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The Securities Industry in New York City

Highlights

- Securities industry profits remain near record levels. Pre-tax earnings in the first half of 2021 totaled $31 billion, up 12.5 percent, the second-strongest first half on record (the first was in 2009). Initial third quarter results indicate continued strength.
- The securities industry in New York City lost 3,600 jobs in 2020, a decline of nearly 2 percent. While this was the smallest percentage of jobs lost compared to other major sectors, it is the biggest annual decline for the securities industry since the Great Recession.
- The industry is on pace to lose 4,900 jobs in 2021. Comparatively, the nation is on pace to add over 23,000 industry jobs.
- Both global and debt underwriting reached record levels in 2020 ($10.2 trillion and $1.1 trillion, respectively). While debt issuances slowed somewhat in the first nine months of 2021, global equity offerings had the strongest nine-month period on record (since 1980), highlighted by record IPOs.
- Average salary, including bonuses, reached $438,000, the highest of any industry and nearly five times (4.7) higher than the average in the rest of the private sector.
- Compensation expenses increased by 16.8 percent, meaning bonuses are expected to rise for a third consecutive year. The City forecasts that bonuses will rise by 6.5 percent in 2021.
- The industry accounted for 7 percent of the City's tax revenue and 18 percent of the State's level. Income taxes made up 74 percent of the City's industry collections and 23.3 percent of its total income taxes.

The securities industry has exhibited extraordinary resiliency during the COVID-19 pandemic. It handled large volume increases (sometimes record-breaking volumes) during a period of record volatility, while operating mostly remotely. Market activity continues to be strong as the market capitalization of companies on the NYSE and Nasdaq has reached a record level exceeding $56 trillion (as of October 1), up 39 percent from the end of 2020. The shift in operations has allowed the industry to continue to operate amid significant demand for its services. It has also led the return to offices relative to other industries, with about 29 percent of workers returning as of August 2021, compared to 23 percent for office workers citywide.

Profitability continues to be strong primarily due to record-low interest expenses (with rates expected to rise in the coming year), record underwriting revenues, and record account supervision and investment advisory fees. While equity underwriting volumes continue to be strong, debt issuances have abated from peak 2020 levels. The City's June 2021 financial plan forecasted that profits would return to pre-2020 levels, the equivalent of a 46 percent decline in 2021. Profitability is likely to exceed projections, although the long-term sustainability of profits at current levels remains in question as interest rates rise and monetary stimulus is tapered off.

Despite continued strong profitability, employment in the industry in New York City has sagged, even as it has ticked upward in the rest of the nation. The City's June financial plan projected industry job growth of 5.1 percent in 2021. However, employment is on pace to lose 4,900 jobs in 2021, after losing 3,600 jobs in 2020, the most since the Great Recession.

The Pandemic Push

The pandemic and the ensuing response resulted in social and operational mandates as well as fiscal and monetary actions that have had dramatic impacts across New York City, New York State, and the nation. Stay-at-home orders pushed many of the securities industry's employees to work remotely, but the industry's profitability, salaries and bonuses reached record or near-record levels. Job losses appear to have accelerated in 2021, based on data reflected by unemployment insurance programs.

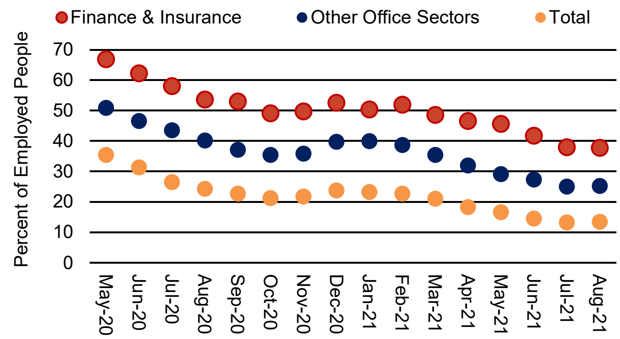
After the New York Stock Exchange (NYSE) reopened to on-premises trading in May 2020 (after a stoppage in March), the larger securities firms began to bring their employees back into offices in the summer. While there is no official anticipated return date to replicate pre-COVID-19 norms for the industry, most firms have mandated vaccination-status reporting, and have implemented return-to-work protocols (with subsequent revisions in response to virus variants).

Many Employees Are Back in the Office

Data released by the Bureau of Labor Statistics show that as a result of the pandemic, on average across the nation, nearly 4 of 10 workers in the finance and insurance industry continue to telework, down from nearly 70 percent in spring 2020. This is a higher rate than in other office industries (see Figure 1).[1]

Based on a pre-pandemic nationwide survey, the securities industry has the highest share of workers able to work from home, at 98.5 percent.[2] For the overall finance and insurance sector, the share is lower at 90 percent.

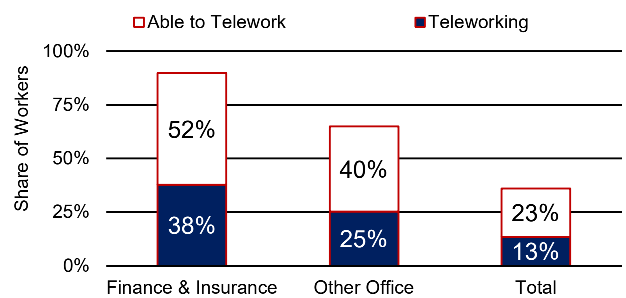
FIGURE 1
Percent of Employed People Teleworking or Working from Home in the United States



Sources: U.S. Bureau of Labor Statistics; OSC analysis

The difference between the share of workers who are able to telework and who actually telework is significant for finance and insurance, as more than half of those who are able to telework are not doing so (see Figure 2). Much of this can be linked to the nature of the financial sector (i.e., sales and trading, and investment banking), which relies heavily on the pace and impact of worker collaboration, such as at trading desks.

FIGURE 2
Percent of Teleworkers as a Share of Ability to Telework by Sector in the United States



Sources: U.S. Bureau of Labor Statistics; OSC analysis

According to an August survey by the Partnership for New York City, 29 percent of financial services employees in Manhattan have returned (either hybrid or full-time) to their workplaces, up from

[1] Other office sectors include: information, professional and business services, and financial activities excluding finance and insurance.

[2] Matthew Dey, Harley Frazis, Mark A. Loewenstein, and Hugette Sun, "Ability to Work from Home: Evidence from Two Surveys and Implications for the Labor Market in the COVID-19 Pandemic," *Monthly Labor Review*, U.S. Bureau of Labor Statistics, June 2020, https://doi.org/10.21916/mlr.2020.14.

14 percent in May. This level is above the overall share (23 percent) of Manhattan office workers who had returned as of late August (up from 12 percent in late May).[3]

A higher share of securities industry employees are commuters. In 2019 (the latest year for which data is available), 41 percent of the City's securities industry employees commuted from outside of the City, which was the highest share among any major industry. The average daily round-trip commute time for a non-City-resident industry employee is slightly more than 74 minutes, which is the highest of any industry. The subway was the primary mode of transportation for 43 percent of securities employees, higher than the rest of all industries. Commuters from outside the City face the added time and cost of transportation.

Temporary or permanent relocations that occurred as workers were able to work from outside the office may also have impacted the location of some securities workers' residences. New York City residents have the added burden of paying the highest top marginal tax rate in the nation (including State and local taxes).

Impact on Capital Markets Operations

A report published by the Depository Trust & Clearing Corporation (DTCC) earlier this year surveyed market participants to better understand the impact of the pandemic on businesses and operations in the capital markets. The survey highlighted the resiliency of the industry during a period of unprecedented volatility and volumes, and with nearly all operational personnel working remotely.

The findings included a consensus for further simplification and standardization of post-trade services (such as trade reconciliation and collateral management). A majority of the firms surveyed (both buy-side and sell-side) planned to increase their capacity or transform their processes to improve post-trade services. The report also cited the need for shortening settlement cycles given the impact a sharp increase in trading volume and volatility had on liquidity and margins (i.e., borrowing against owned securities).

The survey also revealed that the stigma surrounding work-from-home and productivity appears to have been removed, with many firms looking to retain some form of flexible working arrangements. Half of the respondents were expecting to adopt a flexible working model that would include two to three days of remote work per week for most employees. While this is slightly lower than the 70 percent of overall City office employers who are adopting a hybrid work schedule as surveyed by the Partnership for New York City, it still demonstrates a departure from pre-pandemic operations for the industry as a whole.

[3] Partnership for New York City, "Return to Office Results Released – August 2021," August 25, 2021, https://pfnyc.org/news/return-to-office-results-released-august-2021/.

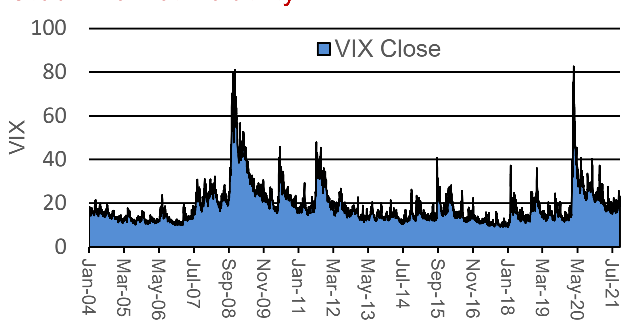
Market Impact

Federal legislation intended to mitigate the pandemic's economic impact on households and businesses has totaled about $5 trillion, including more than $860 billion in direct payments to households. The national debt has grown by $6 trillon to exceed $28 trillion, and necessitated an increase by October to the debt ceiling limit to avert a U.S. default.

The Federal Reserve has also provided monetary stimulus by lowering the cost of borrowing (cutting the Fed Funds rate to near zero) and being a consistent liquidity provider to the fixed-income markets. As a consequence, the Fed's balance sheet increased from $4.2 trillion in February 2020 to $7.1 trillion by June, adding nearly $3 trillion in four months. Since then, the Fed has added another $1.4 trillion to reach $8.5 trillion (as of October 4th). By comparison, the nation's real gross domestic product is about $19.4 trillion.

One of the primary goals of these actions was to temper market risk. In March 2020, risk as measured by the Cboe Daily Volatility Index (VIX) increased to record levels (82.7), surpassing the peak witnessed during the last financial crisis (see Figure 3). Risk declined as a result of the fiscal and monetary stimuli, and during the month of September the VIX averaged 20, somewhat higher than pre-pandemic levels.

FIGURE 3
Stock Market Volatility



Sources: CBOE Daily Volatility Index (VIX); OSC analysis

While risk has abated, market activity and volumes remained strong through the first half of 2021. The combined injection of capital from the government and the Fed has not only spurred asset purchases of established asset classes (such as equities and homes), but has also supported growth in alternative investment vehicles (such as special-purpose acquistion companies and cryptocurrencies).

The industry has benefited from these actions, as a combination of low interest expenses and higher fees (from the record level of equity and debt issuances and growth in investment assets) have continued to fuel profitability. Revenues generated from trading activities, while still strong, were lower in the first half of this year compared to 2020, as highlighted below.

The equity markets continue to set record highs and the indices continue to generate above-average returns (see Figure 4). Particularly, the stock market capitalization of the companies that trade on the Nasdaq appreciated to record levels in 2020 ($19.1 trillion). Through October 1, Nasdaq-listed companies increased by another 23.7 percent and NYSE market cap increased by 52.2 percent to a record $33 trillion (after growing by only 3.7 percent in 2020).

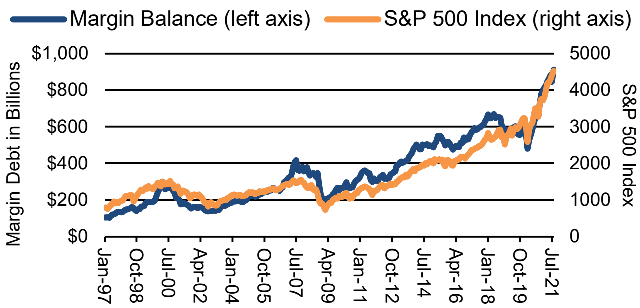
FIGURE 4
Major Equity Index Returns

Index	2020 Return	2021 YTD Return*	Ten-Year CAGR
S&P 500	16.3%	14.7%	11.6%
DJIA	7.2%	10.6%	10.2%
NASDAQ Composite	43.6%	12.1%	17.1%
Russell 2000	18.4%	11.6%	9.7%

*Through September
Sources: Bloomberg; OSC analysis

Lower borrowing costs have supported this growth. As Figure 5 shows, S&P 500 returns are similarly correlated to the rise in margin borrowing. Margin debt, created from borrowing money against existing owned shares, reached a record of more than $900 billion in August.

FIGURE 5
S&P 500 Index and Margin Debt



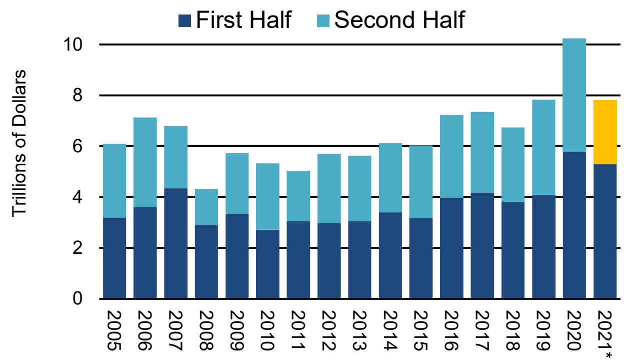
Sources: FINRA; Bloomberg; OSC analysis

Trading activity (a driver of commission fees) has also increased as the average daily volume (ADV) traded on the Nasdaq grew to a record of more than 4 billion shares (up 87 percent) in 2020. The NYSE reached more than 4.9 billion shares in 2020, the highest since 2009. Through September, the ADV on the NYSE was down 8 percent from the prior year. Nasdaq volumes, while higher by 30 percent, have been trending lower since peaking in the first quarter of 2021.

In 2020, U.S. mortgage-backed securities reached a record of nearly $4 trillion, almost double the amount issued in the prior year. U.S. corporate bond issuances also reached a record totaling $2.3 trillion, an increase of more than 60 percent. Through September, corporate bond volumes remain healthy, although down 20.3 percent from the record nine months of 2020. Issuances of mortgage-backed securities have been trending lower after reaching a peak of $1.3 trillion in the fourth quarter of 2020.

Global equity and debt underwriting volumes also reached record levels in 2020. According to Refinitiv (formerly Thomson Reuters), global debt reached a record $10.2 trillion in 2020 (up 31 percent). In the first nine months of 2021, global debt offerings totaled $7.8 trillion, down 7 percent from the prior year's record-setting pace. As the second half is usually a slower period for issuances, it appears unlikely that 2021 will set another record (see Figure 6).

FIGURE 6
Global Debt Issuances

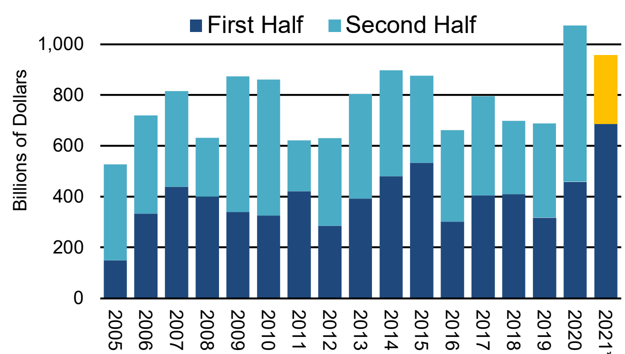


Sources: Refinitiv; OSC analysis

*Through September

Global equity offerings reached a record $1.1 trillion in 2020, climbing 56 percent. In the first nine months of 2021, global equity offerings have already totaled $957 billion (see Figure 7). While third-quarter activity declined by 28 percent from the second quarter, some of the largest potential initial public offerings (IPOs) remain in the pipeline (i.e., Stripe, Rivian and Instacart, with a possible combined value of more than $200 billion).

FIGURE 7
Global Equity Issuances



Sources: Refinitiv; OSC analysis

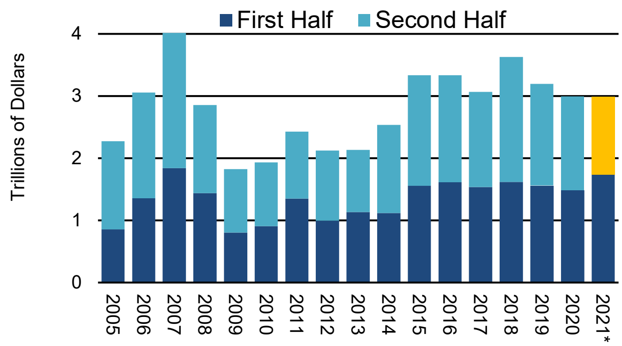
*Through September

This data excludes the impact of special purpose acquisition companies (SPACs), which are formed to raise money through an IPO to buy another company. SPAC IPOs have surpassed full-year 2020 record levels by 56.5 percent, exceeding $130 billion, according to SPAC Analytics, a leading provider of SPAC data and research. Most of this activity, however, occurred in the first quarter and has significantly slowed as

SPACs have come under more scrutiny and regulatory requirements by the Securities and Exchange Commission (SEC).

While global completed mergers and acquisitions did not set records in 2020, they totaled nearly $3 trillion. In the first nine months of 2021, activity increased significantly by 27 percent from the prior-year period, nearly matching full-year 2020 levels (see Figure 8). Given that announced transactions through the first nine months are at record levels, the outlook appears strong.

FIGURE 8
Completed Global Mergers and Acquisitions

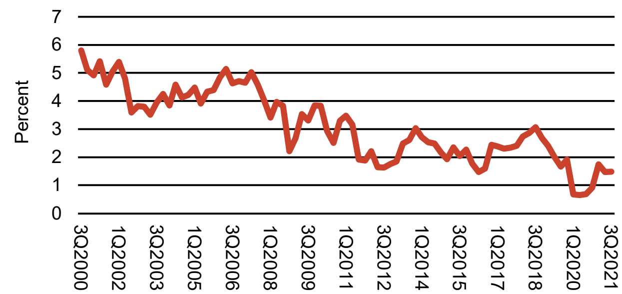


Sources: Refinitiv; OSC analysis
*Through September

With the monetary base (i.e., currency in circulation) having increased by 63 percent from March 2020 to August 2021, inflation (as measured by the PCE price index) rose to 4.3 percent in August 2021, which was more than double the Fed's targeted rate and the historical 20-year average (1.9 percent).

The Federal Reserve has signaled that it will begin gradually tapering its asset purchases. Furthermore, with rates at near zero, and the Fed forecasting a rise in the Fed Funds rate by as early as 2022, interest rates (i.e., 10-year treasuries) have begun to rise (see Figure 9). As the cost of borrowing becomes more expensive, and monetary stimulus declines, the risk is that growth in industry profitability is likely to slow.

FIGURE 9
Average Quarterly 10-Year Treasury Yields



Sources: Bloomberg; OSC analysis

Risks to the Rise of the Retail Investor

Recent trends indicate that individual investors are becoming more self-directed. The percentage of families with stock holdings has increased to about 53 percent, levels not seen since 2001 before the dot-com bubble burst. Furthermore, dollar trading volume in over-the-counter or OTC stocks (i.e., not listed on exchanges) in 2021 has already surpassed last year's 10-year high by more than 24 percent, according to OTC Markets Group. These stocks, often referred to as penny-stocks, are highly risky. A major factor contributing to the increase has been the rise in popularity of of digital (crypto) currencies and underlying technology whose listings accounted for 25 percent of the volume through September.

Self-directed interest is further evidenced by the rise in the value of cryptocurrencies, whose market capitalization now exceeds $2 trillion. The trend is not just a result of excess cash but a combination of commentary on fiat currency, rising debt levels and democratization of the monetary system. Major broker-dealers have recognized this burgeoning trend and are supporting their customers in participating in this asset class. The recent IPOs of Coinbase and Robinhood further highlight this movement. However, there are indications that some of the recent enthusiasm may be abating.

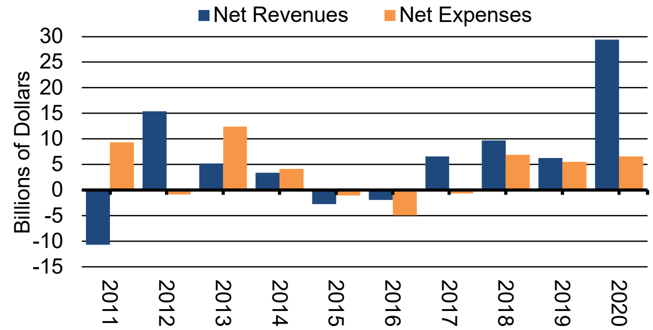
Industry Profitability

Pretax profits in 2020 increased to the second-highest level on record, by 81.2 percent to $50.9 billion (see Figure 10).[4] Net revenue (i.e., gross revenue less interest expenses, which is the preferred industry measure) grew to a record $198.6 billion, an increase of 17.4 percent in 2020. Figure 11 reflects the annual change in net revenues and expenses. While fees from underwriting activities and account supervision (including investment advisory and administrative fees) reached record levels, the main driver for the upside was a $60.4 billion decline (or 74.4 percent) in interest expenses.

Expenses (excluding interest) also reached a record $147.7 billion, up 4.7 percent, driven by record compensation expenses of $81.3 billion, which increased by 5.7 percent from 2019.

In the first half of 2021, pretax profits totaled $31.0 billion, a 12.5 percent increase from the prior-year's first half and surpassing full-year 2019 levels ($28.1 billion). These results are the second-highest six month results on record (2009), driven by lower interest expenses (down 73.1 percent) and record fees (underwriting, account supervision and investment advisory).

FIGURE 11
Annual Change in Net Revenues and Net Expenses at NYSE Member Firms



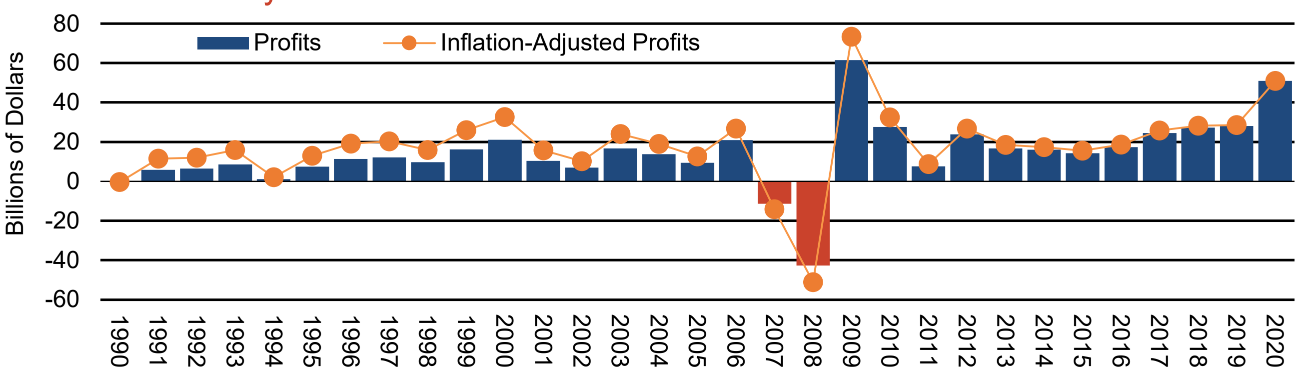
Sources: Securities Industry and Financial Markets Association; OSC analysis

In the first half of 2021, interest expenses totaled $4.3 billion, the lowest first half on record, and the past four quarters have posted the lowest quarterly interest expense levels on record.

Revenues from underwriting activities for the first half totaled a record $23.9 billion (since 1986), up 38.6 percent, with the first quarter ($13.3 billion) the strongest quarter on record. Fees from account supervision and investment advising have set three consecutive quarterly records.

Revenues from trading activities, which posted strong results in 2020, totaled almost $26 billion in the first half of 2021, down from a record $29.1 billion in the first half of 2020.

FIGURE 10
Securities Industry Profits



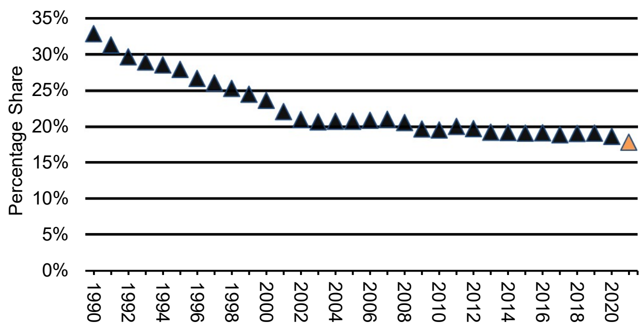
Note: Pretax profits for broker/dealer operations of New York Stock Exchange member firms.
Sources: Securities Industry and Financial Markets Association; NYSE/Intercontinental Exchange; U.S. Bureau of Labor Statistics; OSC analysis

4 Securities industry profitability is traditionally measured by the pretax profits of the broker/dealer operations of NYSE member firms. Other business lines of the member firms, such as retail and commercial banking, are not included.

Employment

New York City remains the center of the nation's security industry, but its share of the nation's industry employment has been in long-term decline as jobs have been shifted to lower-cost regions, firms have geographically diversified their operations, and other regions have experienced stronger economic growth. As of August, the City's share of industry jobs stood at a 32-year low of 17.8 percent (see Figure 12).

FIGURE 12
New York City's Share of Securities Industry Jobs



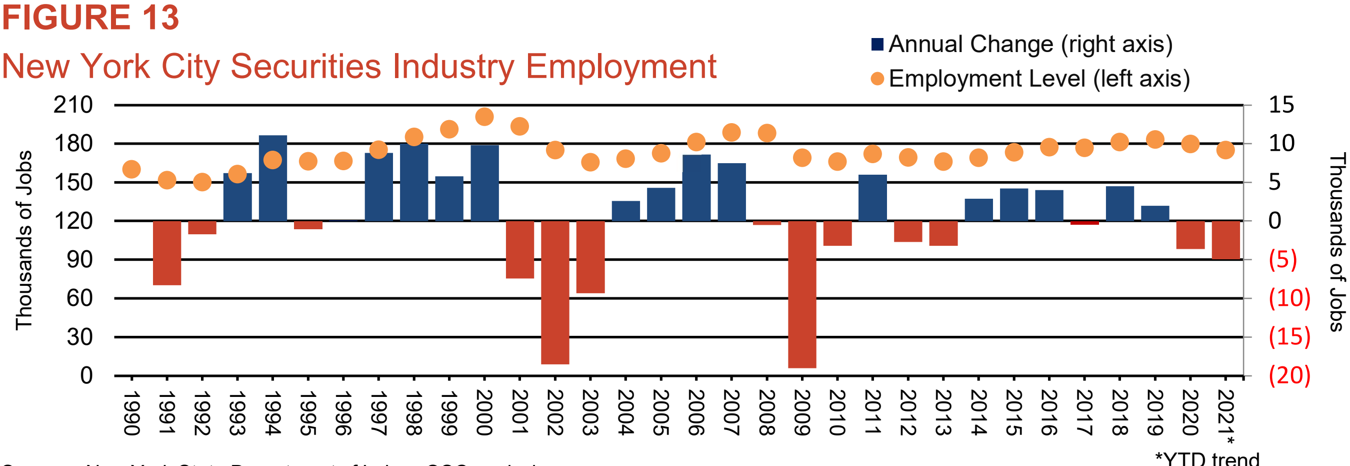
Sources: Bureau of Labor Statistics; OSC analysis

Since 2010 (recent industry employment trough), the U.S. has added 115,900 jobs, while the City has added 13,700 jobs, below its share of national employment. Employment in the securities industry in New York City declined by nearly 2 percent (or 3,600 jobs) in 2020 to 179,900 jobs (see Figure 13). While this is the smallest percentage decline compared to other major sectors, it is the biggest annual decline for the industry since the Great Recession, both on a percentage and an absolute basis.

Through August of this year, the industry is on pace to lose more than 4,900 jobs compared to the more than 23,000 jobs being added nationally. This would represent a 2.7 percent annual decline, higher than the projected decline in total private sector jobs of 0.9 percent. The City's June financial plan projects industry job growth of 5.1 percent (or 9,200 jobs) for 2021.

During the past 30 years (the years for which data is available), the securities industry has experienced job losses in 13 years, or nearly once every two years. The industry has a history of operating with a lean work force, and of aggressively cutting overhead in periods of distress while being disciplined in its hiring during periods of expansion. As the near-term economic prospects have been very strong (12.2 percent annual growth in GDP from June 2020 to June 2021), reasons for the accelerated hiring decline in 2021 may be attributed to a combination of improved efficiencies (i.e., technology adoption) and relocation. Based on securities employment growth in other states, the risk is that the City is losing jobs to other parts of the nation.

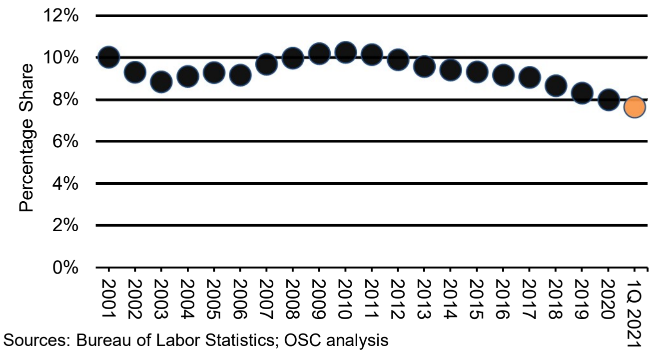
FIGURE 13
New York City Securities Industry Employment



Sources: New York State Department of Labor; OSC analysis

New York State had about 196,800 securities industry jobs in 2020, twice the level of any other state. In 2020 and in the first quarter of 2021, New York also had the highest number of job losses of any state, losing more than 2,500 jobs and 4,100 jobs, respectively, however Colorado lost more on a share basis. Similarly reflecting the decline in share of jobs, New York State's share of securities industry firms dropped from a peak of 10.3 percent in 2010 to below 8 percent as of the first quarter of 2021 (see Figure 14).

FIGURE 14
New York State's Share of Securities Industry Firms



Sources: Bureau of Labor Statistics; OSC analysis

New York City accounts for about 90 percent of all industry employment in New York State. Nearly half of the securities industry jobs outside New York City in 2020 were located in Nassau, Suffolk and Westchester counties, with the rest concentrated in the metropolitan areas around Albany, Buffalo, Rochester and Syracuse. Industry employment outside of the City has also declined since its peak in 2008, falling by 12.5 percent (2,900 jobs) to 20,400 in 2020.

By contrast, in the first quarter of 2021, Florida, Texas and New Jersey gained nearly 6,700 jobs combined (see Figure 15). In fact, Florida and Texas, along with North Carolina, have combined to account for almost 46 percent of the total job growth nationwide over the past three years.[5]

FIGURE 15
State Ranking by Securities Industry Employment

2020 Rank	State	2020 Jobs	Annual Change	1Q2021 Change
1	**New York**	**196,800**	**(2,500)**	**(4,100)**
2	California	93,500	(1,000)	(1,900)
3	**Texas**	74,100	**1,200**	**2,400**
4	Illinois	51,600	100	400
5	**Florida**	48,500	**300**	**2,800**
6	Massachusetts	44,300	(500)	(200)
7	Pennsylvania	44,300	(300)	(600)
8	**New Jersey**	37,900	(400)	**1,500**
9	**North Carolina**	26,500	**500**	**600**
10	Colorado	22,400	(1,000)	-

Sources: New York State Department of Labor; OSC analysis

5 OSC used data from the U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages series for this analysis, since data for the securities industry was not available for all 50 states from the Current Employment Survey.

Bonuses

Bonuses have been rising for two consecutive years. The average bonus paid to industry employees in New York City increased by 10 percent to $184,000 in 2020 (see Figure 16). Bonuses accounted for an estimated 41 percent of securities industry wages, a larger share than in any other major industry in the City. Given the rise in compensation expenses for member firms in the first half of the year, bonuses are likely to rise for a third consecutive year.

Compensation practices prior to the Great Recession encouraged excessive risk-taking. Since then, regulations and guidelines have changed the way compensation is paid. Base salaries are higher, larger shares of bonuses are deferred to future years, and bonuses contingent on performance targets can be clawed back.

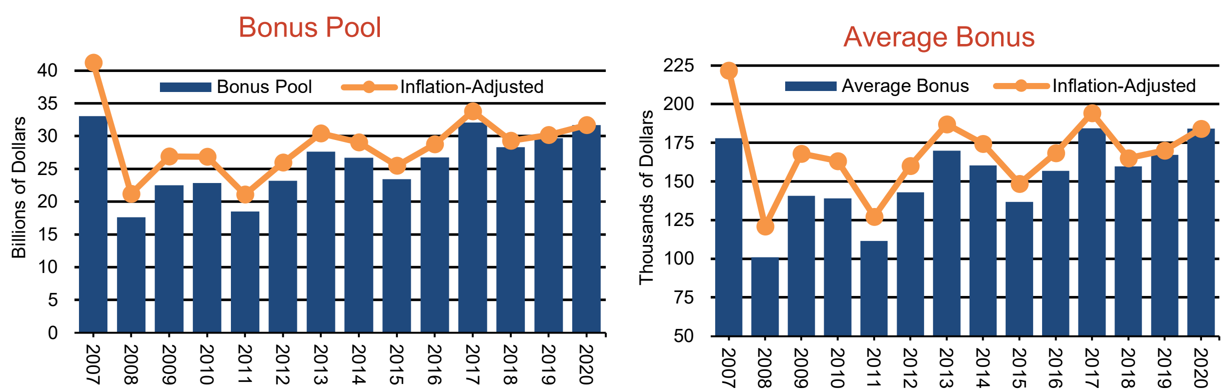
The securities industry accounted for more than half (55 percent) of all private sector bonus payments and one-fifth of wages in New York City in 2020, while accounting for a small share (5.2 percent) of private sector employment.

In March 2021, OSC estimated that the bonus pool for industry employees in New York City during the traditional December-March bonus season had increased by 7 percent to $31.7 billion (see Figure 16).[6] Despite the increase last year, the bonus pool and average bonuses have remained below the post-recession record level in 2017, which was boosted by changes in federal tax law encouraging taxpayers to shift income into 2017 from future years, as well as a 2008 federal law that required the repatriation of deferred compensation held overseas by the end of 2017.

In the first half of 2021, the securities industry increased compensation expenses by 16.8 percent from the prior year. As market activity continues to remain strong, the overall bonus pool is likely to benefit. An August report by Johnson Associates (a compensation consulting firm) suggests that bonuses at financial firms for 2021 could increase by 10 percent to 15 percent overall, with the investment banking (including underwriting and advisory) and equity sales and trading divisions increasing by more than 20 percent.

The City's latest forecast expects bonuses to exceed the most recent peak in 2017 with an increase of 6.5 percent in 2021. In March 2022, OSC will release its 2021 bonus estimate for industry employees in New York City based on tax withholding trends.

FIGURE 16
Securities Industry Bonuses in New York City



Sources: NYS Department of Labor; U.S. Bureau of Labor Statistics; OSC analysis

[6] OSC's bonus estimate includes bonuses paid for work performed in 2020, as well as bonuses deferred from prior years.

Average Salaries

In 2020, the average salary (including bonuses) in New York City's securities industry was $438,450, an increase of 7.8 percent from 2019 (see Figure 17). This was the highest average salary of any major industry in the City, and almost twice the second-highest average ($226,920 in the other information services industry, which includes Internet publishing and broadcasting). Other industries with high average salaries include company management ($215,460), banking ($214,910) and investment funds ($213,290).

The average salary in the securities industry was nearly five times (4.7) higher than the average in the rest of the private sector ($92,330; see Figure 18). While the pay gap has narrowed since 2007 (when it peaked at six times higher), the gap is much wider than in 1981, when the average salary in the securities industry was twice the average in the rest of the private sector.

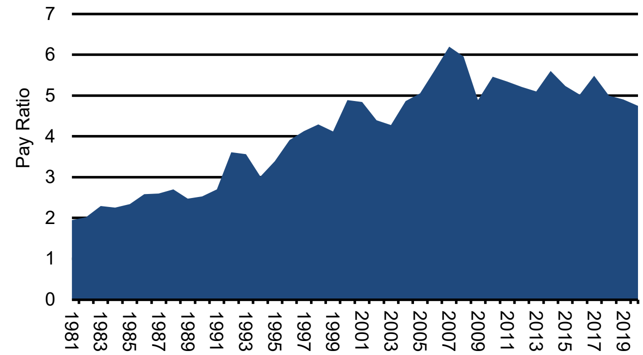
During the summer, most major securities firms raised the salaries of their analysts and associates, with first-year analyst salaries rising to more than $100,000 (16 percent plus raise) as work demands mounted during a period of increased market activity (i.e., underwritings).

The average salary in the securities industry in New York State was $423,570 in 2020, more than twice the average in the rest of the nation ($201,340). Since 2007, the industry's average salary in New York has been higher than in any other state (before 2007, Connecticut had the highest average salary). The industry's high average salary in New York reflects the concentration of highly compensated employees, such as chief executive officers, in New York City.

The Dodd-Frank Act requires publicly traded companies to report the ratio of the salary for their CEO to the median salary for all employees. According to 2020 data, the CEOs of finance companies listed on the S&P 500 that were headquartered in New York State earned an average of 230 times more than the median for all

FIGURE 18

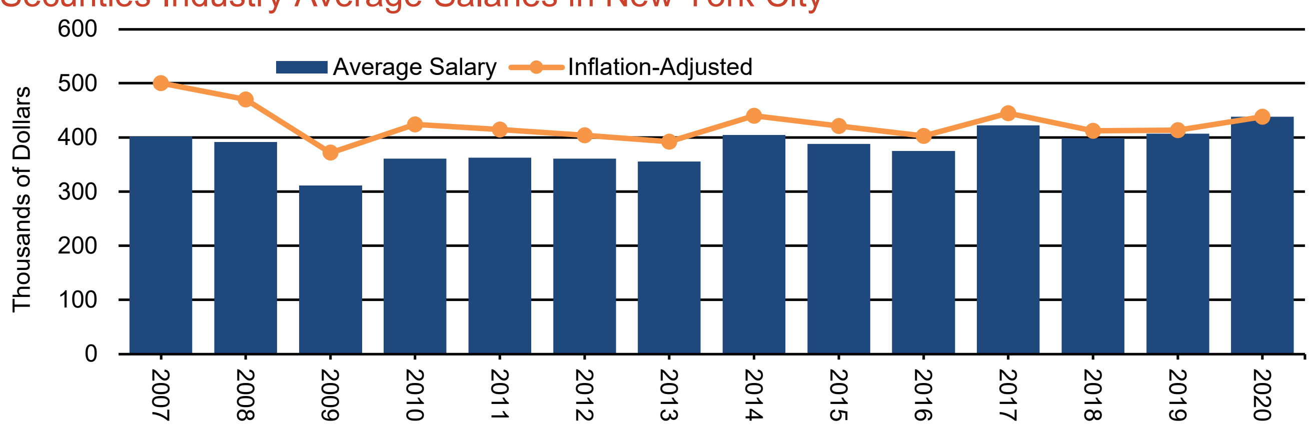
Ratio of Average Salaries in the City's Securities Industry to the Rest of the Private Sector



Note: 1981-1999 data are on Standard Industry Classification (SIC) codes.
Sources: NYS Department of Labor, Quarterly Census of Employment and Wages; OSC analysis

FIGURE 17

Securities Industry Average Salaries in New York City



Sources: NYS Department of Labor, Quarterly Census of Employment and Wages; OSC analysis employees of their companies. This was much higher than the national average of 178 times more.

In 2019 (the latest year for which data is available), 27 percent of industry employees who worked in the City had salaries of more than $250,000, compared with 9 percent who worked in the rest of the nation.

In Manhattan, where 99 percent of New York City's securities jobs are located, the average salary was $442,550 in 2020. The industry's average salary in the outer boroughs was $131,210.

The counties surrounding the City also had relatively high average salaries for the industry. In Westchester, the average industry salary increased by 5.1 percent to $273,140 in 2020. Salary growth skyrocketed on Long Island, growing by 38.0 percent to reach $533,340 in 2020. Long Island's average was buoyed by the presence of hedge-fund firms in Suffolk County, where the average salary was $917,860, the second-highest of any county in the nation.[7]

Economic Contribution

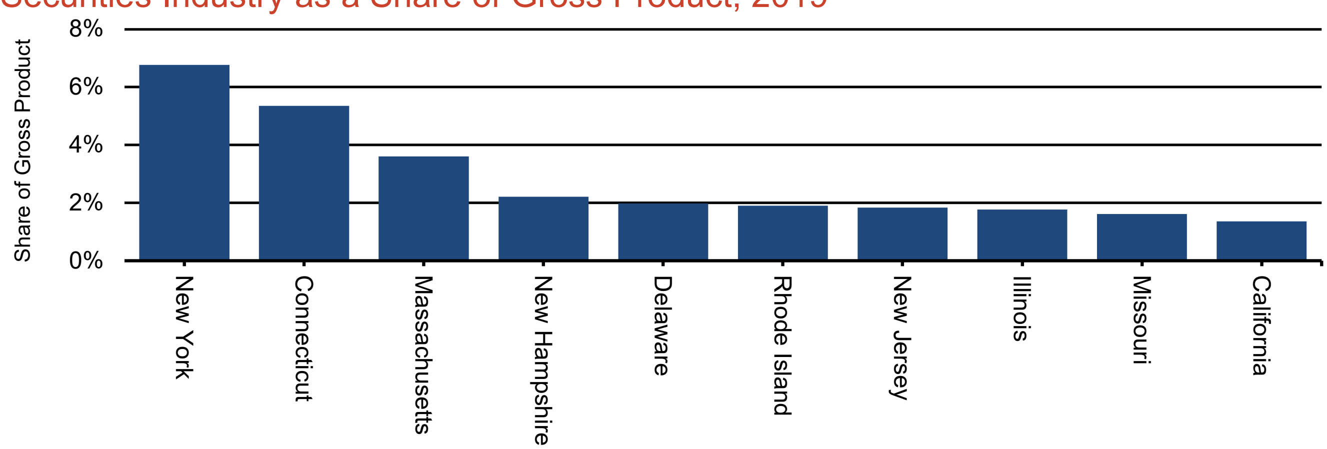
OSC estimates that in 2019 (the latest year for which City data is available), the securities industry was responsible for 14 percent of all economic activity in the City. This figure is based on gross product data from the U.S. Bureau of Economic Analysis and wage data from the U.S. Department of Labor. While this share has declined in recent years (from 18 percent in 2012), it was higher than any other industry.

The securities industry also makes up a large share of the State's economy compared to other states. In total, the securities industry comprised 6.8 percent of the State's economy in 2020, according to the U.S. Bureau of Economic Analysis (see Figure 19). This is well above the states with the next-largest shares, Connecticut (5.3 percent) and Massachusetts (3.6 percent). All other states' financial sectors accounted for less than 3 percent of their economies (with the majority at less than 1 percent). Nationally, the sector accounts for 1.6 percent of the total U.S. economy.

The high incomes earned by many industry employees create economic activity in other

FIGURE 19

Securities Industry as a Share of Gross Product, 2019



Sources: U.S. Bureau of Economic Analysis; OSC analysis

[7] Madison County, Montana, has an average salary of over $1 million, but among only three securities industry employees. By contrast, Suffolk County has 2,800 industry employees.

employment sectors. OSC estimates that 1 in 9 jobs (or more than 11 percent) in New York City and 1 in 16 jobs (more than 6 percent) in New York State are associated with the securities industry. OSC also estimates that each job gained or lost in the industry leads to the creation or loss of two additional jobs in other industries in the State.

Tax Contribution

The securities industry is a major source of tax revenue for the State and the City. Firms pay business taxes on their profits, and employees pay personal income taxes on their salaries and bonuses. Nonwage income derived from the industry's activities, such as capital gains, also generates personal income tax revenue. [8]

New York City

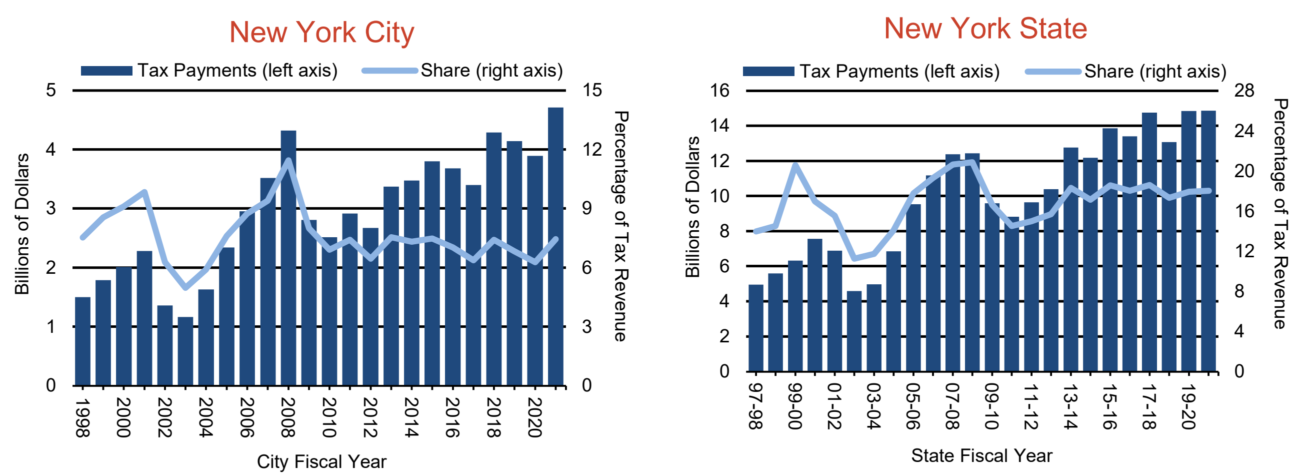
After two years of declining collections, OSC estimates that tax collections attributable to the industry increased to a record $4.7 billion (highest since 1996; available data) in City Fiscal Year (CFY) 2021 (see Figure 20).[9] This performance reflects strong bonuses and near-record-high profits. Personal income tax collections accounted for 74 percent of this amount (the highest share since FY 1998) and 23.3 percent of total personal income tax collections. The industry accounted for an estimated 7 percent of City tax collections in CFY 2021, up from 6 percent in the prior year and the highest level since FY 2015, as many of the City's other sectors saw major declines due to the pandemic.

New York State

New York State depends on Wall Street tax revenues even more than the City, because the State relies more heavily on revenue from personal income taxes and does not levy a general real property tax. As a result, the industry accounted for an estimated 18 percent of total tax collections in State Fiscal Year (SFY) 2020-21 (see Figure 20), which ended March 31, 2021.

OSC estimates that tax payments attributable to the securities industry in SFY 2020-21 stayed flat at $14.9 billion. Personal income tax collections accounted for 85 percent of this amount. The difference between the State's and the City's trends is attributable to timing differences between the City and State fiscal years.

FIGURE 20
Securities Industry–Related Tax Payments



Sources: NYC Department of Finance; NYS Department of Taxation; OSC analysis

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[8] OSC estimates for tax collections attributable to the industry is subject to revision.

[9] These estimates exclude revenue from real property taxes, real estate transaction taxes and sales taxes because OSC is unable to identify the securities industry's share of those tax payments.

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