

**SIX-FIGURE CIVIL SERVANTS:  
AVERAGE COMPENSATION COST OF  
NEW YORK CITY PUBLIC EMPLOYEES**

**Citizens Budget Commission**

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## **Average Compensation Cost for Full-Time Employees Exceeds 100k**

The compensation of full-time employees of the City of New York encompasses pay and fringe benefits. An employee's pay includes base salary, overtime, shift or occupational differentials, longevity and other additional payments. For some groups of workers, notably uniformed firefighters and police officers, these additional wages add significantly to base salary. Fringe benefits are composed primarily of health insurance and pension fund contributions, as well as other items such as payroll taxes, supplemental benefit fund contributions and workers' compensation.

In fiscal year 2008, the average compensation cost per full-time employee was \$106,743. Average pay per employee topped \$69,100 and average fringe benefit costs were approximately \$37,600. More than half, approximately \$20,000, of the cost of fringe benefits was for pension contributions. The City's contributions to pension funds reflect the latest estimates of the actuarial value of benefits for current workers when they retire, as well as costs of benefits to those currently retired that were not included in previous years' contributions. Since adjustments are made annually and likely will be necessary for current employees in the future, the figure in Table 1 is the best available estimate of the annual cost of future benefits to current workers.<sup>1</sup> Not included in Table 1 is the value to workers of the health insurance they and their spouse are entitled to receive when they retire; the present value of this future benefit is substantial, but the costs are not funded by the City on an actuarial basis and are not available on a per employee basis.

## **Compensation Cost Has Grown by Almost Two-Thirds Since Fiscal Year 2000**

The City's average employee compensation cost grew by 63 percent since fiscal year 2000. At that time, combined pay and fringe benefits averaged \$65,401. Pay per employee grew 33 percent between fiscal years 2000 and 2008, an average annual rate of 3.6 percent. In comparison, inflation in the New York metropolitan region increased at an average annual rate of 3.2 percent between fiscal years 2000 and 2008.

While wage increases generally surpassed inflation, the growth in total compensation cost was propelled mainly by the costs of providing fringe benefits. Since fiscal year 2000, fringe benefit costs almost tripled: fringe benefit costs per full-time employee averaged \$13,356 in 2000 and grew to \$37,619 last fiscal year. While fringe benefits represented 20 percent of the City's cost to compensate an average full-time employee in fiscal year 2000, they rose to 35 percent of that total last year.

Between fiscal years 2000 and 2008, health insurance costs doubled and other fringe benefit costs grew 36 percent; however, the growth in the City's cost to provide pension benefits dwarfed these increases. In that period, the City's average contribution for pension benefits grew 700 percent- from \$2,530 per full-time employee to \$20,333. In fiscal year 2000, pension contributions were unusually low due to a recalculation of pension fund assets (a "restart") starting in that year; since 2000, required contributions have grown

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<sup>1</sup> For a more complete explanation of pension fund financing see Citizens Budget Commission, *The Case for Redesigning Retirement Benefits for New York's Public Employees*, April 2005.

due to the "restart," benefit enhancements, lower than projected investment returns, and other actuarial adjustments.

	<b>FY2000</b>	<b>FY2008</b>	<b>Total Change</b>	<b>Total Percent Change</b>	<b>Average Annual Change</b>
<b>Full-Time Employees</b>	<b>273,776</b>	<b>280,649</b>	<b>6,873</b>	<b>3%</b>	<b>0.3%</b>
<b>Average Pay per Employee</b>	<b>\$52,045</b>	<b>\$69,124</b>	<b>\$17,079</b>	<b>33%</b>	<b>3.6%</b>
<b>Average Fringe Benefits per Employee</b>	<b>\$13,356</b>	<b>\$37,619</b>	<b>\$24,263</b>	<b>182%</b>	<b>13.8%</b>
Health Insurance	4,030	8,030	4,000	99%	9.0%
Pension Contributions	2,530	20,333	17,803	704%	29.8%
Other Fringe Benefits	6,796	9,256	2,460	36%	3.9%
<b>Total Average Compensation Cost per Employee</b>	<b>\$65,401</b>	<b>\$106,743</b>	<b>\$41,342</b>	<b>63%</b>	<b>6.3%</b>
<b>Regional Consumer Price Index</b>	<b>179.6</b>	<b>231.3</b>	<b>51.7</b>	<b>29%</b>	<b>3.2%</b>

*Note:* Employees as of June 30th. For purposes of comparability, number of full-time employees in fiscal year 2000 includes part-time pedagogical employees reclassified as full-time employees in 2004.

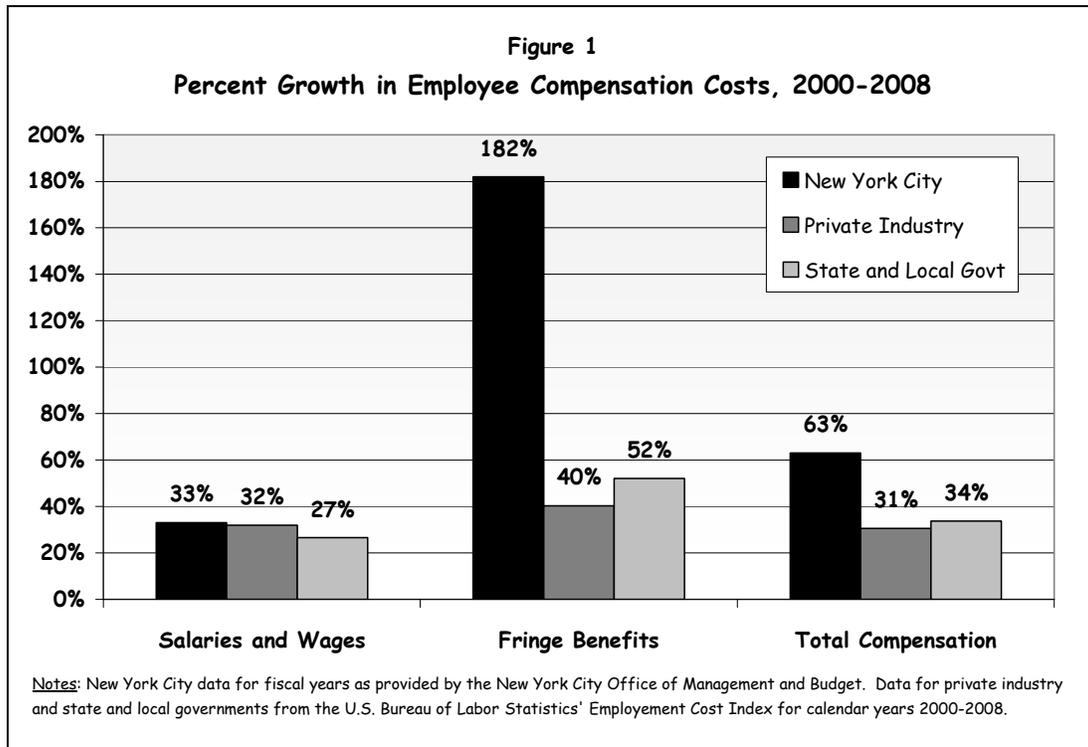
*Source:* New York City Office of Management and Budget; U.S. Bureau of Labor Statistics

## **The Growth in the City's Compensation Cost Rapidly Outpaced That of Other Employers**

The growth in compensation costs for New York City rapidly outpaced that in private industry and in state and local governments nationally from 2000 to 2008. According to the U.S. Bureau of Labor Statistics' Employment Cost Index, total compensation costs increased 31 percent for private employers nationally and 34 percent for state and local governments nationally - compared to 63 percent for New York City. The Employment Cost Index for private employers in the northeast region is available only since 2001, and these figures indicate municipal compensation outpaced private compensation in the region also (26 percent over seven years versus 63 percent over eight years).

Salaries and wages for New York's municipal workers increased 35 percent, exceeding growth in similar costs for private employers nationally (32 percent) and state and local governments nationally (27 percent). Increases in fringe benefit costs were significant for these other employers, growing 40 percent and 52 percent for private industries and state and local governments, respectively. While this growth is noteworthy, it pales in comparison to the

183 percent increase in fringe benefit costs for City of New York workers during the same time period.



### Variability in Compensation Costs Among Types of City Employees

Compensation costs vary greatly among four major types of full-time municipal workers. The highest cost group is firefighters, at \$186,464 annually, followed by police officers at \$164,045. Pedagogical employees at the Department of Education average \$98,689, and all other civilian workers average a lower \$83,174. Figures for other uniformed employees, corrections and sanitation workers, and for City University of New York pedagogues are not presented separately in Table 2, but are included in the average total costs to the City.

The variability is due to both differences in pay and differences in fringe benefit packages. For most firefighters and police officers, their base pay is supplemented by substantial overtime and other supplementary payments. This brings their average pay to \$96,174 and \$92,585, respectively - levels nearly 50 percent greater than the figures for pedagogues (\$64,552) and other civilians (\$60,461).

All City employees received the same comprehensive health insurance benefits, so differences among employee groups for this part of the package reflect only differences in individual versus family coverage. The greatest source of variation in fringe benefits is in the pension plans, since not all city employees are enrolled in the same retirement plan. The most generous pension benefits are for firefighters and police officers, who are enrolled in retirement plans that allow them to retire after 20 years of service and who receive

significant pay above base salary that is pensionable. The average pension benefit cost was almost \$70,000 per firefighter and \$52,000 per police officer - compared to an average slightly under \$16,700 per teacher and \$7,400 per civilian employee.

**Table 2**  
**Average Compensation Cost for Full-Time Employees by Type**  
**City of New York, Fiscal Year 2008**

	Citywide Average	Firefighters	Police Officers	DOE Pedagogues	Civilian Workers
<b>Full-Time Employees</b>	280,649	11,585	35,405	112,852	101,096
<b>Average Pay per Employee</b>	\$69,124	\$96,174	\$92,585	\$64,552	\$60,461
<b>Average Fringe Benefits per Employee</b>	\$37,619	\$90,290	\$71,460	\$34,137	\$22,713
Health Insurance	8,030	8,735	8,304	8,200	7,536
Pension Contributions	20,333	69,884	51,829	16,673	7,392
Other Fringe Benefits	9,256	11,671	11,327	9,264	7,785
<b>Total Average Compensation Cost per Employee</b>	<b>\$106,743</b>	<b>\$186,464</b>	<b>\$164,045</b>	<b>\$98,689</b>	<b>\$83,174</b>

Note: Employees as of June 30th. Uniformed correction officers, uniformed sanitation workers and CUNY pedagogical employees are included in the citywide average, but not shown separately.

Source: New York City Office of Management and Budget

## Driving the Growth

The growth in compensation is rooted in three factors. First, pay increases are directly attributable to contract settlements with unions, mainly those under Mayor Michael Bloomberg. These contracts have been generous in both historical and comparative terms. The Mayor's early stance that wage increases should be funded by productivity gains or other concessions produced some givebacks during negotiations; however, this stance softened over time, and the latest settlements awarded civilian and uniformed unions at least 4 percent annual wage increases, well above projected inflation, with no concessions.

Second, the City offers health insurance benefits on more generous terms than those offered by the private sector and other state and local governments. The City pays the full premium cost of insurance for current employees and their families and for retirees and their spouses; most other employers require their workers to pay some share of the premium. While soaring health insurance costs are a nationwide phenomenon, the City suffers uniquely due to this exceptionally generous arrangement.

Third, the City also offers defined benefit retirement plans that lock-in the City's future payouts to retirees based on the employee's pay, years of employment and age at retirement among other factors. These plans generally are more costly than other pension plans, such as defined contribution plans, in which the employer is responsible for a yearly contribution that can be negotiated. City workers' pension benefits are protected by the New York State constitution and cannot be reduced; and, the Legislature has enriched pension benefits greatly over the past few years. Like other local governments in the State, New York City

has had to contend with increased costs stemming from the reduction in required employee contributions to ten years, the enactment of cost of living increases, and numerous pension sweeteners that provide additional benefits for certain unions and individuals. This enrichment occurred in tandem with the multi-year phase-in of investment losses suffered during the last economic downturn, resulting in skyrocketing pension costs. While the pension funds performed well in the years preceding 2008, the current economic woes will lead to additional costs.

## **Recommendations**

The Citizens Budget Commission (CBC) advocates an efficient and effective workforce that is fairly compensated. The City's employees have benefited from pay growth that has outstripped inflation, no requirement to share in the cost of rising health insurance premiums, and secure pension benefits that have been made more generous and have become extremely costly for taxpayers. While the City must meet the commitments for pension benefits of current workers, steps can be taken to limit the growth of the City's liability in the future while continuing to provide fair and adequate compensation to the City's employees.

First, the CBC urges the Mayor to return to productivity-based negotiations in future collective bargaining agreements. In addition, the Mayor should partner with the city's unions to identify concessions and workplace reforms that would provide immediate and recurring savings. A broad array of options should be on the table, including the expansion of the work week, broadbanding of titles, wage freezes, and reduction in overtime.

Second, the Mayor should aggressively pursue health insurance reforms. The current financial plan includes \$200 million in recurring gap-closing savings from health insurance restructuring to be achieved through negotiations with the Municipal Labor Committee. This initiative has been postponed from last year and no proposals have yet been made public. Larger savings should be pursued on a more urgent basis.

Third, both the Mayor and the Governor have recognized the need for reform of employee pension benefits and have proposed the creation of a new tier for the pension system; CBC urges the Legislature to approve these changes. The City estimates that modification of retirement plans for future City uniformed employees alone would produce fiscal year 2010 savings of \$25 million that would grow to \$500 million annually in 20 years; a new pension tier for other employees would yield additional significant savings.

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