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BENEFITS OF CITY OF PHILADELPHIA EMPLOYEES

COMPARED WITH BENEFITS IN PRIVATE INDUSTRY: 1980

PENNSYLVANIA ECONOMY LEAGUE (Eastern Division)
215 South Broad Street, Philadelphia, Pa. 19107

Report No. 414

April 1980

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The generosity of the
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PREFACE

Employee pay and benefits account for the major portion of city government expenditures. Facts on the standing of Philadelphia city government employees as compared with private industry are indispensable for city responsible for union negotiations and for the public understanding issues.

The purpose of this report is to provide information to the City of Philadelphia employee benefits and how they compare to those of private industry. The report is organized as follows:

Summary of Findings

Chapter I Philadelphia Employee benefits and their costs
Chapter II Paid holidays, vacations and minor leaves of absence
Chapter III Disability, insurance, and supplementary benefits
Chapter IV Pension Benefits
Chapter V Comparative expenditures for all employee benefits

The major finding of the report is that the City of Philadelphia package of employee benefits is much more liberal and costly than the average benefit package in private employment.

Edgar Rosenthal, senior research associate, was responsible for the preparation of the study.

Edwin Rothman
Director

C O N T E N T S

	<u>Page</u>
Preface	iii
Summary of Findings	v
I. Philadelphia Employee Benefits and Their Costs	1
II. Paid Holidays, Vacations and Minor Leaves	10
III. Disability, Insurance and Supplementary Benefits	17
IV. Pension Benefits	27
V. Comparative Expenditures for All Employee Benefits	39
 Appendix A. Procedures for Estimating City of Philadelphia Employee Benefit Expenditures	 43

SUMMARY OF FINDINGS

Philadelphia's expenditures for employee benefits equalled 45% of payroll in fiscal 1979 and an estimated 51% of payroll in fiscal 1980. The single most expensive benefit is the city pension, followed by health-medical plan contributions, holiday pay, sick leave pay, and vacation pay, as shown below:

	Expenditures as percent of payroll	
	Fiscal 1979	Fiscal 1980 (Budget)
City pension fund	15.0%	18.3%
Health-medical plans	7.5	8.2
Holiday pay	6.2	6.2
Vacation pay	5.1	5.3
Sick leave pay	5.7	5.7
All other benefits	5.9	7.1
Total	45.4%	50.8%

Between 1972 and 1980, Philadelphia added two new benefits (group legal insurance and unemployment compensation); liberalized pension benefits; increased health-medical plan payments, life insurance, and uniform allowances; and added a 14th holiday.

Holiday, Vacation and Minor Leaves Compared to Private Industry

City employees have 14 holidays plus 3 administrative leave days, for a total of 17 paid days. Philadelphia private firms grant an average of 10 holidays.

City employee vacation benefits--one week upon one year's service, three weeks upon 10 years' service, and four weeks upon 15 years' service--are on par with the average in private industry.

City employee benefits for minor leaves of absence (e.g. bereavement, jury duty) are similar to those of private industry.

In fiscal 1979, the city's expenditures for holidays, vacations and minor leaves equalled 11.5% of payroll; the private firm's average was 8.5% based on the U.S. Chamber's national survey for 1978.

Disability, Insurance, and Supplementary Benefits

City employees "earn" sick leave credits at the rate of 20 days per year and may accumulate unused leave up to 200 days.* This provides greater protection against loss of pay for illness than in private companies. The majority of plans for hourly or plant workers in private industry are more often insured plans paying only part of wages. Office or salaried workers in private industry tend to have salary continuation plans, but generally not on the basis of the city's plan of earning sick leave credits and allowing unused credits to accumulate.

The average sick leave taken by city employees is 12 to 14 days per year. This is far greater than the average of about 5 days from work by illness in the U.S. as a whole.

*Police and firefighters are permitted additional accumulation.

Upon retirement, city workers are paid for a part of unused sick leave, up to 60 days pay. Generally, there is no comparable benefit in private industry.

Philadelphia city employees receive generous group insurance benefits, including health medical plans, life insurance, and legal services. The great majority of employees of large private firms are covered by group life health and medical insurance. Very few have group legal services.

Philadelphia's package costs the city about \$108 to \$119 per month for each general employee and \$147 per month for police and firefighters. A PEL survey of 21 large private firms showed that they spent a median of \$106 per month per employee--or less than the city payments.

Among other benefits, Philadelphia pays \$175 per annum for each police and fire employee for a clothing allowance.

A minority of employees in private industry receive benefits which have no counterpart in public employment, such as Christmas bonuses and profit sharing payments. Expenditures for these benefits average about 2% of payroll.

Comparison of Pension Benefits

Philadelphia's police and firefighters can retire with full-rate benefits at age 45; general employees at age 55. In private industry, the median age for full rate retirement benefits is age 62. Retirement is permitted as early as age 55 in private plans but only at a substantial reduction in benefits.

Philadelphia's full-rate benefit is much greater than the typical full-rate benefit in private industry. For example, an employee retiring after 30 years' service with a final salary of \$15,000 (under specified assumptions as to pay increases) would receive 67% of final pay if a city general employee, 75% of pay if a police or firefighter, but only about 33% of pay in the typical private pension plan.

In most private firms, the employee does not contribute to the pension plan, while the city employee pays dues of 3.75% to 6.00% of pay. But even taking into account the employee dues, the retirement benefits of the city employee are about 66% higher than those in private industry.

In summary, the city employee has a dual advantage: higher benefits and an earlier retirement age. The program is much more costly too. In fiscal 1978-79, city payments to the pension fund equalled 15% of payroll; in private industry, the average private firm spend 6.3% of payroll for pension plans.

Comparison of Expenditures for All Benefits

In fiscal 1979, Philadelphia's employee benefit expenditures equalled 45.4% of payroll--12.1% of payroll more than the average of private firms in the United States.

This has a tremendous impact on the budget. If Philadelphia's benefit expenditures had been at 33% of payroll--the private average--the city's benefit expenditures would have been reduced by \$71 million.

Chapter I

PHILADELPHIA EMPLOYEE BENEFITS AND THEIR COSTS

This chapter briefly outlines the City of Philadelphia's employee benefits and their costs, both in total and as percentage of payroll. More detailed discussion of the benefits will be found in the following chapters comparing the major categories of the city's benefits with those of private employment.

City Employee Benefits and Their Growth Since 1972

Table 1 lists the City of Philadelphia employee benefits in the following categories:

- A. Vacation, holiday and minor leave
 - 1. Vacation leave
 - 2. Holidays
 - 3. Minor leaves
- B. Disability and Insurance benefits
 - 4. Sick leave
 - 5. Occupational disability benefits
 - 6. Health-medical plans
 - 7. Group life insurance
 - 8. Group legal insurance
 - 9. Unemployment compensation
- C. Retirement benefits
 - 10. Social security
 - 11. City pension fund
 - 12. Sick leave pay on retirement
 - 13. Group insurance for retirees
- D. Other benefits
 - 14. Uniform allowance

The table summarizes the benefit provisions and notes major changes made between fiscal 1972 (the date of the prior Pennsylvania Economy League study of the city's benefits*) and fiscal 1980.

Of the 14 benefits listed, two were added since 1972--group legal insurance and unemployment compensation.

*Philadelphia Municipal Employee Benefits Compared with Employee Benefits of Private Companies in the Area (February 1972), Report No. 361.

Half the other 12 benefits were increased or liberalized since 1972.

Major Changes were:

1. A 14th paid holiday was added.
2. Life insurance benefits were raised.
3. Health medical plan payments were increased from \$26 per month to between \$101 and \$148 per month.
4. Municipal pension benefits were liberalized by:
 - a. Reduction in uniformed (e.g., police and fire employees) minimum retirement age from 50 to 45.
 - b. Base for pension computation changed from five-year average to three years for general employees and one year for uniformed.
 - c. Minimum pensions were set for 10 years service.
5. City pays for \$6,000 group life insurance for retired employees.
6. Uniform allowance raised from \$110 to \$175.

Expenditures for Employee Benefits

For purposes of determining costs, employee benefits may be grouped into two classes--pay for time not worked and out-of-pocket supplements to pay. The amounts for time not worked (vacation, holiday, minor leave, sick leave, and temporary occupational disability leave) are all paid from the city's "personal services" or payroll accounts. Generally, the city's budgets and financial reports do not show how much was spent for these benefits.* Thus, for the purpose of this report, the PEL has estimated expenditures for these items based on the percentage of payroll devoted to them. The procedures are described in Appendix A.

The city's budgets and financial reports do show expenditures for most of the benefits which are in addition to payroll, such as health and welfare, insurance, and pension benefits.

Table 2 shows expenditures for employee benefits in fiscal 1971 (from PEL Report No. 361) and in fiscal 1978, fiscal 1979 and the budget for fiscal 1980.** In total, employee benefit expenditures increased from \$117 million in fiscal 1971 to \$267 million in fiscal 1979. The estimate for the 1980 budget is \$314 million.

The expenditures by type of benefit are summarized below:

	millions		
	Fiscal 1971	Fiscal 1979	Percent increases
Pay for time not worked	\$58.7	\$103.4	76.2
Supplements to payroll	<u>58.1</u>	<u>163.6</u>	<u>176.8</u>
Total	\$116.8	\$267.0	128.6

*Recent financial reports include estimates of sick leave used and of vacation leave earned.

**The city's fiscal year extends from July 1 to June 30.

Table 1. City of Philadelphia Employee Benefits in Fiscal 1980 and Major Changes Between Fiscal 1972 and Fiscal 1980

Category	Present Provisions--Fiscal 1980	Major Changes 1972-1980
<u>A. Vacation, holiday and minor leaves</u>		
1. Vacations	2 weeks--1 to 9 years' service. 3 weeks--10 to 14 years' service. 4 weeks--10 to 15 years' service.	No change
2. Holidays and administrative leave	14 regular holidays. 3 days "administrative leave" granted for any purpose at any reasonable time.	In fiscal 1976, a 14th holiday--Martin Luther King's birthday--was added.
3. Minor leaves of absence	Difference in pay for jury duty. Full pay for military reserve duty (up to 15 days). Bereavement leave.	No change
<u>B. Disability and insurance benefits</u>		
4. Non-occupational disability (sick leave)	4 weeks a year credits; unused cumulative to 40 weeks for general employees; 45 weeks for uniformed.	Accumulation increased in 1979.
5. Occupational disability		
a. Temporary	Full pay (up to 3 years) and medical treatment.	No change
b. Permanent total disability	Full pay for three years and medical treatment, then separation from city employment. Medical treatment continues after separation.	No change
c. Permanent partial disability	Placement in secondary jobs at 100% of difference between current pay of former job and pay of secondary job. Or, if employee refuses placement, 100% of pay for 3 years. Medical treatment in all cases.	No change
6. Group life insurance	The city pays full cost of \$8,000 policy for nonuniformed employees and \$20,000 policy for uniformed employees. Employees in administrative, professional, technical and executive positions have option of purchasing additional insurance, based on salary level, with employees paying 30% of cost and city paying 70% of the cost.	In 1972, life insurance was \$4,000 for all employees. The present level was reached in 1980 for uniformed employees.

Table 1 continued

Category

Present Provisions--Fiscal 1980

Major Changes 1972-1980

7. Health-medical plan payments

The city makes a monthly amount available for each employee, to be paid over to the established organization or agency designated by the employee. The amount is equal to the full cost of family coverage, including major medical, under the city's Blue Cross-Blue Shield Plan, plus additional amounts, e.g.:

- a. For nonuniformed employees in District Council No. 33: \$15.29 a month.
- b. For nonuniformed employees in "executive-classes": up to \$21.38 a month
- c. For uniformed employees: \$47.51 per month for optical, dental and prescription coverage. (In Jan. 1980 the cost of the city's Blue Cross-Blue Shield plans was about \$ 85 per month)

8. Group legal insurance

The city pays \$2.00 to \$5.00 per month (depending on the union) toward group legal insurance.

9. Unemployment compensation

As provided in state law.

C. Retirement Benefits

10. Social Security

Nonuniformed employees are covered.

11. Municipal pension system

Separate provisions for uniformed (police and firefighters) and nonuniformed.

a. Employee dues

Uniformed: 6% of pay.
Nonuniformed: 3.75% of pay up to maximum Social Security tax base; 6% over base.

Until 1976, the city paid specified amounts per month. This was changed to full cost of Blue Cross-Blue Shield in 1976. Additional amounts were added in 1979.

New benefit in fiscal 1976 and 1977.

New benefit--in fiscal 1978

No change.

No change.

No change.

Table 1 continued

Category

Present Provisions--Fiscal 1980

Major Changes 1972-1980

b. Minimum service retirement age

Uniformed: age 45.
Nonuniformed: age 55.

Uniformed retirement age reduced from 50 between 1975 and 1977.

c. Service retirement formula

Uniformed: 2.5% of final pay rate or pay of last 12 months, times years of service, to maximum of 100%.
Nonuniformed: 2.5% of three-year average pay, times first 20 years, then 2% per year, to a maximum of 80%.

Present pay base for uniformed set in 1973.

3-year average pay base set in 1973.

d. Minimum pension

Uniformed: \$440 per month for 10 years service

New in 1974, when minimum pension was set at \$250.

Nonuniformed: \$250 per month for 10 years service.

New in 1978.

e. Work-connected

70% of final pay for life.

No change.

f. Ordinary disability

Minimum service of 5 years for uniformed and 10 years for non-uniformed, regardless of age.

Uniformed reduced from 10 years.

12. Unused sick leave pay at retirement

30% of unused sick leave-accumulation paid in cash. (Police: 50% of first 120 days).

No change.

13. Group insurance upon retirement

City's health-medical contribution is continued for 3 years after retirement for employees retiring with 10 or more years service.

No change.

Life insurance of \$6,000 is provided at city's cost.

New in 1976.

D. Other Benefits

14. Uniform allowance

Police and firefighters receive \$175 annual clothing allowance.

Allowance raised from \$110 in 1972.

Table 2. City of Philadelphia, Expenditures for Employee Benefits: Fiscal 1971, Fiscal 1978, Fiscal 1979, and Fiscal 1980 (Budget)
(amounts in millions of dollars)

	Fiscal 1971		Fiscal 1978		Fiscal 1979		Fiscal 1980	
	Amt	% of Pay	Amt	% of Pay	Amt	% of Pay	Amt	% of Pay
<u>Total Employee Benefits</u>	116.8	33.5	240.6	40.9	267.0	45.4	314.4	50.8
<u>Vacation, Holiday and Special Leave</u>	37.0	10.6	68.0	11.5	67.5	11.5	72.0	11.6
1. Vacation leave	16.5	4.7	30.7	5.2	29.9	5.1	32.6	5.3
2. Holiday and admin. leave	19.9	5.7	36.2	6.1	36.5	6.2	38.3	6.2
3. Minor leaves	0.6	0.2	1.1	0.2	1.1	0.2	1.1	0.2
<u>Disability and Group Insurance</u>	36.8	10.6	68.8	11.7	89.5	15.2	105.9	17.1
4. Sick leave	16.8	4.8	27.7	4.7	33.4	5.7	35.3	5.7
5. Occupational disability	10.2	2.9	6.1	1.0	7.6	1.3	7.9	1.3
a. Leave on agency payroll	4.9	1.4	2.5	0.4	2.5	.4	2.5	0.4
b. Leave on special payroll & workers' compensation	4.1	1.2	2.8	0.5	3.1	.5	3.3	0.5
c. Clinic	1.2	0.3	0.8	0.1	2.0	.3	2.1	0.3
6. Health-medical plans	8.8	2.5	32.0	5.4	43.8	7.5	50.8	8.2
7. Group life insurance	1.0	0.3	2.6	0.4	2.8	.5	3.3	0.5
8. Group legal insurance	(a)	(a)	0.4	(b)	0.7	.1	0.8	0.1
9. Unemployment comp.	(a)	(a)	-	-	1.2	.2	7.8	1.3
<u>Retirement benefits</u>	41.9	12.0	102.1	17.3	108.7	18.5	134.8	21.8
10. Social security	8.0	2.3	20.0	3.4	20.7	3.5	21.5	3.5
11. City pension fund(c)	33.9	9.7	82.1	13.9	88.0	15.0	113.3	18.3
12. Accum. sick leave	(d)	(d)	(d)	(d)	(d)	(d)	(d)	(d)
13. Group insur. for retirees	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)
<u>Other</u>	1.1	0.3	1.7	0.3	1.7	0.3	1.7	0.3
14. Uniform allowance	1.1	0.3	1.7	0.3	1.7	0.3	1.7	0.3
<u>Recap</u>								
Time not worked benefit (1 to 5a)	58.7	16.8	98.2	16.7	103.4	17.6	115.2	17.7
Supplements to payroll (5b to 14)	58.1	16.7	142.4	24.2	163.6	27.8	199.2	33.1
<u>Exhibit</u>								
Total Payroll	348.5	100.0	588.8	100.0	587.8	100.0	619.4	100.0

(a) No such benefit (b) Less than 0.1% (c) Includes state pension aid to city
(d) Included in item 4 (e) Included in item 6.

Note: details may not add to totals because of rounding.

Source: City of Philadelphia financial reports and estimates by PEL, as explained in Appendix A.

Expenditures as Percent of Payroll

Table 2 also shows employee benefits as percent of payroll. In total, these grew from 33.5% in fiscal 1971 to 45.4% in fiscal 1979. The 1980 budget implies a further increase to 50.8%.

There has been a much more rapid growth in supplements to payroll than in pay for time not worked, as indicated below:

	Percent of Pay	
	Fiscal 1971	Fiscal 1979
Pay for time not worked	16.8%	17.6%
Supplements to payroll	<u>16.7</u> 33.5%	<u>27.8</u> 45.4%

Benefits for Typical Employee

Another way to look at the City of Philadelphia's employee benefits is in relation to the pay of typical employees. Table 3 has figures for two employees--a general employee and a police officer. The general employee in the table is in pay range No. 8, which includes such position classes as clerk stenographer II, semi-skilled laborer, and custodial guard, and is the average pay range for general employees. The police officer is in pay range 203.

It is assumed in the table that the employee has between 10 and 15 years service (and thus is eligible for three weeks' vacation). In addition to base pay, each employee receives longevity pay for each five years' service. Further, it is assumed that the employee receives the average amount of overtime pay (as estimated in the 1980 budget), and the police employee is paid in cash for 10 of the 14 holidays.

Employee benefits equalled the following, as percentage of the annual pay:

	Civilian	Police
Time not worked	16.5%	17.3%
Supplements	<u>34.2</u>	<u>41.2</u>
Total	51.2	58.5

For both of these typical employees, employee benefit costs were equal to more than half of their pay.

It is noteworthy that the benefits of the uniformed employee are greater than those of the civilian employee.

The cost of time-not-worked benefits is greater for the uniformed employee because of greater sick leave and disability leave; the provisions for these benefits are the same for both classes of employees.

There are several reasons why the supplementary benefits of the uniformed employee equal a greater percentage of payroll. The uniformed health medical plans and life insurance provisions are more generous, and the uniformed employee pension plan--with its age 45 minimum retirement age--is more costly than social security and pension plan combined for the general employee.

Table 3. Philadelphia Expenditures for Employee Benefits for Typical General and Police Employees: Fiscal 1980

	General Employee		Police Officer	
	Amount	% of Pay	Amount	% of Pay
<u>Total Employee Benefits</u>	<u>\$7,752</u>	<u>51.2</u>	<u>\$12,466</u>	<u>58.5</u>
<u>Vacation, Holiday and Special Leave</u>	<u>1,797</u>	<u>11.9</u>	<u>2,395</u>	<u>11.2</u>
1. Vacation leave	829	5.5	1,105	5.2
2. Holiday and admin. leave	940	6.2	1,253	5.9
3. Minor leaves	28	0.2	37	0.2
<u>Disability and Group Insurance</u>	<u>2,253</u>	<u>14.9</u>	<u>3,853</u>	<u>18.1</u>
4. Sick leave	663	4.4	1,105	5.2
5. Occupational disability	108	0.7	512	2.4
a. Leave on agency payroll	39	0.3	184	0.9
b. Leave on special payroll & workers' compensation	30	0.2	219	1.0
c. Clinic	39	0.3	109	0.5
6. Health-medical plans	1,215	8.0	1,768	8.3
7. Group life insurance	63	0.4	158	0.7
8. Group legal insurance	24	0.2	60	0.3
9. Unemployment comp.	180	1.2	250	1.2
<u>Retirement Benefits</u>	<u>3,702</u>	<u>24.4</u>	<u>6,043</u>	<u>28.4</u>
10. Social security	929	6.1	-	-
11. City pension fund	2,553	16.9	5,663	26.6
12. Accum. sick leave	70	0.5	180	0.8
13. Group insur. for retirees	150	1.0	200	0.9
<u>Other</u>	<u>0</u>	<u>0</u>	<u>175</u>	<u>0.8</u>
14. Uniform allowance	0	0	175	0.8
<u>Recap</u>				
Time not worked (1 to 5a)	2,499	16.5	3,684	17.3
Supplements (5b to 14)	5,253	34.7	8,782	41.2
<u>Exhibit</u>				
Total annual pay	15,150	100.0	21,291	100.0
Base pay and longevity	14,429	95.0	19,233	90.3
Overtime and unused holidays	721	5.0	2,058	9.7

Note: As indicated in the text, it is assumed that the employee has 10 to 14 years service.

The general employee is in pay range no. 8; the police officer in pay range no. 203.

Detail may not add to totals because of rounding.

Chapter II

PAID HOLIDAYS VACATIONS AND MINOR LEAVES

This chapter compares vacation, holiday and minor leave benefits granted by the City of Philadelphia with those of private industry. Excluded here is leave for sickness or injury; such leave is one of the subjects of the following chapter on "disability, insurance, and supplementary benefits."

Holidays

Until 1976, Philadelphia city government had 13 paid holidays annually; a 14th holiday (Martin Luther King's birthday) was added in 1976. City employees also have three days of administrative leave annually, bringing the total holidays to 17.

Members of the police and fire forces get compensatory time off in lieu of holidays. However, if the compensatory time is not scheduled, they receive an extra day's pay for each unused holiday. Other employees who are required to work on a holiday receive an additional one and one-half day's pay.

Paid holidays granted by the city are compared with those of Philadelphia area private firms in Table 4. Only seven of the 14 holidays granted by the city are given by the majority of private firms. But counting all holidays and half-holidays together, Philadelphia private firms grant an average of 10 holidays, compared to the 17 granted by the city, as shown in Table 5.

Vacations

Philadelphia city employees earn two weeks' (10 days) vacation for one to nine years' service, three weeks for 10 to 14 years' service, and four weeks for 15 or more years' service. Unused vacation leave may be accumulated from year to year to a maximum of 35 to 40 days (varying with union representation classes). Unused vacation leave is paid in cash at time of termination, or, for certain classes of retiring employees, the employee is continued on the payroll after his last day of work for the period representing the balance of unused vacation leave.

The average practice in private industry is to give two weeks' vacation upon one year's service, three weeks upon 10 years' service, and four weeks upon 15 years' service (see Table 6.) Thus, Philadelphia city government practices are on par with those of private industry.

Holidays and Vacations Combined

Adding 17 holidays to 10 to 20 vacation days, Philadelphia general employees have 27 to 37 days off with pay annually, depending on years of service, for an average of 32. The common practice in private industry is 10 holidays plus 10 to 20 vacation days, for a total of 20 to 30 days off with pay, or an average of 25.

Table 4. Paid Holidays Observed By City of Philadelphia and Private Firms in the Philadelphia Area

City of Philadelphia Holidays	City of Philadelphia	Percent of Private Firms*	
		Hourly Employees	Salaried Employees
New Year's Day	x	98%	100%
Lincoln's Birthday	x	8	9
Washington's Birthday	x	35	46
Good Friday	x	71a	68a
Memorial Day	x	98	100
Flag Day	x	1	1
Independence Day	x	98	100
Labor Day	x	98	100
Columbus Day	x	10	16
Election Day	x	7b	9b
Veteran's Day	x	14	15
Thanksgiving Day	x	98	100
Christmas Day	x	98	100
Martin Luther King's Birthday	x	13	7
<u>Other holidays observed by at least 5% of private firms</u>			
New Year's Eve (full day)		14	10
Easter Monday		15	10
Friday After Thanksgiving		55	60
Christmas Eve (full day)		43	33
Employee's birthday		19	9
Employee's choice	x	26	26
	(3 days)		

a. Full day

b. A smaller percent have off on Election Day in Presidential year only.

* Source: Greater Philadelphia Chamber of Commerce, Personnel Practices Survey, 1978 Edition.

Table 5. Annual Number of Paid Holidays Granted by City of Philadelphia and Private firms in Philadelphia Area

Number of Holidays	Phila. Area Firms*		Philadelphia City Government
	Hourly Employees	Salaried Employees	
6 and 6½	3	3	
7 and 7½	7	7	
8 and 8½	8	11	
9 and 9½	19	21	
10 and 10½	28	24	
11 and 11½	16	14	
12 and 12½	13	13	
13 and 13½	4	4	
14	1	1	
15 and over	2	2	x
	100	100	
Median number of holidays	10	10	17**

*Source: Ibid.

** Includes three administrative days.

Table 6. Years of Service Required for Annual Vacation Leave, City of Philadelphia Compared to Private Firms in Philadelphia Area

Amount of Paid Leave	Service Required	Private Industry (Percent of Firms)		City of Philadelphia
		Hourly Employee	Salaried Employee	
2 weeks	less than 1 year	6	11	
	1 year	44	65	x
	2 years	21	11	
	3 years	20	6	
	4 years	1	--	
	5 years	2	1	
	Over 5 years	--	--	
	Other	6	6	
		100	100	
3 weeks	5 years	30	36	
	10 years	45	34	x
	15 years	2	2	
	Over 15 years	1	1	
	Not Granted	22	27	
		100	100	
4 weeks	Under 10 years	3	3	
	10-14 years	14	17	
	15-19 years	39	37	x
	20-24 years	24	21	
	25 years	3	2	
	Not Granted	17	20	
		100	100	
5 weeks	Under 15 years	--	--	
	15-19 years	3	3	
	20-24 years	17	15	
	25-29 years	18	17	
	30-45 years	4	3	
	Not Granted	58	62	x
		100	100	

Source: Greater Philadelphia Chamber of Commerce, Personnel Practices Survey, 1978 edition.

x= City of Philadelphia practice.

Table 7. Paid Leave of Absence Other Than Sickness--Private Firms in the Philadelphia Area: 1978

REASON FOR ABSENCE	Hourly Employees % of Firms Paying			Salaried Employees % of Firms Paying		
	Full	None	Diff*	Full	None	Diff*
Death in immediate family	92%	8%	-	99%	1%	-
Sickness in immediate family	8%	92%	-	39%	61%	-
Jury Duty	45%	22%	33%	68%	7%	25%
Court Witness	21%	73%	6%	45%	49%	6%
Blood donor	19%	90%	-	27%	73%	-
Marriage	8%	92%	-	32%	68%	-
Time off to vote	4%	96%	-	10%	90%	-

*Difference between regular pay and fees received.

Source: Greater Philadelphia Chamber of Commerce, Personnel Practices Survey, 1978 Edition.

Most years have 261 potential workdays for employees who work five days a week, before deduction of holidays and vacations. An employee with 10 years' service would have 229 potential workdays (261 less 32) if employed by the City of Philadelphia, or 3% less than the 236 workdays if employed by Philadelphia private industry.

Looked at another way, the extra seven days of paid leave time given by the City of Philadelphia mean that the city has to hire 103 employees to obtain the same number of workdays per year as the average private firm obtains from 100 employees.

In some departments and functions, the City of Philadelphia requires the employee to work on some of the holidays. The employees are then paid time and one half.

Minor Leaves For Special Occasions

The city gives full pay for up to 15 days leave for military reserve duty. Very few private firms give full pay. The majority of private firms make up the difference in pay; about one third give no pay.*

For employees called to jury duty, the City of Philadelphia pays the difference between the pay as juror and full regular pay. Private firms differ in practices as to hourly and salaried employees. For hourly employees, 45% give full pay, 22% no pay, and 33% make up the difference in pay. For salaried employees, 68% give full pay, 7% no pay, and 25% make up the difference in pay (Table 7).

City employees have paid bereavement leave of three days for death in the immediate family and one day for other family members. According to the Chamber of Commerce survey, the great majority of private firms give three days off with full pay for death in the immediate family.

As noted earlier under holidays, city employees have three days of administrative leave available annually to meet personal needs--or to take a holiday. Among private firms, only about one-quarter provide any such personal leave days.** A minority of firms give time off with pay for illness in immediate family, court witness, blood donor, and marriage (Table 7).

Expenditures As Percentage of Payroll

Valuable data regarding employee benefit practices in the private industry in the Philadelphia area are found in the publications cited earlier of the Greater Philadelphia Chamber of Commerce and the U.S. Bureau of Labor Statistics. However, the publications do not include figures on expenditures for employee benefits as related to payroll.

*Greater Philadelphia Chamber of Commerce Personnel Practices Survey, 1978 Edition, p. 9.

**Ibid, p. 28.

Such data are available only on the national level. The Chamber of Commerce of the United States regularly surveys private firms on employee benefits. The most recent publication is Employee Benefits 1978*.

This study uses the U.S. Chamber publication to compare Philadelphia's employee benefit expenditures with those of the private sector.

Expenditures for holidays, vacations, and special leave as a percentage of payroll are compared below for U.S. private firms for 1978 and for Philadelphia City government for the fiscal year 1978-79.

	<u>Private industry</u>	<u>Philadelphia Government</u>
Paid vacations and payments in lieu of vacation	4.9	5.1
Payments for holidays not worked	3.2	6.2
Payments for National Guard duty, jury, witness leave, payments for time lost due to death in family or other personal reasons, etc.	<u>0.4</u>	<u>0.2</u>
Total	8.5	11.5

Philadelphia city government expenditures of 11.5% of payroll were greater than private industry average of 8.5%.

*Employee Benefits 1978 (Chamber of Commerce of the United States, Washington, D. C., 1979)

CHAPTER III

DISABILITY, INSURANCE, AND SUPPLEMENTARY BENEFITS

This chapter covers (1) sick leave or sickness insurance, (2) benefits in case of work-injury, (3) group insurance benefits, and (4) supplementary benefits.

Sick Leave or Sickness Insurance

Employees of the City of Philadelphia "earn" sick leave credits at the rate of 20 days per year (21 for firefighters). Unused sick leave may be saved up to 200 days for general employees, to 1,800 hours for police employees, and 1,896 hours for firefighters. Absence because of work ("occupational") injuries is not charged to the sick leave allowance, since the city has other benefits for work injuries, as described later.

Compared to Private Industry

Sick leave at full pay is not a typical benefit of plant or hourly workers in private industry. About three-quarters of the employees of large firms in the Philadelphia area are plant workers; about one-quarter are office workers. The 1976 survey by the U. S. Bureau of Labor Statistics found that only 24% of plant workers, and about 67% of the office workers in the Philadelphia area receive sick leave at full pay from first day of illness (Table 8).

The benefit survey of the Greater Philadelphia Chamber of Commerce divides workers between hourly and salaried. The Chamber's 1978 survey found that 40% of firms had regular salary continuation sick leave plans for hourly employees and 74% had such plans for salaried employees.

Most workers of large firms (77% of plant workers and 56% of office workers) have illness and accident insurance which makes up for part of pay loss in case of sickness; most of the plans are instead of sick leave benefits, but some are supplements to sick leave. Generally, the employer pays the full cost of the benefits; in a minority of firms, the employee contributes part of the cost.

The 1978 Philadelphia Chamber survey has information on sick leave plans for hourly and salaried employees. The plans are divided between insured plans and salary continuation, as follows:

	<u>Percent of Plans</u>	
	<u>Hourly Employees</u>	<u>Salaried Employees</u>
Insured plans	42%	9%
Salary continuation	54%	79%
Combination	4%	12%
Total	100%	100%

The insured plans are less generous than the City of Philadelphia's benefits on several counts. Most of the insured plans pay no benefits for the first week of absence due to illness. The benefits starting with the second week of absence generally are a flat amount per week (average of about \$100) or a percentage of pay--usually 50% to 60% of pay. The maximum duration ranges from 10 days to two years, with the median duration at 26 weeks or six months. The only advantage that the average insured plan has over the City of Philadelphia benefits is that an employee with relatively short service, e.g., two or three years, would be eligible for benefits for six months under an insured plan in case of long-term illness, while the city employee's benefits would run out earlier, depending on the amount of sick leave "saved".

The salary continuation plans tend to provide full pay from the first day of absence. The maximum duration varies from three days to a year, with the median of six months. Apparently, the maximum duration is generally not related to length of service or prior sick leave usage. Only a handful of firms reported that the maximum duration depended on service (e.g., one or two weeks per year of service).

It appears from the available data (which are not conclusive on this point) that few of the private firms have plans similar to the City of Philadelphia whereby sick leave credits are earned for each month's service, and unused credits are accumulated.

In summary, the City of Philadelphia's sick leave plan appears more liberal in protecting against loss of earnings because of illness than the typical plan for hourly employees in private industry, but roughly on par with the typical plans for salaried employees.

Average Amount of Sick Leave Taken

Philadelphia city employees are paid for an average 12 to 14 days of sick leave taken per year, as indicated in the record for 1974 to 1978:

1974	12.2
1975	12.2
1976	14.4
1977	12.6
1978	12.1

Philadelphia's average sick leave taken far exceeds the average number of days lost from work because of illness or injury, as reported in national health surveys. Table 9 shows that in 1977, the average person lost 5.0 work-days. In contrast, Philadelphia city employees took an average of 12.6 days of paid sick leave. It is very unlikely that greater illness among Philadelphia's workforce could account for the vast difference.

Not only does Philadelphia's sick leave benefit give employees greater protection against actual illness than do many of the private industries, but the city benefit presents greater temptations for abuse. Since sick leave is at full pay from the first day of absence, some employees will be tempted to

Table 8. Sick Leave Plans and Sick Leave Insurance
Applicable to Employees of Philadelphia
Area Private Firms: November 1976

	Percent of Workers Employed in Establishments Providing Benefits	
	Plant Workers#	Office Workers
Sick leave (full pay and no waiting period)	24	67
Sick leave (partial pay or waiting period)	9	5
Sub-total	33	72
Sickness and accident insurance	77*	56*
Sickness and accident insurance or sick leave or both (unduplicated total of workers receiving any of the benefits shown separately above)	89	92

Includes all nonsupervisory workers engaged in non-office functions. About three-quarters of the workers in the survey are plant workers.

* The following percentages of workers have noncontributory sickness and accident insurance plans: 69% of plant workers and 47% of office workers.

Source: U.S. Bureau of Labor Statistics, Area Wage Survey, The Philadelphia, Pennsylvania-New Jersey Metropolitan Area, November 1976, p.35. (The survey is limited to establishments with 100 or more employees, except that the minimum is 50 employees for establishments in wholesale trade, finance, insurance, real estate, and services.)

"call in sick" to use up some of the sick leave days that they have "earned."

Payment for Unused Sick Leave on Retirement

City employees, upon retirement, are paid for a maximum of 60 unused sick leave days. Private industry generally does not have a comparable benefit, since most private employees do not have sick leave allowances which are accumulated from year to year.

On its face, the payment for unused sick leave would appear to be an incentive not to use the benefit unnecessarily. However, the city's sick leave record indicates that the incentive is not working.

Benefits In Case of Work Injury or Disability

Employees of both the city government and private industry are covered by the Pennsylvania workers' compensation act which requires payment for medical treatment, lost wages, and some permanent disability.

The following section deals with the supplements to workers' compensation provided by the city government and private firms.

Philadelphia's Benefits

Philadelphia's city government supplements workers' compensation with generous benefits under Civil Service Regulation No. 32.

Temporarily disabled employees remain on their regular payrolls at full pay until able to return to work, subject to a maximum period of three years.

Permanently totally disabled employees are transferred to a special payroll administered by the Director of Finance for the remainder of their three years at full pay. They then go on a pension of 70% of pay.

Employees with a permanent partial disability are also transferred to the special payroll of the Director of Finance. The term "partial disability" means that the employee is unable to perform the full duties of his primary or original position, but is able to perform the duties of some other position.

Partially disabled employees have a choice of (1) receiving full pay for one year from date of disability before going on pension, or (2) volunteering for placement in a "secondary" position. If the latter, they receive full pay for up to three years while awaiting placement. Upon placement, they receive supplemental payments to make up 100% of the difference between pay in the secondary position and the pay rate of the former position (including increases in the pay rates of the former position). Such supplements continue until the employee reaches normal retirement age.

When the partially disabled employee retires, he receives a pension equal to 70% of his last rate of pay. (The pension is inclusive of worker's compensation paid by the city.) It is notable that eligibility for the pension is based upon inability to perform the duties of his primary position--

Table 9. Work Days Lost Per Person Because of Illness or Injury in the United States--
Selected Years 1965-1977

	Number of Work-Loss* Days Per Person				
	1965	1970	1975	1976	1977
Total	5.7	5.4	5.2	5.3	5.0
Male	5.7	5.0	4.9	5.2	4.7
Female	5.6	5.9	5.9	5.6	5.3

* A day when a person lost the entire work day because of illness or injury. Computed for persons 17 years of age and over in the currently employed population, defined as those who were working or had a job or business from which they were not on layoff during the 2-week period preceding the week of the interview.

Source: U.S. Bureau of the Census, Statistical Abstract of the United States: 1979 p.119.

the position he held before he was disabled. The employee with a partial disability is therefore eligible for the same pension benefits as a totally disabled employee.

Payments to survivors of employees who die from work injuries are made under the provisions of the Workers' Compensation Act, the pension plan, and in some cases, the Hero Award Ordinance; under the pension plan, a widow of a deceased employee receives a pension of 60% of the deceased's last pay rate. Dependent children each receive 10%, but the maximum for any family is 80% of deceased's last pay rate. The amounts are inclusive of workers' compensation.

Under the Hero Award Ordinance, \$10,000 is awarded to the widow or dependent parent of a fireman or policeman killed in the course of performing a heroic deed which, in the judgement of the Hero Award Committee, involved a special hazard or risk.

Private Industry

About one quarter of private firms in the Philadelphia area pay for insurance to supplement workers' compensation for the totally disabled employee. These supplements often are part of the insurance benefit package. In some cases, the employees pay part of the cost of the insurance.*

Information on the nature of such benefits was made available to the Pennsylvania Economy League from a confidential private survey of benefits of 50 large firms in the Philadelphia area.

Of the 50 firms, 19 provided benefits for a limited term only, with median duration of 26 weeks. The benefit of 10 of the 19 firms was 100% of pay.

Benefits in the remaining 31 firms were for duration of the disability or until normal retirement age. The most common extended benefit was 50% to 60% of pay. This benefit is available only to persons who are totally disabled --that is, unable to perform any job.

No firms had plans to provide supplements to workers' compensation employees with permanent partial disabilities. However, many private firms make a determined effort to find places in their operations for their partially disabled employees. The only benefit provided, nevertheless, is workers' compensation.

In summary, Philadelphia's benefits are much greater than those of private firms on two counts. First, pay supplement (to bring pay up to 100% of pay rate of former job) or 70% pension are available to partially disabled employees. Second, the temporarily (or permanently) totally disabled employee may remain on the city payroll at full pay for up to three years; six months generally is the private limit, and only the most generous firms provide full pay for the period.

*Chamber survey, p. 15.

Group Insurance Benefits

Philadelphia Benefits

Philadelphia city government provides three sets of group insurance benefits: group life insurance, group legal insurance, and payments for employee health and medical benefits.

The life insurance benefit for police and fire fighters is \$20,000. For other employees, the benefit is \$8,000. Employees in the technical-professional classes have the option to purchase additional insurance based on salary level, with the city paying 70% of the costs and the employee, 30%.

In 1979, the cost to the city for the \$8,000 insurance coverage was \$63 per employee per annum, and that for the \$20,000 coverage, \$158 per employee per annum.

As to health and medical benefits, the city makes available various amounts per month, to be used either for direct purchase by the city of medical, surgical, hospitalization, and major medical insurance benefits for the employees or for payment to union health and welfare plans. The amount paid differs among the various union representation classes, as follows:

	<u>Per month</u>	<u>Per annum</u>
Police and firefighters	\$147.31	\$1,768
District Council #33	101.28	1,215
Other employees	106.07 to 108.57	1,273 to 1,303

All of the plans provide for medical, surgical, and hospitalization benefits. Some also include prescription drugs, vision care, and dental care.

The payments for group legal insurance vary from \$2 per month for District Council No. 33 employees to \$5 per month for police and firefighters.

The total annual city payments per employee for life insurance, health-medical plans, and legal insurance are as follows:

Police and firefighters	\$1,986
Other employees	\$1,303-1,432

Private Industry

The great majority of the employees of large private firms in the Philadelphia area are covered by employer paid life, hospitalization, surgical, medical, and major medical insurance, as shown in Table 10. Only a minority of employees are covered by dental insurance or long term disability insurance. The data are from surveys of the Greater Philadelphia Chamber of Commerce. The majority of the firms also pay all or part of the cost of dependent coverage for hospitalization, surgical, medical, and major medical insurance.

Unfortunately, the Philadelphia area surveys do not provide detail on the benefits provided, or on the payment per employee, to permit comparison with the

city government benefits.

A PEL survey of large private firms requested information on payments for insurance-related benefits. The average for 21 responding firms was \$106 per month, or \$1,272 per year--a figure less than the Philadelphia city government payments for city employees.

Some national data are available on expenditures for insurance as percentage of payroll. The survey by the United States Chamber of Commerce for 1978 showed the average firm spending 5.8% of payroll for life, hospital, surgical, medical, major medical and dental insurance. Philadelphia city government spent 8.0% of payroll for life insurance and health and welfare benefits in the 1978-79 fiscal year.

Unemployment Compensation

Employees of both private firms and the Philadelphia city government are covered by the provisions of the state unemployment compensation act, which sets weekly benefits in case of lay off, reduction in force, or other involuntary separation.

The unemployment compensation act became applicable to Philadelphia city government in 1978.

Other Benefits

The following supplementary benefits are provided by Philadelphia's city government: suggestion system awards, tuition payments for external training, subsidized cafeterias in several of the city's institutions, and supper allowances when working overtime.

Similar benefits are provided by a minority of firms in private industry, according to the survey by the Chamber of Commerce of the United States.* Forty six percent of the firms in the survey reported employee education expenditures (tuition refunds, etc.). Expenditures for the benefit equaled 0.1% of all firms.

Employee meals furnished by company were reported by 21% of the firms and equalled 0.2% of payroll.

Clothing Allowance for Police and Firefighters

Philadelphia gives a clothing allowance to its police and firefighters. The allowance is \$175 annually. A new recruit is given his initial uniform.

Although generally termed a "uniform allowance," the annual payment is also given to plain clothes members of the police force. Some items of uniforms are provided free by the city as needed: policemen's leather coats and firemen's running coats, liner, and overcoat.

*Chamber of Commerce of the United States, Employee Benefits--1978.

Table 10. Extent of Coverage of Group Insurance Benefits in Private Industry in the Philadelphia Area: 1978

Benefit	Percentage of All Firms Paying					
	Hourly Workers			Salaried Workers		
	All of Cost	Part of Cost	Total	All of Cost	Part of Cost	Total
<u>A. Employee Coverage</u>						
1. Hospitalization ins.	76	17	93	74	22	96%
2. Surgical ins.	73	16	89	70	22	92
3. Medical ins.	73	16	89	72	21	93
4. Major medical ins.	64	16	80	70	22	92
5. Dental ins.	30	4	34	24	7	31
6. Life ins.	79	12	91	74	20	94
7. Accident ins.	61	9	70	61	11	72
8. Cash sickness ins.	21	3	24	15	4	19
9. Supplemental workers' compensation	26	1	27	27	2	29
10. Long term disability	34	11	45	49	22	71
<u>B. Dependents' Coverage</u>						
1. Hospitalization ins.	58	24	82	47	31	78
2. Surgical ins.	59	24	83	46	31	77
3. Medical ins.	58	25	83	46	31	71
4. Major medical ins.	51	21	72	46	31	71
5. Dental ins.	25	7	32	20	9	29

Note: The tabulation above excludes firms which have the plans but do not pay any of the cost.

Source: Greater Philadelphia Chamber of Commerce, Personnel Practices Survey, 1978 edition, p. 15

No information is available on similar benefits in private industry.

Bonuses, Profit-Sharing, Thrift Plans

Some workers in private industry receive benefits for which there is no counterpart in public employment. The major items are non-production bonuses (usually Christman bonuses) and profit-sharing payments. Others are contributions to thrift plans and discounts on purchases.

Only a minority of employees receive any of these benefits, according to data in the survey by the Chamber of Commerce of the United States, as shown below:

	Percent of Firms Providing Benefit	Expenditures As Percent of Payroll
Christmas or other special bonuses, service awards, suggestion awards etc.	46	0.4
Profit-sharing payments	21	1.4
Discounts on goods and services pur- chased from company by employees	16	0.1
Contributions to employee thrift plans	18	0.3

In the aggregate, expenditures for these benefits are a small percentage of employee payroll. Expenditures for the items in the U.S. Chamber of Commerce survey total 2.1% of payroll.

A U. S. Bureau of Labor Statistics survey of private industry for 1976 showed that non-production bonuses were 1.1% of basic wages and salary; and savings and thrift plans, 0.2%, for a total of 1.3% of basic wages and salaries. The BLS survey did not include discounts on purchases.*

*Statistical Abstract of the United States 1979, p. 425

Chapter IV

PENSION BENEFITS

This chapter compares Philadelphia's pension benefits with those of private employers.

Background

Philadelphia's civilian (or general) employees are covered by both social security and the city's pension plan. Police and firefighters (uninformed employees) are covered by the city's pension plan, but not by social security. The major retirement provisions of Philadelphia's pension plan are summarized in Table 11.

Employees of private firms are covered by social security. In addition, the great majority of the employees of large firms have private pension plans, as shown in the U. S. Bureau of Labor Statistics area wage survey. Almost 90% of the workers of large firms are covered by retirement plans (Table 12).

The area wage surveys of the U. S. Bureau of Labor Statistics do not include information on the features of pension plans. To compare private pension plans with those of Philadelphia city government, this report uses two major sources: (1) a Fall 1979 survey by the PEL of 30 large Philadelphia area firms, with a total of 94,000 employees, and (2) a 1975 study by Bankers Trust Company, New York, of 191 companies throughout the nation. While neither is a random sample of industrial pension plans, they are indicative of private pension plan practices.

Comparison of Major Elements of Pension Plans

Pension plan elements compared below include minimum retirement age, benefit rates, definition of average final pay, employee contributions, disability benefits, and increase in benefits after retirement.

Minimum Age for Retirement Benefits

Social security provides full rate benefits at age 65; reduced benefits are available at age 62.

Philadelphia's plan for police and fire employees provides full rate benefits at age 45, and the plan for general employees provides full rate benefits at age 55. No minimum service is required for these benefits.

Many of the private firms have two ages for full rate pensions--a higher age for persons with short service, and a lower age for long service, usually of 25 or more years. The typical minimum age for shortest eligible service is age 65. For longer service, the median retirement age for full rate benefits is 62, as shown in Table 13. The vast majority of firms have a minimum age greater than 60. A few firms (concentrated in a few industries) permit retirement after 30 years service at any age.

Table 11 Major Features of City of Philadelphia Pension Plans*: 1979

	General Employees	Police and Fire Employees
Minimum age for full rate retirement benefits	Age 55	Age 45
Minimum service for full rate retirement benefits	No minimum service required	Same as general
Benefit rate	2 1/2% of final avg. pay per year of service for first 20 yrs., 2% per year for an additional 15 years	2 1/2% of final avg. pay per year of service, up to 40 years
Definition of final avg. pay	Average pay in best 3 years, including overtime and premium pay	Salary during highest uninterrupted 12 month period, including longevity; or final annual rate of pay, less longevity payments
Employee dues	3.75% of pay on the Soc. Sec. base and 6% above the base	6%
Vesting	10 years service	Same as general
Ordinary disability	Pension computed as normal retirement benefit, after 10 yrs. service	Pension computed as normal retirement benefit, after 5 years service
Service-connected disability benefits	Total contributions paid to retirement plan, plus pension of 70% of final compensation	Same as general
Social security coverage	Covered	Not covered
Minimum pension	\$250/month for 10 years service; prorated for less service	\$440/month for 10 year service; prorated for less service

*Plans open to new employees

Table 12. Pension Coverage of Workers in Large Firms in the Philadelphia Metropolitan Area: 1976

	Plant Workers		Office Workers	
	No. of workers in scope of survey *	Percent covered by Pension Plans	No. of workers in scope of survey *	Percent covered by Pension Plans
Manufacturing	266,430	94	55,050	96
Non-manufacturing				
Transportation, communication, and other public utilities	37,488	79	11,497	83
Wholesale trade	22,191	97	10,081	89
Retail trade	68,625	75	11,722	70
Finance, insurance, and real estate	1,992	**	46,425	90
Services	28,828	70	11,855	82
Subtotal-non-manufacturing	159,124	79	91,580	85
Total	425,554	88	146,630	89

* The survey was limited to firms with 100 or more employees, except that the minimum was 50 employees for firms in wholesale trade, finance, insurance, real estate, and services.

** Not reported.

Source: U.S. Bureau of Labor Statistics, Area Wage Survey, the Philadelphia, Pennsylvania-New Jersey Metropolitan Area, November 1976 (Bulletin 1900-64, May 1977).

Table 13. Minimum Age for Service Retirement At Full Benefit Rate in Private Industry Pension Plans.

	1975 Bankers Trust Study		1979 PEL Survey	
	Percent of Firms	Cumulative	Percent of Firms	Cumulative
Age 65	31.6	31.6	26.7	26.7
Age 63*	-	31.6	3.3	30.0
Age 62*	27.4	59.0	36.7	66.7
Age 60*	14.2	73.2	23.3	90.0
Age 55*	5.3	78.5	10.0	100.0
Age plus service equals 85*	2.6	81.1	-	
Age plus service equals 80*	1.6	82.7	-	
30 years service*	11.6	94.3	-	
Other combinations of age and service	5.7	100.0		
Number of firms	(190)		(30)	

*In many of these firms, retirement at the age shown is permitted only for employees with extraordinarily long service; the typical retirement age for persons with minimum service is age 65.

Most private firms permit earlier retirement if the employee is willing to take a reduction from the full benefit rate. In the PEL survey, 97% of the firms permit such early retirement at age 60, and 89% at age 55, at the employees option. The reduction from full rate pensions varies; many plans specify "actuarial reductions." Social security has a reduction of 6.6% per year from age 65, so that the reduction at age 62 (the minimum age) is 20%.

Benefit Rates

Philadelphia's pension plan relates retirement benefits to average final pay and years of service.

The benefit is computed by multiplying years of service times a benefit rate times "final average pay" (defined later). For police and firefighters, the benefit rate is 2.5% of pay per year of service, with a maximum of 100% of pay (reached after 40 years service). For general employees, the benefit rate is 2.5% of pay for the first 20 years and 2% thereafter, to a maximum of 80% of pay, which is reached after 35 years service.

Private industry pension plans may be divided into two categories. A minority of plans relates benefits only to years of service and not to pay; these are typically union-negotiated plans, and the amount of pension for each year of service is set in each new contract. In the 1975 Bankers Trust study, the median benefit was \$8.50 per month times years of service.

The predominant group of private industry pension plans is similar to the city's by relating benefits to average pay and years of service. These private industry plans generally integrate the company benefits with those of social security. This may be done by computing a benefit, and then reducing it by a part, usually half, of the primary social security benefit. The reason for the reduction is that the employer pays half the social security tax. Another integration device is two benefit rates--a lower rate for the pay within the social security tax base a higher rate above the base.

Many of the industrial plans are like the city's plan for general employees by having a higher benefit rate for early years of service (e.g. the first 20 years) and a lower rate for additional service.

The typical benefit rate of the Philadelphia private industry plans in the 1979 PEL survey was in the 1.5% to 2.0% range for each year of service. However, this rate cannot be used directly for comparison with the city of Philadelphia plans, because the industrial plans then reduced the company benefit to reflect part of the social security benefit. After the reduction, the company benefit tended to be in the range of 1.0% to 1.1% of final pay times years of service.

Definition of Average Final Pay

The city of Philadelphia's plans, as well as the majority of private plans, are geared to provide pension benefits in relation to "average final pay," which is usually pay averaged over several years.

Philadelphia's plan for general employees defines average final pay as the pay in the best three years. Typically in private plans, average final pay is averaged over five years, as shown below:

	Percent of Private Firms	
	Bankers Trust Co. Study	PEL survey
3-year period	2%	7%
5-year period	93	93
10-year period	4	0
Other period	<u>1</u> 100%	<u>0</u> 100%

Philadelphia's plan includes overtime pay in the average; most private plans exclude overtime.

Philadelphia's plan for police and firefighters gives the employee the option of basing the pension on the final pay rate (excluding longevity and overtime) or on the actual pay in the last 12 months, including longevity and overtime.

Employee Contributions

Social security taxes are paid equally by employer and employee. As to pension plans, the great majority of private firms do not have employee contributions.

In Philadelphia's plan for general employees, the employees contribute 3.75% on the social security base (\$25,900 in 1980) and 6% above the base. Police and firefighters contribute 6% of total pay.

Increase in Pension Benefits After Retirement

Since 1972, social security benefits have been automatically adjusted for inflation.

The Philadelphia pension plan does not have any provision for increases in pension benefits after retirement to reflect changes in the cost of living. However, amendments of the pension plan have included minimum pensions. A minimum provision was first applied to police and fire pensions in Fiscal 1974, on the basis of an arbitration award. The minimum has since been increased, and also a minimum provision was applied to civilian employees in fiscal 1978, as shown below.

Fiscal Year	Police and Fire	Civilian
1974	\$250/month for 20 years service	-
1978	\$300/month	\$250/month for 10 years
1979	\$400/month for 10 years service	service
1980	\$440/month for 10 years service	

Private Industry. Very few private industry pension plans have provisions for automatic changes to reflect changes in the cost of living.* However, many private firms increase benefits from time to time. In the 1979 PEL survey of 30 large firms in the Philadelphia area, one firm had a cost of living provision in its plan, and 20 firms reported that they had increased pension benefits in recent years.

In the 1975 Bankers Trust study, 207 out of the 271 plans listed reported that they had increased pension benefits in recent years.

Disability Benefits

Both city civilian employees and workers in private industry are protected by the disability provisions of social security. Social security pays benefits, beginning with the seventh full month of disability, if a severe physical or mental condition prevents a person from working and is expected to last at least 12 months (or is expected to result in death). Disability payments, at the usual social security benefit rate, continue until age 65.

City employees who are unable to work because of disability are eligible for disability pensions. If the disability did not arise out of employment, an employee must have a minimum of 10 years' service. The benefit rate is the same as for normal retirement--2.5% of average final salary for each years' service, up to 20 years, and 2.0% for the remaining years.

If the disability arose out of employment, the pension is 70% of final compensation as described in Chapter 3 in the discussion of occupational disability benefits.

About 80% of the industrial pension plans in the study by the Bankers Trust Company--New York have disability pension provisions.** The type of disability covered is usually total and permanent disability. Typically, workers are eligible for benefits upon completing 10 to 15 years' service, with more of the plans tending to require the shorter service.

Many of the companies that do not have disability retirement provisions in their pension plans have long-term disability plans as a separate benefit. Such plans usually relate benefits directly to the level of compensation at the time of disability rather than to the amount of accrued pension.

*"Estimates of the percentage of private pensions with automatic cost-of-living adjustments vary from 3% to 7%." American Council of Life Insurance, Pension Facts 1978-1979, p. 47.

**1975 Bankers Trust Company Study, p. 16.

Replacement Ratios for 30 Years Service

Because of the great variety of benefit rate patterns, the only way to determine the average retirement benefit in private plans is to calculate benefits of a typical employee. The comparisons in this section are based upon the "replacement ratios" of retirement benefits compared to earnings in the final year of employment, for an employee retiring with 30 years service. It is assumed that the employee's pay increased 5% per annum throughout his career.

Philadelphia Ratios

Philadelphia's plan for police and firefighters has a benefit rate of 2.5% of final pay (pay in last 12 months or final pay rate) for each year of service. An employee retiring with 30 years service would have a replacement ratio of 75%.

A general employee retiring with 30 years' service has his benefit calculated as 2.5% for the first 20 years of service and 2% for the next 10 years, or a total benefit of 70% of final average pay--the average of his best three years. If pay increased at 5% per annum, the pension would amount to 67% of the final year's pay. The amount of retirement benefit is illustrated below for retirement with varying final year's pay:

<u>Final Year's Pay</u>	<u>Pension</u>	<u>Replacement Ratio</u>
\$9,000	\$6,050	67%
\$15,000	10,083	67%
\$25,000	16,806	67%

Private Firms Ratios

City general employees can receive the above benefits starting at age 55. In private firms, the retirement benefit for 30 years' service depends on age at retirement. As shown earlier, the median minimum age for full-rate retirement benefits for long service is age 62. Most firms permit retirement as early as age 55, but only at a much reduced benefit.

The following tabulation is based on retirement at full-rate benefits after 30 years' service; again assuming pay increases of 5% per annum.

<u>Final Pay Rate</u>	<u>Private Pension</u>	<u>Replacement Ratio</u>
\$9,000		
Bankers Trust Survey (1975)	\$2,610	29%
PEL Survey (1979)	2,945	33%
\$15,000		
Bankers Trust Survey (1975)	4,800	32%
PEL Survey (1979)	4,930	33%
\$25,000		
Bankers Trust Survey (1975)	8,750	35%
PEL Survey (1979)	9,058	36%

City and Private Ratios Compared

The city general employee replacement ratio of 67% is more than twice the average private ratio. However, the city employee pays for part of the benefit, while the private benefit is paid entirely by the employers in the surveys.

To compare city and private benefits, it is necessary to deduct the portion paid for by the city employee. However, this would vary, since the total cost of the retirement benefit is influenced by many factors, such as age on retirement, interest earnings, and mortality experience.

An approximation of the proportion paid for by Philadelphia city employees may be obtained from the pension contribution budgeted for fiscal 1980. The city and state contribution is estimated at \$116.3 million while the employee contribution is estimated at \$26.6 million, for a total of \$142.9 million. The employee contribution equalled 18.6% of the total.

Therefore, in round figures, the employee contribution on the average pays for less than one-fifth of the cost of the pension benefits. The employee's share would tend to be less than average for those retiring at minimum retirement age (e.g. age 55 for general employees) and more than average for those who did not retire until age 65 or 70.

It was noted earlier that the Philadelphia general employee retiring with 30 years service (under the assumptions specified) would obtain a pension equal to 67% of final pay. In round figures, the employee would have paid for one-fifth of the pension, and the employer for four-fifths. Thus, the employer-paid pension would equal 54% of final pay (0.8 times 67%).

This 54% is still much higher than the 33% to 34% average replacement ratio in private industry.

Replacement Ratios Including Social Security

The comparison of retirement benefits is incomplete without discussion of social security benefits. As noted earlier, the majority of private pension plans integrate their benefits with those of social security.

Social security is designed to replace a greater percentage of income at the lower pay levels. The 1970's witnessed a large increase in social security benefits, as well as in the wage base. Some of the increase stemmed from an error in the 1972 formula which was intended to keep the benefits in line with inflation, but actually raised benefits more than inflation. This was corrected by 1977 amendments which established the present benefit formulas. However, the 1977 amendments guaranteed those retiring between 1979 and 1985 higher transitional benefits based partly on the former formula.*

*Snee, John and Mary Ross, "Social Security Amendments in 1977: Legislative History and Summary of Provisions," Social Security Bulletin, March 1978, p. 12.

Future replacement provided by social security will depend on the course of wage gains and inflation. Huggins and Co. has published estimates of replacement ratios under various assumptions*

The following are examples of social security primary replacement ratios forecast by Huggins & Co., assuming 5% per annum pay increases and a 3% annual inflation rate.

Final Year's Pay	Retirement At Age 65 Replacement Ratio		
	1980	1990	2000
\$10,000	51%	39%	35%
15,000	44%	34%	28%
25,000	28%	23%	20%

The percentages refer to only the primary social security benefit; a retiree with a dependent spouse would receive additional benefits.

It is apparent that under the present law, the social security replacement ratio would decrease over the years. The largest decrease would occur between 1980 and 1990. The following section uses the 1990 replacement ratio to estimate the combined replacement ratios for the pension plans and social security.

Table 14 illustrates the total retirement package--at age 65 pension benefit plus social security--for Philadelphia city government general employees and for the median plan among the 30 surveyed by the PEL in 1979. Under the assumptions stated, the combined benefit for the private employee is in the range of 59% to 72% of final pay, depending on wage level. The Philadelphia general employee would receive benefits in the range of 90% to 106% of final pay--about half again as much as the median private employee.

The figures in Table 14 compare retirement income with gross pay prior to retirement. Several studies suggest that it would be better to compare retirement income with net income prior to retirement; that is, deducting from gross income personal income taxes, social security taxes, pension dues, and expenses (such as transportation and clothing) required in connection with employment. A computation in the New England Economic Review suggests that retirement income would need to be in the range of 62% to 71% of gross pay (depending on pay level) in order to have net post-retirement income to be the same as pre-retirement income.**

On that basis, the median private pension benefit shown in Table 14 would be about the same as the level of net pre-retirement income; the City of Philadelphia pension benefit would be much greater than net pre-retirement income.

*Huggins & Co., Social Security--Incorporating Changes to June 1979 (Booklet No. 19 in a Series), p. 18.

**Alicia H. Munnell and Ann M. Connolly, "Comparability of Public and Private Compensation: The Issue of Fringe Benefits," New England Economic Review, July/August 1979, p. 32.

Table 14. Pension Replacement Ratios As Percentage of Final Pay, For Person Retiring After 30 Years Service At Age 65--Philadelphia General Employee Compared to Median of Phila. Area Private Firms.

Final Gross Pay	As Percentage of Final Gross Pay					
	City Government			Private Firm		
	City Pension	Soc. Sec.	Total	Private Pension	Soc. Sec.	Total
\$9,000	67	39	106	33	39	72
15,000	67	34	101	33	34	67
25,000	67	23	90	36	23	59

Note: It was assumed that pay increased at 5% per annum throughout the career. The social security replacement ratio is the projection for 1990, as explained in the text. The 1980 social security replacement ratios would be considerably higher, as follows: 51% replacement ratio at the \$10,000 level; 44% at the \$15,000 level, and 28% at the \$25,000 level.

The social security replacement ratios are for the employee only; an employee with a dependent spouse would receive additional amounts.

Expenditures for Pension Plans

In recent years, the Philadelphia city government greatly increased expenditures for its pension plan as shown in Chapter I. As percentage of payroll, the city pension expenditures (including state contribution) have increased from 9.7% in fiscal 1971 to the budgeted figure of 18.3% in fiscal 1980. For private industry, figures are available in the U.S. Chamber survey for calendar year 1978.* Employer contributions to pension plans as percentage of payroll are compared below.

	<u>Expenditures As Percent of Payroll</u>
Private firms with pension plans (1978)	6.3%
Philadelphia city government (including state aid, (1978-79)	15.0%

Philadelphia's expenditures were more than twice the average among private firms with pension plans.

Chamber of Commerce of the United States, Employee Benefits 1978, p. 22. For all private firms (including those that do not have pension plans), expenditures for pensions equalled 5.6% of payroll (Ibid., p. 8).

Chapter V

COMPARATIVE EXPENDITURES FOR ALL EMPLOYEE BENEFITS

Prior chapters have compared the provisions and expenditures for specific employee benefits of the City of Philadelphia and private industry. This chapter looks at expenditures for all employee benefits.

As noted earlier in Chapter II, no data are available on the expenditures for employee benefits by private firms in the Philadelphia area. Thus, this report uses national data.

The private industry figures are from the 1978 survey of the Chamber of Commerce of the United States--the latest available when this report was prepared (January 1980). The private expenditures are compared with those of the city of Philadelphia for the 1978-79 fiscal year.

Shortcomings of Expenditure Comparisons

Figures on percentage of payroll devoted to employee benefits are useful only for rough comparisons of the value of benefits provided by different employers. The reason is that expenditures for employee benefits are influenced by many factors in addition to the benefits themselves. Examples are:

(1) Pension expenditures may not equal accrued costs. A company's or government's pension expenditures in a given year may be more or less than the costs accrued in that year. Pension expenditures may include direct payments to pensioners, payments to a fund for all or part of the currently accruing liability, and payments to a fund for interest on, or amortizing of, a past liability. Moreover, actuaries have different ways of estimating costs.

Because of variations in financing, employers with identical pension plans may spend varying percentages of payroll for pensions in a given year.

(2) Characteristics of the employees influence costs. Age and sex distribution of the workforce are important determinants of costs of insurance and welfare benefits and pension plans. Average length of service relates to the number of weeks of vacations taken by the employees. Turnover has great bearing on the cost of pension plans and other retirement benefits.

(3) Administration of benefits may influence costs. For sick leave benefits and workers compensation, the administration of the benefits may be as important as the plan provisions in determining cost.

(4) Payroll concepts vary. Some estimates of benefit expenditures as percentage of payroll use total payroll; others use "basic payroll," which excludes overtime and shift premiums. The reasoning behind the exclusion is that pension credits are not earned on such extra pay in some plans, nor are leave benefits related to such pay. Also, if two firms have identical benefits, expenditures for benefits will be a higher percentage of payroll for the firm which has less overtime.

This study bases its comparisons on total payroll, including overtime, shift premiums, and other extras.

Comparison of Total Employee Expenditures in 1978-79

The city of Philadelphia's expenditures for employee benefits, as percentage of payroll, are compared with those of the average of private firms in the United States in Table 15. The totals are:

	Benefit Expenditures As Percent of Payroll
U. S. private firms (1978)	33.3%
City of Philadelphia (1978-79)	45.4%

In total, the city of Philadelphia spent 12.1% of payroll more than the average expended by private firms.*

Philadelphia expenditures as percent of payroll exceeded those in the private sector in three of the four categories in Table 15:

	Phila. Higher (Lower) Than Private
Pay for vacations, holidays, and other leaves	3.0% of payroll higher
Health and insurance programs (including sick leave)	4.5% of payroll higher
Retirement programs	7.3% of payroll higher
Other benefits	(2.6%) of payroll lower
All benefits	12.1% of payroll higher

Pay for time not worked is included in items 1 through 4 of Table 15. In total, Philadelphia's pay for time not worked equalled 17.1% of payroll** compared to the private firms' 10.0--or Philadelphia spent 7.1% more as percent of payroll than the private firms.

For supplements to payroll (items 5 through 17 of Table 15, Philadelphia spent an amount equal to 28.3% of payroll compared to the average of 23.3% in private firms. Thus, Philadelphia spent 5% of payroll more than the private average.

*The Chamber survey includes one item not included in the PEL computation of expenditures for employee benefits. This is "paid rest periods, lunch periods, wash-up time, travel time, clothes change time, etc." Private firms reported expenditures equaling 3.6% of payroll for this category, bringing the total average expenditures in the Chamber survey to 36.9% of payroll. The City government has a comparable benefit of paying for time devoted to coffee breaks, meal breaks for some employees, and get-ready time, but estimate is available on the percentage of total time devoted to these purposes. Therefore, we have not included this item in the comparisons.

**The 17.1% figure does not include leave on agency payrolls, included here with occupational disability benefits but shown as "time not worked" in Table 2.

Table 15. Employee Benefit Expenditures as Percent of Payroll--U.S. Private Industry as Reported in Chamber of Commerce Survey and Philadelphia City Government: 1978/1979

	Private Industry 1978	City of Philadelphia 1978/79
Total Benefits	33.3%	45.4%
Vacation, holiday and special leave	8.5	11.5
1. Vacations	4.9	5.1
2. Holiday and administrative leave	3.2	6.2
3. Minor leave	0.4	0.2
Disability and group insurance	10.7	15.2
4. Sick leave and salary continuation insur.	1.5	5.7
5. Occupational disability benefits	1.6	1.3
6. Life, medical, health etc. insurance	5.8	8.0
7. Other group insurance	0.1	0.1
8. Unemployment compensation	1.7	0.2
Retirement benefits	11.2	18.5
9. Social security taxes	5.6	3.5
10. Pension plans	5.6	15.0
Other benefits	2.9	0.3
11. Discounts on purchases	0.1	(b)
12. Employee meals	0.2	(c)
13. Profit sharing and thrift plans	1.7	(b)
14. Bonuses and awards	0.4	(b)
15. Employee education (tuition, etc.)	0.1	(c)
16. Clothing allowance	b	0.3
17. Miscellaneous payments(a)	0.4	(b)

(a)Includes compensation payments in excess of legal requirements, separation or termination pay allowances, moving expenses, special wage payments ordered by courts, payments to union stewards, etc.

(b)No such benefit.

(c)Less than 0.05%.

Source: Private firms--Chamber of Commerce of the United States, Employee Benefits 1978 p.8.

City of Philadelphia--Table 2 of this report.

The Chamber study also shows expenditures equalling 3.6% of payroll for "paid rest periods, lunch periods, wash-up time, travel time, clothes-change time get-ready time, etc." The city has comparable benefits of paying for time devoted to coffee breaks, meal breaks for some employees, and get-ready time, but no estimate is available on their cost. Thus, this item is not included in this table.

Budget Impact of Greater Percentage

The additional 12.1% of payroll which the City of Philadelphia spends on employee benefits has a tremendous impact on the city budget. In Fiscal 1979, the total payroll was about \$588 million. If Philadelphia's benefit expenditures had been at 33% of payroll--the average of private industry--the city's benefit expenditures could have been reduced by about \$71 million. The figures are:

Actual expenditures (45.4% of payroll)	\$267 million
Benefit expenditures as 33.3% of payroll	<u>\$196 million</u>
Difference	\$ 71 million

Much of the difference between the city and private firms is in time not worked benefits, where the city pays 17% of payroll compared to the 10% among private firms. The city expenditures are greater because of more generous provisions regarding vacation, holiday, and sick leave. If the time not worked benefits of the city were reduced to the average level of private industry, the city would have obtained 7% more work days per employee per year, as well as having to pay less overtime. In other words, if employees had less time off, the city could have reduced its work for 7% and still obtained the same number of work days as it actually did.

As to supplements to payroll, the city spent an amount equal to 28.3% of payroll compared to the 23.3% average among private firms. The 5 percentage point difference equaled \$29 million in fiscal 1979.

The \$71 million total figure applies to total Philadelphia government operations, comprising all of the funds, such as the general fund, water fund, sewer fund, and grants revenue fund. Lower benefit costs would not only reduce the impact on city taxes (general fund) but also city fees for users of water, sewer and other facilities.

Appendix A

PROCEDURES FOR ESTIMATING CITY OF PHILADELPHIA EMPLOYEE BENEFIT EXPENDITURES

This appendix outlines the procedures for estimating the cost of each of the employee benefits for fiscal 1978 to fiscal 1980, shown in Table 2 of Chapter I, as well as the costs for typical employees shown in Table 3.

1. Vacation Leave

The Annual Reports of the Director of Finance for fiscal 1978 and fiscal 1979 show, in the notes to financial statements, estimates of vacation leave earned. The figure for fiscal 1978 is \$30.7 million; the figure for fiscal 1979 (as revised) is \$29.9 million. In this report, it was assumed that vacation leave usage equalled vacation leave earned, although actual usage may differ slightly, since an employee may choose to defer some vacation to a later year.

The vacation leave earned equalled 5.7% of "net" payroll, which is total payroll less overtime, holiday pay, shift premium, and pay of temporary and seasonal employees (who do not receive vacation pay). The percent of pay for vacation implies an estimated average of 14.8 vacation days earned per employees.

For fiscal 1980, it was assumed that vacation leave earned would equal the same percent of net payroll as in prior years.

2. Holidays and Administrative Leave

City employees have 14 holidays and 3 administrative leave days. The percent of payroll for the 17 leave days varies slightly with the number of regular workdays--weekdays--in the year. Both 1978 and 1980 have 261 weekdays, compared to 260 in fiscal 1979.

The estimate of pay for holidays was made by multiplying the ratio holidays to weekdays (e.g., 17/261 for 1978) by the net payroll for the year.

The police and fire forces are paid in cash for unused holidays. The above procedure includes the estimate for their holiday pay, whether for a paid leave day, or a cash payment for unused holidays.

Some city employees work on holidays and receive time and one half, in addition to the regular pay for the day. The premium pay for holiday overtime is shown in the budget documents. For the purpose of this estimate of the expenditures for employee benefits, we have included the extra half time pay as an addition to the prior calculation.

The amount of holiday overtime for major departments shown in the budget documents is:

Fiscal 1978	\$3.0 million
Fiscal 1979	\$3.2 million
Fiscal 1980	\$2.7 million

3. Minor Leaves of Absence (In Addition to Administrative Pay)

These were estimated at 0.2% of payroll, based on data cited in the 1972 PEL report on employee benefits. This implies an average of one-half day per year per employee.

4. Sick Leave

Both the fiscal 1978 and 1979 financial reports contain estimates of sick leave usage (in the notes to the financial statements). The estimate for fiscal 1978 is \$24.7 million, while that for fiscal 1979 is nearly 50% higher, at \$36.1 million.

Data are available on actual sick leave usage in each fiscal year. The figure for fiscal 1978 was 12.3 days per employee and that for fiscal 1979 was 12.7 days. It appears that the difference in the cost estimate is accounted for mainly by the inclusion in fiscal 1979 of an estimate of payment for unused sick leave at retirement which apparently was not included in fiscal 1978. About 1,000 employees retired on regular pension in fiscal 1978 (as well as on disability pension). If those retiring on regular pension had the maximum accumulation of 60 days, average sick leave pay per retiring employee would be in the range of \$3,000 to \$4,000, for a total payment of \$3.4 million. For this estimate we have added \$3 million to the fiscal 1978 sick leave figure in the financial report of the Director of Finance.

5. Occupational Disability

The estimate of cost of leave on agency payrolls was based on fiscal 1979 figures on number of paid days lost in 1979, as follows:

Police	19,212
Fire	3,292
Streets	4,208
Other	9,930
Total	36,642

It was assumed that the experience for 1979 was applicable to 1978 and 1980.

Expenditures for leave on special payroll and worker's compensation are shown in the budget documents.

The cost of the compensation clinic was based on the cost per employee for fiscal 1980 as developed by the Office of Director of Finance.

6. Health-Medical Plans

7. Group Life Insurance

8. Group Legal Insurance

The supporting detail for the fiscal 1980 operating budget provides figures (1979 actual, 1979 estimated, and 1980 proposed) for all funds other than the CETA and grants revenue funds, which have data only for 1980 proposed. For 1978 and 1979, figures for these two funds were estimated based on number of employees and payments per employee.

9. Unemployment Compensation

The city is self insured for unemployment compensation. The financial documents show actual expenditures for fiscal 1979 and the budget for fiscal 1980.

10. Social Security

The same procedures were used as for items 6, 7, and 8.

11. City Pension Fund

City expenditures for pensions in 1978 and 1979 were taken from the financial report for fiscal 1979, and include state aid. The pensions for loan fund employees (not included in the payroll figures in Table 2) were deducted. The figures for 1980 were as shown in the official statement for \$13.8 million bonds (December 1979), Table 26, of that statement.

The breakdown by city and state is:

	(millions of dollars)				Excluding
	City	State	Total	Loan Funds	Loan Funds
Fiscal 1978	76.0	7.1	83.1	1.0	82.1
Fiscal 1979	79.9	9.0	88.9	0.9	88.0
Fiscal 1980	105.3	11.0	116.3	3.0	113.3

12. Accumulative Sick Leave on Retirement

As noted above, an estimate of this cost is included under sick leave (item 4) of Table 2 (citywide expenditures). However, this item is shown separately in the calculations of costs for typical employees in Table 3.

General and police employees earn 20 days sick leave per year. The average police usage in fiscal 1978 was 15.0 days, leaving 5 days to be accumulated. An employee retiring with 25 years service would have accumulated 125 days, and be eligible for the maximum sick leave pay of 60 days (the police formula is 50% of the first 120 days accumulated). Per year of service, this becomes 2.4 days or 0.9% of 261 working days, or 0.9% of pay rate.

For general employees, average usage is about 12 days per year, leaving 8 days to accumulate in the sick leave "bank." After 25 years, the average employee would accumulate 200 days, and be eligible for 60 days pay (formula of 30% of maximum of 200 days accumulation). This would also be 2.4 days per year, over the 25 year span. However, in contrast to the police force, where very few officers leave prior to retirement, among general employees a considerable percentage separate prior to eligibility for retirement benefits. For the estimate in Table 3, a 40% discount factor is applied to account for such separations without benefits, making the average benefit equal to 1.44 days per employee or 0.5% of pay.

13. Group Insurance on Retirement

For the citywide figures in Table 2, it is assumed that these costs are included under item 6 (health medical plans) and item 7 (group life insurance). In the table (Table 3) of costs for typical employees, the estimated cost of the death benefit (\$6,000) and continuation of payment of health and welfare plan costs for three years after retirement is calculated as a percentage of payroll during the working years.

14. Uniform Allowance

The figure is based on budget data for the respective years.