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Overtime Déjà vu at PAT

October 2006: An article in a Pittsburgh newspaper revealed the top earners at the Port Authority (PAT) and noted that in addition to the salaries for top administrators, there were several operators who were able to work enough overtime to boost their earnings to place them near the top of the charts. The article named three of these operators, all of whom earned at least 36 percent of their total compensation through overtime. The CEO at the time stated "Some overtime is built into schedules, because it's less expensive to pay overtime than to replace someone in the middle of a route…And with funding up in the air, it's difficult to do proper manpower planning. You don't want to end up hiring people that you can't keep and foot the bill for benefits."

August 2014: An article in a Pittsburgh newspaper revealed the top earners at PAT and noted that "six of the eight highest paid [PAT] employees were drivers, some of them racking up about $80,000 in overtime…" The article names the three top earning drivers; based on what the article identifies as base pay ($54,579), overtime earnings for those three drivers represents 60 percent of total compensation. In fact, the top three had earnings of over $130,000. A PAT official stated "We strategically chose not to fill…positions. We didn't want to go through the process to hire and train people if we have to lay them off later" and the official and a member of the board noted that the uncertainty of state transportation funding played a critical role in the decision making process.

What is interesting to note is that in both articles—written eight years apart and by two different newspapers—two of the top three compensated drivers were the same people (unless there were different people with the same name hired as PAT operators, which is possible). It is a reasonable assumption that in the intervening years when there was no media coverage those two operators remained among PAT's top earners, with earnings surpassing $100,000 per year.

Working a lot of overtime to boost earnings is not uncommon in the public or private sectors. In fact, local governments here and across the nation are trying to cut back on the practice so that workers cannot take on large amounts of extra work in order to increase their earnings in the final years of employment so as to enrich their pension, a practice known as "spiking". Even in places where there is no uncertainty about funding streams one can see employees catapulting to the top of a highest paid list by working overtime.

Typically the most senior employees get the first right of refusal for overtime assignments, especially under collective bargaining. According to PAT, no more than 95 hours of earnings in a two week period can be used in pension calculations—that is to say no more than 15 hours of overtime in a two week period. The annual pension benefit is determined by multiplying 2.25% times the number of years of service times the average of the highest four years of earnings adjusted for the maximum overtime limit. Note that 15 hours of overtime per two weeks over the course of a year is equivalent to 585 regular hours of pay. For the drivers in question this means they will have boosted their pay for pension calculations from $54,579 to over $70,000. That means for an employee with 35 years of service, the annual pension will be $55,000 instead of $43,000. This on top of the massive amounts above base pay earned over several years of extraordinary levels of overtime pay.

If PAT's argument for so much overtime work is the inability to do proper manpower planning because of lack of state funding, then the arrival of Act 89 transportation funding means the onus is now on the board and the administration to plan for adequate manpower. That Act became law in November of 2013, and the Authority is hiring drivers now according to the most news accounts. More new drivers should mean less overtime for other drivers. And, as new hires will have to meet more stringent age and service requirements for full pension benefits and will receive only three years of PAT-paid retiree healthcare coverage (as opposed to the pre-2008 benefit structure that only required 25 years of service to receive pension and health benefits), the presumption is that the benefit structure of the new hires will gradually reduce the long-term liabilities of the Authority.

The hefty use of overtime might make good business sense for very short periods when there is an expectation of an increase in revenue that would enable more hiring or when qualified applicants are not readily available. But when one employee is earning enough in overtime on a sustained basis to hire two entry level people it should set off alarm bells. In order to earn nearly $80,000 in overtime in one year at time and a half pay, an employee would have to work almost 70 hours per week every week during the year. That is clearly not a good situation from a driver alertness stand point and it means there are a lot of other drivers who should be sharing in the overtime. Seniority rules that create such an over use of overtime by a few individuals are not in PAT's best interest.

It would be better to scale back service and reduce the need for drivers than to utilize very limited resources in such a profligate manner as the overtime debacle portrays.

Another way to avoid these overtime episodes and the increased legacy costs of the Authority would be to contract out service to providers who would cover benefits for their workers on their own. That would minimize the need to train drivers and then go through the separation process within PAT if service demand were to drop. It is far past the time when PAT should be outsourcing a part of its bus service to private carriers or to regional transit agencies. The new PAT board should be investigating this possibility as a way to reduce its legacy costs and as a way to reduce its dependence on state taxpayers and Turnpike users for subsidies.

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