

[Tech Job Watch](#) Jan 10 2011

Banks Ramp up Tech Investment, Hire IT Professionals

By Sindhu Sundar

As banks modify legacy software systems and work through the acquisitions of 2009, they're hiring more IT workers, say industry professionals. [Citibank](#) and [Wells Fargo](#), among others, hired systems and data engineers last year in response to mergers, the increasing pace of financial transactions, changing financial regulation and mobile banking trends.

"Once upon a time, technology was viewed as just a competitive advantage," said Jon Beyman, managing director of operations and technology for Citigroup's global institutional client group. "But the reality today is that your technologies define the boundaries of what your product offerings are."

Several recruiters that FINS spoke to echoed these views, noting that banks had stepped up IT hiring efforts in 2010 after 3 years of relative inactivity in the area during the economic crisis.

U.S. investment firms spent slightly more in 2010 than in 2009 on internal IT services -- \$27.3 billion -- according to an October survey by research firm Gartner. The expenditure is set to rise 3% in 2011, with banks also poised to spend nearly 5% more in 2011 on external IT consultants.

"There is a lot of pent-up demand coming through now," said Mahfuz Ahmed, CEO of Digital Intelligence Systems Corporation (DISYS), a McLean, Va.-based IT staffing and consultancy firm. "Banks have generally budgeted for a long period time because of the recession. And [now] they're finding that their existing systems are not enough."

Data architects and engineers were some of the tech professionals most in demand last year, as banks began to update 30-year-old mainframe systems and consolidate information with newly-acquired banks, Beyman said. Systems engineers and developers also are sought to adapt proprietary software used in trading areas such as foreign exchange and support the growing pace of transactions. [NASDAQ](#), for instance, uses data software that allows [trades to be made in 75 milliseconds](#).

"You're now dealing in worlds where milliseconds matter tremendously," said Beyman. "To capture trades and clients means having cutting edge tech platforms -- and that means having extremely highly skilled people."

Stringent reporting requirements in the wake of new Dodd-Frank rules are also a factor. Banks now have to invest in updating underlying data infrastructure to make information about risk and pricing of products, especially derivatives, more visible to clients.

"A lot of the trade processing systems today were written in the pre-internet era, at a time when there was neither the ability nor need from the customer's point of view, for such information," Beyman said. "The curtain's been raised due to developments in technology of course, but regulation is going to take it up another notch."

Compliance, in general, tends to drive backend IT labor, as banks attempt to make their processes more efficient. Beyman would not comment on the number of IT hires Citigroup made in 2011, though he said they had added "quite a few people" in the above-mentioned areas. He said the hires were made primarily to fix what are inherently sluggish and opaque processes, according to Beyman, and said they would continue to hire in 2011.

"We might not be hiring as rapidly as in 2010," Beyman said, "But we're certainly not laying anyone off."

DISYS alone saw a 35% increase in demand in 2010 for IT professionals from its financial services clients. In contrast, peak-recession IT staffing demand at DISYS from banking firms had dropped roughly 20% in 2008, Mahfuz said.

Of financial institutions' total IT expenditure in 2010, Gartner data showed that upgrading and implementing new business application software accounted for the biggest percentage (24%), with software integration services coming in second (23%) and security, risk and compliance at third place (17%).

A late 2009 Gartner report showed that new consulting projects had been put on hold that year, and that new systems would be replaced "only if there was a real need," as cost-cutting remained a clear priority among the 71 survey respondents from banking firms across Europe, the Americas and the Asia/Pacific region. The survey at the time did not include 2009 spending figures, but only projections for 2010.

"There are numerous [IT] projects right now," said Kristine Pfeiler, a research director at Gartner who oversees trends in the North American banking and securities industry. "Banks need to spend on strategic operations, which gives a lot of scope for application development and integration, among others."

The Rewards

IT professionals at banks tend to be paid more than employees in similar roles outside of the financial services industry.

"When working with money, it's always critical to have the best talent available," said Thomas Verghese, managing partner of Saxon Infotech, Inc., an Md.-based IT services firm. "[Banks need] people who are excellent at what they do."

Software engineers at banks earned over \$93,000 in salary and bonuses while the all-industry average for software engineers was just a little over \$80,000, according to data compiled for FINS by Glassdoor.com, a salary and workplace information site.

Other software professionals in the financial services industry almost uniformly earned significantly higher salaries and bonuses than their counterparts in other industries, the data, gathered from roughly 400 anonymous employee responses to a salary survey, confirmed.

Experts attribute this to the rigors of working with the constraints and demands of the high security systems of banks, which often use their own unique coding.

"The most challenging aspect of working with banking or financial institutions is the lack of room for mistakes," said Verghese. "Financial institutions won't just hire someone and start giving work to them. Their systems are highly secured so the skill set of programmers will be well tested by management beforehand."

Updating Mainframe Systems

The demand for enterprise software programmers is particularly high, as banking firms update legacy business applications, devoting roughly 27% of their IT budgets for this purpose in 2010, according to Gartner research. In comparison, the cross-industry average budget allocation for this was 25%.

"Banks have written these very specific loan applications and consumer banking applications, some 30 to 40 years ago," said Ken Powell, president of Micro Focus North America, a Rockville, Md.-based financial software firm. "They work, but they cost a fortune to maintain."

Powell noted banks were investing more in hiring IT professionals to update mainframe software systems that run "mission-critical" applications, such as data storage. "Here it's not like you can just buy new software off the shelf," said Powell. "These systems may be old but [replacing them] is like trying to burn down an entire city instead of just renovating it."

Opportunities exist for both experienced and entry-level programmers with knowledge of COBOL or expertise in Java, Powell said.

The Consolidation of Banks

Consolidating banks' different data and software systems after a merger calls for the work of high-level professionals with expertise in database platforms such as Oracle and IBM DB 2, recruiters said, although mergers are usually associated with layoffs.

[Bank of America's](#) absorption of [Merrill Lynch](#) in 2008 resulted in [35,000 job cuts announced at the end of the year](#), with [more layoffs reported last month](#) at its global technology and operations division. Its purchase of [Countrywide Financial Corp.](#) in the same year was marked by a similar bloodbath, with Bank of America [laying off 7,500 employees nationally](#) in 2008.

Wells Fargo's acquisition of [Wachovia](#) too was accompanied [by layoffs of hundreds of employees](#) from both banks, though IT systems integration work scheduled through 2011 has sparked the hiring of application systems engineers and developers.

"The technology demand is obviously going up," said Wendy McKoy, the head of recruiting for the technology and operations group at Wells Fargo. "In terms of ensuring that we can maintain our schedule for integration with the merger with Wachovia, we're hiring, but we're focusing it on hiring internal talent -- our priority is to retain talent wherever we can."

McKoy would not comment on exact hiring numbers, but said the bank would continue to hire software engineers with expertise in areas such as Java programming. As of 2010, the bank had 25,000 workers in its technology and operations unit.

"With mergers, there is shrinkage right off the bat, but then it starts to grow," said Powell. "Naturally, they spend those first months [post-merger] eliminating redundancies, taking inventory of staff -- there's a period of time when IT staff gets small and then it explodes."

Powell observed that IT hiring usually tends to take place roughly between 12 to 18 months after mergers, with banks enlisting temporary IT support as well.

"They're not just hiring internally," said Scott Kriscovich, President of TrueBridge Resources, a national IT staffing firm catering to financial services companies. "They're continuing to use outside contractors quite heavily as well."

Pfeiler of Gartner also noted that consolidations often tended to bring work toward IT contractors, as some of the integration work is executed through time-definite projects.

"And we're seeing more banks being added to the problem list," said Pfeiler. "And that's likely to translate into consolidations, which always brings work toward professional services."

Moving to the Cloud

Following the trend of other businesses, banks are also investing in cloud-computing services, as they move mainframe systems to cheaper online platforms and respond to customers demanding mobile banking features.

Although Gartner data showed that banks invested only about 4% of their IT budgets into developing cloud services this year, recruiters say this is a budding trend that's started to create a demand for programmers skilled in Web-based applications, including java and .Net developers.

"Mobile apps really exploded this year, and customers are demanding these services on their phones," said Kriscovich. "We're seeing quite a bit of hiring there as well."

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