The New York City Productivity Council

Staff Report
New York State Financial Control Board

December 26, 1979
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INTRODUCTION

The New York City Loan Guarantee Act of 1978 required the City to establish a joint labor-management Productivity Council. The Council was to "consist of representatives of the City government and of City employee unions," and was meant to "develop and seek to implement methods of enhancing the productivity of the City's labor force." The legislation specified that the Financial Control Board must report annually on the operations of the Council to the United States Secretary of the Treasury and to the public.

This report comments on the activities of the Council during the past year and, in addition, briefly reviews overall City efforts to increase employee productivity. While the focus of the report is on recent developments, a review of past efforts to improve productivity is included in order to provide perspective on the City's current productivity efforts.

New York City has, in the past, taken a leading role in the development and implementation of public sector productivity programs and in the measurement and monitoring of municipal service effectiveness and efficiency. However, it is as important now as it ever has been in the past that these efforts continue unabated. As we have noted in prior reports on the Financial Plan
THE PRODUCTIVITY COUNCIL

Since its formation in early 1979, the Productivity Council has held only four formal meetings. To date, the Council has initiated no significant productivity programs. However, the proposed reorganization and refocusing of the Council discussed at the most recent (December 10, 1979) meeting suggests that in 1980 the Productivity Council may be better directed and more effective than it has been in the past.

The City created the Council by Executive Order 28, dated January 26, 1979 (attached as Appendix A). The Executive Order provided that the membership of the Council would consist of the Director of Municipal Labor Relations, as chair (a post held by Bruce McIver), the Deputy Mayors for Policy and for Financial Management (positions then held by Herman Badillo and Philip L. Toia, respectively), and three individuals appointed by the Municipal Labor Committee (which is composed of representatives of each municipal labor organization). The representatives designated by the Municipal Labor Committee were Victor Gotbaum, Executive Director of District Council 37, American Federation of State, County, and Municipal Employees; Samuel DeMilia, President of the Patrolmen's Benevolent Association; and Albert Shanker, President of the United Federation of Teachers.

The Loan Guarantee Act requires a representative of the Control Board to serve as an observer to the Productivity Council. Thomas J. Goodwin, Labor Counsel on the Control Board staff, has
been designated as observer and has attended all of the Council's meetings in that capacity.

The Council devoted a major portion of its earlier meetings to issues posed by the revised Comprehensive Employment and Training Act (CETA) legislation, which required that the City substantially reduce its reliance on CETA personnel. In addition, there was some general discussion of how productivity might be increased -- through more effective management as well as through more effective work processes -- and how productivity should be measured.

More recently, the City restructured the Council to reflect structural changes in the Mayor's office. Under Executive Order 27, issued November 15, 1979 (attached as Appendix B), membership is to consist of the Deputy Mayor for Operations, as chair (Nathan Leventhal), the Director of Municipal Labor Relations (Mr. McIver), the City Personnel Director (S. Michael Nadel) and three persons designated by the Municipal Labor Committee. The Committee has not yet formally designated its representatives on the restructured Council.

At a meeting held on December 10, 1979, five conceptual areas were designated for study by the Council in the immediate future:

1. Increased civilianization in the uniformed force agencies;
2. Examination of the proper size of work crews;

3. Development of revenue enhancement measures (such as actions to increase the efficiency of the Health and Hospitals Corporation collection procedures;

4. Analysis of various programs and procedures in the Human Resources Administration; and


In recognition of the breadth of this agenda, the City agreed that it would immediately seek to develop specific target areas for studying within each of these topics. The proposals will be discussed at the Council's January 3, 1980 meeting so that the Council can select specific programs for development. Agency level labor-management working groups are to be created to develop specific initiatives in each of the targeted areas. Because of the wide scope of the agenda, it was determined that creation of working groups for non-targeted areas would not be desirable.

The Executive Director of the Control Board has previously called the City's attention to the ineffectiveness of the Council during 1979. A copy of that correspondence, including the City's response, is attached as Appendix C. Although the Council has
done little in the past year, the recent efforts to reorganize and refocus its activities may result in progress during the coming year.

THE ISSUE OF PRODUCTIVITY

There is no general consensus on the definition of productivity. However, in broad terms productivity can be considered as the relationship between defined units of 'output' (physical product or service performed) per level of 'input' (employees, raw materials or equipment). Thus, increases in productivity can be realized either by raising the level of output for a given level of input (more or better services performed per worker) or by decreasing the level of input for a given level of output (reducing the number of workers while maintaining the same quality and quantity of services).

The importance of productivity has long been recognized in the private sector. The effective application of technological innovation and increased reliance on capital rather than labor have greatly increased industrial productivity. Furthermore, in the private sector, inputs and outputs that can be easily quantified facilitate the measurement and subsequent improvement of productivity levels.

In the public sector, both inputs and outputs are difficult to define and, sometimes, not measurable. Definition of inputs for police services, for example, may involve controversy over the skills and training needed by the labor force or over the
appropriate level of sophistication and proper use of capital equipment such as radio equipment, computer services, or patrol cars.*

The definition and measurement of output also present problems. The 'output' of a municipal agency is a service that may vary in terms of quality, quantity, and focus. What level of quality is acceptable or desirable for such services as street cleanliness, family counseling or fire prevention? What is the proper quantity of library services or police protection, and how should it be measured? Furthermore, even after output has been defined and can be measured, the level of output per worker must be determined in such a way that the productivity program does not negatively affect the delivery of related services.**

In New York City, efforts to measure productivity are further hampered by factors such as the wide scope of the City's services, the diversity and size of service populations, frequent changes in managers and management structure, and severe budgetary restrictions.

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* Differences of opinion exist over whether radio dispatching can be effectively handled by civilians rather than by uniformed officers; whether computerized programs should be used to devise police deployment strategies; or whether patrol cars should be manned by one or more police officers.

** For instance, the output of a clerical worker may be measured by the number of pages typed which meet the appropriate quality standards. However, if the clerical worker must also perform other tasks, measuring only the number of pages typed would not reflect whether an increase in the number of pages typed was accompanied by a decrease in the quantity or quality of the worker's other tasks.
A PERSPECTIVE ON PRODUCTIVITY
IMPROVEMENT EFFORTS IN NEW YORK CITY*

New York has traditionally been a leader in attempting to measure and improve municipal productivity. As a result, many precedents for current municipal productivity and work measurement programs are found in recent City history.

The 'Productivity Program,' first announced in August 1972, was an early and ambitious attempt to extend and institutionalize the results of managerial and organizational changes initiated during the first six years of the Lindsay Administration. These changes included the application of systems analysis techniques to service delivery problems, improvements of managerial skills, and consolidation of agencies and functions. The program also represented an attempt to develop a public constituency supportive of managerial reforms.

The program established a number of management-initiated productivity plans and innovations. Outside agencies, such as the New York City Rand Institute**, played a major role in developing the specific proposals. The measurement, targeting and public presentation of specific performance levels began with

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**The New York City Rand Institute was created by the City and was a joint operation. It developed, analyzed and helped develop productivity programs, with continuous support from the Budget.
the Productivity Program which published quarterly reports that were a prototype for the currently published Mayor's Management Reports.*

In 1974, with the cooperation of the City University of New York, the Urban Academy was created to develop and initiate management reforms and training programs and to assist the City in analyzing and developing proposals for managerial reform.

The Mayor's Management Advisory Board, formed in 1975, developed other productivity programs. The Office of Operations, formed in 1977, continues to implement the Advisory Board's programs and also has developed its own programs. The Mayor's Management Report summarizes the various managerial programs and goals, and presents performance-related statistics. The report was first issued in February 1977 and has since been issued semi-annually.**

Productivity has, at various times, also been the focus of municipal collective bargaining as well as formal collaborations by representatives of labor and management. In 1974, a Productivity Council was established as part of a Citywide effort to aid in the development and implementation of productivity programs by agency-level, labor-management committees. The Council included representatives from the three largest employee unions and the City's Budget Director, Personnel Director, and Deputy Mayor, who

* The Mayor's Management Reports are discussed in more detail on pages 11-13.
** The City Charter mandates that the reports now be published three times a year.
the period without regard to the availability of measurable productivity savings during the two years covered by the earlier agreements.

RECENT PRODUCTIVITY IMPROVEMENT EFFORTS

The Mayor's Management Report* is the primary public document available for assessment of agency performance. There are indications of several agency-level gains in performance, although the Management Report data used are not always consistent,** and not all agency performance levels have improved. A few examples are outlined below.

In the Police Department, the rate of attrition from fiscal years 1977-1979 was 5.6% overall; 4.6% for uniformed services and 10.5% for civilian services. The level of several activities, measured per employee, increased. The rate of arrests per (thousand) crime complaints rose by 17.1% and the number of arrests per police officer rose by 37.9%. During fiscal 1979, the percentage of cases resulting in arrests rose for three of the four crime categories listed. However, the relationship of these measures to police performance is unclear, since these

* First issued in 1977, the Management Report was derived from reports on performance initially issued during Mayor Lindsay's tenure.

** The Office of Operations continually revised the Management Report to make the data presented more performance-related and useful. Additionally, the Office is evaluating the reliability of the statistics and the methods of measuring them. Statistics are presented for the "covered organizations" along with the mayoral agencies. However, the "covered organizations" are not under direct mayoral (and thus Office of Operations) control.
statistics do not necessarily indicate whether the 'quality' of the arrests has remained constant. Other possible indicators of productivity -- the level of absenteeism and the amount of paid overtime -- fell during fiscal 1979, as did the percentage of patrol cars out of service.

The Department of Housing Preservation and Development (HPD) is responsible for administering the City's various housing programs, such as the rehabilitation of existing housing, promotion of new construction and community development, and management of City-owned properties. While the size of the workforce grew by 18% between fiscal years 1977 and 1979, the improvement in several performance indicators was fairly significant. During fiscal 1979, the processing rate per employee for the HPD-administered programs of new construction, substandard rehabilitation construction, and unsafe building demolitions, rose by 24.6%, 90.3% and 88.7%, respectively. The processing rate for the seal-up of unsafe buildings increased over six times during that year, from .10 per employee to .67. The backlog in applications for rent changes in rent-controlled properties fell from 3.4 to 2.7 months for rent-increase applications and from 1.9 to 1.6 months for rent-decrease applications. Finally, the level of absenteeism and cost of paid overtime both fell during fiscal 1979. These figures indicate an increase in the employee processing rate for several of the HPD programs; however, they do not indicate whether the level of activity for other HPD-administered programs was affected
or whether the quality of service was maintained.

In the Department of Consumer Affairs, which is responsible for the administration and enforcement of consumer-related regulations and education programs, the number of inspections per person-day rose for three of the four main types of inspections, and the number of violations issued per employee rose by 30.1% between fiscal years 1977 and 1979. Again, these rates are not necessarily complete or definitive gauges of employee performance, because the quality of inspections or of the issued violations is not measured or defined. Inspection quality could depend upon elements such as the difficulty or accuracy of the inspection. Determinants of the quality of an issued violation might include whether the intended results occur (e.g., fines paid, illegal practices ceased) or whether the issuance was timely, in response to one or more complaints, or the result of an agency-initiated inspection.

As noted, the Management Reports are not definitive measures of agency performance or employee productivity. However, in the absence of a measurable deterioration in the quality of services rendered, the trends seem to imply that the City has been able to increase the productivity of its workforce. In addition, the continued publication and revision of the Management Reports reflects a commitment to a program of performance evaluation that is probably unique in the public sector, both in terms of scope and detail.
Other Citywide Programs

The City has developed several other programs designed to measure and evaluate the quality and quantity of municipal services and to facilitate effective municipal management. Many of the programs have been developed by the Office of Operations* working in conjunction with the Office of Management and Budget and agency staff. One example is the development of the PARS (Productivity Analysis Reporting System) and SQMS (Service Quality Measurement System). These new systems represent a further attempt to facilitate the measurement and monitoring of service delivery as an integral part of the management process.

Under the PARS system, the level of performance is estimated by measuring the number of person-hours assigned to a specific task (input) against the quantified results (output). The level of performance is compared with a work standard, which is set by the Office of Operations. The adaptation of the work standard to widely variable service conditions is an iterative and long-range process. The Office of Operations determines the work standard through field work analysis, study of New York City and other jurisdictions, and consultation with the agency. Finally, the Office of Operations instructs the agency managers on the proper and effective use of the system.

*The Office of Operations is staffed by a mix of permanent City personnel and senior executives 'on loan' from the private sector, usually for a year. The Director is also an 'on loan' executive.
These processes are currently being implemented in sections of four City agencies. The most ambitious application of these processes is in the Sanitation Department, which has a relatively measurable service output that attracts substantial public notice. Since prior productivity initiatives have often focused on the Department for similar reasons, using the Department of Sanitation as a test agency for PARS and SQMS should produce results that are more easily compared and coordinated with previously initiated programs.

The implementation of PARS in the Department of Sanitation began with the establishment of a uniform average departmental standard: The performance of the agency was expected to reflect the collection of 15.9 tons of garbage (3 loads) per day for a 3-man truck. Trash collection districts, however, vary widely in terms of density, parking regulations, routing arrangements and distance from the dumps. These factors have a significant impact on the ability of an individual district to equal or exceed the standard. Over the past year, the Office of Operations and the Department of Sanitation have attempted to establish meaningful district standards which took these variables into account. When the district measures were aggregated on a Citywide basis, the level of garbage collected exceeded the Citywide aggregate of the initial uniform standard of 15.9 tons per truck. The lengthy process of consultation with district managers has contributed to an understanding and acceptance of the current implementation of the new standards.
As noted above, the performance and efficiency of the Department of Sanitation has frequently been the focus of attention and comment by the press, the public and various private organizations that study and evaluate municipal government. One such organization, the Fund for the City of New York, developed 'Operation Scorecard,'* which became a major component of the Service Quality Index. The Service Quality Measurement System (SQMS) attempts to use the level of service quality to assess productivity 'output.' The application of SQMS to date has not been as extensive as that of PARS, and its use is more controversial.

The Service Quality Index (SQI) comprises the elements of service quality for a particular task. Various elements are included because of their manageability and their perceived importance to the quality of service delivery. The components are weighted according to their importance to service quality, as determined by the Office of Operations. For instance, the trash collection SQI includes Operation Scorecard data, information on adherence to collection schedules and the number of citizen complaints in the district. The factors are weighted and combined into an index that is tracked and reported on a district-by-district basis. The Office of Operations is currently consulting agency personnel and interested observers to address criticisms of the SQI and to improve the SQMS.

*Operation Scorecard is based upon site inspections of street cleanliness and comparisons to standards set in photographs. It was developed in 1972 by the Fund for the City of New York, which reported continued application of this measure. In 1977, the Office of Operations assumed responsibility for application.
EXECUTIVE ORDER NO. 28

JANUARY 26, 1979

PRODUCTIVITY COUNCIL

By the power vested in me as Mayor of the City of New York, it is hereby ordered:

Section 1. Council Established. The Productivity Council (hereinafter called the Council) is hereby established.

§ 2. Members. The Council shall consist of six members, three of whom shall be representatives of the City government and three of whom shall be representatives of City employee unions. The members representing City government shall be the Deputy Mayor for Policy, the Deputy Mayor for Financial Management and the Director of the Office of Municipal Labor Relations, who shall also serve as Chairman of the Council. The members representing the City employee unions shall be designated by the Municipal Labor Committee. A representative designated by the New York State Financial Control Board will serve as an observer of the Council.

§ 3. Purposes. The Council shall develop and seek to implement methods for enhancing the productivity of the City's labor force.

§ 4. Effective Date. This Order shall take effect immediately.

Edward I. Koch
MAYOR
Mr. Comer Coppie  
Executive Director  
Financial Control Board  
270 Broadway  
New York, New York 10007  

Dear Comer:

Understanding the Financial Control Board's continued interest in the Productivity Council and the improved productivity of City employees, let me take this opportunity to apprise you of the current status of the Council and, more importantly, of the productivity programs currently underway in the City.

As you know two City members of the Council, Phil Toia and Herman Badillo have left City service. Executive Order No. 37, dated November 15, 1979, states that the three City representatives shall be the Deputy Mayor for Operations, who is also named Council Chair, the City Personnel Director, and the Director of the Office of Municipal Labor Relations. The next meeting of the Productivity Council is scheduled for December 10th. In anticipation of that meeting I have spoken to Mike Nadel and Nat Leventhal about the problems the Council encountered last year and the need for refocusing the Council and its objectives. From the beginning it has been the City's goal to use the Council as a tool for initiating programmatic changes in City agencies. On December 10th we will again present that objective to the labor members and seek their agreement and cooperation in instituting programs designed to increase City productivity.

The deliberations of the Productivity Council have produced little in the way of programmatic initiatives, as much of the last six months have been taken up dealing with the CETA layoff problems. Because of the time constraints imposed by new federal CETA legislation the Council felt...
the CETA problem had to be addressed immediately. The City is committed to increasing productivity performance, and we wish to bring to your attention the types of initiatives that have been made in the productivity area that will have a positive effect on delivery of service and our ability to cut costs. Below is a brief description of some of these activities which are presently underway, under the auspices of the Office of Operations. The presence on the Council of the new Deputy Mayor for Operations will insure that, in the future, these kinds of productivity improvements are directly tied into the Council's functions. If the Control Board is interested in tracking the progress of these programs, my office will be happy to arrange meetings with the Office of Operations, Control Board staff, and a representative of the Productivity Council to review program progress. In addition, I will request that the Office of Operations keep you informed of appropriate achievements attributable to the below-listed projects.

* We have found that in some instances employees in supervisory positions are supervising less than the optimum number of personnel. To remedy this, thirty-seven agencies have evaluated their spans of control. Agencies have planned remedial action and to date report they have carried out actions to reduce supervisory staff surpluses resulting in an estimated cost avoidance/savings of more than $2 million.

OMB reports that procedures established to screen proposed hires and promotions in terms of appropriate supervisory staffing levels have taken hold.

* Development of a Productivity Analysis Report and Service Quality Measurement system has been accomplished and is operating. The system has been implemented in Sanitation, Consumer Affairs, and some sections of Environmental Protection. Refinements are continuing in these agencies with Sanitation having highest priority. Work is underway to install the system in the Buildings Department for measurement of inspection productivity. The system provides a direct method of measuring operations and assists in planning modification to improve productivity.

* Five City Data Centers are being consolidated into a new Computer Service Center. To date, two data centers have been consolidated and third is undergoing consolidation. This project will result in reduced costs as well as increased service and more reliable data with reduced manpower staffing.

* An improved City-wide Accounts Receivable Reporting System is being established to record, report and track approximately $500 million to $1 billion in accounts receivable, but will ultimately improve collection of those accounts which may enable the City to reduce personnel requirements in this area.
* Improved procedures in City agencies to improve vendor payments have resulted in more efficient and effective use of personnel in addition to the prompt payment of vendors.

* A pilot program is underway to clear vacant lots and prevent future illegal dumping. To date, installation of the barricades has been a cooperative effort with private industry providing equipment and the City providing the materials and human resources. The success of this program in preventing dumping in the cleared lots precludes workers from continually returning to the lots to re-clear them, as well as curbing health hazards presented by rubbish filled lots.

* The Burlington Vehicle Maintenance Program has recently been established in ten agencies. Availability of inventories of vehicles and parts, along with vehicle repair histories are expected to have a favorable impact on both costs and service delivery. Through the system, manpower can be more efficiently utilized resulting in more efficient vehicle maintenance.

* Implementation of an automated fuel monitoring system in the Police Department to control the issuance of gasoline has resulted in increased control and more effective use of people.

* Cost reduction is one of the goals of a program involving disability retirement payments. Working with the New York City Employees Retirement System, delays between the time of an employee's injury and the time a determination is made on the employee's eligibility to receive disability retirement have been reduced. The majority of workers who are receiving disability retirement are entitled to unlimited sick leave which is used while awaiting a determination of eligibility. Thus, when eligibility for disability retirement is determined more quickly, less sick leave is used and the cost to the City is reduced.

These are samples of the type of programs the City has implemented and which we believe demonstrate an ongoing commitment to increase productivity and provide increased and improved City Services. When the Control Board prepares its annual report to the Treasury Department, I believe you should bear in mind the important productivity gains achieved through programs such as those outlined above.

Very truly yours,

Bruce McIver

BRUCE MCIVER
EXECUTIVE ORDER NO. 37
NOVEMBER 15, 1979

PRODUCTIVITY COUNCIL

By the power vested in me as Mayor of the City of New York, it is hereby ordered:

Section 1. Council Established. The Productivity Council (hereinafter called the Council) is hereby established.

§ 2. Members. The Council shall consist of six members, three of whom shall be representatives of the City government and three of whom shall be representatives of City employee unions. The members representing City government shall be the Deputy Mayor for Operations, who shall serve as Chairman of the Council, the City Personnel Director, and the Director of the Office of Municipal Labor Relations. The members representing the City employee unions shall be designated by the Municipal Labor Committee. A representative designated by the New York State Financial Control Board will serve as an observer of the Council.

§ 3. Purposes. The Council shall develop and seek to implement methods for enhancing the productivity of the City's labor force.
§ 4. Prior Order Revoked. Executive Order No. 28 (1979) is hereby revoked. Nothing in this Executive Order shall be construed to affect the validity of any act performed pursuant to the provisions of the Executive Order hereby revoked.

§ 5. Effective Date. This Order shall take effect immediately.

Edward I. Koch
Mayor
August 28, 1979

Honorable Edward I. Koch
Mayor
City Hall
New York, New York 10007

Dear Mayor Koch:

Executive Order No. 26, issued January 26, 1979, established a Productivity Council as called for by Section 103(9) of the New York City Loan Guarantee Act of 1978. That same section obliges the Financial Control Board to prepare a report on the efforts of the Productivity Council. This report, which must be prepared not less than annually, must be made available to the public and transmitted to the Secretary of the Treasury.

We have advised the Secretary that a report will be issued for transmittal on or before January 1, 1980. I recently sent the enclosed letter to the Chairman of the Council because of our continuing interest in being able to render a positive report.

Sincerely,

Comer S. Coppie

APPENDIX C
August 28, 1979

Honorable Bruce McIver
Director of Municipal Labor Relations
250 Broadway
New York, New York 10007

Dear Mr. McIver:

As you know, the New York City Loan Guarantee Act of 1978 requires the Control Board to report, at least annually, on the efforts of the New York City Productivity Council.

Mr. Leonard J. Goodwin, our observer on the Council, has reviewed with me the substance of the meetings held by the Council since its establishment on January 26, 1979. Based on that review, a question exists as to whether appropriate priority has been given to the development of a framework within which improvements in the productivity of the City's workforce might be achieved.

As you recall, in our February 13, 1979 report on the FY1979-82 Financial Plan, we observed that it would be difficult, if not impossible, to implement the full level of programs to close the budget gaps then projected in the Financial Plan without a serious impact on the quality and quantity of City services. In our June 22, 1979 summary of our report on the FY1980-83 Financial Plan, we noted a similar concern. One major element which can mitigate this potential impact on City services is the development of increased productivity through effective management.

I believe that the Productivity Council should play an important role in this regard and would urge that you consider whether further steps might be desirable to focus the Council's efforts.

Sincerely,

Comer S. Coppie
December 27, 1979

Mr. Robert F. Vagt
Executive Director
Municipal Assistance Corporation
One World Trade Center
New York, N.Y. 10048

Dear Bobby:

Enclosed is a draft copy of a Control Board report on the Productivity Council, prepared pursuant to the requirements of Section 103(9) of the New York City Loan Guarantee Act of 1978.

I would appreciate any comments you might have on this draft. So that we may consider all comments in the preparation of the final report, I would appreciate your response prior to the close of business on January 3, 1980.

Sincerely,

Chairman
Hugh L. Carey, Governor

Comptroller
Edward I. Koch
Mayor, City of New York

Comptroller, City of New York
Harrison J. Goldin

Gilroy A. Griffin, Jr.
John C. Sawhill
Stanley S. Shuman

Comptroller
Executive Director

Comer S. Coppie
Executive Director