

## A Vision for Boston: Questions for the 2009 Mayoral Candidates

### DAY 2: EMPLOYEE SPENDING

***As a candidate for Mayor what do you think is the best way to control the growth in employee compensation and ensure a sustainable workforce?***

City government is labor intensive. Spending for city employees and benefits represents 67% of Boston's current operating budget and continues to grow. This presented a major financial challenge to the City as it strove to balance its fiscal 2010 budget in the face of cuts in state aid. These spending trends are expected to intensify in the upcoming years, further challenging the City's financial situation and its ability to sustain current employee levels.



Over the last five years, 1,209 positions have been added to Boston's workforce. Personnel spending for salaries and benefits has increased by 31%, for an average annual increase of \$78 million. Of the 1,209 positions added, 88.1% of these positions were in the School, Police and Fire Departments. In the past year alone, the workforce grew by 1% or 165 positions.

**Seven Years of Workforce Fluctuation** - Employee levels have risen and fallen in tandem with local aid changes, with the largest departments experiencing the most activity. When local aid declined in fiscal years 2003 and 2004, city-funded positions decreased by 1,515, which represented 8.6% of the workforce. The three largest departments - School, Police, and Fire - accounted for 64.6% of total reduction. As local aid and city revenues grew, positions were restored and employee levels began to rise, and now employee reductions are again expected in fiscal 2010 due to local aid cuts.

**Compensation for Employees** - Spending for employee salaries and benefits is the City's fastest growing expense. Even in years when the workforce decreased, personnel spending continued to rise. In fiscal 2009, Boston expects to spend \$1.7 billion on personnel-related expenses, an increase of \$390 million or 31% since fiscal 2004. Of this increase, \$219.5 million or 56% was from rising salary expenses due to negotiated raises, rising overtime and added positions. Health insurance and pension costs, which grew twice as fast as salaries, represented 43% of the total increase in spending. The rate of increase for the components of personnel spending continues to outpace non-personnel and total spending.

**Collective Bargaining** - In fiscal 2010, nearly 200 layoffs were averted through the agreement of 22 unions and exempt managers to a one-year wage freeze and up to a 3% cut by department heads and non-union senior staff. The wage-freeze and the \$8.7 million in savings it produced for fiscal 2010, are not anticipated to be repeated in fiscal 2011.

Most of the City's collective bargaining contracts will expire on June 30, 2010. If new contracts are negotiated, they would add significant pressure to increase spending. Even without immediate negotiation of new contracts, the employees who agreed to the wage freeze will receive credit for the fiscal 2010 salary increase in June 2010, which will still produce a salary increase in fiscal 2011. Also, salary step increases total \$14.5 million this year and will increase personnel spending at a similar pace next year even without a new contract.

***With all of these factors in mind, how will you manage spending for employees, particularly health insurance and pension costs? What steps will you take to restructure and re-prioritize city services? How will you determine the optimal, sustainable level of city and school employees?***

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