

Off the Deep End

The Wall Street Bonus Pool
and Low-Wage Workers



Institute for
Policy Studies

March 8, 2016



Author: Sarah Anderson directs the Global Economy Project at the Institute for Policy Studies and has co-authored 22 IPS annual “Executive Excess” reports on CEO compensation. Email: sarah@ips-dc.org, Twitter: @Anderson_IPS

The **Institute for Policy Studies** (www.IPS-dc.org) is a 50-year-old multi-issue research center that has conducted path-breaking research on executive compensation for more than 20 years.

The IPS website Inequality.org is a portal into all things related to the income and wealth gaps that so divide us, in the United States and throughout the world. **Twitter: @inequalityorg**

Institute for Policy Studies

1301 Connecticut Ave. NW, Suite 600

Washington, DC 20036

202 234-9382

www.ips-dc.org, Twitter: @IPS_DC

Facebook: <http://www.facebook.com/InstituteforPolicyStudies>

© 2016 Institute for Policy Studies

Key Findings

Wall Street banks handed out \$25 billion in bonuses to their New York City-based employees last year, according to new figures from the [New York State Comptroller](#). To put these figures in perspective, we've compared the Wall Street payout to low-wage workers' earnings.

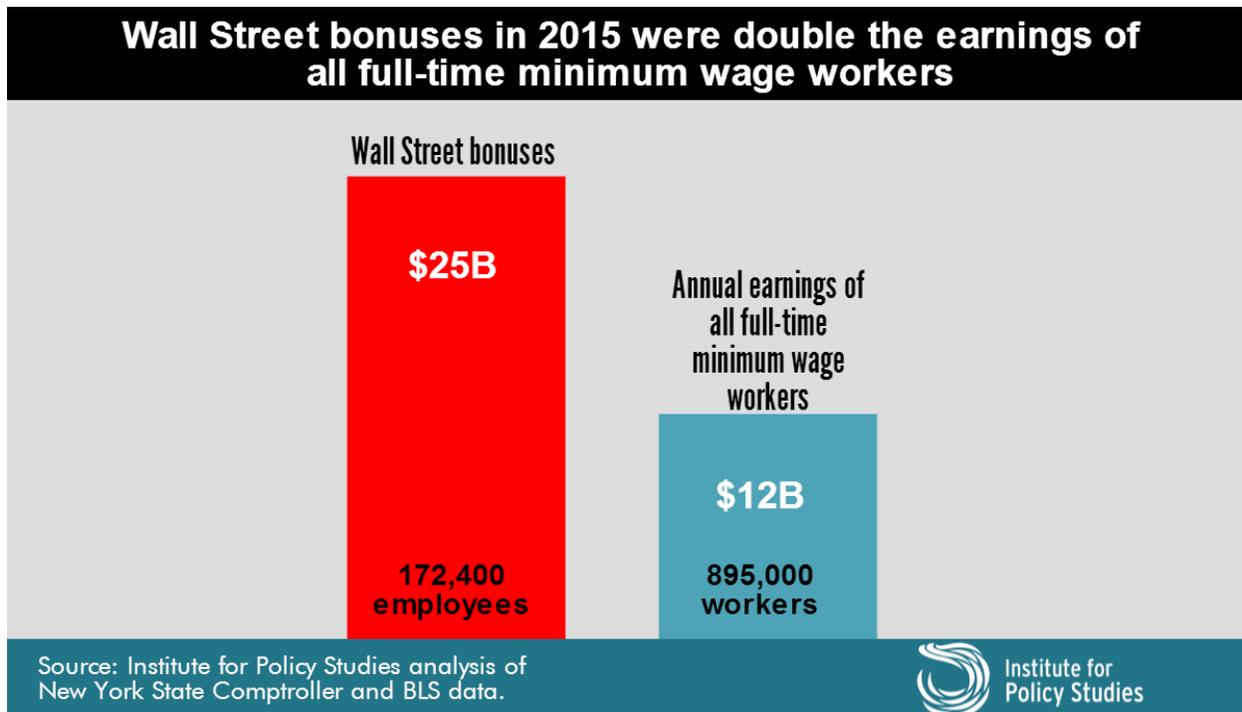
- The bonus pool for 172,400 Wall Street employees doubled the combined annual earnings of all 895,000 U.S. full-time minimum wage workers.
- The average Wall Street bonus did decline last year, by 9 percent. But the 2015 bonus average of \$146,200 still stood 4 percent higher than the average in 2009, the last time Congress increased the federal minimum wage.
- The bonus pool held enough dollars in 2015 to lift the pay of any one of these groups of low-wage workers up to \$15 per hour:
 - o all of the country's 2.6 million restaurant servers and bartenders,
 - o all 1.6 million home health and personal care aides, or
 - o all 2.6 million fast food preparation and serving workers

Wall Street Bonuses v. Minimum Wage Earners

The \$25 billion in bonuses doled out to 172,400 Wall Street employees amounts to double the combined earnings of all 895,000 Americans who work full-time at the current federal minimum wage of \$7.25 per hour.

The average Wall Street bonus did decline last year, by 9 percent. But the 2015 bonus average of \$146,200 still stood 4 percent higher than the average in 2009, the last time Congress increased the federal minimum wage.

For Wall Street employees, annual bonuses come as an extra reward on top of their base salaries, which averaged [\\$404,800](#) in 2014. Top Wall Street executives can also receive, on top of salary and bonus, massive stock option and restricted stock grants.



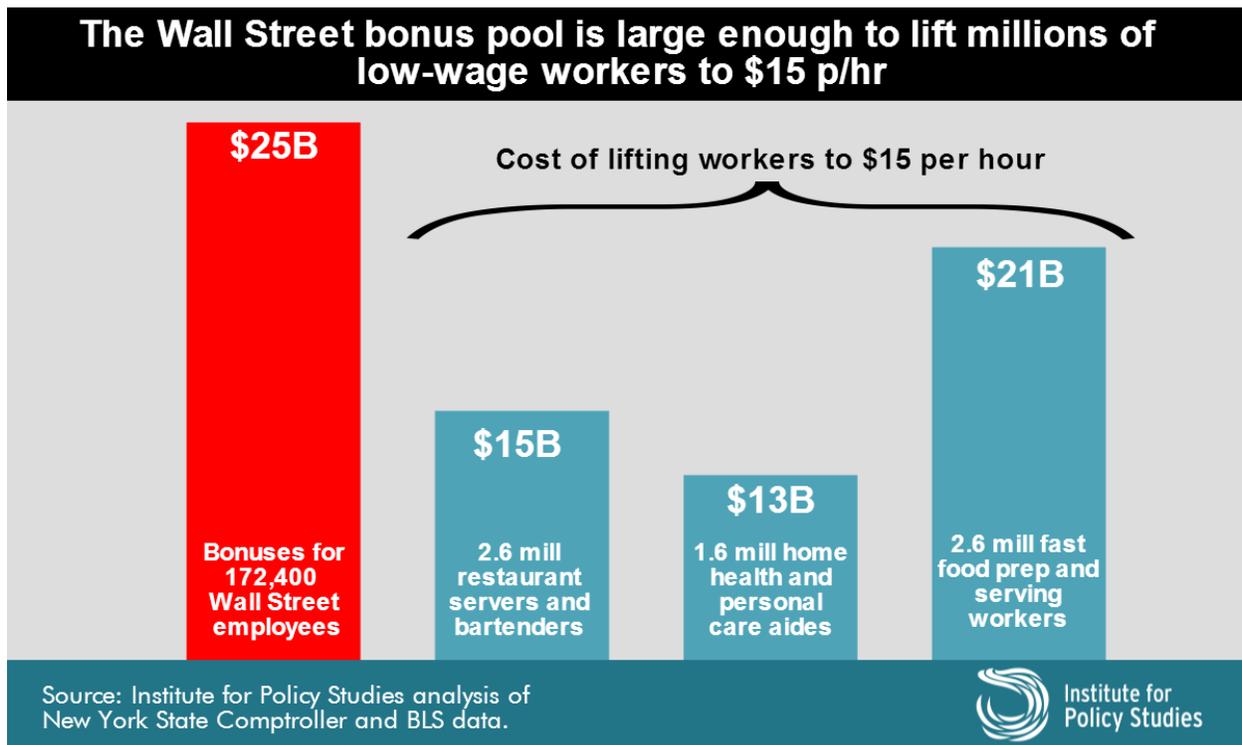
Wall Street bonuses have now doubled the combined earnings of America's full-time minimum wage workers for two years in a row. The overall bonus pool total did drop in 2015. But so did the number of full-time minimum wage workers. According to the most recent U.S. Bureau of Labor Statistics data, [895,000 people](#) were working full-time at the minimum wage in 2014, down from [1,007,000](#) in 2013.

This dropoff in the number of people working at just the minimum wage reflects the increasing effectiveness of living wage campaigns in many states and cities. Yet 42 percent of American workers still earn less than \$15 per hour, the wage level needed to cover basic living costs in most areas of the country, according to the [National Employment Law Project](#).

Wall Street Bonuses v. Low-Wage Service Workers

Low-wage workers in many sectors have united around a call for a minimum wage of \$15 per hour. This \$15 rate may seem high relative to the current federal minimum wage of \$7.25, but the size of the Wall Street bonus pool can help put these figures in perspective.

How large has the bonus pool become? Large enough in 2015 to have lifted all of America's 2.6 million fast food prep and serving workers up to \$15 per hour — and still have had \$4 billion left over. Or that bonus pool could have raised to \$15 the hourly wage of all our nation's 1.6 million home care aides or all of our 2.6 million restaurant servers and bartenders.



Wall Street bonus payouts don't just violate basic norms of fairness. The financial industry's bonus culture has encouraged the sorts of high-risk behaviors that led to the 2008 financial crisis. And these bonuses also give the American economy far less bang for the buck than would pay raises for the low-paid workers who prepare our food and take care of our vulnerable.

To meet basic needs, these low-wage workers tend to spend nearly every dollar they earn, creating beneficial economic ripple effects. The wealthy, by contrast, can afford to squirrel away more of their earnings. The Wall Street bonus season may coincide with an uptick in luxury goods sales, but a minimum wage hike would give America's economy a much greater boost.

Wall Street Bonus Reform Long Overdue

Financial regulators have delayed implementation of a Wall Street bonus reform law that has been on the books for nearly six years. Section 956 of the 2010 Dodd-Frank financial reform legislation prohibits financial industry pay packages that encourage “inappropriate risks.” Regulators were supposed to implement this new rule within nine months of the law’s passage.

In 2011, regulators issued a [proposed rule](#) that [ignored key lessons](#) from the last half-dozen years of financial scandals. Their proposal would only apply pay restrictions to top executives, leaving off the hook traders and other employees whose activities could put the financial system at risk.

The only specific pay restriction proposed relates to the timing of bonuses. Bankers would have to wait three years to collect half of their annual bonuses, which doesn’t amount to much of a disincentive to short-term recklessness. The [European Union now limits](#) bonuses for key bank staff to no more than 100 percent of their base salaries, or up to 200 percent with shareholders’ approval.

Regulators are expected to issue a revised proposal for this important section of Dodd-Frank in the coming months. The [Americans for Financial Reform](#) coalition has offered a detailed set of recommendations for strengthening the earlier proposal. In the meantime, the Wall Street bonus culture that contributed to the 2008 financial crisis continues to flourish.

Sources and Methodology

Wall Street bonus pool: [New York State Comptroller report](#) issued March 7, 2015, based on New York-based securities industry employees. The 2015 bonus figures reflect cash payments and deferred compensation for which taxes have been withheld. The estimate does not include stock options or other forms of deferred compensation for which taxes have not been withheld. Financial firms typically calculate year-end bonuses after they have reported their fourth-quarter financial results.

Full-time minimum wage workers: U.S. Department of Labor, Bureau of Labor Statistics, "[Characteristics of Minimum Wage Workers, 2014](#)." Since the BLS defines "full-time" as 35 hours or more hours per week ([See footnote #2 to Table 1](#)), we used this figure from Table 9. Wage and salary workers paid hourly rates with earnings at or below the prevailing federal minimum wage, by usual hours worked per week on primary job, 2013 annual averages.

Combined annual earnings of all full-time minimum wage workers: Calculated by the author based on \$7.25 per hour for 37 hours per week for 52 weeks. (37 is the median between 35 and 40 hours) This calculation may overstate earnings, since many workers earn less than this, including restaurant servers and others who rely on tips and certain students, young workers, and farmworkers.

Cost of lifting low-wage workers up to \$15 per hour: Calculated by the author based on U.S. Department of Labor, Bureau of Labor Statistics data. Hourly mean wages and number of workers are most recent from the BLS Occupational Employment Statistics. Figures for average hours worked per week for all food services workers are from BLS data for Production and Nonsupervisory Employees--Food Services and Drinking Places (NAICS 722). For home health workers, the average hours worked per week is from the [National Home Health Aide Survey](#) conducted by the Centers for Disease Control.

Occupation	Average hourly wage	Average hours worked per week	Number of workers
Waiters and waitresses (OES 35-3031)	10.29	25	2,134,350
Bartenders (OES 35-3011)	10.84	25	443,730
Home Health Aides (OES 31-1011)	10.77	31	799,080
Personal Care Aides (OES 39-9021)	9.83	31	802,160
Food preparation and service workers-limited-service eating places (OES 35-3021)	8.91	25	2,636,640

Using this data, we calculated the difference between each occupation group's current annual earnings and what they would make if each worker in that group earned \$15 per hour. Robert Pollin and Jeannette Wicks-Lim of the University of Massachusetts-Amherst have done a more detailed analysis of the cost of raising the minimum wage for fast food workers to \$15 per hour, accounting for the upward pressure on wages for those currently earning more than the federal minimum. See: [A \\$15 U.S. Minimum Wage: How the Fast-Food Industry Could Adjust Without Shedding Jobs](#).