Union costs: When 0 is a big number

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As appeared in Crain's New York Business, May 16, 2010

When Mayor Michael Bloomberg presented his new budget for the upcoming fiscal year earlier this month, he pointed to some big numbers he had to cut and put the blame squarely on Albany. When the mayor's budget presentation turned to his negotiations with the municipal unions, the numbers he focused on were much smaller: zeros.

The biggest cost in the city budget is that for salaries and benefits for city workers. When the mayor first took office, during fiscal 2002, total spending for municipal workers was $22.8 billion, or just over 55% of the city's $41.2 billion in expenditures. For the upcoming year, the mayor projects spending $36.3 billion on city workers, nearly 58% of a $62.9 billion budget.

The mayor's plan has reduced to zero the amount of money set aside for wage increases to settle contracts that have recently expired or will expire soon. Eliminating these funds will save an estimated $190 million in fiscal 2011 that can be used for other purposes. Raises put in reserve for teachers for the previous round of contracts have been halved, saving more than $179 million in city funds for the upcoming year.

Mr. Bloomberg has stated that any wage increases for employees during the current round of collective bargaining—which effectively began this past March with the expiration of the District Council 37 contract—must be generated through productivity enhancements or givebacks agreed to by municipal labor unions.

This is not the first time that the mayor has made such a declaration. In January 2004, he released a financial plan which assumed that new labor settlements would be funded by union concessions. Three months later, the mayor struck a deal with DC 37 that was partly funded by substantial concessions, a pattern that held with other union agreements. But the next deal with DC 37, in July 2006, had little in the way of concessions—just a promise of future discussions about health and pension savings.

While DC 37 and other unions have agreed to some additional co-payments, there's been no deal on the mayor's proposal that city workers pick up 10% of the cost of their health insurance premiums, which would have saved the city $357 million in the coming year.

The Bloomberg administration's efforts to persuade Albany to create an additional pension tier for all new city employees—Tier V, which would offer less-generous retirement benefits—have also fallen short so far. Albany enacted pension reforms last year that cover new city teachers, but the mayor was counting on more comprehensive reform that would start generating annual savings of $200 million beginning next year.

In theory, Albany could enact pension reforms without union support. But real-world New York politics make this a challenge.

At various points in his tenure, the mayor has budgeted 0%, 1.25% and 4% wage increases in anticipation of labor negotiations. It remains to be seen whether his return to zeros for the round of labor talks now under way will leverage productivity increases and givebacks—particularly of pension and health benefits—from municipal unions.