

THE YODA EFFECT: 40-PLUS MAKES A COMEBACK

by Scott Gerson

A Phenomenon is occurring on Wall Street that should warm the hearts of those growing numbers of the 40-something generation: Market forces, combined with demographics, indicate that the over-40 technologist with the right skills and attitude is becoming increasingly valuable. Changing corporate infrastructures (especially at middle-management levels) have ushered in what I have labeled the Yoda Effect-the demand for the seasoned wisdom of people who over the years have internalized the quantitative skills and new management techniques that corporate environments currently require.

Market conditions have changed dramatically. Twenty years ago, I was one of many eager baby boomers entering a thriving economy. We were energetic free spirits with an unquenchable thirst for knowledge, experience and financial independence. The job market in the mid-70's was skyrocketing, and the securities industry was growing exponentially. I started placing young physicists on Wall Street as programmers and quants. These creative graduates continued to produce software innovations almost as quickly as traders for whom they worked produced new trading vehicles. As word spread in academic circles, more bright young minds sought careers on Wall Street, and traders couldn't hire enough of them. Profit and spending were struggling to keep up with each other.

The crash of '87 may have signaled the end of this rampant spending, but there weren't many significant effects on the job market until 1991. CIOs of investment firms slowly convinced traders that they could hold onto more profits with less spending. This was the dawn of the market that produced the Yoda Effect. Investment firms would try to hire seasoned professionals with the most knowledge and efficacy for the money. They could let go of 10 mediocre people earning \$50,000 each and replace them with 5 new technologists, each earning salaries of \$75,000, gaining expertise and saving money at the same time.

The over-40 Wall Street technologists benefit from current market trends because they have experience, knowledge and the ability to multitask. They're entrepreneurial and therefore willing to accept less money up-front in return for big bonuses later. Recent graduates and people with one to three years' experience often want more money upfront. There are also fewer new graduates entering the market each year, and these graduates are often unprepared for corporate environments that have changed dramatically over the past few years.

While researching the Yoda Effect on Wall Street, I spoke with Vincent Kaminski, currently vice president and head of research for Enron Risk Management Services Corp., Houston. (Kaminski, who joined Enron when he was past 40, was formerly with Salomon Brothers bond portfolio analysis group in New York.) According to Kaminski, a technical revolution has taken place in many corporations. Companies are applying much more sophisticated management techniques made possible by the introduction of PCs and new types of local and network computing environments.

"This increased use of computer power is causing a revolution in the workplace," says Kaminski. "Companies now want people with sophisticated skills who can implement not only new

management techniques but also the technology that is in place." Kaminski has interviewed hundreds of candidates over the last two years and concludes that universities are far behind in preparing graduates for today's sophisticated work environments.

As the Yoda Effect becomes more firmly entrenched in the marketplace, there will be a steadily increasing demand for skills that take years to develop. These include advanced programming skills, quantitative skills, years of active involvement in the derivatives market, and fluency in a variety of foreign languages. I've begun to adjust my own marketing strategies by promoting and successfully placing my over-40 candidates. This past January, I placed three over-40 applicants, versus three in the entire year 1993 and three in 1992. Those 40-something Wall Street technologies and quants who over the years have internalized these skills will be at the forefront of development in the global market economy.