

Traders Beat Surgeons on Pay as Gap Survives Crisis

By Danielle Kucera and Christine Harper

Jan. 13, 2011 (Bloomberg excerpt) -- Wall Street traders discouraged by declining bonuses this month can take solace: They still earn much more than brain surgeons and top U.S. generals.

An oil trader with 10 years in the business is likely to earn at least \$1 million this year, while a neurosurgeon with similar time on the job makes less than \$600,000, recruiters estimated. After a decade of deal-making, merger bankers take home about \$2 million, more than 10 times what a similarly seasoned cancer researcher gets (see table below).

The pay gap between finance and other professions widened between the 1980s and 2006, exceeding the record set before the Great Depression, according to a 2009 study by Thomas Philippon, a professor at New York University's Stern School of Business.

After the 2008 financial crisis, Wall Street started paying a larger portion of bonuses in stock and restricted cash. Yet there's little sign the gap with Main Street is narrowing.

"I don't think it's healthy for the economy to be this skewed," said Stephen Rose, a 63-year-old professor at Georgetown University's Center on Education and the Workforce. "I believe there's some sort of connection between value added to the economy and pay. Everyone is losing sight of any

Wall Street careers are different from some other professions because they can be short-lived and pay can vary widely depending on an individual's performance in any given year, said [George Stein](#), managing director at New York-based recruitment firm [Commodity Talent LLC](#).

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Tomorrow, JPMorgan Chase & Co. will lead the largest U.S. banks in reporting full-year earnings, disclosing costs to reward employees. In the first nine months of 2010, the New York-based bank allocated

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\$21.55 billion for compensation and benefits, down 1 percent from the same period a year earlier even though the number of employees rose 7 percent.

Traders Getting Less

While pay levels across the financial industry as a whole may show little change this year, recruiters have estimated that 2010 bonuses for fixed-income and equity traders could drop between 20 percent and 30 percent compared with the previous year. Johnson Associates Inc., a compensation consultant, estimated in November that the biggest bonus increases – as much as 15 percent -- will go to fund managers and people who advise wealthy clients.

In the first three quarters of 2010, eight of Wall Street's largest banks set aside about \$130 billion for compensation and benefits, enough to pay each worker more than \$121,000 for nine months of work. That's up from the same period four years earlier -- before the crisis -- when the lenders set aside a total of \$113 billion, or enough to pay an average \$114,400 to each worker.

'More Stress'

Calculated in dollars, average pay per employee has risen at Bank of America Corp., Citigroup Inc., Credit Suisse Group AG and UBS AG and declined at Deutsche Bank AG, Goldman Sachs Group Inc., JPMorgan and Morgan Stanley since the same period in 2006.

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A four-star general with more than 34 years in the military makes almost \$185,000 a year, according to the Department of Defense's accounting office. That's less than half the \$498,246 average compensation and benefits package that New York-based Goldman Sachs paid employees for 2009. Any officer, regardless of rank, receives an additional \$225 a month in "imminent danger" pay for serving in a war-zone like Iraq or Afghanistan.

Side Benefits

To be sure, government and union jobs often come with benefits that aren't available to all Wall Street employees, such as housing and guaranteed pensions, and traders' pay can be dwarfed by compensation for top athletes or entertainers.

A cancer researcher with a Ph.D. in biology and 10 years of industry experience typically makes \$110,000 to \$160,000 a year, said Rick Hennessey, owner and president of Norwood, Massachusetts-based Commonwealth Sciences Inc., who said he has spent 22 years recruiting candidates for jobs in the life sciences.

Management Track

Because pay levels can rise to \$275,000 if scientists choose to take management jobs or specialize in understanding U.S. Food and Drug Administration regulations, Hennessey said he often tries to discourage candidates from getting their Ph.D.

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“The Ph.D.s are the ones that are going to be doing some of the most involved research, but it’s a Catch-22,” he said. “I direct them into other areas such as getting an MBA in conjunction with their bachelor’s degree and use that so they can get on the management track.”

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“If you have a bad year as a trader, you may get no bonus, and that’s happened to many in recent history,” Stein said. “That’s a risk that traders are willing to take that many in other professions would find unpalatable.”

Bonus Tally

Even for 2008, the year the financial industry received unprecedented support from taxpayers, many Wall Street professionals got bonuses exceeding \$1 million, according to data compiled by then-New York Attorney General Andrew Cuomo. At nine U.S. banks, 4,793 employees got such payouts, 311 were granted \$5 million or more and 47 people got bonuses of \$10 million or more.

At Citigroup, the U.S. lender that received the biggest government bailout, 738 employees of the New York-based company got at least \$1 million, according to a report by Cuomo, who is now the state’s governor. At Merrill Lynch, which

sold itself at the height of the crisis to Charlotte, North Carolina-based Bank of America, 696 workers collected such amounts.

Last year’s compensation figures from the biggest firms may belie the changes in pay practices that have swept through the industry since the crisis, said John Taft, chairman of the Securities Industry and Financial Markets Association, a lobbying group for banks and brokerages.

The following is a table comparing the annual pay of some Wall Street professionals with compensation for people in other industries or the military, as estimated by recruiters or reported by the government.

Job	Est Pay	Source
M&A banker with 10 Yrs	\$2 Mln	Jeanne Branthover,
Bank oil trader with 10 yrs	\$1 Mln	George Stein, Commodity Talent LLC
Corp bond trdr	\$1 Mln	Jeanne Branthover
Neurosurgeon with 8-17 yrs	\$571,000	Rob D’Angelo,
Law firm partner with 10 yrs	\$600,000	Jeffrey Lowe,
Four-star general with > 34 yrs	\$185,000	Tom LaRock
Cancer researcher	\$110,000	- Rick

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with 10 yrs \$160,000 Hennessey

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