

# Wall Street bonuses down, but not out

**Finance pros saw bonuses shrink by an average of 5 percent, better than earlier projections.**

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NEW YORK (CNNMoney.com) -- In a year when Wall Street bonuses were expected to suffer, payouts to finance pros in 2007 remained pretty impressive.

Wall Street bonuses declined just 4.7 percent last year to an average of \$180,420 per worker, according to the latest figures published this week by the New York State Comptroller's office. Financial firms were expected to cut bonuses up to 10 percent from a year ago, according to previous industry projections.

Just a year ago, individuals working in finance in New York City enjoyed record payouts of \$33.9 billion. This year, the total bonus pool shrank to \$33.2 billion.

The numbers, while still lucrative, come as a bit of a surprise since this year was expected to be particularly difficult for Wall Street workers, given the recent market turmoil, ongoing woes in the credit crisis and an uptick in hiring during the year.

"The securities industry rewarded employees who performed well in 2007 even though the credit crunch battered profits," New York State Comptroller Thomas DiNapoli said in a statement.

Just this week, some of Wall Street's mightiest firms, including Merrill Lynch ([MER](#), [Fortune 500](#)) and Citigroup ([C](#), [Fortune 500](#)), reported staggering losses and took billion of dollars worth of writedowns because of bad mortgage bets.

In recent years, Wall Street workers had grown accustomed to meaty bonuses as their firm delivered

quarter after quarter of impressive results.

Instead of imposing steep bonus cuts after this year's woes and risking losing top talent, the seven largest financial firms on Wall Street - Citi, Merrill, Bear Stearns ([BSC](#), [Fortune 500](#)), Goldman Sachs ([GS](#), [Fortune 500](#)), Lehman Brothers ([LEH](#), [Fortune 500](#)) and JPMorgan Chase ([JPM](#), [Fortune 500](#)) - set aside a bigger chunk of their revenue for employee compensation, helping to soften the blow to worker bonuses, according to the state agency study.

Firms also shifted from cash to stock bonuses to compensate employees while retaining talent.

While bonuses are common throughout corporate America, they are a far bigger part of overall compensation for all levels of employee pay on Wall Street than they are at a typical corporation.

A central theme to the 2007 year bonus season, however, was the great disparity in payouts both between and within some of these Wall Street firms.

Goldman Sachs, which largely escaped the subprime mortgage losses experienced by some of its rivals, spent \$20.2 billion last year on employee salaries and bonuses, which came to about \$661,400 a person.

Lehman Brothers, while much smaller in size, only forked out about \$332,600 per head in 2007.

Even at the executive level, the disparity between firms was great. Goldman Sachs Chairman and Chief Executive Lloyd Blankfein took home nearly \$68 million in restricted stock, options and cash last year, making it the largest bonus ever given to a Wall Street CEO.

Morgan Stanley Chairman and Chief Executive John Mack and Bear Stearns Chairman James Cayne opted to forgo their bonuses last year after their firms reported their first quarterly losses ever last month.

In addition, previous reports anticipated that there would be a large discrepancy in bonus pay between different company divisions.

Individuals working in mortgage-related areas such as fixed income, were expected to face the biggest bonus squeeze this year, while investment bankers were expected to enjoy a bump from a year ago given the frenetic pace of merger-and-acquisition activity in the first half of 2007.

What will happen with bonuses this year, however, remains a big question mark.

Right now, financial services firms in the S&P 500 are expected to deliver earnings growth of 26 percent this year, according to Thomson Financial, but the nation's largest banks and brokerages face tough earnings comparison from a year ago in the first half of 2008.

And with few signs of improvement in the credit markets and indicators that the U.S. economy is in, or near, a recession, that could spell another year of declining bonuses for Wall Street. ■

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