

June 2020

Workforce Savings:

The Mayor's Budget Plan Includes Trimming the Number of City Workers

In recent days, the Mayor has suggested that 22,000 municipal workers could be laid off or furloughed if sufficient federal aid is not received, although he provided no detail as to which agencies or functions would be affected. Meanwhile, his Executive Budget already includes plans for a more modest reduction in headcount using a partial hiring freeze and vacancy reductions. The 2021 Executive Budget includes the largest Citywide Savings Program of the de Blasio Administration's tenure, a combined total of \$2.7 billion in 2020 and 2021 (all years refer to fiscal years unless otherwise noted).

While the plan does not include layoffs, it would reduce citywide headcount, particularly in job titles that are not health- and safety-related. The headcount reductions in the plan are the result of an extension of the current hiring freeze and a reduction in agency vacancies, which means agencies will no longer be able to fill some of their current and future openings. These are familiar tools for the de Blasio Administration; a partial hiring freeze was first introduced in April 2017 and vacancy reductions have been a mainstay of the Citywide Savings Plan.

The April 2020 Financial Plan includes a citywide vacancy reduction of 717 full-time positions in 2020. However, the de Blasio Administration does not expect all of the reduction in headcount to be sustained through subsequent years of the financial plan period—the vacancy reduction is projected to decrease planned headcount by 630 in 2021 and 467 in 2022 and beyond. The savings program includes vacancy reductions in 30 city agencies with savings totaling approximately \$45.5 million in 2021, which includes savings of \$9.8 million in fringe benefits.

While the savings program does not specify which agency vacancies will be eliminated, it does give some guidance on

the general budget areas within agencies where reductions are expected to occur. In 2021, the plan includes savings of \$22 million (47.9 percent of the total vacancy reduction savings) from the elimination of 434 vacancies in specific operational functions, savings of \$3.1 million (6.8 percent) from the elimination of 51 vacancies in administrative functions, and savings of \$10.2 million (22.3 percent) from the elimination of 138 positions in general personal services budgets, primarily in smaller agencies. The remaining savings result from avoiding the cost of fringe benefits for positions that are not filled.

Although reducing the number of vacancies an agency can fill eventually restricts that agency's flexibility in hiring, in the near term the current vacancy reduction policy provides agencies considerable discretion. The Citywide Savings Program does not identify which unfilled positions are to be eliminated or prevent affected agencies from hiring to fill vacancies, but rather reduces an agency's overall staffing authority, thereby reducing the agency's headcount. Agencies are given discretion in determining how to continue providing mandated services.

To some extent, the hiring freeze in the April 2020 plan is an extension of a policy first implemented by the Mayor in February 2017 and expanded a number of times since then. Last year, the April 2019 Executive Budget expanded the partial hiring freeze eliminating 1,263 positions across 36 agencies, which was expected to save the city \$91.5 million in 2020. In contrast, in the current plan the hiring freeze only affects six agencies, including the implementation of previously deferred initiatives in the fire department.

Savings from the hiring freeze in the April 2020 Citywide Savings Program are heavily concentrated in the Department of Education, which is scheduled to generate



Vacancy Reduction Savings*Dollars in thousands*

	2020		2021		2022 and beyond	
	Headcount	Savings	Headcount	Savings	Headcount	Savings
Social Services	(157)	(\$9,853)	(157)	(\$9,853)	(57)	(\$2,208)
Department of Buildings	(78)	(6,000)	(78)	(6,000)	(15)	(1,145)
Correction	(67)	0	(67)	0	(67)	(4,988)
Police Department	(132)	0	(63)	0	(63)	(3,285)
Parks & Recreation	(42)	(831)	(42)	(2,493)	(42)	(2,493)
Transportation	(34)	(416)	(34)	(1,833)	(34)	(1,833)
Probation	(27)	0	(27)	0	(27)	(1,438)
Health & Mental Hygiene	(26)	(2,389)	(26)	(2,389)	(26)	(2,389)
Law Department	(45)	(4,810)	(25)	(2,200)	(25)	(2,200)
Fringe Benefits	NA	(2,077)	NA	(9,838)	NA	(10,776)
All Other Agencies	(109)	(12,718)	(111)	(10,875)	(111)	(7,132)
TOTAL	(717)	(\$39,093)	(630)	(\$45,480)	(467)	(\$39,886)

NOTES: The reported \$0 savings for the correction, police, and probation departments reflect savings accounted for in prior financial plans. Vacancies in parks & recreation and transportation will not be fully implemented by the close of 2020 and are prorated in anticipation of implementation in 2021. Fringe benefit savings are not taken until headcount reductions actually occur.

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\$96 million in savings from its 2021 budget—\$50 million from the Absent Teacher Reserve (ATR) and another \$46 million from Support Staff and Central Administration. The ATR is a pool of pedagogical employees without a specific assignment, often owing to school closures or pending disciplinary action. By reducing the ATR budget and placing a freeze on new teacher hiring, the city heavily incentivizes schools to recruit from within the existing ATR pool. Because this initiative relies on avoiding hiring, the plan does not include a reduction in authorized headcount associated with the ATR savings. However, the education department estimates that achieving the \$50 million in ATR savings would mean that the pool would shrink by about 360 teachers. The hiring freeze for central and support staff would reduce staffing in those areas by about 400 for the duration of the financial plan period. (See [here](#) for additional information on ATR.)

In addition to reducing headcount through a vacancy reduction program and a continuation of the hiring freeze, the city is also expanding the Silver Stars program. Previously known as Redeploy when it was introduced in the April 2017 Citywide Savings Program, the Silver Stars program authorizes agencies to employ retired city employees on a part-time basis. The retirees are allowed to continue to collect their pensions while earning a part-time salary that is less than the salary agencies would otherwise be paying to fill these vacancies. The de Blasio Administration estimates that this program saves agencies approximately \$35,000 per full-time position, about half the median salary of city employees.

The financial plan includes a reduction of 149 full-time positions across 30 agencies in 2021 attributable to the Silver Stars initiative, reducing salaries, fringe benefits, and pension contributions by \$7.7 million. However, the reduction in agency budgets will be largely offset because the majority of these savings had already been baselined when the program was introduced back in April 2017, meaning that the city's bottom line will remain largely unchanged. The net impact of the additional actions taken in this financial plan is only \$7.2 million across all fiscal years—just under \$1 million of which is in 2021. When originally introduced, Silver Stars was anticipated to save \$2 million in 2019, \$5 million in 2020, and \$10 million in 2021 and beyond. Agency participation in the program has been lower than anticipated, with just \$3.4 million in cumulative savings through 2020. The city has designated the Department for the Aging (DFTA) as the coordinating agency for the initiative in an effort to provide more clarity about the requirements of the program and to increase agency compliance. DFTA's budget was increased by \$400,000 to support their efforts.

While the current financial plan includes modest savings from a partial hiring freeze in certain agencies and a vacancy elimination program, the headcount reductions in the plan are not yet of an equivalent size of reductions that occurred during the Great Recession. However, those reductions occurred over a 40-month period whereas the fiscal challenge the city presently faces is just beginning. If the fiscal situation deteriorates further the city will have only a few options to turn to, including: increasing taxes; obtaining

additional federal aid; or cutting expenses, which would almost certainly involve at least some additional headcount reductions. Mayor de Blasio has mentioned the possibility of further headcount reductions and perhaps the need to

institute furloughs, if the city's fiscal situation continues to worsen, particularly if federal aid is not forthcoming.

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