NEWS
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DiNapoli: Wall Street Bonuses Rose Sharply in 2009

Audio Available

Wall Street bonuses paid to New York City securities industry employees rose by 17 percent to $20.3 billion in 2009, according to an estimate released today by State Comptroller Thomas P. DiNapoli. Total compensation at the largest securities firms grew even faster and industry profits could exceed an unprecedented $55 billion in 2009, nearly three times greater than the previous all-time record. In 2008, the industry lost a record $42.6 billion.

“Wall Street is vital to New York’s economy, and the dollars generated by the industry help the state’s bottom line,” DiNapoli said. “But for most Americans, these huge bonuses are a bitter pill and hard to comprehend. There’s a lot of resentment against the industry over its role in the global economic meltdown. Taxpayers bailed them out, and now they’re back making money while many New York families are still struggling to make ends meet.

“We cannot see a repeat of the risky behavior that crippled our economy. Tying compensation to long-term sustainable profits is a step in the right direction. We also need the right level of regulatory protections to make sure the securities industry thrives without driving the rest of us out on a fragile economic limb.”

DiNapoli’s office annually releases its estimate of bonuses paid to securities industry employees who work in New York City. Bonuses paid by New York City-based firms to their employees outside of the City (whether in domestic or international locations) are not included. DiNapoli’s estimate is based on tax collections and reflects cash bonus payments and deferred compensation for which taxes have been prepaid. The estimate does not include stock options that have not yet been realized or other forms of deferred compensation. This year’s estimated bonus pool is a third less than the amount paid two years ago, the previous most profitable year.

DiNapoli noted that estimating the size of the bonus pool was made more difficult this year by unprecedented changes in compensation practices. Many financial firms delayed payments and paid a greater share in stock or other forms of deferred compensation. The industry also paid higher base salaries, deferred cash payments, and implemented clawback provisions, which will enable firms to recoup bonuses for excessive risk-taking. The industry also devoted a much lower share of net revenue to compensation compared with past years.

DiNapoli also reported that:

- Broker-dealer operations of New York Stock Exchange member firms earned a record $49.9 billion through the first three-quarters of 2009. DiNapoli forecasts that profits could exceed $55 billion in 2009, nearly three times greater than the previous record. In 2008, the industry lost a record $42.6 billion.
- Compensation at Goldman Sachs, Morgan Stanley, and JPMorgan Chase Investment Bank, which are more diversified than traditional broker-dealers, increased by 31 percent in 2009. Average compensation rose by 27 percent to more than $340,000. (Data is not currently available on the securities operations at Citibank and Bank of America.)

- In a departure from past practice, most of the largest financial firms have reported that their top executives will not receive any cash bonuses in 2009, but will receive stock options and other forms of deferred compensation.
- The industry devoted a much lower share of net revenue to compensation in 2009 compared with the period before the financial crisis. Historically, industry compensation (salaries and bonuses) has averaged about half of net revenue, but compensation declined to about 40 percent of net revenue in 2009.
- Employment in the securities industry in New York City declined by 31,500 jobs (seasonally adjusted) between November 2007 and August 2009, a decline of 16.7 percent. Since then, the industry has added 3,900 jobs through December, which could spur job gains in other sectors. Previous reports by the State Comptroller found that for every job created in the securities industry, three jobs are created elsewhere in the state's economy.
- Wall Street accounted for 24 percent of the wages paid to workers in New York City in 2008 even though it accounted for only 5 percent of the jobs.
- The average taxable bonus rose to $123,850. Average compensation rose even faster because firms reportedly paid a larger share of bonuses in the form of deferred compensation than in the past.

Click here for a chart showing bonuses paid from 1985-2009.

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