MANAGEMENT COMPENSATION

November 1977
November 22, 1977

FROM: The Mayor's Management Advisory Board  
The Economic Development Council

TO: Hon. Abraham D. Beame, Mayor

On behalf of the Economic Development Council and the Mayor's Management Advisory Board we submit the attached Report of the Task Force on New York City Management Compensation.

This study was initiated by us as part of our continuing effort to recommend improvements in the management of the City. In a number of our previous projects we have stressed the importance of holding and attracting good people to City service particularly in middle and upper management positions. Without adequate and reasonable compensation for its managers, the City cannot develop the managerial talent it so desperately needs.

The attached study clearly documents the deterioration in the compensation level of the City's managers during recent years. It also points to the absence of a viable salary administration program. The recommendations in this Report go far towards addressing these problems: an immediate interim adjustment in salary levels, starting with an adjustment in the Mayor's salary; a comprehensive program of managerial job evaluation, and the installation of a merit-based system of salary adjustments.

We believe that this total program will more than pay for itself in improved managerial performance in the City. If we can be of any further assistance in support of your review of our recommendations please do not hesitate to call on us.

Sincerely,

George Champion  
Chairman of the Board  
Economic Development Council

Richard R. Shinn  
Chairman  
Mayor's Management Advisory Board
Report of the Task Force
on New York City's Management
Compensation
to
the Mayor's Management Advisory Board
and the Economic Development Council
November, 1977
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I. Introduction

In July 1977, the Mayor's Management Advisory Board and the Economic Development Council were asked to help New York City examine the compensation system for management level employees. Accordingly, a task force of compensation experts from private industry was appointed to analyze existing compensation policies and practices, identify areas that need improvement, and recommend specific changes, giving particular attention to salary levels.

Task Force members include:

Patrick J. Scollard, Chairman
Vice President
The Equitable Life Assurance Society of the U. S.

Alvin Bellak, Ph.D.
General Partner
Hay Associates

Bruce Ellig
Corporate Director, Compensation & Benefits
Pfizer, Inc.

Richard Scott
Manager, Management Services
Exxon International

I. G. Walker
Assistant Vice President
Metropolitan Life Insurance Company

Several representatives of key city agencies greatly aided the task force in its work. Without their help, what was a difficult job would have been an impossible one.

Considerable time and effort were devoted to developing information and data about current compensation problems as fully and accurately as possible, given limited resources and the time constraint of producing a report before
the end of 1977. Therefore, while some observers may take issue with the recommendations, we hope there will be general agreement on the data used as the basis for making judgments.

Anyone who examines the operation of the City of New York — especially its compensation policies and practices — is confronted with a complex maze that baffles and confuses as much as it helps and enlightens. Policies and procedures overlap and sometimes conflict; new policies and procedures have sprung up while old ones dealing with the same issues continue to exist. Special policies and exceptions abound for all sorts of groups, creating a chaotic pattern. It is not surprising to find, therefore, that compensation practices are counterproductive; they often work against accomplishing the objectives of attracting, motivating, and retaining competent management talent.

We have attempted to identify in this report some of the major compensation problems affecting the city's top management personnel, a group of approximately 2,100 individuals. The dimensions of the major problems are summarized and portrayed against the background of what has happened elsewhere from 1971 to the present. We selected 1971 as the starting point because it was the last time New York City managerial salary levels were thoroughly reviewed, and they were then in a reasonable relationship with those of nonmanagement employees. It was also the last year that adjustments were made to managers' salaries in accordance with the results of the required periodic review.

The recommendations we have developed deal with the major compensation problems. The solutions are not easy ones to accomplish, since some require the expenditure of additional funds at a time when the city is hard-pressed financially. We believe, however, that this investment is absolutely critical
if the city is to make any headway in attracting, motivating, and retaining qualified managers to deal with some of the most difficult municipal problems in the nation. To fail to do so, in our opinion, greatly increases the risk of further eroding the performance of the very people needed to lead the city in the days ahead.
II. Management Summary

The task force of private sector individuals identified several major compensation problems affecting the city's top management personnel. They are summarized as follows:

1. A severe compression problem exists. Salaries of the city's top 2,100 managers are being squeezed by increasing wage rates for the higher level bargainable employees, on one end of the compensation spectrum, and the relatively low salary for the Mayor on the other.

2. Comparisons with economic and outside salary data show that the actual salary progress of the city's management employees has been very poor since 1971, and their relative salary progress in the last six years has been very negative. In relation to the outside job market in the city, however, the problem is greater at the middle and upper levels.

3. There is no effective means of keeping both the management salary structures and the managers' pay reasonably competitive. The political problems involved in taking the steps needed to assure fair and adequate salary treatment for the city's managers complicate the problem significantly.

4. The city does not have a viable job evaluation system to assure that all management jobs are properly placed relative to one another and to comparable jobs elsewhere.

5. There is also no means of effectively evaluating performance of managers in a way that would allow the use of merit increases to reward good performance.
As a result of our findings, the task force has made several major recommendations that are summarized below:

1. Salaries of the city's elected officials should be increased effective January 1, 1978. The Mayor's salary should be increased from $60,000 to $70,000, with other positions adjusted appropriately.

2. The existing salary structures for Managerial and Executive employees should be promptly combined in a single, modified structure that provides new salary ranges and rates for all management personnel, including those in the Uniformed Forces.

3. Salaries of city managers should be increased as soon as possible as a means of providing immediate compensation relief.

4. A new job evaluation system should be installed for managerial jobs, and all jobs need to be reevaluated in accordance with it. After that task is completed, a new, more appropriate salary structure should be put in place for managers and salaries again adjusted appropriately.

5. The city should create a new Management Compensation Commission, made up of representatives from the city's private sector, to advise the Mayor regularly on compensation matters affecting the city's elected officials and its top managers.

6. A performance evaluation program for managers should be installed to permit the city to use merit increases to reward the performance of managers. Across-the-board increases for managers should be eliminated, and all future increases should be designed to motivate managers to perform as well as possible.

The overall cost of the recommended salary adjustments total approximately $5,300,000.
III. Background

The compensation system covering New York City's managers is a collection of programs, policies, and practices that can best be understood within an historical framework. The system has developed over many years, often with a new policy or program superimposed over old ones that have continued as well. The result is a crazyquilt pattern that often confounds anyone who tries to alleviate or remove problems within the system. The historic background that follows will help provide a framework for the problems.

The Managerial and Executive Pay Plans cover almost all of the city's 2,100 management employees except those in the Uniformed Services. These plans include managers in the following Civil Service Law jurisdictional classifications:

1. Unclassified Service
   These jobs include all positions filled by election to a public office or appointment by the legislature on joint ballot, and the heads of any departments who have the power to appoint and remove officers. Individuals appointed to these positions are not covered by the Civil Service System. There are approximately 40 individuals in this category.

2. Competitive
   This category includes about 75 percent, or about 1,500, of the city's management positions and represents all positions for which it is theoretically practicable to determine the merit of applicants by competitive examinations.

3. Non-Competitive and Exempt
   This group includes all those positions for which it is not considered practicable to conduct competitive examinations. There are about 500 non-competitive employees and exempt employees in the managerial and executive pay plans.
In 1954, the city developed a Career and Salary Pay Plan with 32 salary grades. The top grade had a minimum of $13,100 and no maximum. Somewhere along the way, salaries began changing for certain job titles rather than for all parts of the overall system to be adjusted simultaneously. In addition, when collective bargaining came upon the scene, the city in 1967 adopted new regulations called the Alternative Career and Salary Pay Plan. This began to replace the Career and Salary Plan for some individual jobs that had their own unique salary ranges.

Next, in 1968, Executive Order No. 60 directed the city Personnel Director and the Director of the Budget to designate managerial assignments of a more difficult or responsible nature to warrant higher rates of pay. The new plan, established by Personnel Order 16/69 and put into effect in July, 1968, applied only to Competitive Class employees.

One year later, the Executive Pay Plan was established to apply to the rest of the management employees who had not been covered by the earlier plans.

Some of the stated objectives of the plans were to:

1. Provide a salary structure for the city's managers and executives.
2. Provide attractive pay for management personnel.
3. Serve as a mechanism to keep pay current and competitive.
4. Be a meaningful device to distinguish between managers and non-managers, and to encourage entrants into the management ranks.

A major purpose of the Executive and Managerial Pay Plans was to provide some structure for the salaries of higher level city employees who were in salary grade 32. The plans have remained essentially unchanged since they were established a decade ago.
The two plans are virtually identical in salary ranges for levels one through six, at which point the Managerial Pay Plan ends, and the Executive Pay Plan continues through salary level 11, which is the top grade.

We learned along the way that the term "managerial" is very narrowly defined in the Collective Bargaining Law. The result is that only a very small proportion (less than 2 percent) of the city's total management work force are not covered by labor contracts. Consequently, most of the city's supervisors are, in fact, themselves in unions and often in the same bargaining unit as the people they supervise.

What has happened since the early '70's is that the laudable objectives for the salary programs for management personnel have not been realized. While approximately 100 bargaining units have applied steady pressure for wage increases, the pay for top level managers has been steadily eroded and compressed.

In fact, compensation of some of the top levels of the collectively bargained ranks surpasses the lowest management salary ranges. Consequently, promising and qualified managers are reluctant to assume greater responsibilities, correctly observing that they are better off under collective bargaining agreements. At least one large class of managers, the engineers, is seeking a return to collective bargaining status. Other examples of related problems are prevalent. Nor is this the first time they have been recognized. The State Charter Revision Commission said, "Most middle managers in the city have nothing going for them -- not even pay. They receive little training. They have no sense of being part of management, and they receive little
recognition. Large numbers of supervisors and middle managers identify with the rank and file - not top management - because they feel ignored by the city administration."

The March, 1977, Personnel report of the Mayor's Management Advisory Board stated, "Highly qualified professionals with other job opportunities are particularly prone to leave city services, so that over time, the overall quality of the city's labor force is bound to decline. The potential remedy involves developing a pattern of incentives, sanctions, and merit increases."

While this task force report focuses on some of the same compensation issues that have been raised before, we are not encompassing other personnel-related problems that are being addressed elsewhere.

As a backdrop for our effort and a means of understanding the city’s organization and how it affects the management ranks, we are including a personnel chart here. It graphically portrays the vast city organization structure, and helps to put the information that follows into its physical context. An analysis of it also suggests that some positions may have been assigned to salary levels without a direct correlation with the responsibilities involved.
IV. Compensation Problems of Managers, Executives and Uniformed Forces

Internal Compression

In terms of today's compensation, New York City's Managerial and Executive (M/E) employees are suffering from what compensation practitioners call a severe compression problem. On the one hand, the employees supervised by the M/E's have won salaries at the bargaining table that, at the highest levels, now equal or, in some cases, exceed those paid the M/E employees. This phenomenon is illustrated in Exhibit B. The exhibit compares, over time, the maximum rates for three typical bargainable jobs 1 with the minimum rate for the first level of the Managerial/Executive pay plans. In 1971, the minimum pay for M/E 1 grade exceeded that of all three union-covered jobs. Today, the employees at the maximum rate of these bargainable jobs are earning more than the M/E employees who are paid at the minimum.

At the other extreme, the Mayor's salary serves as an effective lid on M/E pay levels. It is fixed by law, cannot be changed during the term of an incumbent except by public referendum and has become politically very difficult to change. Thus the M/E salary levels are caught in the middle, "compressed" between the relatively rapid rise in salaries of their union-covered subordinates and the low rate of growth of the Mayor's pay in recent years.

As another indicator of this compression, we looked at the pay spread between the minimum pay for the lowest level M/E employee (M/E 1) and that of the highest (E 11). In the time frame under study (1971-1977), this spread shrank

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1 The bargainable jobs illustrated in Exhibit B are ones from whose ranks large numbers of employees are promoted to the M/E levels.
EXHIBIT B
MANAGERIAL/EXECUTIVE I (MIN)
VS
MAX. BARGAINABLE RATES
1971-77

RATE OF PAY, $ PER YEAR

- --- - --- - --- - ---

- --- - --- - --- - ---

- --- - --- - --- - ---

- --- - --- - --- - ---

- --- - --- - --- - ---

SOCIAL SERVICES SUPERVISOR III
ASSOCIATE ACCOUNTANT
SENIOR ADMINISTRATIVE ASSISTANT
MANAGERIAL/EXECUTIVE I (MIN.)
from 142 percent to 131 percent. In other words, the pay for the highest level executive is only 131 percent greater than that of the minimum rate for the lowest level Management/Executive in the city's program -- despite the fact that these two jobs are ten pay grades apart in the city's current salary system. For reference, a typical spread for jobs in the private sector would be from 185 percent to 350 percent.

Moreover, the compression between the various grades in the M/E plans is not uniform or even patterned. The spread between the minimum pay level in any two consecutive grades of the current plan varies, in a random manner, from a low of 6.5 percent to a high of 13 percent. Most other compensation systems with which we are familiar, would not have such a great random spread between grade levels.

Another salary restriction existing for M/E employees is the width of the individual salary ranges themselves. In all cases, the maximum of the salary range for any one job or pay level is no greater than 19 percent of the range minimum. Hence, all M/E employees in any one job level are paid within 19 percent or less of each other, regardless of performance, experience, or other qualifications.

Managerial and Executive Compensation Plans and Uniformed Forces Plans

Approximately 1,980 employees of the city are included in the Managerial and Executive Pay Plans, as we pointed out in Section III. About 530 are classified as Executive employees and about 1,450 are Managerial employees. The two plans together have 11 levels, with the first six levels having identical minimums and maximums. Only Executive levels exist from level seven on up through 11, and these higher levels have only one salary attached to them rather than ranges. The structures of M/E are as follows:
### MANAGERIAL AND EXECUTIVE PAY PLANS

<table>
<thead>
<tr>
<th>Level</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Difference Between Minimum and Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>M1 and E1</td>
<td>$22,243</td>
<td>$23,868</td>
<td>16%</td>
</tr>
<tr>
<td>M2 and E2</td>
<td>24,815</td>
<td>29,315</td>
<td>18%</td>
</tr>
<tr>
<td>M3 and E3</td>
<td>27,787</td>
<td>33,022</td>
<td>19%</td>
</tr>
<tr>
<td>M4 and E4</td>
<td>31,452</td>
<td>37,402</td>
<td>19%</td>
</tr>
<tr>
<td>M5 and E5</td>
<td>33,855</td>
<td>39,019</td>
<td>15%</td>
</tr>
<tr>
<td>M6 and E6</td>
<td>36,037</td>
<td>40,126</td>
<td>11%</td>
</tr>
</tbody>
</table>

**Flat Rate**

E7 $40,446

E8 43,216

E9 47,093

E10 50,970

E11 51,524

The salary ranges for both plans are established by the Mayor. Freezing salaries in 1975 had the effect of eliminating an expected retroactive adjustment for 1974 as well. In 1976, a $1,675 across-the-board increase was granted, which amounted to a raise of about 8 percent at the lowest managerial levels, and about 3 percent at the top.

An individual appointed to a Managerial or Executive position normally receives the minimum of the salary level to which the job is assigned. For example, someone appointed to a job at the M2 level would normally receive the minimum salary, $24,815 a year. Exceptions are made in accordance with a series of guidelines that govern special circumstances. In practice, most individuals receive the minimum salary for their respective levels when they are appointed to a new job.

The average salary for those personnel included under the Managerial and Executive Pay Plans was $27,196 at the end of August, 1977. The average
Managerial employee was earning $25,661, while the average Executive classification employee earned $31,350.

While there is a nominal provision for merit increases in the plans, in practice there have been relatively few such increases in recent years. Part of the reason is that the authority to grant such increases was withdrawn from city agencies during the fiscal crisis. Another reason why there are so few merit increases is that the city does not have a viable performance evaluation program upon which to base the increases.

In addition to the 1,980 Managerial and Executive personnel, there are about 120 city managers who are in the Uniformed Forces in positions not covered by collective bargaining. These managers salaries tended to be adjusted when the salaries of the collectively bargained uniformed forces received negotiated increases. This practice was impacted by the fiscal crisis. As a result, most of these managers were limited to the same $1,675, across-the-board, adjustment that the rest of the managers received in 1975. Because of a special need, many of the Fire Department’s managers also received an additional increase on a merit basis this year.

The task force believes that the existence of several classes and categories of city management employees is part of the compensation problem. It tends to confuse the compensation environment and fosters competition between different categories of managers, some of whom get adjustments and others who do not. In our opinion, it is possible to create a single management salary structure that includes all of the city’s management jobs.
External Comparisons

Both Federal Civil Service and private sector managers fared much better than city managers since 1971. Federal Civil Service salaries increased 48 percent at the Grade 14 level ($20,815 minimum in 1971 and $30,750 in 1977), and 46 percent at the Grade 17 level ($32,546 minimum in 1971 and $47,500 in 1977). Private sector managers earning from $25,000 to $60,000 received raises that totaled an average of 44 percent during the same period, according to an extensive Hay Associates survey.

Selected professional and technical occupations in New York City did almost as well. Data from the New York State Department of Labor show that the salaries rose between 31 and 57 percent from 1971 to 1976 (data for 1977 have not yet been reported). The group includes such occupations as accountants, attorneys, buyers, and engineering technicians.

We also reviewed data from the International City Management Association which showed the overall increase in average salaries for 23 top municipal administrative personnel in Chicago, Detroit, Baltimore, Milwaukee, Boston, Houston, and San Diego during the years was 33.6 percent.

The Council of State Governments also reports that average salaries of 20 top administrative personnel in the ten largest states rose 34.5 percent from 1971 to 1977.

These data are portrayed in Exhibits C and D.
EXHIBIT C

CHANGES IN NYC MANAGERIAL/EXECUTIVE LEVEL SALARY RATES VS SIGNIFICANT PAY INCREASE INDICATORS

- U.S. Avg. Hourly Earnings (+52%)
- CPI-U.S. (+50%)
- N.Y. State (Mfg.) Avg. Hourly Earnings (+50%)
- Fed. Gov't. Civil Service Mgrs. (+47%)
- CPI-N.Y.C. (+46%)
- Private Sector Mgr'll. (Avg.) (+44%)
- N.Y.C. (Mfg.) Avg. Hourly Earnings (+39%)
- N.Y.C. Bargainable Wages (+35%)
- Top Administrative Personnel
  - Cities & State (+34%)
- N.Y.C. - Managerial/Executive I Min. (+20%)
- N.Y.C. - Executive XI (+14%)
In addition to overall comparisons, it is important to examine how the top job in New York City -- that of the Mayor -- compares with other high level positions, since the Mayor's salary serves as a ceiling for all other employees of mayoral agencies. To get some idea of relative responsibilities we looked at the size of the New York City Mayor's job in comparison with that of some other large cities. The result is shown in the table below:

<table>
<thead>
<tr>
<th>City</th>
<th>1975 Population(1)</th>
<th>1977 Number of Employees</th>
<th>1977 Budget</th>
<th>1977 Mayor's Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>7,481,613</td>
<td>204,753(2)</td>
<td>$14,376,932,019(4)</td>
<td>$60,000*</td>
</tr>
<tr>
<td>Chicago</td>
<td>3,099,391</td>
<td>48,799(3)</td>
<td>1,219,867,453</td>
<td>60,000</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>2,727,399</td>
<td>44,681</td>
<td>1,024,668,315</td>
<td>57,750</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>1,815,808</td>
<td>37,274</td>
<td>1,338,724,000</td>
<td>55,000</td>
</tr>
<tr>
<td>Detroit</td>
<td>1,335,085</td>
<td>20,059</td>
<td>1,228,872,242</td>
<td>51,353</td>
</tr>
<tr>
<td>Baltimore</td>
<td>851,698</td>
<td>39,278</td>
<td>1,257,363,476</td>
<td>40,000</td>
</tr>
<tr>
<td>Dallas</td>
<td>812,797</td>
<td>13,026</td>
<td>438,976,948</td>
<td>55,650(5)</td>
</tr>
<tr>
<td>Milwaukee</td>
<td>665,796</td>
<td>9,324</td>
<td>347,172,504</td>
<td>46,332</td>
</tr>
</tbody>
</table>

(1) U. S. Bureau of Census, May 1977
(3) U. S. Bureau of Census, October 1976 data shown for number of employees of other cities
(4) Comptroller's Annual Report for 1977
(5) Salary of City Manager

Note: Data shown, except as noted, are from the budgets of the respective cities.

*plus housing
<table>
<thead>
<tr>
<th>CITY</th>
<th>POLICE</th>
<th>FIRE</th>
<th>SANITATION</th>
<th>CORRECTION</th>
<th>WATER</th>
<th>SEWER</th>
<th>SOCIAL SERVICES</th>
<th>HOSPITALS</th>
<th>EDUCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Chicago</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Los Angeles</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X*</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Detroit</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
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<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Baltimore</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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</tr>
<tr>
<td>Dallas</td>
<td>X</td>
<td>X</td>
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<td></td>
<td>X</td>
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<tr>
<td>Milwaukee</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
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</tr>
</tbody>
</table>

*One large medical center operated by the city.*

10/28/77
It can be readily seen that the New York City Mayor has considerably more responsibility than other mayors. Despite that fact, we found that some other cities were paying the top administrator a salary that equaled or was very close to the New York Mayor's, and several major cities have increased the mayor's salary substantially since 1971.

<table>
<thead>
<tr>
<th>City</th>
<th>1971 Salary</th>
<th>1977 Salary</th>
<th>Percentage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago</td>
<td>$35,000</td>
<td>$60,000</td>
<td>71%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>35,000</td>
<td>57,750</td>
<td>65</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>40,000</td>
<td>55,000</td>
<td>37.5</td>
</tr>
<tr>
<td>Detroit</td>
<td>35,000</td>
<td>51,769</td>
<td>48</td>
</tr>
<tr>
<td>Baltimore</td>
<td>35,060</td>
<td>40,000</td>
<td>14</td>
</tr>
<tr>
<td>Milwaukee</td>
<td>30,270</td>
<td>46,332</td>
<td>53</td>
</tr>
<tr>
<td>Average</td>
<td>$35,045</td>
<td>$51,809</td>
<td>Average Increase 47.8%</td>
</tr>
</tbody>
</table>

Source: Hay Associates

For comparison, New York City's Mayor's salary increased 20 percent, from $50,000 to $60,000 since 1971.

As we stated previously in looking at the compression problem, the pay for any organization's top job is not only important for what it pays in relation to its own responsibilities; it also effectively serves as the ceiling for all other jobs beneath it. Thus, when the pay associated with the top job is too low, all other salary ranges below it are adversely impacted. This is a major problem plaguing New York City's compensation program.
As further evidence of how the Mayor's salary has gotten out of line relative to other administrative jobs, here are the salaries for some other jobs:

<table>
<thead>
<tr>
<th>Position</th>
<th>Approximate Number of Employees</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chancellor of New York City's Board of Education</td>
<td>63,500</td>
<td>$56,775</td>
</tr>
<tr>
<td>City University Chancellor</td>
<td>17,500</td>
<td>$55,575*</td>
</tr>
<tr>
<td>President of Health and Hospital Corporation</td>
<td>36,000</td>
<td>$65,000</td>
</tr>
<tr>
<td>Chairman of the Metropolitan Transit Authority</td>
<td>55,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>Governor of New York State</td>
<td>180,000</td>
<td>$80,000*</td>
</tr>
</tbody>
</table>

*plus housing

Comparisons with Private Industry

When the task force began its work, it was suggested that city managerial jobs should be compared directly with jobs in the private sector to determine appropriate salary levels. As far as higher level jobs are concerned, we have concluded that it is inappropriate to attempt to establish direct comparability with the private sector. What job in a business organization is comparable to that of the Police Commissioner? Or the head of the Human Resources Administration?

The problem does not end there, however. Even if some jobs that are roughly comparable can be identified, another problem arises in the inability of government to match private industry wage levels. Would New York City and its residents be ready to pay its management personnel salaries of $150,000 or more? The answer is obvious! As one moves down the managerial ranks, however, greater comparability with private industry becomes possible.
What Level is Appropriate?

The citizens of New York are interested in keeping salaries of public officials and managers as low as possible, but salaries must be sufficiently high to attract and retain the best qualified personnel for a reasonable period of time to assure a desirable level of continuity of service.

It is our belief that the city's management jobs must be filled with full-time personnel. From this it is logical to insist that the individuals filling those jobs must be compensated sufficiently so that they have no need to seek sources of outside income. Having to rely on other sources of earnings besides their city jobs keeps managers from giving their full attention to their demanding jobs. Poor performance, in turn, assuredly results, and it erodes public trust in the city government. The point we are making, of course, is that pay levels must be high enough to allow talented people to devote themselves exclusively to their city jobs.

Of course, the task force assumes that the citizens of New York do not want anyone to seek a high level job purely because a high salary is attached to it. But they also do not want talented and qualified people to turn down jobs because the pay is too low. By working for the city, managers should not be confronted with a substantial drop in living standards. The result can only be that many will reject government service. Nevertheless, the higher up the position is in the city government, the more likely it is that some individuals will be willing to accept some reduction in income in order to have the opportunity to serve.

In a special study of a selected sample of 50 of the city's management positions by Hay Associates, we found that city's salary levels tended to be more competitive at the lower management grades with a large sample of
New York City private industry jobs, but the relative competitiveness drops off rapidly at the middle and upper management levels (starting around grade level 5).

Consequently, we are faced with a dilemma. On one hand, the data suggest that salaries at the lowest management levels from a competitive standpoint are not significantly out of line with the local job market but that they are significantly out of line at the middle and upper levels. However, compensation rates at the lowest levels are being seriously compressed by the highest level bargainable rates, so that it has become increasingly difficult to attract individuals from bargainable positions into management positions.

Assessing New York City Management Salaries by Using Economic Indicators

The information portrayed in Exhibits C and D also compares what has happened to the salaries of New York City's managers since 1971 with other relevant economic data. During this period, their salaries increased approximately 14 percent at the upper levels and about 20 percent at the lowest level. During this same period, average hourly earnings in the United States rose 52 percent. The national Consumer Price Index (CPI) rose 50 percent, and the New York area CPI went up 46 percent. In addition, the average hourly earnings (mfg.) in New York State rose 50 percent, and were up 39 percent in New York City.

Between 1971 and the present, the wages of New York City employees in bargainining units increased approximately 30 percent to 40 percent. In other words, their salaries went up at twice the rate of most of the city's managers.
Real Wages Are Falling Behind

We have seen that the city's managers have fared very poorly when their salary treatment is looked at in relation to relevant economic indicators. But the picture becomes even bleaker as it is examined further.

The task force computed what managers who were at earning levels of $20,000, $30,000, and $40,000 in 1971 would have received in total salary increases to date. Then we determined a typical manager's net income after Federal, State, and New York City taxes (but excluding Social Security) were deducted. (We assumed standard deductions for a married head of household with two dependent children.) In addition, we adjusted 1977 earnings for the effect of inflation since 1971, to arrive at figures for real wages. The results, portrayed in Exhibit E are hardly ones of which the city can be proud.

At all earning levels, managers' real income is far below what it was in 1971, ranging from 75 percent at the upper level of management ranks to 81 percent at the lower level. It would be hard to find another group of employees in the United States who have experienced a comparable erosion of real income since 1971.

We must conclude that the city has failed to compensate its management personnel fairly and adequately since 1971 by any of several objective standards. Nor is it enough to point to the city's fiscal problems to explain this. The pattern of neglect began well before the current fiscal crisis developed and was recognized. We are forced to conclude also that the city does not have a viable system to assure that city management personnel, who are not represented by unions, will be accorded fair and adequate compensation treatment.
EXHIBIT E
GROSS SALARY ADJUSTED FOR TAXES AND INFLATION

*1971-77 NYC CPI INCREASE = 46%

- 1971
  - $20,000
  - $15,552
  - GROSS SALARY
  - NET AFTER TAX
  - ADJUSTED FOR INFLATION* ($23,830, 81% OF 1971 NET)

- 1977
  - $30,000
  - $20,942
  - GROSS SALARY
  - NET AFTER TAX
  - ADJUSTED FOR INFLATION* ($34,117, 77% OF 1971 NET)

- 1971
  - $40,000
  - $25,254
  - GROSS SALARY
  - NET AFTER TAX
  - ADJUSTED FOR INFLATION* ($44,931, 75% OF 1971 NET)
Assignments Sometimes Don't Reflect Actual Duties

In any compensation system that inhibits or prevents individuals from being adequately and fairly paid, it is not unusual to see practices develop that abuse and undermine the basic policies even further. The biggest problem of this sort is that, as a means of paying them more, a growing number of managers are artificially assigned to higher pay levels that are inconsistent with their actual duties. It is impossible to document the full extent of this practice in the city, but we learned enough about it during the study to know that it does exist.

When we looked at a sample of 50 jobs that the city considered reasonably graded, we found that they were, in fact, reasonably graded. However, we have also been told that some jobs are assigned to levels that don't reasonably reflect actual duties. Jobs of this sort were excluded from the survey.

To correct this problem would require a complete reevaluation of all management jobs. Embarking on such a project would also presume the existence of an objective method of job evaluation that could be used by all city agencies. This does not exist today, but it is sorely needed if jobs are to be fairly evaluated and assigned.

Merit Concept is Being Lost

Although the concept of merit is theoretically recognized in the city's compensation program for managers, there is little evidence that, in practice, salary increases have been granted with merit in mind. The authority that was given city agencies to grant one-step merit increases within the salary
range of a job was withdrawn during the fiscal crisis, and the awarding of
two-step increases within grade was even more unusual, since those required
approval of the Mayor.

Further, the infrequency with which merit increases have been granted can be
linked to the absence of a viable managerial performance appraisal program
upon which to base the awards. In the absence of such a program, the
so-called merit increases that have occurred were usually really promotional
increases for individuals who assumed new responsibilities.

In the ranks of the Uniformed Forces, managers' pay increases have apparently
been linked, until recently, to the increases won by the people in the
services covered by collective bargaining agreements rather than to any
objective assessment of managerial duties and responsibilities. Even these
adjustments have lagged during the fiscal crisis. As a result, some Uniformed
Force managers (especially in the Fire Department) have petitioned to be
moved back into a lower job title covered by collective bargaining, which
would give them a higher salary and better benefits. An adjustment
was recently granted for some of these managers to avoid a major management
crisis.

Other Curious Practices

Two other strange personnel practices commented upon elsewhere require
attention here, since they are related to compensation issues.

The task force learned that, surprisingly, no regulations exist to guide
managers on the subject of outside earned income. While outside activities
must be cleared with the agency head or the Board of Ethics with respect
to conflict of interest, there are virtually no dollar limitations on how
much an individual can earn from outside sources.
We believe that the city's residents expect its management personnel to devote full time to their responsibilities. Yet, it is apparent that low managerial salaries could foster outside pursuits. In our opinion, the problem needs to be recognized and addressed. The first step in correcting existing problems is to relate salaries adequately to managerial responsibilities and performance.

We also discovered that the city allows the Mayor credit for pension purposes for an amount of $30,000 over and above the $60,000 salary. The allowance is deemed to be the worth of the housing provided to him. The practice is an unusual one, and seems to be a device to give additional value to the Mayor's compensation without actually raising his salary. We think it is better to deal with the compensation problem directly.

**Fringe Benefits**

Fringe benefits are not included in the scope of this project, since they have been addressed to some extent elsewhere. (The Mayor's Management Advisory Board's report on pensions was issued last year.) The subject of compensation, indeed, is sufficiently complex in itself to justify separate treatment. However, we felt our work would not be complete unless we took a look at the total cost of the city's fringe benefits for managers and compared that with costs incurred for benefits in other cities and in private industry.

We were concerned that if the public believes the city's fringe benefits costs to be high, they may try to justify the practice of paying inadequate salaries. When we looked into this matter, we learned from the Office of
Management and Budget that the costs of career managers' fringe benefits currently range from about 35 percent of salary to about 40 percent (the higher amount applying to uniformed management personnel). While this range is higher than the average costs for such benefits in private industry — due mainly to higher pension costs in the city government — it is not grossly out of line with them.

The task force, therefore, concluded that the level of fringe benefits for New York's managers should not be used as a justification for setting salaries at depressed levels.

**Labor Contracts Include Almost Everyone**

As we have pointed out, another factor that distorts and complicates compensation practices in New York City is the relatively small number of employees who are not covered by collective bargaining agreements. Out of a total of approximately 200,000 city personnel (including the Board of Education and the Board of Higher Education, but excluding all part-time employees), only about 2,100 management personnel (including those in uniformed services) are outside union agreements.

We have also indicated that city personnel represented by unions have fared at least twice as well, in most instances, in terms of wage increases as their managers. The managers have been ignored and their compensation compressed so often during the period that many of them have concluded, not surprisingly, that they would be better off if they belonged to unions. It is fair to conclude that this inequitable treatment has contributed significantly to a decrease in morale, especially at the lower levels of management.

*excludes pay for time not worked
V. RECOMMENDATIONS

Salaries of Top Officials

Our review established the fact that the salary of the Mayor of New York City is low in comparison with the overall responsibilities for the job and in relation to other public and private positions. The low rate also has served to artificially compress the salary rates for top administrative posts in the city, making it difficult to attract and retain talented people for major responsibilities.

An additional problem surrounding the Mayor's salary is that it is essentially fixed by legislation for the four year term of an incumbent before the individual takes office. It therefore, must be changed, before January 1, 1978, if there are to be any meaningful adjustments for management employees of the city.

In addition, the salary levels of other elected officials are also related to the Mayor's salary. Therefore, we recommend that elected officials salaries be adjusted as follows, prior to January 1, 1978:

<table>
<thead>
<tr>
<th>Position</th>
<th>Present Salary</th>
<th>Proposed Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mayor</td>
<td>$60,000</td>
<td>$70,000</td>
</tr>
<tr>
<td>Comptroller</td>
<td>50,000</td>
<td>60,000</td>
</tr>
<tr>
<td>President of City Council</td>
<td>50,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Borough Presidents</td>
<td>45,000</td>
<td>52,500</td>
</tr>
<tr>
<td>City Council Members</td>
<td>20,000*</td>
<td>25,000*</td>
</tr>
</tbody>
</table>

* plus $5000 for expenses

In addition, the City Council should consider approving a second increase in the Mayor's salary to $80,000 as of January 1, 1980, in anticipation of the need for further adjustments in the management pay structure.
within two years. The other elected officials should also be adjusted appropriately. It is essential that this step be acted upon in advance, in order to provide the room at the top that will be needed to prevent more compression problems two years from now.

One additional matter needs to be addressed. The allowance for pension credit of $30,000 for the Mayor over and above the current salary of $60,000 should be eliminated when the recommended salary for the Mayor is adopted. This practice is unnecessary if the city will deal adequately and forthrightly with its compensation problems.

**Salary Structure**

The currently separate salary structures for Managerial and Executive employees should be combined into one structure for all management employees. The new structure should also apply to management level employees of the uniformed forces.

The proposed structure has been based on the following principles:

- The **minimum rate** for the first level of management employees should be generally at or above the current wage rates received by the bargainable employees they supervise. This reestablishes an appropriate pay/responsibility relationship and also provides some incentive for bargainable employees to accept promotions to the management ranks.

- A larger range spread between minimums and maximums is required for the first six levels to provide room for merit pay increases and to encourage superior performance. The percent that the maximum exceeds the minimum of the pay range is 25 percent at level 1 and decreases to 15 percent at level 6. This decreasing spread is designed to mesh with the flat rates that prevail for level 7 and above.
We believe that the current structures need to be changed in two phases. The first one should occur immediately, but it only is a first step in a process needed to correct several of the current problems. The proposed structure is less than an ideal one, but it represents the most that can be done without introducing additional compensation tools and further study.

The proposed new salary structure is as follows:

<table>
<thead>
<tr>
<th>Grade Level</th>
<th>Minimum</th>
<th>Midpoint</th>
<th>Maximum</th>
<th>Percent Maximum Exceeds Minimum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$24,000</td>
<td>$27,000</td>
<td>$30,000</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>(7.9%) (A)</td>
<td>(6.8%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>26,500</td>
<td>29,600</td>
<td>32,600</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>(6.8%)</td>
<td>(6.2%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>29,500</td>
<td>32,600</td>
<td>35,700</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>(6.2%)</td>
<td>(4.9%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>33,000</td>
<td>36,100</td>
<td>39,300</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>(4.9%)</td>
<td>(4.9%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>36,500</td>
<td>39,600</td>
<td>42,700</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>(7.8%)</td>
<td>(7.8%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>40,000</td>
<td>43,000</td>
<td>46,000</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>(11.0%)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Flat Rate

<table>
<thead>
<tr>
<th>Grade</th>
<th>Minimum</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>$46,500</td>
<td>15%</td>
</tr>
<tr>
<td>8</td>
<td>50,000</td>
<td>(15.7%)</td>
</tr>
<tr>
<td>9</td>
<td>54,000</td>
<td>(14.7%)</td>
</tr>
<tr>
<td>10</td>
<td>57,500</td>
<td>(12.8%)</td>
</tr>
<tr>
<td>11</td>
<td>60,000</td>
<td>(16.5%)</td>
</tr>
</tbody>
</table>

(A) Percent increase over current minimum or flat compensation rate at level 7 and above.

The proposed changes establish a more orderly relationship between the respective levels and begins to correct the compression problems of the current plans. The proposed structure also takes into account the need for higher salaries above level 6, where the pay relative to responsibilities was found to be most seriously out of line.
As a second phase, however, we feel it is essential that all management jobs be reevaluated in accordance with a new, objective job evaluation system, which is addressed below. Following such a reevaluation, the structure should again be modified, and an appropriate number of levels established to reflect current needs. This should take place within 18 months of the adoption of the first-phase changes.

It is also critical that the city recognize and provide for regularly reviewing and adjusting the management salary structure. Unless this commitment is made, city managers will continue to have negative feelings that their legitimate compensation needs are ignored unless a crisis develops.

It was simply impossible to create an ideal salary structure without a thorough evaluation of all jobs, and that is not possible without an objective job evaluation system for all management positions. Therefore, while we have not suggested a change from the present 11 management levels, our intuitive feeling is that the thorough review we are recommending could result in a reduced number of management levels. In addition, we believe it is probably desirable to extend the concept of salary ranges beyond level 6.

**Salary Adjustments for Management Personnel**

In addition to installing a new salary structure for all management level employees, it is also necessary to give them salary adjustments. From the data displayed in Section IV, it could be argued that the Management employees should be granted a salary increase somewhere in the vicinity of 15 percent to 35 percent. This amount seems to be called for when one examines relevant economic factors and wage increases received by other governmental managerial, N.Y. City bargainable employees, as well as private sector managers.
On the other hand, a basic principle of sound compensation practice holds that compensation levels should primarily be established in relationship to a going rates for similar employees in the job market. Accordingly, a companion was made with a sample of 50 New York City jobs and those of other comparable jobs and employee groups, utilizing the Hay Associates' data bank (salary data reflects salaries as of May, 1977) and comparison techniques. The results show that the city's pay levels tended to be:

- Very competitive in comparison to large county and large state governmental salaries for management jobs up to the middle levels.
- Competitive with private sector employees in New York City for jobs in M/E levels 1 through 5 or 6, but falling sharply below the lowest percentile of private sector pay practices for jobs in M/E levels 7 and above. Again, the limiting effect of the Mayor's salary is seen because the relative competitiveness of upper levels of M/E pay grades declines rapidly as the grade levels increase.

These and other competitive comparisons presenting a similar picture left the task force with the dilemma of finding salaries at the lower M/E grades that are more competitive with larger governmental and the local private sectors, but that have increased so modestly in comparison with the pay increases of their subordinates that they are now below those of some of the highest union-bargained pay rates.

The task force believes this situation must be resolved by a two-pronged approach:

- Some immediate, though conservative, salary relief is needed for managers in the lower levels in order to help correct the internally inequitable pay relationship with the bargainable group, and also to recognize that salary levels of the jobs in the private sector and the public sector have risen since the spring of 1977.
Considerable restraint on the city's part is vital in future wage negotiations with the unions representing the subordinate positions. Future increases must be related to productivity gains in order to prevent the recurrence of the present internal relationship problem and to lessen the need for further adjustments to M/E salary levels beyond those justified by the open market movement of management salaries.

The task force also recommends adjustments to the higher level management pay levels that will establish the appropriate internal pay relationship, reduce compression between management levels, and bring the upper levels more in line with the rates that are justified by job content.

We recommend that these adjustments be made in accordance with the following guidelines:

1. An overall salary increase budget of 8 percent of the new grade level midpoint salaries should be established for levels 1 through 6.
2. All management employees at levels 1 through 6 whose salaries are below the new grade level minimums should be brought to the minimums of the new ranges.
3. Remaining adjustment funds not used for bringing individuals to salary range minimums should be made available to provide salary adjustments for management employees on a merit basis or to adjust existing inequities, with an overall limit of 12 percent for any one individual.
4. Management employees at levels 7 through 11 should be brought to the new salary of their respective grade levels.
The need to begin applying the principle of merit in awarding salary adjustments for city managers is critical, and it should commence with this recommended change. Therefore, it is conceivable that some city managers whose performance is less than satisfactory will receive no increase at this time. On the other hand, larger increases should go to those whose performance has been consistently above average.

Reclassify Jobs Based on Actual Duties Performed

The city needs to review all its management level jobs so that they can be assigned to an appropriate level within a revised salary structure. It is not possible to accomplish this today, however, since the city lacks a meaningful job evaluation system.

The reclassification, therefore, requires the installation of a new job evaluation system for all city managers. Such a system is basic to assigning jobs to appropriate levels and assuring that they are reasonably related to other jobs in the city and outside. We believe that work on such a system should be completed as soon as possible.

While it is theoretically possible that city personnel might develop such a system, we strongly believe that the city should seek outside assistance from experts who are skilled in the development of compensation systems. The process, of developing and installing a new job evaluation system, however, should be one in which city managers are closely involved.
We expect that this effort could be completed within 12 to 18 months. It would then be possible to develop an appropriate number of salary grades for managers that were based on a clearer understanding of job responsibilities. At that point, the new salary structure could be introduced with up-to-date salary ranges, and appropriate adjustments could be made to salaries as required.

Regular Review of Salaries Needed

As we stated in the introduction, the task force began examining the city’s compensation programs for managers in July and was charged with producing a report very quickly. During the short time available and operating with limited resources, the group soon discovered it could address only the most pressing issues among an almost overwhelming number of complex compensation problems. Accordingly, the task force’s recommendations being described here deal with the major efforts that are needed to correct the problems that were identified, rather than the details in all instances. In our view, the central problem that must be addressed is how to establish a mechanism to assure that the system will be reviewed regularly and routinely. Managers always need to know that their compensation is fair and adequate, and not just receiving attention only when the accumulated problems become immense and critical.

The problem of doing this, is complicated, of course, by the fact that elected officials are also involved, since their salaries relate to the salaries of the city’s administrators. Relying exclusively on city personnel to review their own compensation policies makes it extremely difficult to look at the subject objectively and remove it from undue political pressures.
Therefore, the task force recommends that the city establish a Management Compensation Commission made up of private individuals, principally from the New York business community. The Commission should have the responsibility for examining the city's management compensation policies and practices and for making recommendations to the Mayor at least every other year. The report should include, but not be limited to, recommendations for changes and adjustments in the salary ranges and salary levels of management personnel in the city and its elected officials.

By seeing to it that the compensation programs for managers are reviewed regularly, a commission of this kind would do much to assure the vital leadership segment of city personnel that their legitimate compensation needs will be treated fairly and adequately in the years ahead. The commission would add substantially to both the objectivity and the credibility of compensation programs for managers.

Construct a Viable Performance Evaluation Program

Our review has established that the city currently lacks meaningful performance evaluation programs for managers in its agencies. While some areas have made more progress than others, it is clear that much needs to be done to enable agency heads to judge and reward the performance of management personnel.

We are aware that establishing workable and meaningful performance evaluation programs is not an easy task. It is vital that such work proceed, however, so that good performance can be recognized and rewarded appropriately. The city critically needs to encourage its managers in tangible ways to excel in their work.
The outline for a managerial performance evaluation model program has been included in the proposed "Management Service Plan" for the city. The task force concurs in the need for such a program and strongly urges that it be addressed as a high priority. The program should focus on accomplishing specific job objectives; and it should be kept administratively simple to be most helpful.

**Salary Reviews and Merit Increases**
The task force believes that once a performance evaluation system is in place, all salary increases for managerial personnel should be administered on a merit basis, linked to specific job responsibilities and performance standards. We are convinced that automatic economic or cost-of-living adjustments, administered across the board, fail to accomplish the objective of motivating managers to serve the city in a distinguished, productive fashion. While all relevant economic factors should be taken into account in appropriately adjusting managerial salary ranges, increases for individual managers should be based on performance alone.

Since much work is needed before a more appropriate salary range structure and review process is ultimately put in place, we are not attempting to define what it should be specifically. We are, however, suggesting principles or guidelines for directing the effort.

Each manager should have his or her performance reviewed at least annually, and salary increases should follow the performance review. Such increases would reflect differentiations in the performance of the entire management corps, with some managers receiving large increases (within the limits of their salary grade range) and others receiving little or no increases. In addition, progress through the salary range would normally be faster.
at the lower end of the range than at the upper level, with the middle of the range representing the "going rate" for the normal job performance of an experienced individual.

Overall cost control can be established by developing an annual salary increase budget for managers to enable them to administer merit increases during the year.

The practice of granting retroactive adjustments should be eliminated. If the compensation program includes a way to make regular adjustments as required, the need for retroactive increases is eliminated, thereby also eliminating a source of difficulties from both a compensation and budget planning standpoint.

**Earned Income Guidelines**

We believe that the time has come for the city to establish explicit guidelines and limits on how much earned income a manager or elected official can earn from outside sources. It is our opinion that the city should pay its managers fairly and adequately, and thereby remove the need for them to seek additional ways to supplement their income. Unless guidelines are established and the situation corrected, we are likely to see more managers devoting less than all of their energy on behalf of the city.
VI. Cost of Recommendations

The proposed adjustments for management level employees and elected officials would cost the city approximately $5,300,000. The current total salary levels for these individuals amount to about $55,300,000.

The increase, therefore, is about 9.6 percent of the current salary cost for these management personnel. Since the city's overall budget in 1977 is over $14,000,000,000, the amount of the adjustments is a very small percent of the overall budget.
VII. Conclusion

This task force began its work with only a dim awareness of the compensation problems affecting the city's managers. In the short time available, we have attempted to identify the major deficiencies and have recommended some immediate steps to deal with the most serious problems. We have also called for some major changes to revamp the overall system in order to assure that the city's managers will be treated fairly and adequately in the days still further ahead.

The need for immediate action is critical, for not moving to correct New York's compensation ills will have serious consequences in terms of the managers' morale. This in turn will have a destructive impact upon the performance of the very people upon whom New York City must rely. Past neglect of the group charged with running these vast operations cannot be justified, but allowing the situation to continue is even worse. It will condemn the city to a further erosion of top management performance. That course and those disastrous consequences are within the power of the citizens of New York to avoid.
APPENDIX

Sources of Data for Exhibits A-E

Exhibit A
Chart provided by Office of Management and Budget

Exhibit B
All data provided by City Agency Representatives to the Task Force

Exhibits C and D

<table>
<thead>
<tr>
<th>DATA</th>
<th>SOURCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NY State-Manufacturing</td>
<td>- &quot; &quot; &quot;</td>
</tr>
<tr>
<td>NYC-Manufacturing</td>
<td>- &quot; &quot; &quot;</td>
</tr>
<tr>
<td>- Private Sector Managerial (Average)</td>
<td>- Hay Associates</td>
</tr>
<tr>
<td>- Federal Civil Service Managerial</td>
<td>- US Civil Service Commission</td>
</tr>
<tr>
<td>- Top Administrative Personnel - States &amp; Cities</td>
<td>- Hay Associates Analysis of Data from the International City Management Association and the Council of State Governments</td>
</tr>
<tr>
<td>- NYC Bargainable Wages (Average)</td>
<td>- City Agency Representatives to the Task Force</td>
</tr>
<tr>
<td>- NYC Managerial/Executive</td>
<td></td>
</tr>
</tbody>
</table>

Exhibit E

<table>
<thead>
<tr>
<th>DATA</th>
<th>SOURCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Gross Salary</td>
<td>- City Agency Representatives to the Task Force</td>
</tr>
<tr>
<td>- Net After Tax</td>
<td>- Federal, State &amp; City Tax Schedules - Using Standard Deductions, Married Head of Household with two Dependent Children but excluding Social Security deductions</td>
</tr>
<tr>
<td>- Adjusted for Inflation</td>
<td>- NYC CPI from US Bureau of Labor Statistics</td>
</tr>
</tbody>
</table>