The Street, the City and the State: The Securities Industry’s Importance to New York City and State

By: Paul Rainy and Kyle Brandon
THE STREET, THE CITY AND THE STATE
The Securities Industry’s Importance to New York City and State

Introduction

The importance of the securities industry to New York City (NYC) and New York State (NYS) is long-standing and well-recognized. Despite becoming more dispersed and increasingly globalized, the industry remains heavily concentrated in Manhattan, and New York remains the financial capital of the U.S., if not the world. The industry has a profound impact on and makes a disproportionate contribution to personal income, tax revenues and the growth of the overall economy of NYS and, to an even greater extent, NYC. Their financial prospects are intertwined, and continuing structural changes in financial markets mean that it is important to keep a finger on the pulse of this codependent relationship. Each year at this time, we examine this interrelationship. These assessments and some recent related research provide important insights into the outlook for Wall Street, the City and the State.

As of end-January 2008, the securities industry directly employed 205,900 individuals in NYS, 89.4 percent of those in NYC. For the full-year 2007, the securities industry in New York State added 5,400 jobs, a 2.7 percent rise, and New York City added 3,900 jobs, a 2.1 percent increase.¹

In past bull and bear market cycles, securities firms were criticized for “overhiring” in the upswing of the cycle and “overfiring” in the downturn. This criticism was levied in the run up to the market “crash” of 1987, and again in its aftermath, when the sharp fall in the stock market proved to be severe but short-lived.

Partially in response, during the long bull market which came dramatically to an end in early 2000, as well as during the three-year bear market that followed, securities firms were more circumspect about first adding, and then later laying off, employees. Industry profits (net income before taxes) contracted 50 percent and variable compensation was cut by 14 percent in 2001 before the bulk of the successive waves of industry layoffs began. As the downturn continued and deepened in 2002, variable compensation was slashed a further 34 percent. Similarly, only after the market recovery was well established and nearly a year old, and after increasing bonuses an estimated 27 percent in response to a doubling of industry profits in 2003, did firms resume hiring at the end of that year.

After more than two years of a nationwide slump in securities industry employment, 2004 experienced a 3.2 percent rise and was followed by more gains in 2005, 2006 and 2007. The securities industry added 37,100 jobs in 2006 and 21,100 jobs in 2007, which amounts to a gain of 4.7 percent and 2.5 percent respectively. Securities industry employment in NYC and NYS fell more sharply in the last downturn, but has grown more rapidly in the past three years. Turmoil in the U.S. subprime mortgage and credit markets has affected many financial firms and has recently led to layoffs in the second half of 2007. Announcements of layoffs continued in early 2008, pointing towards weaker securities industry employment in NYS and NYC in the near future.

Source: BLS (Year-end data)

*January Preliminary

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2 As measured by NYSE-member firms, net income before taxes fell from $21.0 billion in 2000 to $6.9 billion in 2001, while estimated variable compensation was reduced from $22.2 billion to $19.0 billion.


The housing and mortgage crisis, combined with a weaker economic environment and a softer credit market, pushed securities industry third quarter 2007 results to record quarterly losses.\(^5\) The U.S. securities industry reported a decline in pre-tax profits from a gain of $8.6 billion in 2Q’07 to a loss of $922 million in the third quarter.\(^6\) Third-quarter results were weak no matter the metrics used, with gross revenues, net revenues and net income significantly lower than the preceding quarter. The lack of liquidity, mainly in the structured products and mortgage-backed securities markets, but also in other credit sectors, contributed to trading revenue losses and significant decreases in investment account gains and underwriting revenues.

Pre-tax measures of profitability all fell in the third quarter, with average pre-tax profit margins dropping to 4.3 percent in the first nine months of 2007, well below the 7.6 percent in the same 2006 period. Through the third quarter of the year pre-tax return on equity (ROE) decreased to 9.0 percent, down from the 21.2 percent in 2006, while the pre-tax return on assets (ROA) decreased to 0.2 percent from 0.6 percent in 2006.

\(^5\) As measured by SIFMA’s DataBank, which dates back to 1980.

\(^6\) The results for the US securities industry discussed herein are the aggregated results (unconsolidated revenues and expenses) for all broker-dealers doing a public business in the US as reported in the Financial and Operation Combined Uniform Single (FOCUS) Reports broker-dealers file with the US Securities and Exchange Commission (SEC) and their self-regulatory organization. Please see (www.sifma.org/research/statistics/databank.html) for NYSE data and (www.sifma.org/research/statistics/expanded_databank.html) for NASD data.
New York State: Growth Resumes in Late 2003 and Continued in 2004-2007

The downturn in securities employment in NYS came to an end in April 2003. The 28-month job recession that followed December 2000’s peak of 216,700 reduced the industry’s headcount by 19.5 percent, or 42,200 jobs, before ending in April 2003 at an employment level of 174,500. By the end of January 2008, New York State has added 31,400 industry jobs since the April 2003 low point, regaining 74.4 percent of the jobs lost during the industry’s recession. From peak to trough, this decline in statewide employment exceeded the 33,200 positions lost in the state’s last industry recession, when employment declines extended from year-end 1987 through year-end 1991. At that time, jobs fell from 172,700 to 139,500, which represented fewer actual jobs lost than in the recent recession, but roughly the same percentage (19.2 percent) of the industry workforce in NYS at that time.

In the year following the April 2003 low for NYS securities industry jobs, the state gained a mere 4,100 securities industry jobs, or 2.3 percent. In the 45 months that followed April 2004, industry employment rose by 27,300, or 15.3 percent, to reach a January 2008 employment level of 205,900. NYS securities industry employment reached a recent high of 213,000 jobs in July 2007. However, since then it has fallen for six consecutive months. Although 31,400, or 74.4 percent, of the 42,200 securities industry jobs lost in the industry downturn were recovered, the headcount was still 5.0 percent below the monthly peak of 216,700 reached in December 2000.
### New York State Monthly Securities Industry Employment

- **Years:** 1997 to 2008
- **Data Points:** 216,700 and 213,000
- **Source:** BLS

### Monthly US Securities Industry Employment

- **Years:** 2000 to 2008
- **Data Points:** 840,900 and 855,600
- **Source:** BLS
New York City: Modest Employment Gains

NYC had for some time been losing jobs not only across the Hudson River, but also to Long Island, Westchester County and other districts in the larger metropolitan area and beyond, as broad-based adoption of advances in communications and information technology enabled an increase in remote interactions. This trend accelerated in 2001. Although it would appear that the necessary dispersion of the industry in order to ensure business continuity is largely complete, other forces continue to draw jobs away from NYC. 7

New York City Monthly Securities Industry Employment

Source: BLS

New York City securities industry employment reached a year-to-date 2007 high of 191,800 jobs in August, but has since steadily declined for the last five consecutive months. As of the end of January 2008, NYC regained 25,000, or 60.5 percent, of the 41,300 jobs lost between the peak of 200,300 in December 2000 and the trough of 159,000 in April 2003. The jobs gained over the past 57 months represent a 15.7 percent increase of NYC securities industry employment. Employment in New York City’s securities industry has been trending upward, though was still 8.1 percent below its peak level as of January 2008. Layoffs due to deteriorating housing and credit markets were significant in the second half of 2007, an estimated 52,500 positions.8 If the crisis continues as generally expected, both NYS and NYC securities industry employment levels will decline in 2008. NYC will be the most affected because it accounts for the bulk of securities industry jobs in NYS.

New York’s Share of U.S. Securities Industry Jobs First Stabilizes, Then Begins to Rise

New York State’s and New York City’s shares of U.S. securities jobs were cut nearly in half, falling from 39 percent and 37 percent, respectively, in 1980, to less than 23 percent and 21 percent, respectively, at the end of 2001. However, since that low point, New York’s share of U.S. securities industry jobs has been gradually moving higher. NYS currently accounts for roughly one in every four (24.1 percent), and NYC more than one in every five (21.5 percent), securities industry positions nationwide.⁹

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⁹ Recently, the U.S. DOL has recalculated its industry employment data, which now shows greater national securities industry employment than previously reported, and therefore NYS and NYC’s percentage has been somewhat reduced ([http://www.bls.gov/ces/cesbmk07.htm](http://www.bls.gov/ces/cesbmk07.htm)).
After decades of decline, New York State’s share of the national securities industry’s workforce has been increasing since 2001. The latest available BLS figures show that in January 2008, New York State accounted for 24.1 percent of national securities industry jobs, a slight decrease from 2006 year-end (24.3 percent). However, the 33,200 new securities industry jobs created in the state since the 1987 stock market crash is equivalent to only 9.1 percent of the 366,100 security industry jobs created in the other 49 states combined.
This reflects the fact that although New York State is still one of the world’s leading financial hubs, it faces increasing challenges from many directions. There is intense competition and incentives for leaseholds and jobs to relocate to lower-cost, lower-tax areas, as New York remains one of the nation’s highest-cost, highest-tax areas in which to live and conduct business.

For example, New Jersey alone tripled its securities industry workforce between 1990 and 2001. Before the industry-wide recession kicked in, hurting all states, and before significant increases in New Jersey’s corporate business tax, that state offered financial, tax, and real-estate incentives to draw Wall Street firms across the Hudson River. While the emergency displacement of jobs to New Jersey following September 11, 2001 was largely reversed within months, NYC and NYS still face the risk of jobs moving “across the Hudson.” In full-year 2007, securities industry jobs in Connecticut increased by 4.2 percent, outpacing industry job growth in NYS. These positions are, for the most part, highly-paid, highly-skilled jobs in a clean, pollution-free industry. New York officials would do well to encourage this type of job formation, or at least retention, and in many instances have made great efforts to do so.
The Relative Size of the New York Securities Industry

The share of the total New York workforce accounted for by Wall Street has remained remarkably stable over the long term. In NYS, the securities industry accounts for approximately 2.4 percent of total employment.

The securities industry’s size relative to other key local industries, which are often more popularly identified within the government and in the media, is one area that really underscores the industry’s importance to New York. Statewide, the securities industry provides:

— Four and a half times more jobs than the movie/sound recording industry;
— More than double the number of positions in the accounting/tax/bookkeeping/payroll professions;
— 58% more positions than legal services;
— 63% more jobs than federal government jobs;
— 39% more jobs than the insurance industry;
— 98% more jobs than all banks, thrifts, credit union and credit issuers combined; and
— 23% more jobs than durable goods merchant wholesalers.

NYS Sectoral Employment in 2007 and 1997
(1997 figures in parentheses)

- Leisure & Hospitality: 8.0% (7.2%)
- Professional Services: 13.0% (11.9%)
- Securities: 2.4% (2.3%)
- Real Estate: 1.8% (1.7%)
- Finance Excluding Securities: 3.9% (4.5%)
- Information: 3.0% (3.4%)
- Trade, Transportation & Utilities: 17.5% (18.1%)
- Manufacturing: 6.3% (9.9%)
- Government: 17.2% (17.4%)
- Other: 4.6% (4.2%)
- Health: 14.2% (12.7%)
- Education: 4.2% (3.4%)

Source: New York State Department of Labor (NYS DOL)
As noted earlier, within NYS the securities industry is heavily concentrated in NYC, which accounts for 89.4 percent of total securities industry jobs statewide. As a result, the industry is even more vital to the local economy’s health than it is to the state as a whole. The industry directly accounts for 5.0 percent of NYC total employment.
In NYC, the securities industry accounts for:

- Nearly five times as many jobs as all the jobs the film/sound recording industry provides;
- Almost three and a half times the number of jobs provided by all types of publishing combined;
- More than three and a half times more jobs than all NYS government jobs in NYC;
- Three and a half times the number of jobs provided by banks, thrifts and credit unions;
- More than three times the number of all the jobs staffed by federal government employees citywide; and
- More than double the number of jobs provided by legal services.

![New York City Average Employment by Industry in 2007](image)

The Industry Accounts For an Increasing Percentage of New York Total Wages

Although the securities industry is not a large employer, it accounts for a disproportionate share of wages paid in NYS and NYC. Securities industry employment accounted for only 5.1 percent of jobs in NYC in 2007, as we saw above, but accounted for over 20 percent of total wages earned, more than four fold what its proportional representation would suggest. In 2006, securities industry wages accounted for nearly 23 percent of the City’s wages.\(^{10}\)

In NYS as a whole, the securities industry in 2007 provided only 2.4 percent of the jobs, relatively unchanged from a decade earlier. In 2006, wages paid to those employees accounted for 13.6 percent of total wages. Similarly, securities industry wages accounted for 10.1 percent of total Adjusted Gross Income (AGI) in 2006 in NYS, up from 7.6 percent just a decade ago.

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In other words, while Wall Street accounts for roughly the same share of total state and city jobs that it did ten years ago, its employees account for a substantially larger share of total wages. And, as we will see later, the share of total taxes paid by Wall Street’s workers is higher still.

Several things account for this. First, average compensation of securities industry employees is more than five times higher than that of the average worker in all other jobs in NYC and NYS. The bulk of the industry’s highest paid positions (investment bankers, traders, etc.) are in NYC, as are many of the highest compensated CEOs and senior staff of almost every major securities firm. Wall Street workers typically occupy the highest tax bracket, which further amplifies their importance to the fiscal health of state and local governments.

Second, a disproportionate share of total compensation paid to securities industry employees is in the form of variable (largely, but not solely, annual bonus) compensation, as opposed to fixed (wages and salaries) compensation. In fact, the average bonus paid by Wall Street firms to their employees (mostly during the period from December to March) exceeds the total compensation earned by the average worker in NYC and NYS, even when bonuses are slashed, as they were in 2002-2003 at the depth of the industry’s downturn.

Third, bonuses are highly variable and procyclical. Put another way, bonus compensation in this industry is more prevalent and more volatile than in nearly all other sectors of the economy. Total compensation is the single largest expense item confronting securities firms, accounting for roughly half of total non-interest expense, and variable compensation generally accounts for one-quarter to one-third of total compensation. Although there is a good deal of discretion available to management, variable compensation is principally driven by each firm’s revenues and profits, which in turn reflect the wide swings in activity in primary and secondary financial markets and the rise and fall of financial asset values in general, and in the stock market specifically.
Most of the volatility in bonus compensation can be traced to the relatively few high margin businesses still remaining in the securities industry, such as investment banking, other corporate financial advisory services (in particular, mergers and acquisitions currently) and proprietary trading. Although the industry provides a broad and varied range of financial products and services, most of these business lines have been commoditized in the face of intense competition that has shaved profit margins razor thin.

The mature service and product lines that have largely been commoditized contribute less to the overall volatility of industry compensation, but are more likely to be relocated out of New York to lower-cost, lower-tax areas. Meanwhile, Wall Street continues to develop new, innovative and relatively higher-margin financial products to take their place. In the past, most of that innovation occurred in New York. However, with derivatives markets and non-U.S. markets growing more rapidly than U.S. “cash” markets, increasingly product innovations are emerging from other financial centers such as Chicago and London.

While the stock market and the securities industry may be good coincident, if not leading, indicators of overall economic activity, the factors which drive the bull and bear cycles on the Street and industry compensation decisions in New York are distinct from and more volatile than those that drive other industries, most other regions and the rest of the securities industry in the country as a whole. Wall Street’s compensation, along with even more volatile capital gains (which also reflect financial market oscillations), account for a substantial portion, if not the majority, of the volatility in NYS and NYC tax revenues historically.

Source: NYS Division of the Budget, NYS Department of Taxation, NYS Department of Labor.
* Securities industry wages in 2007 are only for the first half of the year.
**Broader Economic Impact of Wall Street**

Almost equally important as the number of securities industry jobs is the spending by these highly compensated individuals employed by securities firms, as well as the spending by the securities firms themselves. A substantial portion of industry expenses (excluding interest payments and direct compensation) goes to local suppliers and vendors. The U.S. Commerce Department has estimated that each securities industry job in NYC generates roughly two additional city jobs. According to this estimate, approximately 17 percent of total current private sector employment in NYC is related, either directly or indirectly, to the securities industry. The Commerce Department noted that publishing, accounting, marketing, legal, computer and business services companies all supply key inputs to financial firms and that fluctuations in Wall Street paychecks tend to influence the fortunes of the city’s retail, restaurant and entertainment industries.

The industry also accounts for a disproportionate and expanding share of the local and state economies. Historically, the securities industry has been the engine of growth driving the NYC and NYS economies, and it remains so in the current recovery. Over the past 15 years, growth in the securities industry has outpaced activity elsewhere in NYS, as it achieved an average real rate of growth of more than 11 percent, compared to real growth in the rest of the economy of less than 3 percent. During this period, the securities industry was responsible for roughly one-quarter of economic growth in NYS, and the industry’s share of the total Gross State Product (GSP) of NYS rose from 4.3 percent to an estimated 7 percent, and an even larger share of activity in NYC.11 We estimate that currently the securities industry accounts for fully one-quarter of the value of all economic activity in NYC, and more than half the growth of the local economy over the past 15 years.

**The Securities Industry’s Importance to NYS and NYC Budgets**

City and State budget planners are also acutely aware of the importance of the securities industry. Taxes paid by securities industry employees account for a disproportionate share of total tax receipts, and this share has been rising in recent years as securities industry wages have grown in importance and as the real effective rate of taxation on personal income, particularly rates on the highest income brackets, increased to levels above their historical averages. “Wall Street profits and bonuses are critical to NYC’s economic well-being because of the tax revenue the City collects from that income and job growth Wall Street stimulates within the metropolitan area. When Wall Street does well the city benefits.”12 In short, for NYC the securities industry is the tax coffer’s lynchpin, well beyond what would be suggested solely by the number of its employees.

Over the past five years, the stock market, the securities industry and New York’s economic and fiscal health have begun recovering from a profound downturn. Just four years ago, NYC faced, “at least on paper, a $6.4 billion gap in its FY 2004,” but the city ended that fiscal year with a surplus of $1.4 billion, realized in large part from a surge in tax revenues, principally from Wall Street.13 In so doing, NYC “overcame its most serious fiscal challenge since the 1970s, a challenge that was precipitated by the recession, stock market decline, and the terrorist attack on the World Trade Center,” according to then-State Comptroller Alan G. Hevesi. He went on to add that “more than half of the FY 2004 surplus comes from unanticipated tax

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revenues from increased Wall Street activity and real estate-related transactions.\textsuperscript{14} This revenue surge carried into FY 2006 and FY 2007, however turmoil in the US subprime mortgage and credits markets will likely lower NYS and NYC anticipated tax revenue for the current fiscal year.

Similarly, NYS faced a $10 billion deficit when its 2004 fiscal year began, but closed that gap with tax increases and spending cuts, as well as with a broader range of measures not available to the City, such as asset sales, reserve drawdowns and debt refinancing. While the improvement in Wall Street’s results was not as critical to the State’s efforts to close its cyclical shortfall as it was to the City’s, due to its more diverse economic base and the broader range of fiscal policy instruments at its disposal, better-than-expected bonuses paid by securities firms in the past three years made a significant and welcomed contribution to the coffers of both NYC and NYS.

![New York State Reserve Funds](chart.png)

Source: NYS Division of the Budget. Dates are for the fiscal year ending March 31.

At its peak in FY 2001, the securities industry contributed $2.3 billion to NYC tax revenues, equal to 16 percent of non-property tax revenues.\textsuperscript{15} Taxes paid by securities industry employees accounted for the bulk of these revenues. During 2002, securities industry employees paid $3.02 billion to NYS and an additional $723 million to NYC in withholding taxes alone. Although they represented only 2.1 percent of the NYS workforce, withholding tax payments by securities industry employees represented 14.9 percent of all such collections that year by the State.

During 2003, industry compensation in NYS fell 5.3 percent, as base or fixed compensation dropped, reflecting layoffs in late 2002 and early 2003, while variable compensation, largely annual bonuses, was held in check. However, NYC collected an estimated $182.5 million in tax revenue from the 2003 bonuses, compared with the $125.4 million collected in 2002. NYS collected an estimated $805.2 million, which was up sharply from the $588.8 million a year earlier. Although the amount of taxes NYC and NYS took in from Wall Street bonuses in 2003


were significantly higher than the previous year, they remained well below the 2000 peak when NYC brought in $284 million and NYS collected $1.3 billion. A similar pattern emerged in total personal income tax payments. In 2003, total withholding taxes paid by securities industry employees to NYC reached $732 million, up only 1.3 percent from a year earlier, while NYS collected $3.06 billion, a 1.5 percent increase from 2002.

In 2004, personal income taxes withheld by NYS from securities industry employees reached $3.82 billion, up 24.8 percent from 2003, and outpacing growth in all other sources of tax revenue, with the exception of revenue derived from the booming real estate sector. This reflects an increase in fixed compensation that was twice that of the growth in wages in the rest of the economy and a 27 percent increase in variable compensation. This further increased the share that Wall Street contributes to NYS budget revenues. Securities industry employees accounted for 16.2 percent of total personal income tax withholdings in NYS in 2004.

Personal income tax receipts (PIT) in NYC rose sharply in FY 2004, following two years in which tax collections declined by a total of 22.4 percent. As NYC’s Independent Budget Office put it, “The retroactive, three-year tax increase … added an estimated $784 million to 2004 PIT collections, though the resumption of local economic growth in general and a doubling of profits in the securities industry are also adding to current revenue growth. The prolonged economic expansion and a soaring stock market that continually surpassed expectations… fueled PIT revenue by boosting both the capital gains realizations of city residents and the profits of securities firms which in turn increased their year-end bonus compensation to employees.”

In fiscal year 2005, personal income taxes withheld by NYS from securities industry employees rose to $4.28 billion, up 11.9 percent from the previous year. This reflects an increase in fixed compensation that was roughly twice the pace of growth in wages in the rest of the economy and continued increases in variable compensation. As a result, the share of total NYS PIT collections accounted for by securities industry employees continues to rise, reaching 17 percent in the fiscal year ending March 2006 and is estimated to be over 20 percent in 2007.

Although signs of weakness in the credit and housing markets emerged in the second half of 2007, NYS has not been adversely affected yet. Despite Wall Street bonuses declining 4.7 percent in 2007 from the prior year, it was enough to create approximately $2.3 billion in personal income tax revenue for NYS and $630 million for NYC, which was only slightly less than the amount collected in 2006. NYS adjusted gross income and wages rose 8.0 percent and 7.6 percent, respectively, in 2007 over 2006.

New York remains heavily dependent on Wall Street for revenues, and while it is welcome news that NYC and NYS have closed the last three fiscal years with better than expected results, thanks in no small part to Wall Street’s recovery, both still face significant budget gaps in the coming years while Wall Street is itself facing an extremely challenging environment.

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New York State – Still Imposing One of the Heaviest Tax Burdens

From 1970 to 2007, NYS has always ranked among the top three states in the U.S. with the highest total tax burden. According to a recent survey of chief executive officers, of the best states in which to do business New York placed last, highlighting the point that policymakers should be mindful of the impact of policies on the business environment. Recent reports of aggressive plans to go after out-of-state retailers in an effort to collect NYS sales tax would be an example of a policy contrary to that goal. NYC’s Independent Budget Office reported that state and local taxes take $9.02 out of every $100 in taxable income, the highest among nine of the largest U.S. cities included in analysis.

Technological advances, cost advantages and business continuity planning concerns have all contributed to greater geographic dispersion of many key functions which previously had been conducted primarily in NYC. Some of this deterioration is beyond the control of Albany or City Hall – but not all. New York’s high tax-rate standing is believed to contribute to the bulk of the industry’s new job creation occurring outside NYC over the past two decades. Research indicates that NYC is near the peak rate for sales tax, property tax and income tax given the tax rates in the surrounding metropolitan area. Further rate increases are likely to incur costs for NYC in terms of a fall in commercial occupancy rates, lost revenues and lost jobs.

New York Must Stay Alert to Remain Competitive

Beyond the cyclical nature of the securities industry, unparalleled and dramatic changes are occurring within the financial services industry. Indeed, the pace of change is accelerating, and these major structural changes affect virtually every aspect of the industry. The major drivers of these changes include: the globalization of the marketplace; changing investor demographics; the revolution in information technology; and the restructuring of the financial services industry. Over the past few years, we have witnessed an unprecedented number of mergers and acquisitions in the securities industry as well as in the banking industry, and a large number of European purchases of U.S. securities firms. In fact, the securities industry nationally, and in NYC in particular, is now dominated by both U.S. and foreign-owned financial service conglomerates, which are becoming integrated with the U.S. banking industry.

These changes have also brought a new awareness of the critical importance of operating costs and of controlling all costs in a competitive and cyclical atmosphere, including compliance costs. New York has higher rent, labor, tax and other costs of doing business than most other locations. Although that has long been the case, the cost disadvantages are far more significant in today’s environment of intense competition, borders that are being rendered meaningless by technological developments, and rapid change in the fiscal and monetary policies carried out by government.

Summing Up

Today, the main advantage of New York as a central location for the securities industry results from New York's historic role as the world’s leading financial center. New York has an unmatched mass of financial and non-financial businesses and services that both use the expertise and opportunities afforded by the securities industry and provide support for firms in the industry.

Total compensation in the securities industry remains the highest of all occupations in New York and has contributed greatly to the State and City coffers directly and indirectly, as securities firms and their employees spend these paychecks, bonuses, and profits throughout the local economy. The health of the securities industry and New York are closely tied. The securities industry – firms, exchanges, and associations like SIFMA – work closely in partnership with state and local officials, as we all recognize how much Wall Street means to Main Street.

New York must continue to recognize the relative importance of the securities industry to the State and City. Costs, including taxes, are foremost in the consideration of top management throughout the private sector, including the securities industry, when it comes to decisions concerning expansion and relocation, and competitive pressures force firms to take the best economic approach. Continuing changes in communications and information technology and the ongoing need for business continuity planning will also drive change, which will in turn lead management to seek economic value in their choice of business location.

In the late 1980s and early 1990s, the statement that “Wall Street is to New York what oil is to Texas” gained little acceptance with State and City policymakers. Today, policymakers easily accept this same statement. The securities industry keenly recognizes and appreciates this and stands ready, as always, to assist State and City policymakers in the future, be they difficult or prosperous times for both the financial sector and the local and regional economies.

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*Preliminary

Sources: US Department of Labor, Bureau of Labor Statistics; New York State Department of Labor
The Street, the City and the State
The Securities Industry's Importance to New York City and State
By: Paul Rainy and Kyle Brandon

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