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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JAN 15 1975

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ROY L. ASH

SUBJECT: APPLICATION OF 5% CEILING TO POSTAL SERVICE

The proposal to submit legislation to place a 5% ceiling on pay raises for all Federal employees requires a decision on whether the ceiling should also apply to postal service employees.

The approximately 700,000 postal employees enjoy most of the statutory benefits received by other Federal employees e.g., veteran preference, Civil Rights Act, employee appeals, and retirement benefits. Rates of pay, however, are determined by collective bargaining agreements between USPS and the postal unions. The present agreement expires July 20, 1975, and will be renegotiated during the spring of 1975.

Arguments for applying the 5% ceiling to postal employees.

- . The ceiling on Federal pay is intended as an anti-inflationary measure which will set an example for wage increases in the private sector. The proposed ceiling should be extended to all Federal workers for which the Government has responsibility.
- . Postal workers are represented by the largest and most militant labor unions in the Federal Government. If they are not covered by the proposed 5% ceiling it will send a clear signal to other Federal workers that could lead to more rapid unionization as well as more militant behavior by existing unions.
- . Including USPS would provide even-handed treatment with other Federal workers. Other Government corporations which also negotiate pay rates for their employees (e.g., TVA and Bonneville Power) are to be included in the ceiling. Moreover, it would be an additional inequity to exempt active postal workers from the ceiling when annuity increases for postal retirees will be limited to 5% because they are part of civil service retirement.



