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US banks

Trump's call to bring back jobs tests US banks

Goldman not alone in advertising for overseas staff since president's reshoring vow



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40 MINUTES AGO by: **Ben McLannahan** in New York and **Laura Noonan** in Dublin

On the day that Donald Trump won the presidential election, partly on a promise to bring back jobs for US workers, Goldman Sachs posted a job advertisement for a derivatives analyst in Bangalore.

In the three months since then, the Wall Street bank has put up [ads](#) (<http://www.goldmansachs.com/a/data/jobs/india.html>) for another 180 or so jobs based in the Indian city. Goldman is not alone in relying on staff in outposts in Asia and cheaper parts of Europe: all its peers employ significant numbers of overseas staff to support their global banking operations.

[Gary Cohn](https://www.ft.com/topics/people/Gary_Cohn) (https://www.ft.com/topics/people/Gary_Cohn), Goldman's former president and chief operating officer, made a staunch defence of the need for operations in Bangalore at an event in Naples, Florida, in November. "We hire people there because they work for cents on the dollar versus what people work for in the United States," he said.

But Mr Cohn could have such convictions put to the test after [entering government](http://next.ft.com/content/d92c358c-c08f-11e6-81c2-f57d90f6741a) (<http://next.ft.com/content/d92c358c-c08f-11e6-81c2-f57d90f6741a>) as the top economic adviser to Mr Trump. The president has made it clear he wants to see [an end](http://next.ft.com/content/ebfc1cf6-ba48-11e6-8b45-b8b81dd5d080) (<http://next.ft.com/content/ebfc1cf6-ba48-11e6-8b45-b8b81dd5d080>) to the decades-long trend of American companies hiring workers overseas — to the point of threatening to tax companies that offshore US jobs.

Such a heavy-handed approach could cause tensions as US banks seek to run their global businesses as efficiently as possible, under pressure to cut costs and deal with a welter of new regulations.

"We see offshoring to peak soon, much due to Trump," says John Boyd, who runs a corporate site-selection consultancy based in Princeton, New Jersey. He notes automation and a "continued rush to quality customer service" are also restricting the flow.

US banks' overseas support centres have grown*

Headcount ('000)



*JPMorgan Chase, Bank of America, Goldman Sachs, Wells Fargo, Morgan Stanley and Citigroup
Source: McLagan

FT

But banks may struggle to reverse the tide of jobs that have been leaving US shores for years. As banks' [revenues](http://next.ft.com/content/5d0b1df8-0634-11e6-9b51-0fb5e65703ce) have languished, dragged down by low interest rates and falling commissions from trading, many have tried to preserve margins by shifting more back-office processes to cheaper locations all over the world.

In India, for example, total support staff employed by four top US investment banks — [Morgan Stanley](http://markets.ft.com/data/equities/tearsheet/summary?s=us:MS), [JPMorgan Chase](http://markets.ft.com/data/equities/tearsheet/summary?s=us:JPM), [Bank of America](http://markets.ft.com/data/equities/tearsheet/summary?s=us:BAC) and Citi — rose 50 per cent between 2008 and 2015 to more than 12,500, according to figures compiled for the FT by McLagan, a pay consulting firm.

Almost 9,500 of these are in IT and operations, but so-called “control function” jobs have been growing faster lately as banks look for cheaper ways to comply with the deluge of regulations that followed the financial crisis.

Executives also say the strategy is more complex than mere cost cutting. Some stress their hiring overseas is primarily to support day-to-day operations worldwide.

JPMorgan, for example, which runs the world's biggest investment bank, has what it calls a "follow-the-sun" strategy, using 14 technology hubs in cities including Glasgow, Mumbai, Bangalore, Hyderabad and Singapore. That approach is unlikely to change, whatever Mr Trump says, according to a person familiar with the bank's strategy.

At Goldman, a person familiar with its staffing says it has always had a high rate of attrition at its Bangalore operation, which it opened in 2004 on the Embassy Golf Links campus on the outskirts of the city. Despite the flurries of job ads, net headcount has been falling for the past year to about 5,000, the person says.

Growth in support staff in US investment banks in key overseas locations*

Headcount ('000)

- IT and operations
- Control functions (legal, compliance, risk, finance and internal audit)



*JPMorgan Chase, Bank of America, Goldman Sachs, Wells Fargo, Morgan Stanley and Citigroup
Source: McLagan



Meanwhile, banks have already been making efforts to spread jobs around the US.

As many have struggled to hit profit targets outlined to shareholders, they have uprooted back- and middle-office jobs from expensive cities such as New York, San Francisco and Boston to cheaper places like Nashville, Boise and Des Moines. Smaller cities such as Henderson in Nevada, Scranton in Pennsylvania and Billings in Montana have also benefited.

JPMorgan recently added its eighth US hub in Chicago to a list that includes Brooklyn, Columbus, Dallas, Houston, Jersey City, Tampa and Wilmington. Morgan Stanley has opened offices in Jacksonville, Columbus and Baltimore.

Goldman, for its part, expects to expand in its two main US hubs of Salt Lake City and Irving, west of Dallas, where it has about 3,000 staff across compliance, finance, research, human resources, investment management and technology.

According to McLagan, the six big US banks together employ about 85,000 people in US support centres, which are defined as locations where there are more than two support workers for every revenue-producing employee or manager.

Those figures rose almost 8 per cent in the three years to the end of 2015, with control functions growing at almost three times the rate of IT and operations staff, which still account for almost 85 per cent of total employees.

US banking groups creating jobs in low cost centres*

2013 vs 2015, headcount ('000) and % change

- IT and operations
- Control functions (legal, compliance, risk, finance and internal audit)



*JPMorgan, Bank of America Merrill Lynch and Morgan Stanley
 **Excludes all McLagan defined high-cost US locations and medium-cost locations
 Source: McLagan



Some big banks are still willing to boost staffing outside the US. David Warfield, Associate Partner at McLagan's performance practice, says that global banks still have an "appetite to look at what else can be done" in Asia, particularly in the area of control functions, where hiring has been growing most quickly in the past few years.

However, Johan Gott, partner at AT Kearney in Washington, DC, says that financial services companies have broadly "hit the pause button" since Mr Trump won the election.

His company is recommending clients undergo "war-gaming" scenarios to understand the impact of different levers the administration could use — more aggressive enforcement of existing rules, or more drastic options such as tariffs on goods or services.

For now, clients are freezing offshoring initiatives, says Mr Gott, or at least not announcing investments outside the US.

"What we're all looking at is an incredibly high level of uncertainty around this issue, larger than in many decades," he says.

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