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In Battle to Recruit New Quants, Hedge Funds Outpay Banks

The funds are eager to attract workers with quantitative skills; some graduates say they are earning $1 million

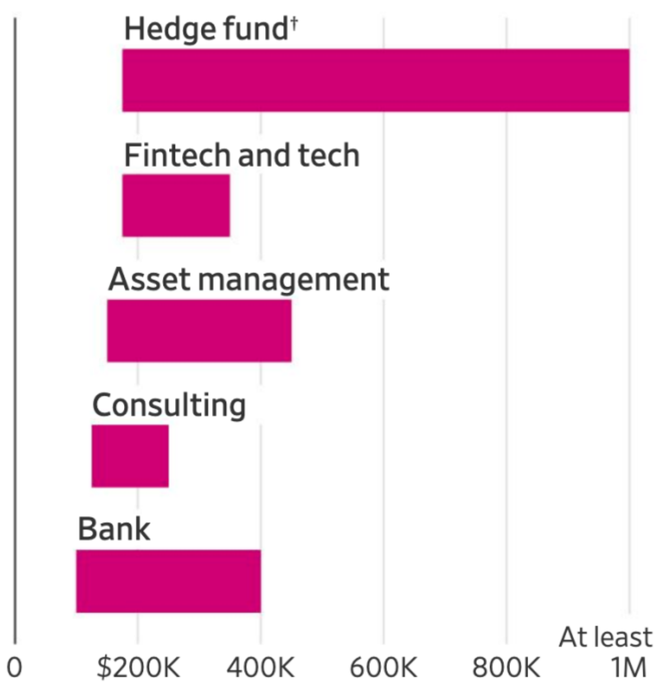
BY RACHAEL LEVY

Hedge funds are paying top dollar to bring in new employees with quantitative skills, underscoring the desperation some funds face to bulk up their abilities around big data and algorithms.

A new survey from Baruch College's financial engineering program found that recent graduates working at hedge funds made significantly more than their peers working at banks. Baruch's master's program teaches students skills like data science and financial modeling.

At hedge funds, Baruch graduates' pay ranged from around $200,000 to more than $1 million, the survey found.

Total yearly compensation range, by institution type*



*Includes both base salary and yearly bonus.
Source: Baruch college survey of Master of Financial Engineering graduates from 2012-14 who have been working for 4 to 6 years after graduation.

Hedge-fund managers once reigned over the investment industry. Now, many of them are floundering. In the quest to gain a new foothold, many have shifted their investment decisions from humans to computers. In turn, Wall Street recruiters say people with quantitative skills are in high demand.

In a sign of the shift, some prominent funds have tried to remake themselves. Funds have been recruiting the kind of people who can make investment decisions using code, big data and machine learning.

Two of the Baruch graduates working at hedge funds reported a compensation of $1 million or more.

"People who make that much money make a lot more money for the firm," said Dan Stefanica, a Baruch math professor who analyzed the alumni salary data. "And if you don't compensate them enough, they just go somewhere else."

Hedge funds' hunger for talent is apparent during Baruch's recruiting sessions. During the fall semester, Wall Street firms make their pitch to students. Three years ago, the split of companies presenting was 75% banks, 25% hedge funds, said Mr. Stefanica.

Now it has flipped.

The Baruch survey also found that female graduates made less than the men, said Mr. Stefanica. Median pay was $190,000 for women and $210,000 for men, he said.

Some male graduates surveyed took home more than double the pay than any of the women. For women, pay ranged from $110,000 to $450,000; for men, $110,000 to more than $1 million, he said. The women graduates surveyed tended to work at banks.

More than half of the women—64%—worked in banks whereas 21% worked at hedge funds or in asset management, Mr. Stefanica said. Across the entire survey, 48% of all respondents worked at banks and 38% worked in asset management or hedge funds.

Just under a third of the Baruch survey respondents were women, he said.

Baruch surveyed 50 alumni who have been working for four to six years after studying in Baruch's masters of financial engineering program.

Regardless of salary, the graduates reported roughly the same job satisfaction, about 8 on a scale of 10, Mr. Stefanica said. It suggests, he said, that more money doesn't necessarily buy more happiness.