

Goldman compensation: \$1 million per employee in sight

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By [Juan Lagorio](#)

NEW YORK (Reuters) - Goldman Sachs Group Inc employees, on average, are within striking distance of \$1 million of compensation and benefits this year, just months after the bank received bailout funds and other support from the government.

The figure will likely fuel criticism of the politically connected bank, especially at a time of recession and rising unemployment.

Goldman on Tuesday said money set aside for pay surged 75 percent in the second quarter. Compensation and benefit costs were \$6.65 billion, up 47 percent from the comparable quarter in 2008. Given a 16 percent reduction in staff from last year, to 29,400, the bank set aside an average \$226,156 per employee in the quarter, up from \$129,200 a year ago. If the quarterly figure is annualized, it comes to \$904,624 per employee.

"It is definitely a politically charged issue, but one of the objectives of Goldman paying back the government was that it would be free to adjust compensation," said Marshall Front, chairman of Front Barnett Associates. Front said Goldman could pay some "hefty bonuses" this year but not as big as before the financial crisis, when senior managers pocketed tens of millions of dollars.

Gustavo Dolfino, president of New York-based headhunter WhiteRock Group, estimated compensation packages could top around \$10 million or \$11 million, and will be just for a handful of traders that structured deals that made money.

"The biggest bonuses will go specifically to the foreign exchange and commodities traders, that are the people accountable for the kind of profits that Goldman is doing," Dolfino said. "People at investment banking will not make a lot of money, and people at middle market sales, and M&A will make a little bit more of money."

Goldman Sachs said the ratio of compensation and benefits to net revenue rose to 49 percent in the second quarter from 48 percent a year earlier.

The bank reported a 33 percent increase in second-quarter earnings.

Chief Financial Officer David Viniar said on a conference call with journalists that the compensation figures reflected Goldman Sachs' performance in the second quarter, adding that funds set aside for compensation could be lower in the second half if business deteriorates. The compensation figures include cash salaries, estimated year-end bonuses, equity awards and other items such as payroll taxes, severance costs and employee benefits.

After Lehman Brothers collapsed in September and investors worried that other Wall Street banks were in danger of going under, Goldman Sachs converted from an investment bank to a bank holding company. The move gave it permanent access to U.S. government funding, in exchange for stricter regulation, and was meant to restore market confidence.

Goldman received a \$10 billion government bailout to strengthen its balance sheet. It recently repaid those funds as the U.S. Treasury decided the bank was strong enough to survive without government support.

The bank also received access to a series of government programs designed to shore up the financial system, such as the ability to issue bonds backed by the government, and was a major beneficiary of the government's \$180 billion rescue of insurance giant American International Group Inc.

To its credit, Goldman sidestepped the worst of a financial crisis that caught rivals off guard and generated massive credit losses and writedowns.

(Reporting by Juan Lagorio; additional reporting by Steve Eder; Editing by Martin Howell, John Wallace and Steve Orlofsky)