

issues in Labor Statistics



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Wages and bonuses in investment banking

For people working in investment banking, especially those in and around Wall Street, it's hard to deny that late 2005 and early 2006 was very, very good to them. With steady employment totals, very handsome bonuses being handed out in fourth quarter 2005, and even larger ones awarded in first quarter 2006, it would seem to be an understatement to say that investment banking was thriving. In first quarter 2006, private sector investment banking and securities dealing recorded average weekly wages of \$8,367, well above that of any industry with the exception of the other Wall Street bonus giant, securities brokerage. The investment banking industry's quarterly total wages ranged from \$6 billion to \$18.9 billion in late 2005 and early 2006 and the industry's average

weekly wage was nearly 10 times the national average.

Within this industry a small number of counties accounted for a large proportion of the wages. Five counties were responsible for 71.8 percent of total wages in investment banking during the first quarter of 2006. Fairfield, Connecticut, New York, San Francisco, Los Angeles, and Cook County, Illinois, combined for wages of \$13.5 billion from January through March 2006. During this time, 38.3 percent of March employment in investment banking was within these five counties.

Of the top ten counties, ranked by average weekly wages, within the investment banking and securities dealing industry, four were in or around New York City. New York County, also known as the Borough of Manhattan, is the behemoth of

the industry, accounting for one quarter of national employment and over half of total wages. In a distant second, but still well above the other counties in terms of total wages, is Fairfield County, Connecticut, just outside of New York City. Two other counties that recorded high average weekly wages in this region lie across the Hudson River in New Jersey, where Middlesex County and Hudson County ranked eighth and ninth, respectively, in average weekly wages in first quarter 2006.

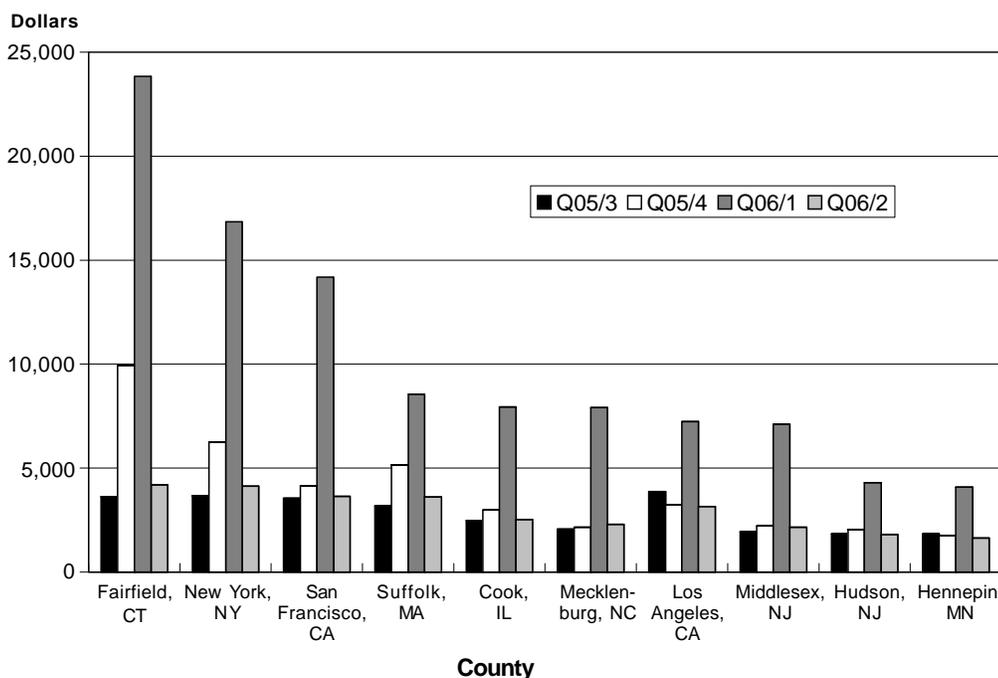
New York County is the largest in the U.S. in terms of total wages and employment in investment banking. Over the four quarters from the third quarter of 2005 through the second quarter of 2006, total wages averaged \$4.4 billion and employment averaged 44,684 jobs. In the first quarter of 2006 New York

County accounted for 51.4 percent of total wages in the industry while making up 25.6 percent of employment in the industry. At \$16,849, New York County experienced the second highest average weekly wages in investment banking and securities dealing of any county in the U.S. in first quarter 2006.

Though New York County in terms of sheer employment and wage totals is by far the leading county in investment banking and securities dealing, it did not record the highest average weekly wages in the industry. That distinction belongs to Fairfield, Connecticut, home to the Town of Greenwich. In Fairfield County, average weekly wages reached a high of \$23,846 in first quarter 2006. Fairfield also ranked second in the industry in total wages over this time period and fifth in employment. Total wages in the first quarter of 2006 were \$1.9 billion and March 2006 employment was 6,137 jobs. Fairfield County accounted for 9.9 percent of total wages in the industry while making up 3.5 percent of employment during the quarter.

Across the board, the investment banking and securities dealing industry experienced large increases in total wages and average weekly wages in the first quarter of 2006 relative to the quarters before and after. This appears to be the effect of large bonuses given out during the first quarter and becomes more significant the higher the base wage level. Thus, the effect is most noticeable in New York and Fairfield Counties. In the four quarters between third quarter 2005 and second quarter 2006, New York's first quarter 2006 average weekly wage was \$10,589 higher than the next highest. Fairfield's difference in first

Average Weekly Wages in Investment Banking and Securities Dealing, Selected Counties, Third Quarter 2005 through Second Quarter 2006



Continued on back

Employment and Wages in Top Ten Counties in Investment Banking and Securities Dealing

	Total Private			Investment Banking				
	March Employment	Total Wages (billions)	Average Weekly Wage	March Employment	Total Wages (billions)	Average Weekly Wage	Percent of Total Private Employment	Percent of Total Private Total Wages
<i>First Quarter 2006</i>								
National	132,538,199	\$1,438.8	\$841	173,430	\$18.9	\$8,367	0.1	1.3
Fairfield, CT	363,421	9.2	1,949	6,137	1.9	23,846	1.7	20.7
New York, NY	1,814,528	65.4	2,773	44,356	9.7	16,849	2.4	14.8
San Francisco, CA	437,197	8.8	1,548	3,697	0.7	14,177	0.8	8.0
Suffolk, MA	484,609	9.8	1,557	1,991	0.2	8,564	0.4	2.0
Cook, IL	2,177,229	30.1	1,062	8,324	0.9	7,943	0.4	3.0
Mecklenburg, NC	466,938	7.3	1,198	2,420	0.2	7,909	0.5	2.7
Los Angeles, CA	3,564,983	42.9	925	4,830	0.5	7,231	0.1	1.2
Middlesex, NJ	395,316	5.5	1,080	2,865	0.3	7,121	0.7	5.5
Hudson, NJ	235,121	4.0	1,317	9,163	0.5	4,297	3.9	12.5
Hennepin, MN	740,451	10.3	1,065	6,581	0.3	4,084	0.9	2.9

quarter 2006 is even greater, \$13,896 more than the second highest quarter in this period. To a lesser extent, a similar pattern seems to appear in the fourth quarter of 2005 for a number of counties. The counties with the five highest average weekly wage levels from third quarter 2005 to second quarter 2006 experienced the second highest average weekly wage in fourth quarter 2005. It should be

noted that this bonus effect is not unique to 2006; rather it is something that historically occurs during most years.

These data were obtained by the Quarterly Census of Employment and Wages in the Bureau of Labor Statistics. Data presented here are for all workers covered by State and Federal unemployment insurance programs. The data are not adjusted

for non-economic changes, such as changes occurring when employers update the location information of their establishments. Large counties refer to those counties with employment levels of 75,000 or more in 2005. For additional information, contact Pete Smith, an economist in the Division of Administrative Statistics and Labor Turnover, Office of Employment and

Unemployment Statistics. E-mail: smith.peter.w@bls.gov. Telephone: 202-691-6567.

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U.S. DEPARTMENT OF LABOR
Bureau of Labor Statistics
Postal Square Building, Rm. 2850
2 Massachusetts Ave., NE
Washington, DC 20212-0001

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