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Income Soars On Wall St., Widening Gap

By PATRICK MCGEEHAN

In Manhattan's boom-or-bust financial businesses, the good times are rolling with no end in sight.

The average weekly pay for finance jobs in Manhattan was about $8,300 in the first quarter of 2006, up more than $3,000 per week in just three years, new federal data show. And with another year's bounty from Wall Street about to be paid out in annual bonuses, that number is expected to jump again.

The 280,000 workers in the finance industry collect more than half of all the wages paid in Manhattan, although they hold fewer than one of every six jobs in the borough. The pay gap between them and the 1.5 million other workers in Manhattan continues to widen, causing some economists to worry about the city's growing dependence on their extraordinary incomes.

Despite their recent success, the financial companies that have long formed the economic engine of New York City have not created many more jobs. More of the job growth in the city is occurring in lower-paying service jobs in restaurants, stores and home health care, but the pay for those jobs has been lagging, said Michael L. Dolfman, regional commissioner of the federal Bureau of Labor Statistics.

"We're not seeing jobs being created to any great degree, but we are seeing significant increases in salaries," said Mr. Dolfman, who published a study this week on how Manhattan's economy has changed since Sept. 11, 2001.

Those high salaries have been contributing to job growth, but they are not translating into many jobs in highly paid areas, he explained. Pay has been rising at a healthy rate in professional areas like law and engineering, but is showing nowhere close to the gains in the finance industry.

For all of the 1.8 million jobs in Manhattan, the average weekly salary in the first quarter of this year was slightly more than $2,500, a rise of about 35 percent from the first quarter of 2003, the federal data show. But the raises are not spread evenly across Manhattan's job market, economists said.

The average is skewed by the large number of high-paying jobs at investment banks, brokerage firms and hedge funds, they said. They also cautioned that much of the pay on Wall Street is doled out in the first quarter in the form of annual bonuses, so average weekly salaries are lower during the rest of the year.

Still, the figures illustrate how far ahead financial workers are. For example, at Merrill Lynch, the biggest brokerage firm, the expenses so far this year for employee pay and benefits are up about 25 percent, a company spokesman said.

At Goldman Sachs, the large investment bank, the increase has been even larger: The firm's compensation expenses so far this year amount to more than $500,000, on average, for each of its 25,647 employees, from young secretaries to senior executives.

The rising pay in the financial industry "is certainly good news in the short run for state tax collections and city tax collections," said James A. Parrott, chief economist at the Fiscal Policy Institute. "But it doesn't do anything about the underlying challenge of trying to make the city less dependent on Wall Street."

Reducing that dependence has been a goal of Mayor Michael R. Bloomberg's administration, but "that's difficult when you have a sector like the finance sector, which throws off so much compensation," Mr. Parrott said. He added, "If the city was really serious about diversifying the economy, it would focus more on how they could create middle-income jobs or better-paying jobs at the lower end of the job market."

Most of the workers at those levels are struggling to obtain raises that keep pace with inflation, he said.

Mr. Dolfman, whose report is included in the bureau's Monthly Labor Review, said one negative consequence of the unequal distribution of income gains is that "the

middle class is being squeezed out of the city because of the tremendous purchasing power of the people in the global sectors of the economy."

Joshua J. Sirefman, interim president of the city's Economic Development Corporation, said that city officials have had success in building up other areas of the local economy, like tourism and health care, but that some of those gains have been in other boroughs. Wall Street is "the single largest engine for the city, but it's not the only one," he said.

"Remember that this is a very cyclical industry," Mr. Sirefman said. "We need to capture their growth when it happens and not be held hostage to it when it declines."

Jason Bram, an economist at the Federal Reserve Bank of New York, agreed that there were signs of growth in other areas, but said they had been overshadowed by the gains on Wall Street.

"In terms of dollars, you have this 400-pound gorilla, and it just dominates," Mr. Bram said. "When you look at finance, it just goes off the charts."

Health services, which has been one of faster-growing job categories in the city in the past year, is "a low-paying industry compared to finance, but I think of that as a big part of the middle class of New York," Mr. Bram said.

Indeed, the health care industry looks like Wall Street in reverse: Its share of the jobs in Manhattan has been growing, but its share of wages has been shrinking.

In the first quarter of 2006, health care and social services accounted for 11.3 percent of the borough's jobs, but just 4 percent of the pay, the federal data show. The average weekly pay for health care jobs was $903 in the first quarter, an increase of $49 a week in the last two years.