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Despite recession, average Wall Street bonus leaps 25%

By ADAM SHELL

In an era of populist outrage and nearly double-digit unemployment, the average Wall Street bonus jumped 25% in 2009 to \$123,850 as financial firms rebounded from the worst financial crisis since the Great Depression with help from U.S. taxpayers' money.

Wall Street firms paid out an estimated \$20.3 billion in cash bonuses last year, a 17% jump over 2008, when bonuses were cut in half due to losses incurred during the financial meltdown, according to data released Tuesday by New York State Comptroller Thomas DiNapoli.

While DiNapoli noted that the financial industry is a key driver of the New York economy, he also acknowledged that the millions of Americans out of work or struggling to pay their monthly bills may find it "hard to comprehend" the six-figure bonuses. "For most Americans, these huge bonuses are a bitter pill," DiNapoli said in a statement.

Bonuses are actually higher than DiNapoli's estimates suggest, as financial firms paid out a larger chunk of bonuses in stock and other forms of deferred compensation that Wall Street workers can't gain access to for a number of years. Overall, the 2009 bonus pool was 41% below the 2006 peak of \$34.3 billion.

Alan Johnson, managing director at compensation consultant Johnson Associates, estimates that the average Wall Street bonus rose 30% or more, when taking into account the non-cash part of bonuses that can't be pocketed until years from now.

The bonuses, while large, reflect the successful results posted by the firms, he adds. "It is a very awkward situation," says Johnson. "The financial industry has recovered quickly, but the rest of America is still hurting."

In response to government pressures, financial firms are now being forced to tie pay to the longer-term financial success of the firm, rather than create incentives that place too great an emphasis on short-term risk-taking that can boost pay massively but put both the firm and broader financial system at risk.

The outrage on Main Street to outsize pay packages — the median annual American wage is \$32,390 — is not unexpected, says Robert Miller, a professor of economics and strategy at Carnegie Mellon. "My research shows that the compensation managers get reflects how well their firms are doing," he says. "But you see more outrage when people are losing their jobs and unemployment is high."