



# The Securities Industry in New York City

## Highlights

- NYSE member firms reported record profits during the pandemic. Combined profits for 2020 and 2021 (\$109.3 billion) were nearly as high as the previous five years combined (\$111.5 billion for 2015 through 2019).
- Profits were fueled by strong revenues and extended near-zero interest rates. Compared to the pre-pandemic level of 2019, interest expense in 2021 was down \$71.8 billion, or 88.5 percent.
- After two years of near-record performance, industry profitability appears to be returning closer to the ten-year pre-pandemic average of \$20.3 billion. Profits for the first half of the year are down 56.3 percent.
- Employment has grown 9.3 percent from the end of the Great Recession in 2010 to reach 181,600 jobs in 2022 (year-to-date), but remains down 3.9 percent from 2007.
- Total compensation for NYSE member firm employees grew 14.2 percent in 2021, and average annual salaries in the industry grew by 17.8 percent to \$516,560.
- OSC estimates the average sector bonus to be \$257,500 per industry employee in 2021, an increase of 20 percent from the previous year's record high.
- The securities industry's tax revenue contribution to the City was \$5.4 billion in FY 2023 and to the State was \$22.9 billion in SFY 2022, both up from the prior year.
- OSC estimates that in 2020, the securities industry was responsible for 16 percent of all economic activity in the City.

Following a record performance in 2020, securities industry pretax profits rose even further in 2021. Driven by an unusual combination of market conditions and federal policy, this level of profitability was not sustainable. As federal stimulus actions have wound down, profits in 2022 are returning to pre-pandemic levels. Additionally, ongoing supply chain issues, geopolitical conflict, and Federal Reserve (Fed) policy to quell the largest price increases in decades are contributing to uncertainty in the financial markets.

New York Stock Exchange (NYSE) member firm profits during the first half of 2022 declined by more than half from the same period last year to \$13.5 billion. Revenues on trading, underwriting and securities activities have seen a sharp decline of 47.9 percent. In fact, global debt offerings have declined by 17 percent, and equity offerings are at their lowest level since 2003. In contrast, firms' interest expense nearly tripled as the Fed began raising its policy rate earlier this year. Despite this uncertainty, the City's latest forecast predicts annual profits to average \$21 billion over the next five years, comparable to the 10-year pre-pandemic average of \$20.3 billion.

After two years of job losses (totaling 3,500 positions), the City's securities industry is on pace to regain some ground in 2022, adding 1,600 jobs through September. Though national sector employment has grown recently, the City's share of national employment has declined slightly, a consideration for the sector's local employment outlook. Additionally, after two years of windfall tax revenues, City tax revenues are likely to decline to more typical levels going forward.

## A Bear Market in 2022

The COVID-19 pandemic hit New York City particularly hard, causing massive job losses in major employment sectors, record levels of unemployment and a significant decline in economic activity. In spite of the downturn, financial markets saw a prolonged period of strong performance. After some market turmoil in the first weeks of March 2020, monetary stimulus and fiscal relief actions intended to mitigate the pandemic's impact injected massive liquidity into the economy and boosted asset prices and market activity. As the goal of the government shifted to taming inflation in 2022, market performance has tempered significantly.

From the first week of 2020 to the first week of 2022, three major stock indices made significant gains: The Dow Jones Industrial Average was up 27.3 percent, the S&P 500 rose by 46.2 percent, and the Nasdaq Composite Index rose 70 percent (see Figure 1). NYSE member firms reported some of the highest profit levels on record (\$50.9 billion in 2020 and \$58.4 billion in 2021). In 2020, some of the largest commercial banks reported a decline in aggregate earnings as they allocated a significant share of pretax profits to loss reserves as a hedge against potential losses.<sup>1</sup> But in 2021, as data for various economic indicators trended positively, the banks

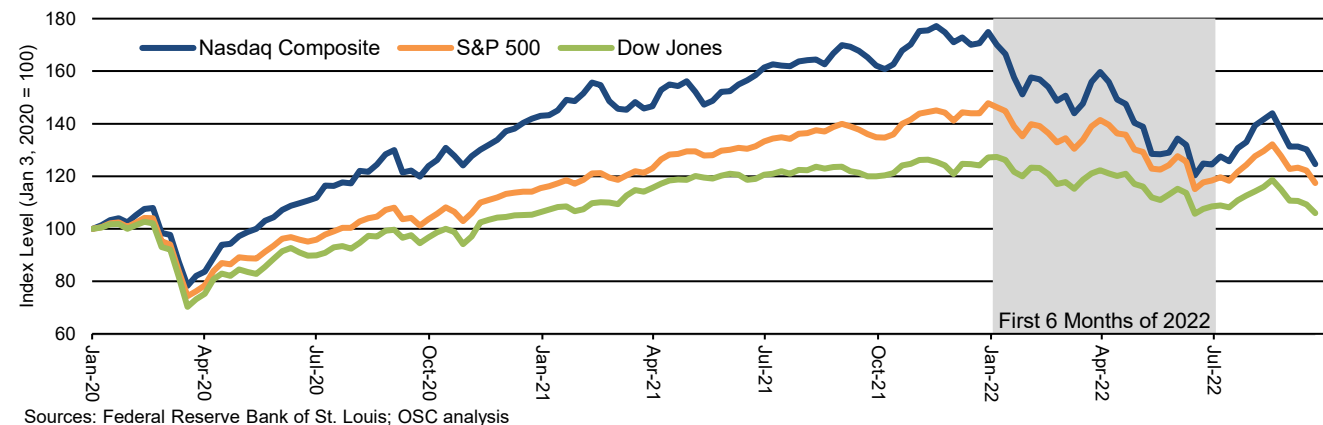
began to draw down their reserves as the perceived risk of credit defaults eased. As a result, profits doubled to a combined \$192.8 billion in 2021, up 36.5 percent from 2019.

A variety of economic events have resulted in much weaker market performance this year. In late 2021, the emergence of the highly contagious Omicron variant of the coronavirus caused additional shutdowns in manufacturing centers around the globe, exacerbating the ongoing supply chain issues that have accompanied the pandemic since its onset. Additionally, the Russian invasion of Ukraine in late February furthered economic instability in Europe and has added pressure to global prices for a variety of essential commodities, including energy and food.

In an already unsettled global economy, these shocks drove U.S. inflation to 40-year highs in 2022. In a bid to tamp down prices by cooling consumer demand, the Fed has been aggressive in its efforts to combat high inflation, increasing interest rates five times so far this year. While consumer spending, a bedrock of the U.S. economy and significant contributor to gross domestic product, remained strong despite challenges facing the global economy, recent data shows a slowdown in business activity and new orders.

**FIGURE 1**  
**Major Stock Indices Performance**

Weekly Close, Indexed to Jan 3, 2020



## Federal Actions During the Pandemic

Over the course of the COVID-19 pandemic, the Fed has adjusted its approach to monetary policy in response to various economic shocks from the coronavirus to ensuing high inflation. At the onset, the Fed announced an enormous purchase program of treasury securities and agency mortgage-backed securities in sufficient amounts to ensure the markets functioned smoothly, and avoided a liquidity crisis (see Figure 2). Through the next year and a half, the Fed made consistent monthly purchases of treasury securities and mortgage-backed securities that helped fuel a boom in asset prices.

Beginning in November 2021, the Fed began reducing the monthly pace of its net asset purchases since it deemed the economy to be progressing in alignment with its goals.<sup>2</sup> With this news, investors reacted negatively. The first week of January 2022 brought downward movement in the equity market that persisted through June. From January 1, 2022, to June 16, 2022, the S&P 500 fell 23.6 percent, losing nearly a quarter of its value. Since then, movement in the equity market has improved but remains volatile (see Figure 3).

After peaking in April 2022 at just under \$9 trillion, the Fed's balance sheet began to shrink on a consistent basis starting June 2022 as part of its quantitative tightening program meant to reduce the money supply.

**FIGURE 3**  
Major Equity Index Returns

Index	2021 Return	2022 Return YTD*	10-Year CAGR*
S&P 500	26.9%	-24.8%	9.5%
DJIA	18.7%	-20.9%	7.9%
Nasdaq Composite	21.4%	-32.4%	13.0%

\*Through September 30, 2022  
Sources: Bloomberg; OSC analysis

The Fed has also adjusted the federal funds rate significantly over the last eight months after keeping it near zero between March 2020 and March 2022 to support the flow of credit to households and businesses. In 2022, supply chain interruptions and prolonged fiscal stimulus during the pandemic caused inflation to rise sharply, leading the Fed to respond with interest rate hikes. In March 2022, the Fed raised the federal funds rate target from 0 percent to between 0.25 to 0.5 percent and continued to raise the rate through September to 3.0 to 3.25 percent following a series of high Consumer Price Index (CPI) readings.

### Market Impact

Financial markets tend to react swiftly to economic data releases (e.g., jobs, CPI, retail sales and consumer confidence), corporate earnings reports, and Fed monetary policy decisions. However, even as markets have fluctuated in recent months on these reports, equity market risk as measured by the Cboe Daily Volatility Index has fluctuated less in 2022 than it

**FIGURE 2**  
Changes in Net Asset Purchase Program, March 2020 to Present

Implementation Period	Treasury Securities	Agency Mortgage-Backed Securities
March 2020-November 2020	↑ ≥ \$500 B	↑ ≥ \$200 B
December 2020-November 2021	↑ ≥ \$80 B/month	↑ ≥ \$40 B/month
November 2021	↑ ≥ \$70 B/month	↑ ≥ \$35 B/month
December 2021	↑ ≥ \$60 B/month	↑ ≥ \$30 B/month
January 2022	↑ ≥ \$40 B/month	↑ ≥ \$20 B/month
February 2022-May 2022	↑ ≥ \$20 B/month	↑ ≥ \$10 B/month
June 2022-August 2022	↓ ≤ \$30 B/month	↓ ≤ \$17.5 B/month
September 2022-Present	↓ ≤ \$60 B/month	↓ ≤ \$35 B/month

Sources: Board of Governors of the Federal Reserve System, "Federal Reserve Issues FOMC Statement," September 2021-July 2022

did at the onset of the pandemic, despite volatility associated with variants of the coronavirus, the Russian invasion of Ukraine and the implementation of federal funds rate hikes. The highest volatility level in 2022 was 36 points (compared to the March 2020 record level of 83).<sup>3</sup> Volatility in fixed income markets is also elevated but remains below March 2020 levels.

Trading activity (a driver of commission fees, and thereby industry profitability) as measured by average daily volume (ADV) set a new total record in 2021 after surpassing the highest level in 2020 in over a decade.<sup>4</sup> The ADV traded on the Nasdaq (commonly used as a proxy for the technology sector) grew to a record 5.1 billion shares in 2021 (up 138 percent from 2019) and surpassed the ADV traded on the NYSE for the

first time on record. The NYSE reached 4.4 billion shares, an 11 percent drop from 2020 but still 24 percent higher than in 2019.

This shift was due, in part, to large cap technology stocks such as Apple, Microsoft and Google, which drove a large part of the stock market's success in 2021. The record ADV traded on the Nasdaq in 2021 is unlikely to continue in 2022, however, as workers return to the office and spend less time at home, features of the pandemic that previously enabled tech companies to thrive.

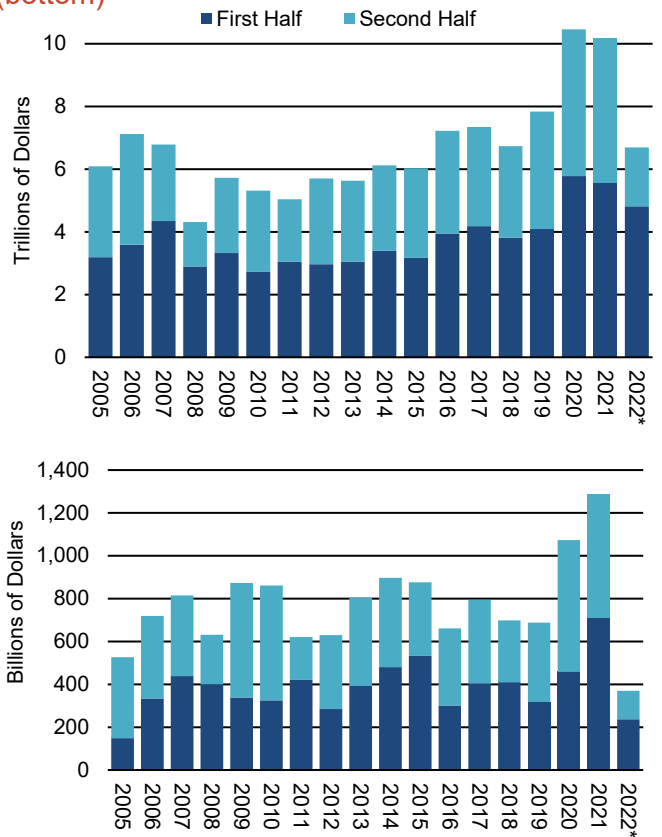
Global debt underwriting and equity volumes also reached near- or record levels in 2021 (see Figure 4). According to Refinitiv, global debt reached \$10.2 trillion in 2021 (only 3 percent lower than the record high in 2020).<sup>5</sup> In the first three quarters of 2022, global debt offerings totaled \$6.7 trillion, down 17 percent from one year prior but still higher than in 2019.

Global equity offerings reached a record \$1.3 trillion in 2021. Almost one-third of this activity was due to the strength of initial public offerings, which reached their highest level on record. However, after two years of strong growth, global equity offerings in the first three quarters of 2022 (\$369 billion) are at their lowest level since 2003.

Activity in Special Purpose Acquisition Companies (SPACs) has also been impacted considerably. SPACs raised more than \$160 billion in capital in 2021, but only \$13 billion has been raised so far this year.<sup>6</sup> More than 600 SPACs were created in 2020 and 2021, but that figure has declined rapidly in 2022, with no creations at all in July.<sup>7</sup> Investors found that these speculative issuances were often based on inflated forecasts; persistent inflation and growing risk of a recession have now driven investors to more conservative assets.

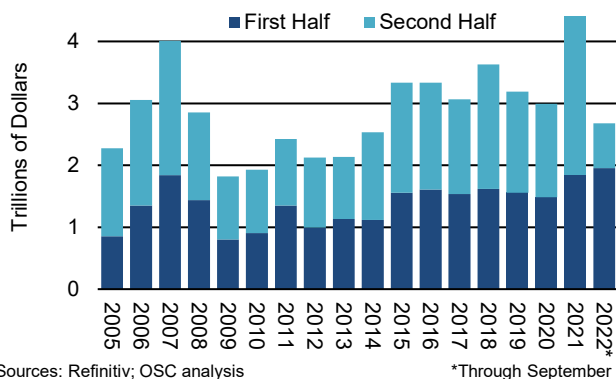
While global completed mergers and acquisitions declined by almost 3 percent in 2020 to reach nearly \$3 trillion, they rebounded in the following

**FIGURE 4**  
Global Debt Issuances (top) and Equity Issuances (bottom)



Note: Data excludes special purpose acquisition companies.  
Sources: Refinitiv; OSC analysis  
\*Through September

**FIGURE 5**  
Completed Global Mergers and Acquisitions



Sources: Refinitiv; OSC analysis \*Through September

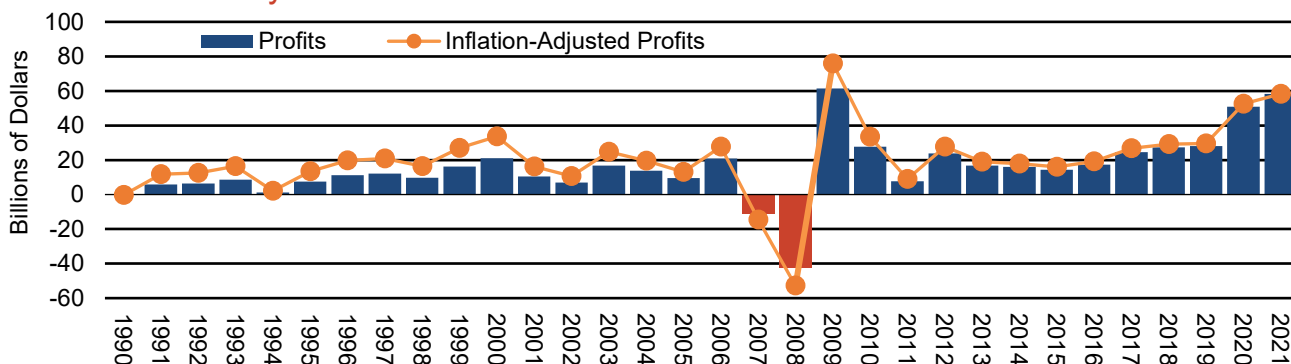
year to reach a record \$4.4 trillion (see Figure 5). In the first three quarters of 2022, global activity in mergers and acquisitions was down 13 percent from the same period in 2021.

### Industry Profitability

The profitability of NYSE member firms increased considerably during the pandemic. In 2021, pretax profits rose to \$58.4 billion, up 14.7 percent from the prior year, and just 5 percent below the record level seen in 2009 (see Figure 6). Combined profits for 2020 and 2021 (\$109.3 billion) were nearly as high as the previous five years combined (\$111.5 billion for 2015 to 2019).

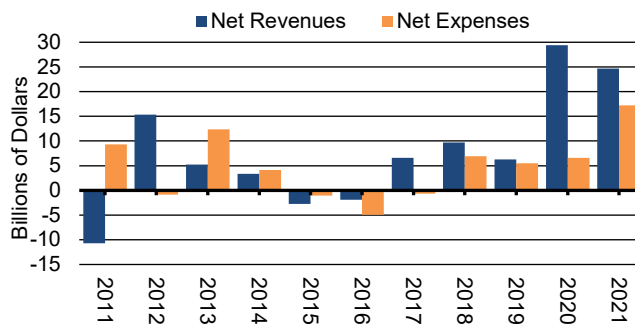
Net revenue, defined as gross revenue less interest expense, grew 12.4 percent from 2020 to \$223.3 billion, driven by large increases in

**FIGURE 6**  
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

**FIGURE 7**  
Annual Change in Net Revenues and Net Expenses at NYSE Member Firms



Sources: Securities Industry and Financial Markets Association (SIFMA); OSC analysis

underwriting activities and account supervision and advisory fees. Non-interest expenses increased 11.7 percent to \$164.9 billion, nearly on pace with the increase in revenues. Figure 7 reflects the annual change in net revenues and expenses. The largest driver of expenses was compensation, which grew 14.2 percent annually despite little change in firm headcounts.

By far the biggest driver of profitability in 2021 was the Fed's prolonged near-zero interest rate policy. Interest expenses, which were already low due to the Fed reducing the rate at the onset of the pandemic, declined by 55 percent from 2020. Compared to the pre-pandemic level of 2019, interest expense in 2021 was down \$71.8 billion, or 88.5 percent.



As noted in [last year's Securities report](#), the high profitability fueled by near-zero interest rates could not be sustained indefinitely. In the first half of 2022, profits have fallen significantly. Pretax profits totaled \$13.5 billion in the first six months of the year, a decline of 56.3 percent from the same period in 2021. Profits were more in line with pre-pandemic levels, down 10.6 percent compared to 2019 and comparable to 2018 (down 1.1 percent). After two years of near-record performance, the industry appears to be normalizing to pre-pandemic levels.

Revenues (less expense) declined by 15 percent, driven largely by reductions in securities trading (down 57.5 percent) and in underwriting revenues (down 57 percent). Expenses were nearly unchanged from the prior year, increasing by 0.5 percent. The Fed's implementation of interest rate increases beginning in March caused firms' interest expenses during the first half of 2022 to nearly triple, increasing by \$7.5 billion.

If the rate of decline in profits in the first half of 2022 holds steady for the remainder of the year, profits would fall to \$25.5 billion. However, challenging market conditions mean profits for the third and fourth quarters may see further declines. Inflation remains stubbornly high, unemployment is low and job creation is still relatively strong. The Fed is expected to raise interest rates to a range of 4.25 to 4.5 percent by

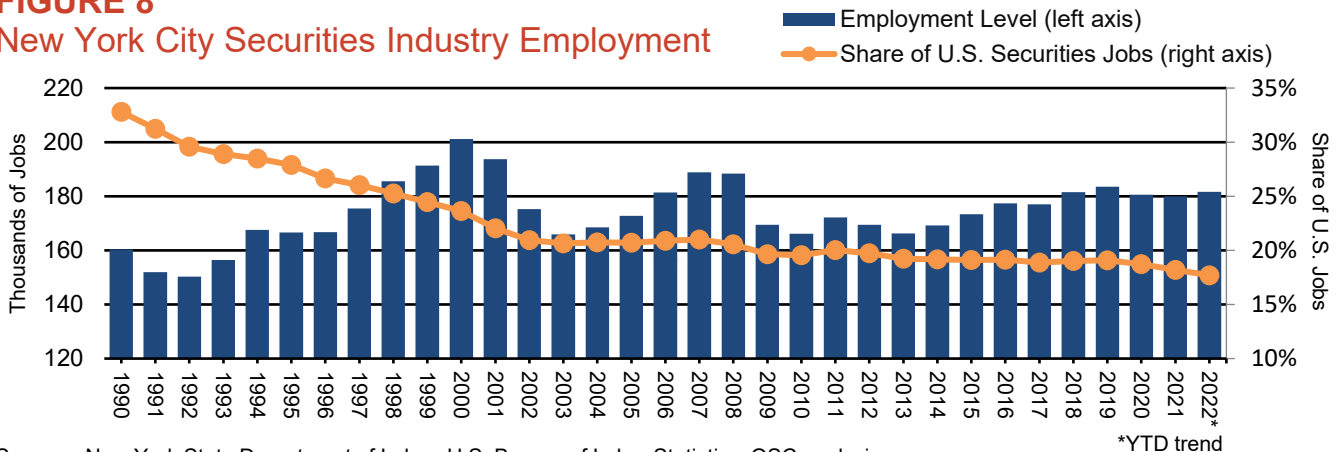
the end of the year, further increasing interest expense liability for financial firms. OSC estimates that profits in 2022 may be closer to the 10-year pre-pandemic average of \$20.3 billion per year.

## Employment

Securities employment in the City peaked in the year 2000, then declined significantly in the wake of the September 11 attacks and the following recession. Another major reduction in employment occurred during the Great Recession, with a 12 percent decline from 2007 to 166,200 jobs in 2010. Since then, securities employment in the City grew by 10.4 percent to reach 183,500 jobs in 2019 (see Figure 8).

Unlike for many other economic sectors, the onset of the pandemic did not cause a significant drop in securities employment. While industries that rely on in-person interactions with customers were forced to reduce headcounts, many securities employees were able to shift to remote work, causing less disruption in operations. In 2020, sector employment declined by just 1.6 percent (2,900 jobs) compared to 12.2 percent in the total private sector. The sector lost another 600 jobs the following year (a total reduction of 1.9 percent over two years). In 2022, the sector is on pace to recover 1,600 jobs based on data through September.

**FIGURE 8**  
New York City Securities Industry Employment



Sources: New York State Department of Labor; U.S. Bureau of Labor Statistics; OSC analysis

**FIGURE 9**  
State Ranking by Securities Employment

Rank	State	Jobs in 2021	Added from 2010 to 2021	Added in 2022 Q1*
1	New York	197,400	14,600	6,400
2	California	93,600	14,600	2,700
3	Texas	79,700	31,700	7,500
4	Florida	53,200	13,800	4,300
5	Illinois	52,500	4,100	1,500
6	Massachusetts	44,700	200	1,500
7	Pennsylvania	44,600	17,800	2,000
8	New Jersey	40,100	-7,300	1,500
9	North Carolina	27,800	10,900	2,300
10	Colorado	23,200	8,100	1,700

\*Note: Based on comparison to 2021 Q1.  
Sources: U.S. BLS Quarterly Census of Employment and Wages; OSC analysis

With the greatest number of sector jobs in the nation, New York City remains the center of securities employment. However, its share of the nation’s industry jobs has declined steadily for decades, from one-third in 1990 to 17.6 percent in 2022 (based on year-to-date figures). The share has declined as jobs have shifted to lower-cost regions, firms have diversified operations, and technology has reduced the need for employees to be in the same office at all times. (The City’s share of the nation’s securities firms has also declined significantly over time, from 6.4 percent in 2001 to 4.4 percent in 2021.)

Eighty-nine percent of securities jobs in New York State are located in the City (with 88 percent in Manhattan). Half of the jobs outside the City are in the nearby counties of Nassau, Suffolk and Westchester. The remainder of securities employment is spread throughout the State, with concentrations in the metropolitan areas around Albany, Buffalo, Rochester and Syracuse.

Since the securities industry began its post-recession employment recovery in 2010, New York State’s total employment in the sector grew by 8 percent through 2021, adding 14,600 jobs. During the same period, Texas added the most jobs of any state in the nation with 31,700 positions, a growth rate of 65.9 percent (see Figure 9). Pennsylvania had the nation’s highest

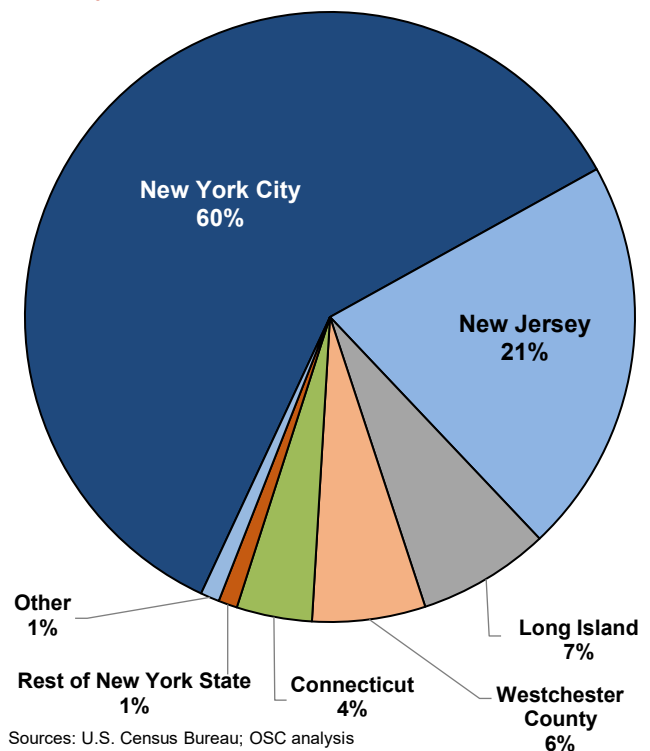
growth rate of 66.5 percent, adding 17,800 securities jobs.

In the first quarter of 2022 (the most recent available data), New York State showed an increase of 6,400 jobs from the first quarter of 2021, a growth rate of 3.3 percent. This growth rate is based on preliminary data and may moderate with subsequent data releases.

## Workforce Characteristics

During the 2016-2020 period (the latest data available), 60 percent of the employees in New York City’s securities industry resided in the City (see Figure 10).<sup>8</sup> Commuters represented 40 percent of industry employees, the highest share among any major industry. Over one-fifth came from New Jersey, 7 percent came from Long Island and 6 percent came from Westchester County, followed by Connecticut at 4 percent.

**FIGURE 10**  
Place of Residence  
Employees in New York City’s Securities Industry 2016-2020



While over one-fifth (22 percent) of City residents employed in the industry earned more than \$250,000, over half (51 percent) of the commuters from Connecticut and 41 percent from Westchester County earned more than \$250,000. Commuters accounted for 44 percent of the wages paid by the industry in New York City.

Almost two-thirds (63 percent) of industry employees were White, 20 percent were Asian American, 8 percent were Hispanic and 6 percent were African American. Immigrants (primarily from Asia and Europe) made up almost one-third (32 percent) of the employees, lower than the immigrant share of all City employment (41 percent).

Two-thirds of the employees in the industry were men, a share that has remained relatively constant over the past decade. Almost 89 percent of employees earned at least a bachelor's degree, a higher share than all other major sectors. In addition, 39 percent of industry employees had an advanced degree, almost twice the citywide share. Employees in tech occupations made up 12 percent of the workers in the securities industry.

Besides direct employees, the securities industry also enters into contracts with individuals (e.g., financial advisors or sales agents). These self-employed workers accounted for only a small share of the securities workforce (5 percent).

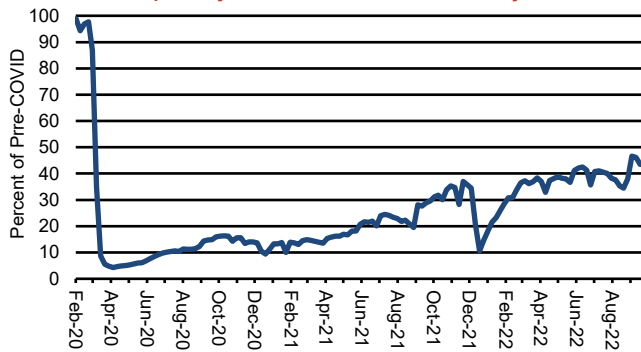
Compared with industry employees, self-employed workers were less likely to earn more than \$250,000. A larger share of these workers lived in the City, a smaller share were immigrants and they were more likely to have advanced degrees.

## Post-Pandemic Remote Work

Stay-at-home orders put in place at the beginning of the pandemic caused the number of workers in New York City offices to plummet to less than 5 percent of typical levels (see Figure 11).<sup>9</sup> More than two years after those initial orders, weekly office occupancy in the City remains under 50 percent of pre-pandemic levels. In their September 2022 Return to Office Survey, the Partnership for New York City found that attendance at financial services firms was slightly above the citywide average for all industries.<sup>10</sup> Financial services firms reported 56 percent daily attendance in mid-September, compared to 49 percent for all firms.

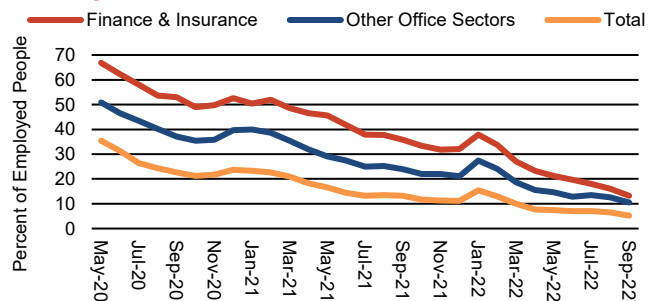
The return-to-office trend for New York City's securities employees generally aligns with national data, though the share of remote workers in the City has been consistently higher. The share of finance and insurance workers (the most detailed grouping available) working from home at least some of the time has declined from two-thirds in May 2020 to 13.2 percent in September 2022 (see Figure 12). However, unlike the City, the nation shows that finance and

**FIGURE 11**  
Office Occupancy Rate in New York City



Sources: Kastle Systems; OSC analysis

**FIGURE 12**  
Percent of Employed People Teleworking or Working from Home in the United States



Note: Share of workers working remotely at least some of the time.  
Sources: U.S. Bureau of Labor Statistics; OSC analysis



## FIGURE 13

### Return-to-Office Policies for Select Financial Firms

Company	Return Date	Return Format
Bank of America	TBD	A “revamped” return policy is expected to be released in the coming weeks
Citigroup	April 2022	At least 3 days per week in office
Charles Schwab	April 2022	Hybrid schedule to be determined in conjunction with supervisor
Goldman Sachs	September 2022	Full-time in-office
Jefferies	September 2022	No official requirement, but staff asked to return “on a consistent basis”
JPMorgan Chase	April 2022	At least 3 days per week in office*
Morgan Stanley	September 2022	Full-time in-office
Wells Fargo	April 2022	At least 3 days per week in office
UBS	March 2022	“Virtual Worker Framework” with the option for 100 percent remote work

\*Despite the company’s official policy, reports suggest there is an informal expectation of full-time in-office attendance.

Sources: *BizJournal*; Bloomberg; *Commercial Observer*; *NY Post*; Reuters; OSC analysis

insurance employees have a slightly higher rate of remote work than other office sectors.

Initially assumed by many to be a temporary accommodation, the extended duration of the pandemic has resulted in making remote work a permanent reality for many private sector employees in the City. The Partnership’s survey found that prior to the pandemic, 84 percent of employers mandated daily in-office attendance, and only 6 percent used a hybrid work model. Those shares have nearly reversed in the past two years, as 78 percent of employers reported an intention to use a hybrid model, and only 10 percent plan to require daily attendance. Financial services firms reported in the September survey that they expect offices to be at 61 percent daily attendance by the beginning of 2023.

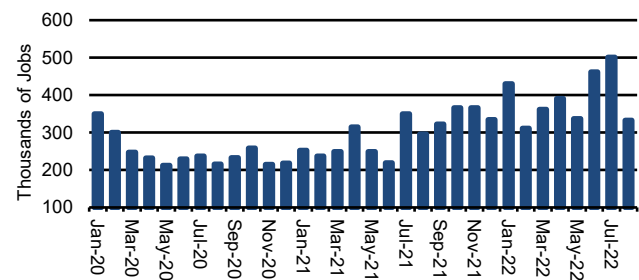
This impact is already being seen in the City’s office real estate market. The vacancy rate for office space has doubled during the pandemic (from 11.1 percent in 2019 Q4 to 21.9 percent in 2022 Q3)<sup>11</sup> and median asking rents have declined (from \$73.41 per square foot to \$70.88 during the same period). The City estimates that office vacancies will remain elevated through at least 2026.

While more employers are embracing hybrid work policies, some are hesitant (see Figure 13). Several executives at major firms have said they

see remote work as detrimental to their companies’ efficiency and culture, making collaboration and mentorship more difficult. They have also suggested that employees that work from home may be less likely to be considered for advancement and more likely to be candidates for layoffs and firings.

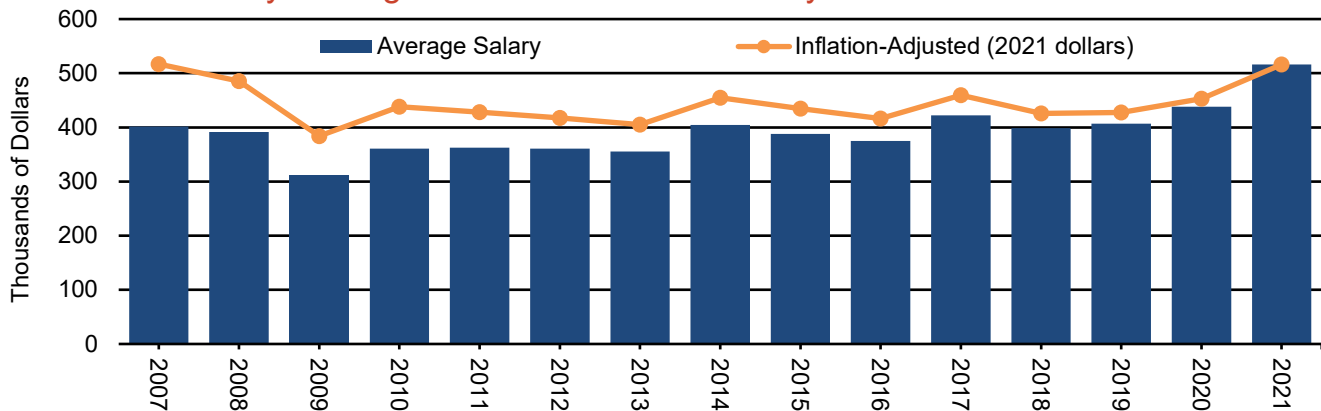
Other firms are continuing with a hybrid model but seek to incentivize workers back to the office with perks ranging from free meals to recreational spaces, indoor gardens, and meditation space.<sup>12</sup> There is also anecdotal evidence that some smaller financial companies are using generous flexible work policies as a recruiting tool to poach workers from the major firms.<sup>13</sup> Demand for workers in the sector remains, as job openings for financial services workers at the national level recently reached record highs (though they have since declined; see Figure 14), which gives workers more leverage. If a recession occurs, this

**FIGURE 14**  
U.S. Job Openings in Financial Services



Note: JOLTS data is only available for the larger Financial Services sector.  
Sources: U.S. Bureau of Labor Statistics; OSC analysis

**FIGURE 15**  
**Securities Industry Average Salaries in New York City**



Sources: NYS Department of Labor, Quarterly Census of Employment and Wages; OSC analysis

leverage may shift and more companies may reign in their policies and call workers back full-time.

## Average Salaries

In 2021, the average annual salary (including bonuses) in New York City’s securities industry grew by 17.8 percent from the prior year to reach a record \$516,560, the first time average salaries have exceeded a half-million dollars.<sup>14</sup> Adjusting for inflation, salaries were just below the record level set in 2007 of \$517,140 in 2021 dollars (see Figure 15).

In Manhattan, where 98.8 percent of the City’s securities jobs are located, the average salary was \$521,220 in 2021. The industry’s average salary in the outer boroughs was \$145,610.

The counties in the larger metro area also had high average salaries for securities workers. Westchester County reported an average securities salary of \$287,890, up 5.4 percent from 2020. Average salaries on Long Island grew 4.9 percent to reach \$559,620 in 2021. Long Island salaries were buoyed by the presence of hedge-fund firms in Suffolk County, where the average salary was \$920,080, the highest of any county in the nation.

The securities industry has the highest average salary of any major industry in the City, and

almost twice the second-highest average (\$277,340 in the web search portals and other information services industry). Other industries with high average salaries include fund and trust management (\$252,800), management of companies (\$238,780), and banking (\$224,220).

The average salary in the securities industry was more than five times the average salary of the rest of the private sector. Though the pay gap has narrowed since 2007, when it peaked at more than six times higher, it has widened considerably since the early 1980s, when it was only two times higher.

The average salary in the securities industry in New York State was \$495,370, more than twice the average in the rest of the nation (\$226,410). The industry’s average salary in New York State has been higher than in any other state since 2007. (Before 2007, Connecticut had a higher average salary.) The high average salary in New York reflects the concentration of highly compensated industry 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 data for 2021, the CEOs for finance companies listed on the S&P 500 that were headquartered in New York State earned an

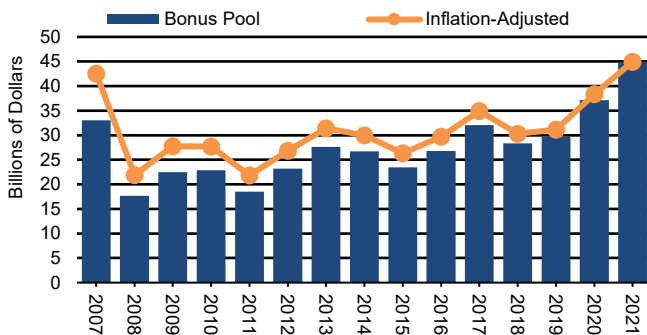
average of 261 times more than the median for all employees of their companies. This was significantly higher than the national average of 198 times more (170 times more when excluding companies headquartered in New York State).

From 2016 to 2020, 24 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.<sup>15</sup>

## Bonuses

Bonuses have been rising for three consecutive years. In March 2022, OSC estimated that the bonus pool for industry employees in New York City during the traditional December-March bonus season had increased by 21 percent to a record high of \$45 billion (see Figure 16).<sup>16</sup>

**FIGURE 16**  
Securities Industry Bonus Pool

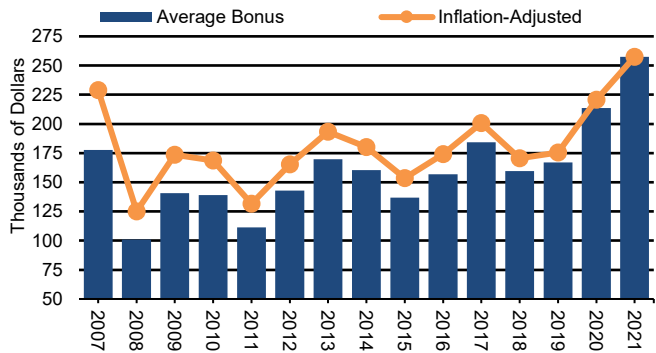


Sources: NYS Department of Labor; U.S. Bureau of Labor Statistics; OSC analysis

This amounts to an average bonus of \$257,500 per industry employee in 2021, an increase of 20 percent from last year's record high (see Figure 17).<sup>17</sup> Bonuses accounted for an estimated 47 percent of securities industry wages, a larger share than in any other major industry in the City. The industry accounted for more than half (60 percent) of all private sector bonus payments and 22 percent of private sector wages in New York City in 2021, while accounting for a small share (5.0 percent) of private sector employment.

In the first half of 2022, even with high inflation, the securities industry decreased compensation

**FIGURE 17**  
Securities Industry Average Bonuses



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

expenses by 6.5 percent from the prior year. As market activity and profits have declined, the overall bonus pool is likely to fall as well. An August report by Johnson Associates (a compensation consulting firm) suggests that bonuses at financial firms for 2022 could decrease by 10 percent to 15 percent overall, with a large range between the different business segments.<sup>18</sup> While bonuses in investment banking (including underwriting and advisory) are expected to decline by up to 45 percent, hedge funds are expected to be flat.

The City's latest forecast expects bonuses to decline by 22 percent in 2022 from last year's record high. Between the drop in profits in the first half of the year and continuing economic headwinds, bonuses may experience a larger decline this year. In March 2023, OSC will release its 2022 bonus estimate for industry employees in New York City based on tax withholding trends.

## Economic Contribution

OSC estimates that in 2020 (the most recent year for which county-level data is available), the securities industry was responsible for 16 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 NYS Department of Labor. This was a significant increase from securities' share in 2019 (14 percent). In fact, while the City's overall

economic output shrank by 5.2 percent in 2020, financial activities output grew by 3.3 percent. The only other sector that did not see a decline was information, up 4.5 percent. OSC estimates the securities industry’s output growth at 4.4% in 2020.

The securities industry also makes up a larger share of the State’s economy compared to the rest of the nation. In total, the securities industry comprised 7.3 percent of the State’s economy in 2021, according to the U.S. Bureau of Economic Analysis. This is well above the states with the next-largest shares, Connecticut (5 percent) and Massachusetts (3.6 percent). All other states’ securities sectors accounted for less than 3 percent of their economies, with the majority at less than 1 percent (see Figure 18). Nationally, the sector accounts for 1.7 percent of the country’s gross domestic product.

The high incomes earned by many industry employees create economic activity in other employment sectors. However, the industry has contributed less over time (in 2012 it was responsible for 18 percent of all economic activity in the City). The pandemic accelerated the already declining multiplier impact of the securities industry, potentially due to the work-from-home trend.<sup>19</sup> Using the 2020 IMPLAN, an economic modeling software, OSC estimates that

1 in 11 jobs (or almost 9 percent) in New York City was associated with the securities industry, a drop from the 1 in 9 ratio in 2019. This decline likely reflects the fact that with fewer workers in the office, there is less opportunity for them to patronize City businesses such as restaurants, retail stores, dry cleaners, and arts and recreation events.

In New York State, 1 in 19 jobs (over 5 percent) was associated with the industry in 2020, also lower than the 2019 ratio of 1 in 16. OSC also estimates that each job gained or lost in the industry leads to the creation or loss of an additional job in other industries in the State.

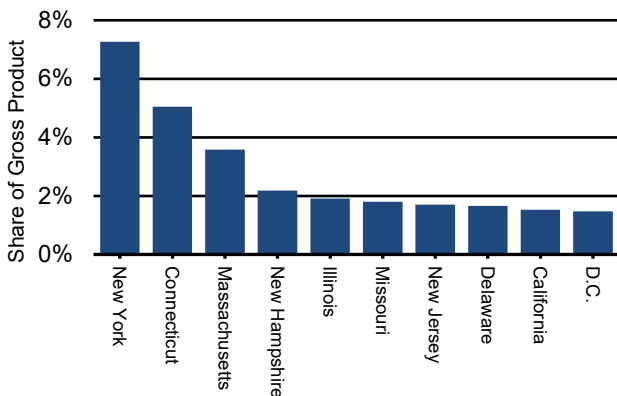
## Tax Contribution

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.<sup>20</sup>

### New York City

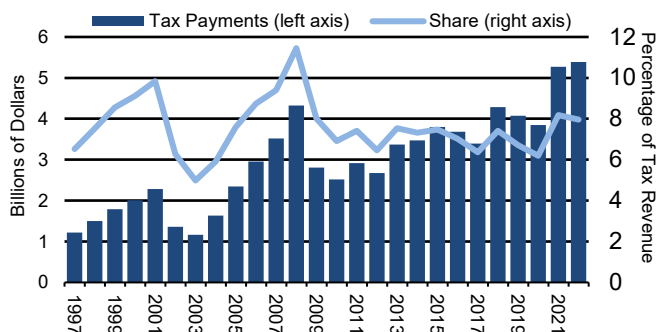
OSC estimates that tax collections attributable to the industry reached \$5.4 billion in City Fiscal Year (CFY) 2022, exceeding the previous year’s record high (highest since 1996, the earliest year in the dataset) of \$5.3 billion by 2 percent (see Figure 19).<sup>21</sup> This performance reflects record

**FIGURE 18**  
Securities Industry as a Share of Total State Gross Product in 2021



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

**FIGURE 19**  
Securities Industry-Related Tax Payments  
New York City



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

high bonuses and near-record-high profits. Personal income tax collections accounted for three-quarters of this amount and 24 percent of total personal income tax collections. The industry accounted for an estimated 8 percent of City tax collections in CFY 2022, similar to the share from the prior year, as many of the City's other sectors are still recovering from the pandemic. Tax collections in CFY 2023 could see a significant decline from last year's record high and the City's budget anticipates a decline in certain tax revenues that are reliant on the securities industry. In the 10 years prior to CFY 2021, collections averaged \$3.6 billion annually, 34 percent below the CFY 2022 estimate.

### 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 22 percent of total tax collections in State Fiscal Year (SFY) 2021-22, which ended March 31, 2022.

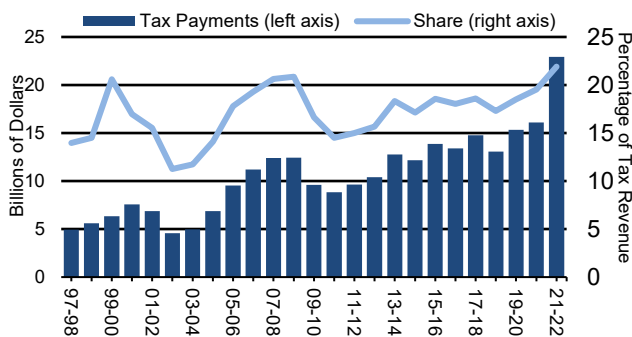
OSC estimates that tax payments attributable to the securities industry in SFY 2021-22 increased by 43 percent to a record high of \$22.9 billion (highest since SFY 1996, the earliest year in the dataset; see Figure 20). Personal income tax collections accounted for 86 percent of this

amount. The difference between the State's and the City's trends is attributable to timing differences between the City and State fiscal years. During SFY 2011-12 through 2019-20, securities-related tax collections averaged \$12.4 billion, 46 percent below the SFY 2021-2022 estimate.

### Unquantified Impacts

In addition to personal income tax collections, the securities sector contributes to City property-related tax revenues as the largest segment of financial services office space tenants in the City. If the move to hybrid work causes financial firms to reduce their office footprints, it could impact City tax revenues significantly. Property taxes are the largest component of tax revenues, and office properties accounted for 55.2 percent of class 4 commercial property taxable values in FY 2023. The office sector accounts for over one-fifth of overall property tax revenues, which are forecast to be \$31.3 billion this fiscal year. Office properties are also a major component of real estate transaction taxes and the commercial rent tax. The financial services sector is estimated to occupy 28.6 percent of all office space in the City, and tends toward the higher-value class A properties.<sup>22</sup> If the shift to remote work proves to be a permanent structural change in New York City, it presents a significant risk to the City's finances in the future.

**FIGURE 20**  
Securities Industry-Related Tax Payments  
New York State



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



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## ENDNOTES

- <sup>1</sup> Commonly tracked banks are Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley and Wells Fargo. Because these firms have many business lines, only a portion of their earnings is attributable to securities.
- <sup>2</sup> Board of Governors of the Federal Reserve System, “Federal Reserve Issues FOMC Statement,” November 3, 2021, <https://www.federalreserve.gov/newsevents/pressreleases/monetary20211103a.htm>.
- <sup>3</sup> Office of the New York State Comptroller, *The Securities Industry in New York City*, Report 12-2022, October 2021, <https://www.osc.state.ny.us/files/reports/osdc/2021/pdf/report-12-2022.pdf>.
- <sup>4</sup> SIFMA, *2022 Capital Markets Fact Book*, July 2022, 56, <https://www.sifma.org/wp-content/uploads/2022/07/CM-Fact-Book-2022-SIFMA.pdf>.
- <sup>5</sup> Refinitiv Global Equity Indices, <https://www.refinitiv.com/en/financial-data/indices/global-equity-index#overview>.
- <sup>6</sup> Michael J. de la Merced, “Chamath Palihapitiya, a ‘SPAC King,’ Will Wind Down Two Funds,” *The New York Times*, September 20, 2022, <https://www.nytimes.com/2022/09/20/business/chamath-palihapitiya-a-spac-king-will-wind-down-two-funds.html>.
- <sup>7</sup> Yun Li, “SPAC Market Hits a Wall As Issuance Dries Up and Valuation Bubble Bursts,” *CNBC*, August 3, 2022, <https://www.cnbc.com/2022/08/03/spac-market-hits-a-wall-as-issuance-dries-up-and-valuation-bubble-bursts.html>.
- <sup>8</sup> U.S. Census Bureau, American Community Survey, 2016-2020 5-year estimates, <https://www.census.gov/programs-surveys/acs>. Some trend analysis in this report draws on ACS data for the five-year period ending in 2020, due to pandemic-related data issues in 2020. Because there is no single reference date, the term “2016-2020” is used to refer to the data.
- <sup>9</sup> Kastle Systems, “Kastle Back to Work Barometer,” accessed September 30, 2022, <https://www.kastle.com/safety-wellness/getting-america-back-to-work/>.
- <sup>10</sup> Partnership for New York City, “Return to Office Survey Results,” September 2022, 2, <https://pnyc.org/research/return-to-office-survey-results-september-2022/>.
- <sup>11</sup> Cushman & Wakefield, “MarketBeat Manhattan Office Q3 2022,” <https://www.cushmanwakefield.com/en/united-states/insights/us-marketbeats/new-york-city-area-marketbeats>.
- <sup>12</sup> Danielle Abril, “What Your Future Office Could Look Like – If You Even Need To Be There,” *The Washington Post*, June 21, 2022, <https://www.washingtonpost.com/technology/interactive/2022/future-office-hybrid/>.
- <sup>13</sup> Steven J. Davis, et al., “Are Firms Using Remote Work to Recruit and Retain Workers?” Economic Brief, Federal Reserve Bank of Richmond, February 2022, [https://www.richmondfed.org/publications/research/economic\\_brief/2022/eb\\_22-07](https://www.richmondfed.org/publications/research/economic_brief/2022/eb_22-07).
- <sup>14</sup> For detailed securities sector salary history, see OSC’s Securities Sector Industry Dashboard, <https://www.osc.state.ny.us/osdc/reports/nyc-sectors/securities-sector>.
- <sup>15</sup> U.S. Census Bureau, American Community Survey (see note 6).
- <sup>16</sup> OSC’s bonus estimate includes bonuses paid for work performed in 2021, as well as bonuses deferred from prior years.
- <sup>17</sup> Office of the New York State Comptroller, “Wall Street’s 2021 Bonuses Set a New Record,” press release, March 23, 2022, <https://www.osc.state.ny.us/press/releases/2022/03/nys-comptroller-dinapoli-wall-streets-2021-bonuses-set-new-record>.
- <sup>18</sup> Johnson Associates, *Financial Services Compensation Second Quarter Trends and Year-End Projections*, August 4, 2022, <https://johnsonassociates.com/wp-content/uploads/2022/08/Johnson-Associates-Q2-Comp-Estimates.pdf>.
- <sup>19</sup> IMPLAN uses a variety of data sources to calculate the multipliers for various industries and cautions that changes from year to year are not easily attributed to specific causes. For more information see “Multipliers Changing Over Time,” <https://support.implan.com/hc/en-us/articles/360049768074-Multipliers-Changing-Over-Time>, and “2020 Data Release Notes,” <https://support.implan.com/hc/en-us/articles/4412244641179-2020-Data-Release-Notes>.
- <sup>20</sup> OSC estimates for tax collections attributable to the industry is subject to revision.
- <sup>21</sup> 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.
- <sup>22</sup> Cushman & Wakefield, “MarketBeat Manhattan” (see note 9).

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