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Connecticut finance sector endures — but with fewer jobs

By Paul Schott **Published 2:21 pm EDT, Sunday, September 16, 2018**

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Tim McMullan, co-founder and managing partner of investment firm TJT Capital Group, is photographed at his office at 9. W. Broad St., in Stamford, Conn., on Friday, Sept. 7, 2017.

In September 2008, Tim McMullan was working for one of the top investment firms in southwestern Connecticut. A year later, he had become his own boss.

McMullan, who ran the private-client group of then-GE Private Asset Management before co-founding his own investment-management business, represents one of the thousands of Fairfield County professionals whose career was altered by the financial crisis that exploded 10 years ago this month. A decade later, the likes of McMullan are contributing to an industry that is still indispensable to the area's economy. But the crash's impact still lingers, with the sector's employment declining in recent years to levels well below prerecession totals.

"It was a crisis that had cost a lot of people — and firms, for that matter — their jobs; it was pretty devastating," McMullan, 56, said in an interview last week, at the downtown Stamford offices of his firm, TJT Capital Group. "The crisis was ongoing, it was live and painful. We knew a lot of companies were going to feel the effects of it for many years. But the other side of the crisis is that there was an opportunity to take advantage of it. And that's the way we looked at it."

Industry transformation

After the crisis hit, McMullan and colleagues Jim Cook and Tim McFadden had kept their Stamford-based jobs at GE. But the turmoil prompted them to reconsider their long-term futures. In August 2009, they founded TJT Capital, which is based at 9 W. Broad St.

"We didn't know how (the crisis) was going to affect our employment, although it didn't look good," said McMullan, who lives in Ridgefield. "But the bigger issue was the glaring weakness in how so many people didn't see it coming, and it really pointed to the challenges that most investors have. … The bigger piece is there is so much money that was probably looking for a better approach."

TJT, which employs four, now counts about $250 million in assets under management, with clients including individuals and small businesses.

While a number of small firms such as TJT have thrived, financial services and insurance's overall employment in lower Fairfield County contracted by 13 percent between 2008 and 2014, according to the state Labor Department.

Last year's annual average of about 33,400 jobs in the Bridgeport-Stamford-Norwalk area represented the industry's lowest regional headcount since 2008 and trailed the 2008 total by 14 percent.

Major downsizing at a handful of large firms, especially investment-banking multinationals Royal Bank of Scotland and UBS, have spiked the post-recession cuts.

Since the beginning of 2015, RBS has laid off more than 750 employees at its downtown Stamford offices, at 600 Washington Blvd. The losses reflect companywide restructuring in the aftermath of nine years of losses and government penalties for misconduct that cost the firm billions of dollars.

Reports in recent years had estimated RBS' Stamford ranks between 1,600 and 2,400 employees, before the layoffs began.

During the same span, UBS has significantly shrunk its Stamford operations. For some 20 years, it occupied the sprawling 700,000-square-foot office complex at 677 Washington Blvd., which was built in the mid-1990s. There, its employees filled a 14-story tower and football field-like annex that would become the world's largest trading floor.

By 2016, it had closed the trading hub and relocated its reduced contingent across the street to 600 Washington. Like RBS, UBS has grappled in the past 10 years with billions of dollars in losses and fines tied to slumping business and scandals.

The Swiss firm's Connecticut contingent, which is largely based at 600 Washington, has shrunk by nearly 40 percent in the past three years. The company reported last year an average of 1,330 employees in the state, according to state Department of Economic and Community Development data.

Regulatory changes and technological advances have further complicated the industry's outlook.

"There's an enormous amount of change going on in the securities and investment industry," said Joe McGee, vice president of public policy for The Business Council of Fairfield County. "Financial services is very vulnerable to significant job losses from factors including technological disruptions. The digitalization of white-collar work is what the automation of manufacturing was 40 years ago."

Connecticut economic development officials point to a number of initiatives that they say are helping the finance sector to rebound.

Through the DECD's First Five Plus program, hedge fund Bridgewater Associates has qualified for up to $52 million in tax credits, loans and grants. Consumer financial-services firm Synchrony and investment firm AQR Capital Management are respectively eligible for up to $20 million and $35 million in FF+ funding.

“I do think we’ll see the industry grow in the state because we’re well-positioned for financial services, with an enormous depth of talent in the area,” said Catherine Smith, the state’s economic development commissioner. “We had a couple of large players that took gigantic hits, but we have quite a few bright lights that are seeing growth.”

Resilient, but not booming

This year, the sector has seen a number of gains.

In the same building as RBS, Bank of America has said it would open this month an approximately 115,000-square-foot center. A few blocks away at 200 Elm St., Webster Bank and hedge fund Tudor Investment signed leases this year for a total of about 50,000 square feet. Synchrony and Point72 Asset Management continue to grow their Stamford-based contingents.

Meanwhile, RBS’ layoffs have slowed, and the firm has committed to Stamford for at least 10 more years through a sale and then subsequent lease-back of 600 Washington. It now employs about 500 in the city.

The field remains well-paying. Its average wages last year in lower Fairfield County ran at about $266,000, compared with an overall regional average of around $85,000.

But an industrywide boom in the area appears unlikely in the foreseeable future.

“I expect there will continue to be a solid financial services industry here, but I don’t suspect it will necessarily be as big in the future as it has been,” said John Knopf, an associate professor of finance at the University of Connecticut. “The good investment firms always find ways to make money, but the question is whether they will they locate their new jobs in Fairfield County.”

For McMullan, the sector’s overall lack of job growth has not diminished his passion for his work. TJT Capital aims to eventually see its assets under management surpass $1 billion.

“We got into the business to manage money the way we would want our money managed,” McMullan said. “We’re never going to be a Goliath, but we don’t intend to be. People are here for what we think is really unique — and that is our risk model.”

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