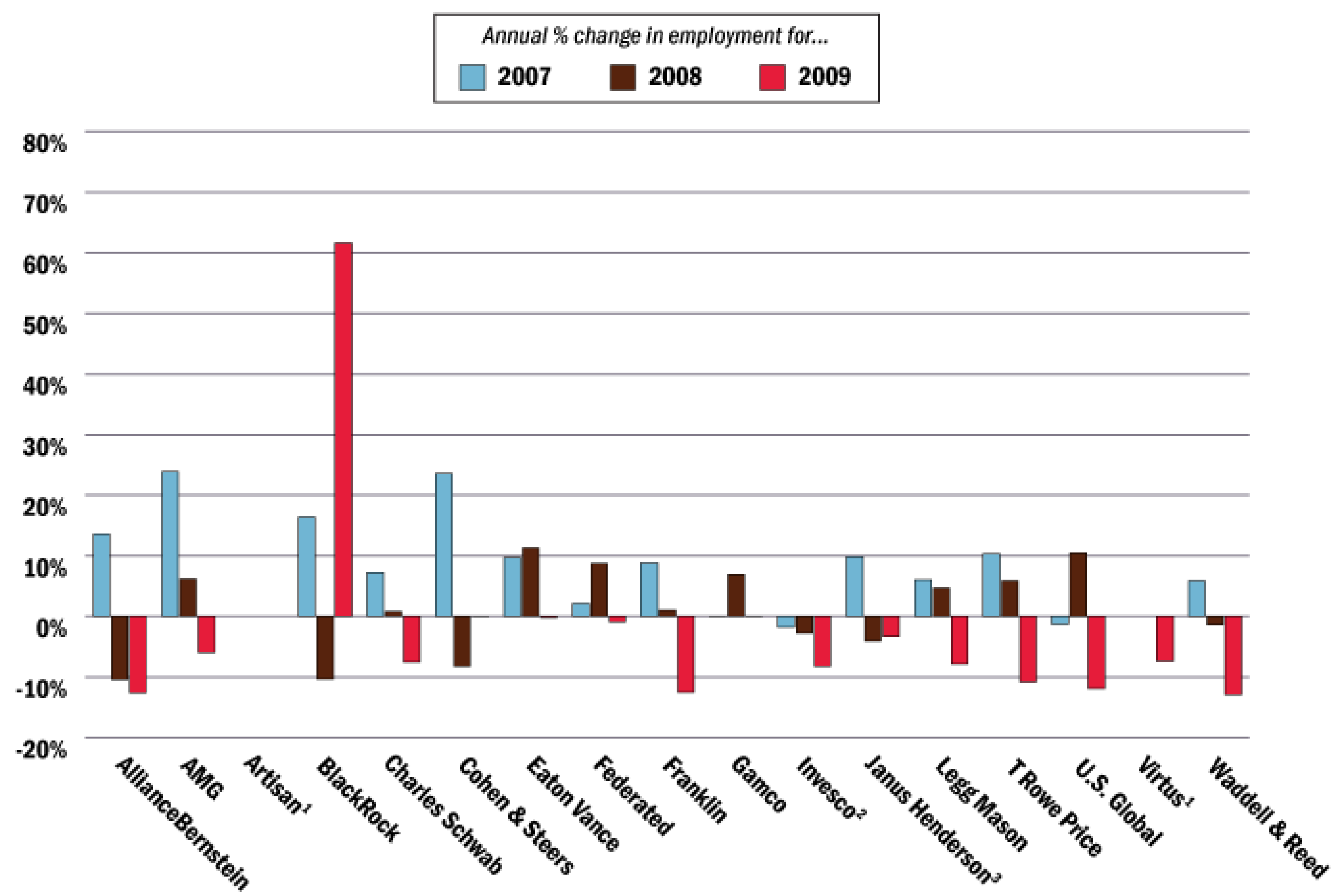
"What companies realize is, it's not always the best thing to fire because then you have to rehire and that's a huge cost," she says. "It's smarter to offer furlough to people who maybe can afford to stay home for a month."





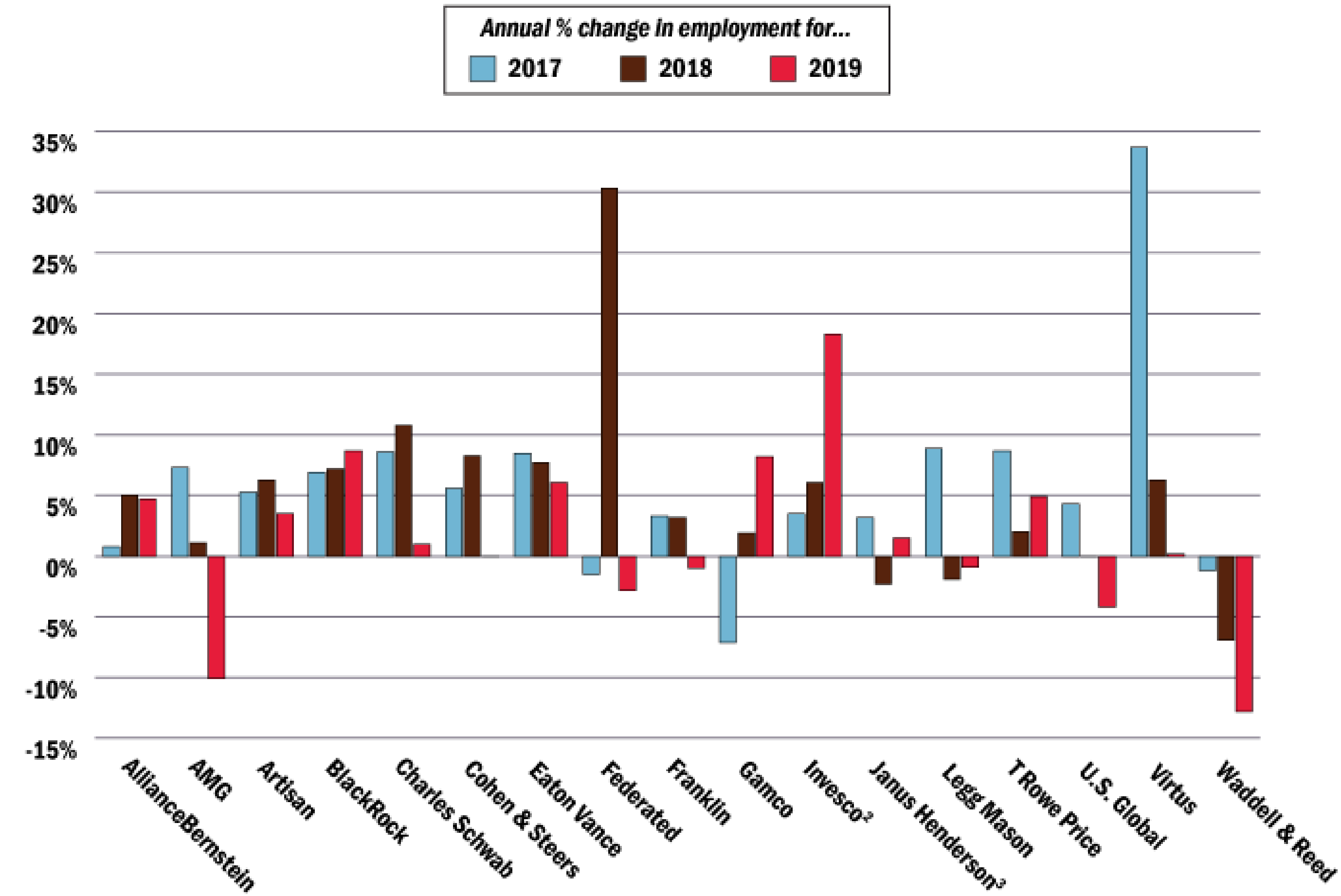
Great Recession

Every publicly traded pure-play asset manager cut jobs during at least one year of the Great Recession, the filings show. Invesco faced the steepest losses, slashing a net 684 employees across all three years from the start of 2007 and the end of 2009.



The End of the Expansion

Publicly traded pure-play asset managers collectively added a net 22,976 workers from the start of 2017 through 2019, the filings show. The growth in the industry capped off the longest economic expansion in the U.S. since World War II, according to the National Bureau of Economic Research.



Source: Company filings. Data is for each company's fiscal year and only available for years provided to SEC.
[1]Data not available.
[2]Invesco operated as Amvescap from 1997 to 2007.
[3]Janus Capital merged with Henderson Global in 2017 to become Janus Henderson. The 2017 employment figure includes the net change from Janus Capital and Henderson Global's combined figures. Previous data only reflects headcount for Janus Capital.