Estimates of Performance Based Compensation in Minnesota

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Real Wages Per Job Grew Dramatically During the Late 1990s
Options and Bonuses Appear to Be a Significant Portion of Minnesota Wage Income

• **Source**: Current Employment and Wages (ES202) data, firms with 5 or more employees

• Average Hourly Wage = Total Wages/ Total Employment/500

• Initial Filters-- $40/hr average wage and $10/hr more than average in 3 previous quarters

• Performance Based Compensation = Av. Wage Q_t – Av. Wage (Q_{t-1}…Q_{t-3})

Performance Based Compensation Exceeded 7.8 Percent of Wages in 2001 Q1
Performance Based Compensation Grew as a Proportion of Wages in All Industries

Bonus and Options Proportion of Wages Highest in Finance and Corporate HQ
Corporate Headquarters Accounted for 28 Percent of Minnesota Bonuses and Options

OTA Study Offers Useful Comparison

• Jaquette, Knittel, and Russo, (OTA Working Paper 89) estimate the amount of non-qualified stock options in wage income.
• Sample of 10-k’s from more than 600 firms, 1997-2001
• Estimates of dollar amounts granted and spread income --actual and potential
Minnesota Options and Bonuses Grew More Slowly than US Options

Index 1997 = 100

Bonuses Appear to Exceed Options as a Percent of Wages
Implications

• Performance based compensation is a growing, volatile component of Minnesota wages.
• Bonus payments probably exceed options.
• Separating total wages into ordinary wages and performance based compensation highlights underlying assumptions on bonus and option income.