The original documents are located in Box C4, folder "Presidential Handwriting, 9/28/1974" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE
WASHINGTON

September 28, 1974

MR. PRESIDENT:

Timmons, Cole and Buchen concur with Ash's recommendation of a 5.52% Federal pay adjustment. You need to make this decision by Tuesday, October 1.

Jerry Jones
Jerry H. Jones
Staff Secretary

See inside

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

September 25, 1974

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: Roy L. Ash

SUBJECT: Federal Pay Adjustment

I. BACKGROUND

With the recent action by the Senate in disapproving your proposal to delay the Federal white collar and military pay adjustment, you are required to adjust Federal pay, effective October 1, to bring it to comparability with private enterprise pay.

The Director of OMB and the Chairman of the CSC as your pay agent have jointly recommended a 5.52 percent pay increase. The Federal Employees Pay Council and other unions have urged an 8.4 percent increase. The Advisory Committee on Federal Pay, after public hearings, has recommended 7.22 percent.

II. OPTIONS

A. 5.52 percent recommended by pay agent: this amount was determined through comparability process as that process has consistently been handled, including a six-month lag between the BLS survey and the pay adjustment. FY 1975 cost would be $1,772 million, or $306 million less than budget allowance.

-- amount already incorporates significant concessions to unions

-- amount has been publicly discussed, is expected, and it was in the context of this expected amount that the Senate disapproved deferral of increase

-- but supports union argument that Advisory Committee serves no real function and strengthens their case for new legislation. Such legislation, if enacted, would likely involve collective bargaining or third party arbitration, at potentially very high cost in future years (e.g., Postal Service pay)

B. <u>7.22 percent recommended by Advisory Committee</u>: the additional 1.7 percent is based on BLS findings of increases in private enterprise pay since the end of economic stabilization controls.

-- would bring Federal pay closer to current pay rates, but would set undesirable precedent

-- would give credibility to role of Advisory Committee and therefore to whole comparability process, considerably reducing the force of union pressure towards collective bargaining

-- but the FY 1975 cost would be $2,322 million, $550 million higher than Option A, and $244 million higher than budget allowance and

-- creates a political credibility problem since you had asked for a three-month deferral in order to save money and (after losing that battle in the Senate) would now be proposing to add $550 million <u>extra</u> cost

C. <u>Compromise between A and B</u>: some compromise figure, such as 6.4 percent (halfway) could be selected

-- would show Advisory Committee has some impact, and would therefore strengthen credibility of pay-setting process as far as the unions are concerned

-- but comparability pay-setting has always been an objective technical process, and this sort of non-technical political compromise would appear rather arbitrary, and could set a bad precedent for the future

-- 6.4 percent would cost $2,047 million in fiscal year 1975, or $275 million more than 5.52 percent and $31 million less than budget allowance

-- would strengthen union argument that fiscal considerations, rather than genuine commitment to principle of pay comparability, are the basis for the executive's administration of pay comparability system

III. RECOMMENDATION

The unions are convinced that they have not been treated fairly under the present system, since the Advisory Committee, the intended "third party", has been consistently ignored. If the unions decide to seek collective bargaining instead of the present system, and if they succeed, the executive will be faced with a much less easily controlled pay system in the future, leading to much higher Federal payroll costs. If our only concern were for labor relations, Option B would be the preferred choice.

However, Option A is a fair and reasonable amount, and fulfills the requirement of the principle of pay comparability. In a period when the Government is struggling to exercise fiscal restraint, this less costly option is clearly very attractive, although it does increase the risk of loss of control in the future.

This is a difficult choice, and one we believe deserves your most careful consideration. Personally, however, we must on balance recommend Option A.

Option A. GRF.

Option B. __________

Option C. __________

Discuss with me. __________

STAFFING