Employment Changes from 2001 to 2005 for Occupations Concentrated in the Finance Industries

By Fatemeh Hajiha

A healthy and vibrant economy requires a financial system that promotes economic efficiency. The finance industries provide a wide variety of financial services that facilitate aggregate economic performance and economic growth, such as channeling funds from lenders to borrowers; performing central banking functions; underwriting securities issues and/or making markets for securities and commodities; and pooling securities, or other assets, on behalf of shareholders or beneficiaries of employee benefit or other trust funds.

This article describes employment changes between 2001 and 2005 in occupations found primarily in the finance industries and the possible factors contributing to these trends. While finance industries added more than 200,000 jobs from 2001 to 2005—an increase of 6.1 percent—the employment for occupations in these industries changed disproportionately and/or in the opposite direction. For example, the number of loan officers grew 56 percent during the period, and employment of tellers increased 12.5 percent. On the other hand, employment of brokerage clerks and new accounts clerks showed declines of 15 and 17 percent, respectively (table1).

The 2005 Occupational Employment Statistics (OES) data show that more than 80 percent of workers in the occupations discussed in this article are found in the finance industries.

In recent years, online banks that provide services entirely over the Internet have entered the market. The wonders of modern computer technology have enabled banks to lower transactions costs by having the customer interact with an electronic banking (e-banking) service, rather than with a person. With the drop in telecommunications costs, banks have developed another financial innovation—home banking. It is now cost-efficient for a bank to set up an electronic banking facility that links the bank's customer with the bank's computer to carry out transactions using either a telephone or a personal computer.

During the 2001-2005 period, low interest rates and greater personal income drove employment gains in some components of the finance industries. Mortgage rates also fell, leading to a surge in both home purchases and refinancing activity.

Fatemeh Hajiha is an economist in the Division of Occupation Employment Statistics, U.S. Bureau of Labor Statistics.

Finance Industries

The finance industries described in this article, consist of four 3–digit North American Industry Classification System (NAICS) subsector industries. Table 2 shows the distribution of employment across these subsector industries and some subgroups for the subsector 522, credit intermediation and related activities. As this table shows, in 2005, more than 76 percent of employment in the finance industries was concentrated in credit intermediation and related activities. This sub-sector industry is composed of three 4-digit industry groups. Of these, the subgroup depository credit intermediation is the leading industry group, with close to 62 percent of employment in the credit intermediation and related activities group industry. Commercial banking is the largest industry within depository credit intermediation, accounting for more than 71 percent of that industry group's 2005 employment and more than one-third of employment in the finance industries, as a whole.

According to Current Employment Statistics data, employment in finance increased from 3,539,400 in 2001 to 3,756,600 in 2005—an increase of 6.1 percent. This growth was faster than the overall employment growth of 3.1 percent for all private-service providing industries. Much of the employment gains came from credit intermediation and related activities (NAICS 522). Credit intermediation and related activities involve lending funds or facilitating lending. Most mortgage and refinance activity is classified in this industry group.

Mergers and Acquisitions

A merger between two firms is an exercise in cost cutting. Duplicate job positions, departments, and even physical locations may be eliminated, in an effort to cut costs and take advantage of economies of scale. The Web and improved computer technology are major factors driving bank consolidation because large upfront investments are required to set

Table 1. **Employment, 2001-2005**

Occupation	2001	2005	Percent change
All occupations	127,980,410	130,307,840	1.8
Business and financial operations occupations	4,676,680	5,410,410	15.7
Personal financial advisors	83,820	108,640	29.6
Loan officers	213,450	332,690	55.9
Sales and related occupations	13,418,240	13,930,320	3.8
Securities, commodities, and financial services sales agents	270,730	251,710	-7.0
Office and administrative support occupations	22,798,590	22,784,330	-0.1
Bill and account collectors	385,800	431,280	11.8
Tellers	532,740	599,220	12.5
Brokerage clerks	82,730	70,110	-15.3
Loan Interviewers and clerks	157,680	231,700	46.9
New accounts clerks	99,760	82,450	-17.4

Source: Occupational Employment Statistics (OES) Survey

Table 2. **Employment in the finance industry, 2001-2005**

NAICS	Industry	2001	2005	Percent of employment (2005)	Percent change 2001-2005
521	Monetary authorities-central bank	23,000	20,800	0.6	-9.6
522	Credit intermediation and related activities	2,597,700	2,865,800	76.3	10.3
5221	Depository credit intermediation	1,701,200	1,774,400	61.9	4.3
52211	Commercial banking	1,258,400	1,297,900	73.1	3.1
52212	Saving institutions	233,600	239,600	13.5	2.6
52213; 52219	Credit unions and other depository	209,200	236,900	13.4	13.2
5222	Nondepository credit intermediation	660,700	766,100	26.7	16.0
5223	Activities related to credit intermediation	235,700	325,300	11.4	38.0
523	Securities commodity contracts and other financial investments and related activities	830,500	783,200	20.8	-5.7
525	Funds, trusts, and other financial vehicles	88,300	86,800	2.3	-1.7
	Total finance employment	3,539,400	3,756,600	100.0	6.1

Source: Current Employment Statistics (CES) Survey

up many information technology platforms for financial institutions. To take advantage of these economies of scale, banks have gotten bigger, and this development has led to additional consolidation. Information technology has also increased economies of scope—the ability to use one resource to provide many different products and services. The result is that consolidation is taking place not only to make financial institutions larger, but also to increase the combination of products and services that financial institutions can provide. Between 2001 and 2005 there were a total of 2,421 mergers and acquisitions.[1]

In 2001, there were 8,080 banks with 65,564 branches. By 2005, there were 7,527 banks with 71,716 branches—a drop of 7 percent for banks and an increase of 9 percent for branches.[2] Mergers and acquisitions typically result in a decline in the number of banks and other financial firms. However, this decline is usually consistent with an increase in the number of branches. Financial firms maintain branches to obtain a competitive edge, as branches allow firms to provide a variety of personal services to customers and to maintain customer loyalty. Branches generally are located near where people live or work, and most consumers use them as the primary locations for their financial activities.

[1] Source: SNL Financial
Includes number of announced mergers and acquisitions for securities, specialty finance, and banks

[2] Source: Federal Deposit Insurance Corporation (FDIC)

Economic developments

The benchmark federal funds rate, which is charged on overnight loans between banks, was 6.5 percent in 2000, at the peak of the stock-market boom. By early 2001, with stock prices falling and the economy losing momentum, the Federal Reserve began lowering the federal funds rate. The rate

then continued to decline through June 2003, when the federal funds rate reached a 40-year historical low of only 1 percent, and remained at this level until June 2004. After June 2004, the federal funds rate underwent a series of 13 successive quarter-point increases, until it reached 4.25 percent by the end of 2005.

Mortgage rates also followed the declining trend. Historically low mortgage rates led to a substantial surge in both first-time mortgage loans and refinancing activity.[3] Total home mortgage loans increased from 1,139 billion dollars, in 2000, to 2,908 billion, in 2005—an increase of 155 percent. During this same period, first-time mortgage loans increased 67 percent, and refinance mortgage loans increased 497 percent. As a result, credit intermediation and related activities added workers to meet the increasing demand for refinancing, and employment in this industry group increased more than 10 percent during the same period.

While employment in credit intermediation and related activities increased, employment in securities, commodity contractors, and other financial investments and related activities declined by 5.7 percent from 2001 to 2005. The employment change in the securities industry was not evenly distributed across years. From 2001 to 2003, employment dropped by 72,800, or 8.8 percent, and from 2003 to 2005, employment increased by 25,000. The finance industries replenished only about one-third of the jobs lost during the study period.

A combination of factors likely played a role in the stock market decline that contributed to large job losses in securities, commodity contractors, and other financial investments and related activities. These factors include the late 1990s bull market run-up in stock prices, leading to fears that stocks were overpriced. Additionally, the terrorist attacks of September 11, 2001, and several financial scandals led to diminished confidence in the stock market. Finally, low mortgage rates and appreciating property values likely inspired some investors to put their funds in real estate.

Technology change

Financial innovation has transformed the entire financial system and has led to the decline of traditional banking. Advances in technology have had a significant effect on the mix of occupations in the finance industries. Additionally, electronic banking has reduced the need for some office and administrative support occupations, such as bookkeeping occupations. On the other hand, demand for computer specialists has grown, as more banks make their services available electronically.

Falling telecommunications costs have spurred the development of another financial innovation, home banking, in which the bank's customer is linked with the bank's computer by either telephone or personal computer. With the decline in prices of personal computers and their increasing presence in the home, we have seen a further innovation in the home banking area, the appearance of a new type of banking institution—the *virtual bank*—a bank that has no physical location, but, rather, which exists only in cyberspace. The virtual bank takes home banking one step further, offering a full set of banking services, such as accepting checking and saving deposits; selling certificates of deposit (CDs); issuing ATM cards; and providing bill-paying facilities, available to customers at home 24 hours a day.

[3] Source: SNL Financial LC

Occupational employment[4]

The increase in finance employment of more than 200,000, or 6.1 percent, from 2001 to 2005 primarily occurred in depository credit intermediation. In contrast, other components of the finance industries lost workers during the same period. Because staffing patterns differ across components of the finance industries, these varying employment trends resulted in changes in occupational composition for finance as a whole.

Data used to analyze employment changes in finance-related occupations are from the Occupational Employment Statistics (OES) Survey. The OES Survey categorizes workers into 801 detailed occupations and aggregates these detailed occupations into 22 major occupational groups. The 2005 OES Survey shows that more than 80 percent of employment in the finance industries was concentrated in three of the major occupational groups: Business and financial operations, sales and related, and office and administrative support occupations. The data and analysis that follow relate to the detailed occupations in these three groups.

Table 3. **Select major occupational groups in the finance industries, 2005**

	Employment finance industries, 2005	Percent distribution
All occupations	3,733,410	100.0
Business and financial operations	759,790	20.4
Sales and related occupations	383,440	10.3
Office and administrative support	2,033,040	54.5
Remaining (19) groups	557,140	14.9

Source: Occupational Employment Statistics (OES) Survey

Business and financial operations: Business and financial operations, the second-largest occupational group in the finance industries, accounted for 20 percent of finance employment in 2005. This group consists of workers, such as credit analysts, accountants and auditors, loan officers, and loan counselors. One of the detailed occupations in this group, loan officers, represented 8.1 percent of finance employment,

[4] In 2002, the OES survey switched from the Standard Industrial Classification (SIC) System to the North American Industrial Classification System (NAICS). In order to avoid any comparability issues caused by this conversion, cross-industry employment is used to show the changes in highly concentrated occupations in the finance industries. Any changes in these occupations are likely to be relevant to the finance industries.

in 2005. This was the second-largest occupation in the finance industries, after tellers. In 2005, more than 90 percent of all loan officers were employed in the finance industries. Employment of loan officers increased by 119,000—or 56 percent—over the 2001-2005 period. Another business and financial operations detailed occupation, personal financial advisors, increased by 30 percent during the period under study.

Employment of loan officers is mainly a function of interest rates. As long as interest rates decline, demand for loans increases. The increase in employment of loan officers and personal financial advisors, therefore, was a result of a sustained period of historically low interest rates and healthy housing markets that led to job gains in many industries, including depository and nondepository credit intermediation, as demand for loans increased. Because loan officers are more heavily concentrated in branch banks, the increase in numbers of loan officers can also be attributed to growth in the number of branches.

Sales and related occupations: Sales and related occupations, the third largest occupational group in the finance industries, accounted for 10 percent of finance industries employment, in 2005. Securities, commodities, and financial services sales agents, one of the detailed occupations in this group, are found primarily in the finance industries. Approximately 93 percent of securities, commodities, and financial services sales agents are employed in finance and make up more than 6 percent of finance industries employment. Employment of this occupation declined from 270,730 to 251,710—a decrease of 7 percent.

Office and administrative support occupations: Office and administrative support occupations, the largest occupational group in the finance industries, made up about 55 percent of finance employment in 2005. Detailed occupations within this group with significant shares of finance employment are tellers, loan interviewers and clerks, new accounts clerks, and brokerage clerks.

Tellers receive and pay out money and keep records of transactions. Tellers had the largest portion of total finance employment: 15.6 percent in 2005. Employment of tellers grew from 532,740 in 2001 to 599,220 in 2005—an increase of more than 12 percent. Theoretically, technological advancement and automation should have led to a drop in demand for tellers, and, therefore, a decrease in the number of tellers. However, many of the remaining positions for tellers may have been converted from full-time to part-time positions. This could cost banks less than full-time positions would cost, because part-time tellers generally receive fewer benefits than full-time tellers. Shifting tellers from full-time to part-time positions also allows banks more flexibility in extending business hours, since part-time tellers can be scheduled to work only when customer traffic is high. This trend toward replacing full-time tellers with part-time tellers may have prevented a decline in the employment of tellers. Because OES survey data do not distinguish between part-time and full-time workers, if a bank eliminated one full-time teller position and, instead, created two part-time positions, the bank's employment of tellers—as measured by the OES survey—would increase. Data from the National Compensation survey (NCS) show that the number of part-time tellers has increased, from 31.1 percent in 2001, to 34.3 percent in 2005 (table 4). In addition, tellers are more highly concentrated in branch banks than they were previously, as most customers typically use branches for transactions and other account activities. The growth in employment of tellers between 2001 and 2005 could, therefore, also have resulted from the increase in the number of bank branches.

Table 4. **Mean weekly hours for full-time and part-time tellers, 2001-2005**

Year	Total	Full-time	Part-time	Percent of tellers who worked part-time(*)	Percent of tellers who worked full-time(*)
2001..................	33.9	39.2	21.6	30.1	69.9
2005..................	33.8	39.6	22.7	34.3	65.7

Source: National Compensation Survey (NCS)
* Calculated by the author

With 194,060 people working as loan interviewers and clerks, this occupation accounted for 5.2 percent of all workers in the finance industries, in 2005. Loan interviewers and clerks are involved in the processing of loan applications and forward their findings, reports, and documents to the appraisal department. A sustained period of historically low interest rates and healthy housing markets led to job gains for loan interviewers and clerks, as demand for loans increased. Cross-industry[5] employment of loan interviewers and clerks increased from 157,680 in 2001 to 231,700 in 2005—an increase of almost 47 percent.

Two other detailed occupations within the office and administrative support group are new accounts clerks and brokerage clerks, which accounted for 2.1 percent and 1.7 percent of workers in finance, respectively. Between 2001 and 2005, cross-industry employment in these occupations declined by 17.3 percent and 15.2 percent, respectively.

New account clerks interview prospective customers and explain services available at the bank. Increasing automation and on-line banking provide the most likely explanation for the decline in new account clerk employment. Consolidation is another likely factor in this employment decline, as simi-

[5] Cross-industry estimates are calculated with data collected from establishments in all the industries in which a particular occupation is reported. For example, the cross-industry occupational employment estimate for tellers is the sum of all the industry-specific estimates for tellers.

lar departments in different banks were probably centralized during mergers and acquisitions.

Brokerage clerks perform clerical duties involving the purchase or sale of securities. Declining employment of brokerage clerks was partly due to technological advances and increased computer use.

The combined effects of technology, deregulation, mergers, and the economic environment that affected the finance industries during the 2001-2005 period are reflected in employment fluctuations for finance-related occupations. While finance employment increased by 6.1 percent from 2001 to 2005, occupations discussed in this article show disproportionate changes. The increase in employment of some occupations has been offset by the decline in employment of others. For example, the number of loan officers in the finance industries grew 55.9 percent during the period, while securities, commodities, and financial services sales agents showed a decrease of 7 percent.

Employment and redistribution of occupations in the finance industry are currently at a crucial point. As mergers and acquisitions continue to sweep the industry and more advanced technological innovations are introduced to finance operations, employment could possibly change and the mix of occupations could change. Meanwhile—with the passage of the Gramm-Leach-Bliley Financial Services Modernization Act, which repealed the Glass-Steagall Act;[6] and, thus, opened up competition among banks, securities companies and insurance companies—it is possible that new opportunities in the finance industry will lead to the creation of new occupations and increased employment.

Therefore, now is an interesting time for the United States finance industry.

[6] In 1933, in the aftermath of the Great Depression and its widespread bank failures, Congress enacted the Banking Act of 1933 (Glass-Steagall Act), which separated the activities of commercial banks from those of the securities industry. Likewise, this act prohibited investment banks from engaging in commercial banking activities.