The original documents are located in Box C11, folder "Presidential Handwriting, 1/28/75 (1)" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

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1/28/75

THE WHITE HOUSE

WASHINGTON

January 27, 1975

MEMORANDUM FOR:

JERRY JONES

FROM:

DICK CHENEY

Jerry, attached is the pay raise memo which kicked around a long time. There has been confusion as to exactly what was decided. The answer is that the decision is that he would go with a 5% option when others get it.

Attachment

WASHINGTON

January 11, 1975

MR. PRESIDENT:

1

The attached memorandum has been staffed and generated the following comments:

<u>Areeda</u> -- Agree with this option on the assumption that mechanism will be provided for correcting the compression of pay scales at the top.

<u>Cole</u> -- I don't see how the President can ask for a pay raise for the top people. It will be well known very quickly that he is going beyond the G.S. schedule and when it does it will be a political negative for the President. He should not propose a pay increase beyond that which is normally required by law.

Friedersdorf -- No comment.

<u>Hartmann</u> -- Should not be mentioned in the State of the Union.

Seidman -- I agree with the Ash recommendation.

Scowcroft -- No objection.

Marsh -- Opposes any pay increase over \$42,500 for the Congress, Judiciary or Executive Branch. He is not opposed to adjustments in Level IV through III (\$36,000 - \$40,000) but feels we should stick with the \$42,500 cap.

WASHINGTON

January 2, 1975

ACTION

MEMORANDUM FOR: THE

THE PRESIDENT

FROM:

Ash

SUBJECT:

Executive, Judicial and Legislative Pay

I. BACKGROUND

At the end of your discussion of the above subject with the Congressional Leaders recently, you indicated that you would get back to them on the matter before they reconvened. Consequently, a decision must be reached before then on the course you will take on this controversial issue.

Moreover, Senator McGee, who is Chairman of the Senate Post Office and Civil Service Committee, has requested a meeting with you on the same subject. He wants a large meeting with senior members of House and Senate Committees and the Congressional Leaders of both parties in attendance. His purpose would be to decide collectively what, if any, legislation is feasible.

II. OPTIONS

In addition to the options presented you in my memo of November 12 on this subject (copy attached) another one is now available. It ties to the tentative decision you reached to hold this year's pay comparability increases for Federal employees to 5%.

III. RECOMMENDATION

As you cover the Federal pay decision in your State of the Union Message, the language could be broadened to state that a 5% increase will be given to all Federal employees, to those on the General Schedule at their normal adjustment date (October 1) and to

the Executive Level employees, who have received no increases for 5 years, on April 1. Then, also, you could propose that Executive Level pay hereafter be adjusted annually by a procedure such as the comparability one for General Schedule employees. (The basis for such a plan has been worked out with Hill staff.)

If you favor this approach, you could quietly advise Senator Scott and Congressman Rhodes of this Executive pay decision as you near the Message date and ask them to inform the rest of the Congressional Leaders. This will fulfill your promise to get back to them. Then, I would recommend that you not have a large meeting with Senator McGee but, instead, meet with him privately, or with a very few others, to discuss your position.

 Approve					
Disapprove					

Attachment

WASHINGTON

DECISION

NOV 12 1974

MEMORANDUM FOR: THE PRESIDENT

FROM: ROY L. ASH

SUBJECT: EXECUTIVE, JUDICIAL AND LEGISLATIVE PAY

Background

During your meeting with the Advisory Committee on Federal Pay, they mentioned the problems which have arisen because pay of Federal executives, judges and members of Congress has been frozen for over five years. You pointed out that Congress is unlikely to raise the other salaries unless they raise their own too. It now appears that Congress may take this issue up when it returns.

In meetings involving senior staff of OMB and CSC with top staff of House and Senate Civil Service Committees, the Chief Counsel of the House Committee reported that he had been instructed by senior members to work for an increase of \$10,000 in congressional pay to be voted on in the post-election session and to take effect in January. Senate staffers indicated they had been instructed to work for the highest and promptest increase that seemed feasible of enactment. The staff group consensus is that an increase of \$5,000 next January and another increase of \$5,000 in January of 1976 would be more feasible than an immediate \$10,000 boost. The representatives of OMB and CSC have indicated consistently that they had no authority to commit the Administration on any aspect of this issue.

The Pay Problem

It is becoming increasingly difficult to attract and hold high quality people for non-career and judicial appointments, and to retain high-level experienced career people because:

- -- Executive, judicial and legislative pay has remained unchanged since 1969 while the cost of living has increased by 40%
- -- General Schedule employees pay has risen 37%
- -- Top steps of GS-15, most of GS-16, all of GS-17 and GS-18 and Executive Level V are at the same pay \$36,000 (pay compression problem)

-- Annuities, being indexed to the CPI, are rising so rapidly that executives can gain more by retiring than by working.

Each passing year will worsen this situation. The long delay between increases has made the existing mechanism (quadrennial commission) inoperative because of the large increases that Congress would have to approve to catch up.

A Possible Solution

- 1. Set pay of GS-16, -17, and -18 by using the existing system for annual adjustment of General Schedule salaries on the basis of BLS comparability studies. This provision is already in the law, but the resulting salaries cannot take effect because they exceed the statutory pay of Executive Level V (\$36,000).
- 2. Abolish the quadrennial commission mechanism and substitute a law requiring that the President annually submit to Congress specific recommendations for Executive Level salaries based on a formula.
- 3. The formula would provide that pay of Executive Level V would be 5% greater than GS-18, and pay of the other executive levels would each be 5% greater than the next lower level.
- 4. The President's recommendations would take effect the succeeding January 1 unless vetoed or modified by Congress.
- 5. That formula would result in substantial increases because GS-18 should now be \$46,336 according to the current comparability law. Therefore, some limit would have to be placed on the size of the initial, and perhaps first few, adjustments; say \$5,000.

Administration Position

While it is not necessary for you to take a public position on this issue now, it appears that you may have to before the Congress adjourns.

Options |

 Take no public position; let Congress vote an increase, if it wishes.

- <u>Pro</u> avoids the incongruity of asking for pay raises while advocating restraint in other areas.
- Con is a passive approach to solving the pay problem.
 - committee leadership may not act without assurance of your support, or may prepare unacceptable solution.
- 2. Take a position against any increase.
 - Pro consistent with objective to restrain spending.
 - is likely to be popular with news media and public.
 - Con pay problem will continue to have harmful consequences for Government and will grow worse each year.
 - if action is not taken in post-election session, there probably will be no action until 1977 (quadrennial commission).
- 3. Accept an increase only after the Congress takes the initiative.
 - <u>Pro</u> likely to develop mutually agreeable solution to pay problem.
 - Con may lead to news media and public criticism.
 - will increase spending by about \$20-25 million.
- 4. Take a position favoring changing the mechanism, but delaying initial pay adjustments until FY 76.
 - Pro likely to result in acceptable legislation creating new executive pay mechanism which will facilitate solution of the problem in the future.
 - will surface the problem, but avoid criticism of inconsistency with FY 75 budget restraint.
 - Con pay problem will continue until FY 76.
 - gap will widen between current executive pay and where it should be on comparability basis.

A	plan	to	procee	d will	be	deve]	.oped	on	the basis	of	your
đ٤	cisio	on.	My re	commen	dat:	ion is	Opt	ion	three.		

Decision	-	
	Option	1
	Option	2
	Option	3
	Option	4
	See me	



EXECUTIVE OFFICE OF THE PRESIDENT OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

NOV 2 7 1974

MEMORANDUM FOR:

THE PRESIDENT

FROM:

ROY L. ASH /5/

SUBJECT:

LEGISLATIVE, JUDICIAL AND EXECUTIVE PAY

You already have my memorandum concerning pay increases for these officials as well as one from Bob Hampton, the latter strongly urging the necessity for them. As we both know, this is very much a political, rather than a budgetary, issue.

It is clear that there will be a strong public reaction against any large increases for these officials at this time.

- -- In these inflationary times, when most people feel their incomes are failing to keep pace with inflation, they will resent any large increases for officials whose present salaries already look very large to the average citizen.
- -- As you are calling upon Congress to hold the line or cut back in many areas, it will seem inconsistent to ask for additional expenditures in this unpopular area.

We can lessen this public reaction by explaining the necessity carefully, but cannot eliminate it entirely. As I see it, we must balance the very real administrative necessities we face against the probable public reaction.

My solution to this dilemma, as my earlier memo indicated, is for you to accept increases only after the Congress takes the initiative. Beyond this, you could, of course, give the Congressional Leaders quiet assurance of your recognition of the need and of your support for reasonable increases.

WASHINGTON

December 13, 1974

MR. PRESIDENT:

The attached memorandum has been staffed and generated the following comments:

Ash -- Agrees with Secretary Kissinger that there is a problem but there is also a political problem in advocating such raises. The options were discussed in my November 12 memorandum on the same subject.

Cole -- I agree with Secretary Kissinger's observances on substance, but I fail to see how the President can ask all Americans to tighten their belts and at the same time advocate a pay raise for Federal workers.

Timmons -- Concurs with memorandum.

July July

Do

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

INFORMATION December 9, 1974

MEMORANDUM FOR THE PRESIDENT

FROM:

BRENT SCOWCROFT

SUBJECT:

Secretary Kissinger Supports

Executive Pay Raise

Secretary Kissinger has sent you the memorandum at Tab A urging your support for pay increases for senior Federal executives. He cites the potential impairment of the country's diplomatic competence occasioned by the early retirement of many of the best senior Foreign Service officers in order to take advantage of pensions which, because of periodic cost-of-living increases, in some cases amount almost to the take-home pay of officers on active duty.



THE SECRETARY OF STATE WASHINGTON

December 2, 1974

MEMORANDUM FOR: THE PRESIDENT

From: Henry A. Kissinger

Subject: Executive Pay Raise

The situation at the top of the Foreign Service argues for your strong support for pay increases for senior Federal executives. The present \$36,000 ceiling on executive salaries is now reached by Foreign Service officers of Class 2 after two years in grade, and there is no salary increase on promotion to Class 1 or Career Minister.

Besides this lack of pay incentive, the periodic cost-of-living increases in pensions raise some pensions nearly to the amount of take-home pay of officers on active duty. These factors will in coming months lead a considerable number of our best senior officers to take early retirement, robbing us of five to ten years of their most valuable service. We have already suffered some such losses and we cannot have further substantial losses from the senior ranks without impairment of the country's diplomatic competence.

Of our 406 senior officers (Career Ministers through Class 2) who are old enough to seek early retirement, as many as two-thirds could do so advantageously under the present salary structure.

I believe the probable loss of talent and experience is so serious that you should support pay increases for the top Federal grades. I urge this action with full recognition of the economic problems we face.

This came down from Rumsfeld's office with no notation and Barbara said it was outbox.

SUGGESTIONS FOR ATTENDEES TO A MEETING TO CONSIDER Executive Branch, Legislative and Judiciary Pay Raises

- 1) Bob Hartmann
- 2) Jack Marsh
- 3) Bill Timmons
- 4) Ken Cole
- 5) Roy Ash
- 6) Don Rumsfeld (Dick Cheney)

This came down from Rumsfeld's office with no notation and Barbara said it was outbox.

SUGGESTIONS FOR ATTENDEES TO A MEETING TO CONSIDER Executive Branch, Legislative and Judiciary Pay Raises

- 1) Bob Hartmann
- 2) Jack Marsh
- 3) Bill Timmons
- 4) Ken Cole
- 5) Roy Ash
- 6) Don Rumsfeld (Dick Cheney)



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

NOV 2 7 1974

MEMORANDUM FOR: THE PRESIDENT

FROM: ROY L. ASH

SUBJECT: LEGISLATIVE, JUDICIAL AND EXECUTIVE PAY

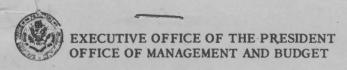
You already have my memorandum concerning pay increases for these officials as well as one from Bob Hampton, the latter strongly urging the necessity for them. As we both know, this is very much a political, rather than a budgetary, issue.

It is clear that there will be a strong public reaction against any large increases for these officials at this time.

- -- In these inflationary times, when most people feel their incomes are failing to keep pace with inflation, they will resent any large increases for officials whose present salaries already look very large to the average citizen.
- -- As you are calling upon Congress to hold the line or cut back in many areas, it will seem inconsistent to ask for additional expenditures in this unpopular area.

We can lessen this public reaction by explaining the necessity carefully, but cannot eliminate it entirely. As I see it, we must balance the very real administrative necessities we face against the probable public reaction.

My solution to this dilemma, as my earlier memo indicated, is for you to accept increases only after the Congress takes the initiative. Beyond this, you could, of course, give the Congressional Leaders quiet assurance of your recognition of the need and of your support for reasonable increases.



Date: 11-76

TO:

Ed Prestor

FROM:

Dennis Wood

ACTION:

Approval/Signature _____

Information_

File_

Draft response for

Roy L. Ash's signature.
For your handling.....

REMARKS;

per our conversation

November 26, 1974

MEMORANDUM FOR:

ROY L. ASH

FROM:

JERRY H

SUBJECT:

Executave Level
Pay Raises

Attached is a memorandum from Rowland Kirks, Director of the Administrative Office of the United States Courts, urging the President to increase Federal Judicial salaries.

Would you pull yet another memorandum together on this subject outlining the political issue as you see it. Cheney hopes to have a meeting as early as tomorrow to address the issue with the President.

Attachment

w/P

ROWLAND F. KIRKS

DIRECTOR SUPPEME COURT WASHINGTON, D. C. 20544

A CASE FOR AN INCREASE IN FEDERAL JUDICIAL SALARIES IN 1974

A CASE FOR AN INCREASE IN FEDERAL JUDICIAL SALARIES

FACTS RELATIVE TO PRESENT STATUS OF JUDICIAL SALARIES UNDER THE POSTAL REVENUES AND FEDERAL SALARY ACT OF DECEMBER 16, 1967

Salaries of justices and judges of the United States have been frozen since March 1969 at \$40,000 for judges of the district courts, \$42,500 for judges of the courts of appeals, and \$60,000 for associate justices of the Supreme Court.

During this same period, from March 1969 through September 1974, the Consumer Price Index has increased 42% and is projected to increase to 48% by March 1975. The freeze on judicial salaries coupled with the escalating inflationary spiral (Consumer Price Index) has reduced judicial purchasing power by 32% (See Appendix B).

General Schedule federal employees have received 38.1% comparability pay increases during this same period of time. The inequitable and discriminatory result of freezing judicial salaries for five years while annually raising the salaries of General Schedule employees is set forth in (Appendix A).

It must be assumed that the rates of compensation recommended by the Salary Commission for all federal employees in March 1969 set the correct and appropriate pay relationship between executive, legislative and judicial salaries with positions classified under the General Schedule. To achieve full comparability today with positions classified under the General Schedule the salaries of justices would have to be fixed at \$82,860, those of circuit judges \$69,050 and district judges at \$65,598.

Another relevant factor to consider is the loss of salary experienced by judges since March 1969 because there has not been an annual adjustment based upon the Consumer Price Index. District judges have lost \$53,480 and circuit judges \$56,830. (See Appendix C).

Judicial salaries in the federal system have generally been higher than comparable salaries in the state systems. Since 1969 when federal salaries became frozen this pattern has been reversed. On the average, salaries of judges in the several states have increased 42% or \$10,800. (See Appendix D).

Attorneys' salaries, as surveyed by the U. S. Department of Labor have risen 43.9% since 1969 while salaries of federal judges have remained frozen.

So it may be seen that federal judges have been inequitably treated by comparison with General Schedule federal employees and also they have not been permitted to keep pace with

their brethren on the bench in our state systems or with the private practitioner.

Both the moral and ethical considerations combine with the economic to dictate that the executive and legislative branches of our government take immediate steps to rectify the situation and increase judicial salaries by not less than 50%.

In this presentation, however, it is recommended that the immediate remedial step to be taken is for the President to transmit to the Congress the Salary Commission recommendation of June 30, 1973 which was for an increase of 25% in the current salary.

It is to be hoped that the 94th Congress will take immediate steps to provide an additional 25% salary increase and to restructure the law to provide for appropriate annual adjustments in judicial salaries.

MEMORANDUM IN SUPPORT OF A PLAN TO ADJUST EXECUTIVE, LEGISLATIVE AND JUDICIAL SALARIES

Executive, legislative and judicial salaries have not changed since March 1969. The salaries of these officials are determined pursuant to the procedures set out in the Postal Revenues and Federal Salary Act of December 16, 1967, 2 U.S.C. 35, et. seq., which was "remedial legislation" passed for the express purpose of providing fair and reasonable compensation to high level officers and executives in the three branches of government.

The recent application of the provisions of this law have resulted in a failure to achieve the legislative intent that executive compensation be adjusted within a four year cyclic period as provided by the Act. As a result, the lack of any salary adjustment for a period of nearly six years has imposed financial burdens on the high level officials in the three branches of government. The need for remedial action becomes more urgent with each passing month.

The legislative history of the Act of December 16, 1967, which established the Salary Commission, clearly indicates a Congressional intent to establish a procedure that would at regular intervals overcome the difficulties experienced by the Congress in fixing salaries of these officials. As remedial legislation, it should be liberally construed to permit action by the President and the Congress to achieve the intended purpose. The accompanying legal memorandum demonstrates that the language of this statute, and its legislative history, allows the President to submit to the Congress the original recommendations of the Salary Commission which were contained in its report of June 30, 1973.

The January 1974 recommendations of the President, submitted on the basis of the Commission's report but not fully in accord therewith were rejected by the Congress. The reasons are immaterial. The Act is silent as to the procedures to be followed when this contingency occurs. Under these circumstances there are obvious differences to be reconciled if the Act is to achieve its intended purpose.

The Act does not prohibit the President from resubmitting recommendations following a rejection by the Congress. To construe the statute otherwise would defeat and frustrate the express intent of the legislation which is to provide fair and adequate compensation to high level federal officials based upon a periodic four year review by a nonpartisan commission.

Accordingly it is recommended that the President submit to the Congress forthwith the original recommendations of the Commission for increases in executive, legislative and judicial salaries so that the present Congress may have a requisite thirty day statutory period for its consideration. LEGAL MEMORANDUM IN SUPPORT OF PROPOSITION THAT THE PRESIDENT MAY SUBMIT TO THE CONGRESS THE ORIGINAL RECOMMENDATIONS OF THE COMMISSION ON EXECUTIVE, LEGISLATIVE, AND JUDICIAL SALARIES OF JUNE 30, 1973.

Section 225 of the Postal Revenues and Federal Salary Act of 1967 created a Commission of nine members; three to be appointed by the President, two to be appointed by the President of the Senate, two to be appointed by the Speaker of the House and two to be appointed by the Chief Justice. The Act was passed as Public Law 90-206 (81 Stat. 642) after compromises between the House version and of the Senate version of the bill were reached through a joint Senate/House conference. That portion of the Act creating the Commission On Executive, Legislative and Judicial Salaries is set forth at 2 U S C A Sections 351 through 361.

The legislative history pertaining to this Act reflects strong support in the House, and objections in the Senate, to creation of the Commission. During the Senate/House conference, delegates from the House insisted on including a provision for creation of the Commission. The Senate delegates acceded to the wishes of the House in order that the pay increases for postal employees and the increases in postal rates could be effected. See Congressional Record, Volume 113, Number 26, pages 36088 through 37108.

The colloquy between Senators Monroney and Mundt found at CR., Vol. 113, No. 26, p. 36107 and between Senators Monroney and Thurmond found at p. 36108 demonstrates that the Senate's opposition centered on a belief that the President, rather than Congress, was being empowered under the Act to determine salaries for those federal officials designated in the Act. Notwithstanding the Senate's initial opposition, Section 225 was included in the Act, and the remarks of Senator Monroney (appearing at the aforementioned pages of the Congressional Record) indicate that the Senate was fully aware that in passing Section 225, Congress granted to the President the power to designate the salaries of federal officials covered under the Act, subject only to veto by either House or the Senate.

Most importantly, nothing in the record pertaining to the debates or discussion of the bill indicates that the President's recommendation may be made only once every four years. What is clear from the debates is that the President's recommendations "shall become effective at the beginning of the first pay period which begins after the thirtieth day following the transmittal of such recommendations in the

budget," unless between the date of transmittal of such recommendations and the beginning of such first pay period, Congress establishes rates of pay other than those proposed, or one of the Houses of Congress specifically disapproves all or part of the President's recommendations. 2 U S C A § 359.

2 U S C A § 357 [225 (g)] requires that the Commission submit a report to the President containing its recommendations respecting salary increases not later than January 1 next following the close of the fiscal year in which the Commission has conducted its review. Nothing in the Act prohibits submission of the Commission's report by the President in any year subsequent thereto. On July 27, 1973, the Commission submitted its report to the President in compliance with 2 U S C A § 357. Nothing in the Act prohibits submission of the report by the President in 1974, 1975 or 1976.

2 U S C A § 358 [§ 225 (h) of the Act] requires that the President include in the budget next transmitted by him to Congress after the receipt of the Commission's report, his recommendations with respect to the exact rates of pay which he deems advisable for the offices and positions covered under the Act. In the budget submitted to Congress for 1974, the President included his recommendations as required by 2 U S C A § 358. Nothing in the Act prohibits the President from submitting recommendations pursuant to 2 U S C A § 358 and § 359 in years subsequent to 1974.

Under this Act, the Commission must prepare and submit its report in a timely manner, and the President must submit his recommendations as part of the next budget. In this sense, the Act is mandatory. It does not follow that, with respect to all other years, the Act is prohibitive; this legislation was never designed to prevent salary increases for executive, legislative and judicial personnel in any year other than the year next following submission by the Commission of its report to the President. Neither the language of the Act nor its legislative history supports such a proposition, and common sense militates against it.

The purpose of this legislation was to provide a highly qualified independent Commission of citizens "appointed from private life" to study the salary levels of the offices covered under the Act and to provide the factual basis for recommendations by the President for salary increases. The Congressional Record, Volume 113, Number 26, page 36101 reflects

the expectation of Senator Monroney, one of the principal participants in the Senate/House conference, that the President's recommendations would reflect and be based upon the recommendations he received from the Commission. Senator Monroney stated, in answer to a question from Senator Byrd, that the conferees expected the President "would certainly not appoint a commission and then, after their long study of the equities and the comparability of the legislative, judicial and executive pay bill, deviate from [the Commission's recommendations]." The record thus demonstrates that it was the belief of those most closely involved in the enactment of this legislation that the President's recommendations would be those of the Commission. Accordingly, it would not only be lawful, but appropriate, for the President to submit to this Congress the Report of the Commission on Executive, Legislative and Judicial Salaries, adopting the recommendations of the Commission as his own.

Should neither House of the Congress disapprove all or part of such recommendations, they would then become effective beginning the first pay period after the 30th day following the transmittal of the President's recommendations, pursuant to 2 U S C § 359.

GENERAL	SCHEDULE PAY	INCREASES		1	COMPARABILITY I	NCREASES FOR JUDGES
•	(1)	(2)			(3)	(4)
Effective	Percentage	Salary				
Date	Increase	GS-15, Step 4			Circuit Judge	District Judge
July 14, 1969		\$23,749			\$42,500*	\$40,000*
Dec. 27, 1969**	6.0%	25,174	•	٠.	45,050	42,400
Jan. 11, 1971	6.0%	26,675			47,753	44,944
Jan. 10, 1972	5.5%	28,142			50,379	47,416
Jan. 8, 1973	5.1%	29,589		•	52,948	49,834
Oct. 1, 1973	4.8%	31,089	• •		55,649	52,376
Oct. 1, 1974	5.5%	32,800			58,709	55,256
	tal				•	
		Cumu	lative lõss	thru	1974 \$36,6	68 ¹ \$34,512 ¹
Projections ²	•				•	
Oct. 1975	7.5%	35,260			63,112	59,400
Oct. 1976	7.5%	37,905		•	67,845	63,855
Oct. 1977	7.5%	40,748			72,933	68,644
Cumulative Incr	ease ³	•	•			
1974 over 1969	38.1%	9,051	•, •		16,209	15,256
1975 over 1969	48.5%	11,511			20,612	19,400
1976 over 1969	59.6%	14,156			25,345	23,855
1977 over 1969	70.0%	16,969			30,433	28,644
		-				· · · ·

^{*} Effective March 1, 1969

Based on current and projected levels of the Consumer Price Index which has reached double digit annual growth proportions.

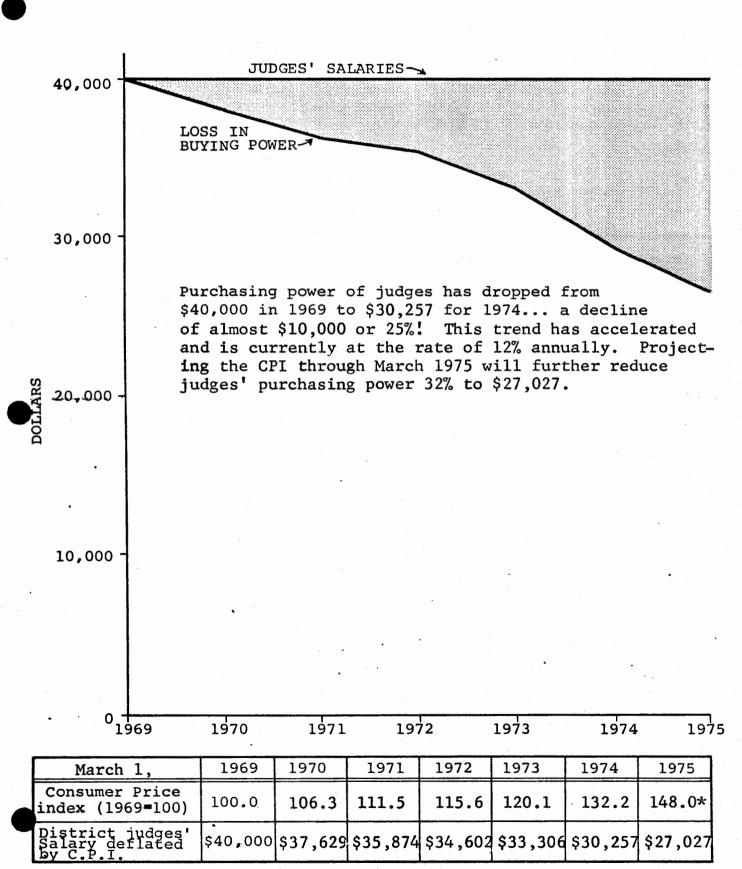
^{**} Approved April 15, 1970, retroactive to Dec. 27, 1969

These cumulative losses are the total dollars not received by the judges since 1969, because they did not receive the annual increases each year which were received by employees in the General Schedule. The \$34,512 total for district judges, for example, reflects the total not received by those judges since 1969 -- first, the \$2,400 increase indicated for them by the 6% increase awarded to the General Schedule employees on December 27, 1969 -- And this \$2,400 loss was experienced for 4 3/4 years from December 27, 1969 to October 1, 1974. Secondly, the next increase, granted on January 11, 1971, was lost to the district judges for a 3 3/4 year period, beginning with the year 1971, etc.

It should be clearly understood that the percentages shown in this portion of the table are those reflecting the total increase over the period of years shown. Because of the "compounding effect," any particular cumulative percentage increase will exceed the sum of the individual annual percentage increases during the period covered.

Appendix B JUDGES' LOSS IN PURCHASING POWER (1969-1975)

The freeze on judges' salaries coupled with the escalating inflationary spiral (Consumer Price Index) has significantly reduced purchasing power by 32%, from \$40,000 in 1969 to \$27,027 in 1975.



^{*} Projection based on current trend.

COMPUTATION OF SALARY LOSS FOR DISTRICT AND CIRCUIT JUDGES 1969 TO 1975

Salary Adjusted by Consumer Price Index District Judge Circuit Judge CPI¹ Cumulative March 1 Annua1 Cumulative Annual 1969 100.0% \$40,000 \$ \$42,500 \$ 42,520 2,680 1970 106.3 2,520 45,180 1971 111.5 44,600 4,600 47,390 4,890 1972 115.6 46,240 6,240 49,130 6,630 120.1 48,040 8,040 1973 51,040 8,540 1974 132.2 52,880 1**2**,880 56,190 13,690 1975 148.0² 59,200 19,200 62,900 20,400 Cumulative Salary Loss \$53,480 <u>\$56,830</u>

This tabulation shows the cumulative loss of earnings to judges since March 1969, had their salaries increased commensurate with Consumer Price Index increases instead of remaining frozen.

Therefore, in addition to attempting to combat the "double digit" inflationary spiral with a 32 percent deflated purchasing power, judges have lost cumulative salary of over \$50,000 since 1969. (See Chart 3)

An important factor to note is that as sharp as the overall increase in the Consumer Price Index has been since 1969 the major upturn has been since 1973.

 $^{^{1}}$ March 1, 1969 = 100.

²Projected at 12% based on current trend.

GROWTH OF STATE SALARIES FOR CHIEF JUDGES.

1969 - 1974

Salary of Chief Judge						•	Sa	lary of (
State	1969 1974		1974	Increase		<u>State</u>		1969	1974		Increase	
Alabama	\$	19,500	. \$	33,500	\$ 14,000		Nebraska	\$	20,500	\$	30,500	\$ 10,000
Alaska	•	27,000	•	44,000	17,000		Nevada	•	22,000	•	35,000	13,000
Arizona		23,500		37,000	13,500		New Hampshire.		26,000		34,000	8,000
Arkansas		22,500		30,000	7,500		New Jersey		32,000		47,500	15,500
California		34,000		51,155	17,155		New Mexico		21,000		29,500	8,500
Colorado		22,500		37,500	15,000		New York		42,000		63,143	21,143
Connecticut		33,000		40,000	7,000		North Carolina		28,000		39,000	11,000
Delaware		25,000		34,500	9,500		North Dakota		18,500		28,500	10,000
Florida		34,000		45,000	11,000		Ohio		32,000		43,500	11,500
Georgia		26,500		40,000	12,500	ð	Oklahoma		22,500		30,000	7,500
Hawaii		28,000		33,880	5,880		Oregon		23,500		32,000	8,500
Idaho		20,000		30,000	10,000		Pennsylvania		38,000		52,000	14,000
Illinois		37,500		42,500	5,000		Rhode Island		26,000		31,000	5,000
Indiana		22,500		29,500	7,000		South Carolina		25,000		39,000	14,000
Iowa		22,000		34,000	12,000		South Dakota		20,500		29,000	8,500 [.]
Kansas		22,500		35,000	12,500		Tennessee		25,000		43,000	18,000
Kentucky		26,000		32,000	6,000		Texas	•	27,000		40,500	13, 500
Louisiana		27,500		37,500	10,000	•	Utah		17,000		24,000	7,000
Maine		21,500		27,500	6,000		Vermont		22,000		30,500	8,500
Maryland		33,000		41,000	8,000		Virginia		24,200		41,300	17,100
Massachusetts.		30,800		39,770	8,970		Washington		27,500		34,825	7,325
Michigan		35,000		42,000	7,000		West Virginia.	•.	22,500		32,500	10,000
Minnesota		27,000	•	40,000	13,000		Wisconsin		25,000		37,830	12,830
Mississippi		20,000		35,000	15,000		Wyoming		16,500	_	30,000	13,500
Missouri		26,500		31,500	5,000				•			
Montana		18,500		28,000	9,500		Total	\$ <u>1</u>	290,000	\$ <u>1</u>	829,903	\$ <u>539,903</u>

WASHINGTON

November 20, 1974

MEMORANDUM FOR THE PRESIDENT

THROUGH:

DONALD RUMSFELD

FROM:

JERRY H.

The attached memorandum from Roy Ash regarding Executive, Judicial and Legislative Pay has been staffed and the following comments were generated:

Buchen -- The President should take the position that the recommendations last submitted by the quadrennial commission (adjusted as may be appropriate and justifiable) should not be enacted. A phasing in provision as suggested in point 5 on page 2 seems appropriate. Although I do not feel strongly about delaying any increase until FY76, such a delay does not seem responsive to the pay problem outlined at the outset of the Ash memorandum. The general approach described as a "possible solution" on page 2 seems sound.

Cole -- I don't see any real difference between Options 1 and 3. In any event, I strongly recommend Option 2 - oppose any increase at this time. I clearly recognize the substance of this issue and the fact that these Executives have had no increase since 1969. However, the politics of this are such that the President should oppose any increase. If legislation starts to move the ugh the Congress during the Lame Duck Session, the President should issue a public statement opposing it.

Marsh -- Opposes increase.

<u>Seidman</u> -- I recommend option #4. Hopefully by '76 we'll be in a position in the economy to back an appropriate increase.

Timmons -- There is no question on the merits of Executive pay increases. I have always supported them but with an acknowledged recession at hand, unemployment rising, Presidential effort to postpone regular government pay rise, consumer prices climbing up, deferrals and rescissions submitted, surtax requests before Congress, etc. it would be illogical to in any way support Executive pay increases now. In fact, I recommend the President threaten a veto! I would assume the economic group concurs in my views.

<u>Walker</u> -- See comments at Tab A with a memorandum from Chairman Hampton of the Civil Service Commission on the same subject.

Hartmann -- No comments received.

WASHINGTON

DECISION

MEMORANDUM FOR: THE PRESIDENT

FROM: ROY ASH

SUBJECT: EXECUTIVE, JUDICIAL AND LEGISLATIVE PAY

Background

During your meeting with the Advisory Committee on Federal Pay, they mentioned the problems which have arisen because pay of Federal executives, judges and members of Congress has been frozen for over five years. You pointed out that Congress is unlikely to raise the other salaries unless they raise their own too. It now appears that Congress may take this issue up when it returns.

In meetings involving senior staff of OMB and CSC with top staff of House and Senate Civil Service Committees, the Chief Counsel of the House Committee reported that he had been instructed by senior members to work for an increase of \$10,000 in congressional pay to be voted on in the post-election session and to take effect in January. Senate staffers indicated they had been instructed to work for the highest and promptest increase that seemed feasible of enactment. The staff group consensus is that an increase of \$5,000 next January and another increase of \$5,000 in January of 1976 would be more feasible than an immediate \$10,000 boost. The representatives of OMB and CSC have indicated consistently that they had no authority to commit the Administration on any aspect of this issue.

The Pay Problem

It is becoming increasingly difficult to attract and hold high quality people for non-career and judicial appointments, and to retain high-level experienced career people because:

- -- Executive, judicial and legislative pay has remained unchanged since 1969 while the cost of living has increased by 40%
- -- General Schedule employees pay has risen 37%
- -- Top steps of GS-15, most of GS-16, all of GS-17 and GS-18 and Executive Level V are at the same pay \$36,000 (pay compression problem)

-- Annuities, being indexed to the CPI, are rising so rapidly that executives can gain more by retiring than by working.

Each passing year will worsen this situation. The long delay between increases has made the existing mechanism (quadrennial commission) inoperative because of the large increases that Congress would have to approve to catch up.

A Possible Solution

- 1. Set pay of GS-16, -17, and -18 by using the existing system for annual adjustment of General Schedule salaries on the basis of BLS comparability studies. This provision is already in the law, but the resulting salaries cannot take effect because they exceed the statutory pay of Executive Level V (\$36,000).
- 2. Abolish the quadrennial commission mechanism and substitute a law requiring that the President annually submit to Congress specific recommendations for Executive Level salaries based on a formula.
- 3. The formula would provide that pay of Executive Level V would be 5% greater than GS-18, and pay of the other executive levels would each be 5% greater than the next lower level.
- 4. The President's recommendations would take effect the succeeding January 1 unless vetoed or modified by Congress.
- 5. That formula would result in substantial increases because GS-18 should now be \$46,336 according to the current comparability law. Therefore, some limit would have to be placed on the size of the initial, and perhaps first few, adjustments; say \$5,000.

Administration Position

While it is not necessary for you to take a public position on this issue now, it appears that you may have to before the Congress adjourns.

Options

 Take no public position; let Congress vote an increase, if it wishes.

- Pro avoids the incongruity of asking for pay raises
 while advocating restraint in other areas.
- Con is a passive approach to solving the pay problem.
 - committee leadership may not act without assurance of your support, or may prepare unacceptable solution.
- 2. Take a position against any increase.
 - Pro consistent with objective to restrain spending.
 - is likely to be popular with news media and public.
 - Con pay problem will continue to have harmful consequences for Government and will grow worse each year.
 - if action is not taken in post-election session, there probably will be no action until 1977 (quadrennial commission).
- 3. Accept an increase only after the Congress takes the initiative.
 - <u>Pro</u> likely to develop mutually agreeable solution to pay problem.
 - Con may lead to news media and public criticism.
 - will increase spending by about \$20-25 million.
- 4. Take a position favoring changing the mechanism, but delaying initial pay adjustments until FY 76.
 - Pro likely to result in acceptable legislation creating new executive pay mechanism which will facilitate solution of the problem in the future.
 - will surface the problem, but avoid criticism of inconsistency with FY 75 budget restraint.
 - Con pay problem will continue until FY 76.
 - gap will widen between current executive pay and where it should be on comparability basis.

Α	plan	to	proc	eed	will	be	dev	relo	ped	on	the	basis	of	your
de	cisio	on.	My	reco	ommen	dati	ion	is	Opti	Lon	thre	ee.		

Decision		
	Option	1
	Option	2
	Option	3
	Option	4

____ See me

.

.

WASHINGTON

November 15, 1974

MEMORANDUM FOR JERRY JONES

FROM:

WILLIAM N. WALK

Subject:

Executive, Judicial and

Legislative Pay

I have reviewed the draft memo from Roy Ash to the President. I have also reviewed the memorandum from Chairman Hampton (copy attached in the event you do not have one).

- 1. I am of the view that no one has yet provided sufficient data to support the conclusion that salary compression is increasing the pace of resignations by government executives. If such a case were to be made, however, I would view it as serious and warranting action.
- 2. I am not pursuaded that GS-18's could command more than \$46,000 in the private sector. Thus, I do not think the comparability levels are realistic.
- 3. I have not experienced significant difficulty in recruiting because of current executive pay levels. Obviously, there are some individual cases of hardship but we are not now losing substantial numbers of candidates for that reason.
 - 4. Some relief is warranted for the executive levels. Some percentage figure such as 5.5 or a figure tied to growth in one of the indexes would seem sufficient.
 - 5. I therefore do not concur with the recommendation of the Ash memorandum. My preference is to adopt a stance opposing any increase or to limit the increase to a much more modest figure.



UNIȚED STATES CIVIL SERVICE COMMISSION WASHINGTON, D. C. 20415

November 15, 1974

MEMORANDUM FOR DONALD RUMSFELD
Assistant to the President
The White House

I am sending you the attached memorandum for the President in full recognition that it is quite a lengthy piece to read. However, in order for the President to make a value judgment, I believe he should have a full explanation of some of the things that are under consideration. Also, my approach may differ somewhat from the option paper given him by the Office of Management and Budget and I think the President should be aware of this difference. While I have not seen the OMB memo, I am generally aware of its contents.

I think this is a very critical problem and feel that if we do not achieve something in this rump session, in all likelihood nothing can be done until 1977. The problem is urgent and I am convinced that the kinds of people we are losing will seriously hamper the effective administration of some of the President's most important program efforts.

I believe that the responsibility should be a joint one with neither the President nor the Congress having to bear the full wrath.

I am sending a copy of this to both Bill Walker and Roy Ash.

Robert E. Hampton

Chairman



UNITED STATES CIVIL SERVICE COMMISSION WASHINGTON, D. C. 20415

November 15, 1974

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Executive Pay

We face potentially serious problems in keeping a high-quality career executive workforce in Government unless dramatic action is taken quickly to rectify an almost impossible executive salary structure.

The problem stems from the statutory salary ceiling of \$36,000, the established salary for level V of the Executive Pay Schedule, which cannot be exceeded by any General Schedule pay level. This rate has been frozen for five years. Other salaries, as well as the "cost-of-living," have risen dramatically during those five years. The General Schedule adjustment process indicates that the GS-18 salary should now be \$46,336--a gap exceeding \$10,000. In some organizations as many as four levels of career executives are paid the identical \$36,000 salary. More and more key executives are leaving the Federal service because they are suffering disproportionately in the pay/cost fight. Many have found that they fare better by retiring than by staying in active service.

We are continuing to receive very disturbing reports from agencies about the retirement or resignation of key executive and professional talent. These losses have been particularly hard-hitting in the cases of physicians in VA hospitals; research scientists at Defense, NASA, and the National Institutes of Health; experienced field officials at IRS; and administrative law judges and attorneys at the regulatory agencies. It is clear to us that this situation is rapidly becoming critical, and the very quality of the Government's functioning is going to suffer greatly if some relief is not granted very soon.

We must come to grips with this issue. To this end, staffs of the Civil Service Commission and the Office of Management and Budget have been working with staffs of both the House and Senate Post Office and Civil Service Committees to identify approaches that could be mutually supported by the Congress and the Administration. The objective would be to complete action during the upcoming post-election session.

At the staff level there is agreement that a new system is needed for adjusting executive salaries. Preferably annual adjustments (consequently of lesser amounts) would replace the present system that is keyed to a quadrennial adjustment cycle. Once in operation, the plan would adjust executive salaries in January of each year by the same percentage, if any, as the General Schedule pay adjustment during the preceding calendar year. Legislative and Judicial salaries would be linked to the Executive Schedule and adjusted automatically at the same time. (For example, Congressional salaries are linked to level II of the Executive Schedule.) Action to adjust all these salaries would be taken automatically each year by the President.

Two issues remain in question between us and Committee staffs:

- 1. How to close the existing gap of some \$10,000 resulting from the five-year pay freeze. Three viable options have surfaced:
 - A. Increase all Executive levels (and comparable Legislative and Judicial jobs) except Executive level I by \$10,000 in January 1975. Start the regular comparability adjustment process in January 1976.
 - B. Increase all Executive levels (and comparable Legislative and Judicial jobs) except level I by \$5,000 in January 1975 and \$5,000 in January 1976. Start the regular comparability adjustment process in January 1977.
 - C. Increase all Executive level (and comparable Legislative and Judicial jobs) except level I by \$2,000 each year for the next five years, beginning in January 1975. In addition, the regular comparability adjustment process would also start in January 1975.
- 2. Whether the process should provide an opportunity for a Congressional veto by either the Senate or the House. (For example, by providing that the rates go into effect at the end of 30 calendar days unless vetoed by either House.)

It has been made quite clear by the Congressional staff people that action by the Congress can be anticipated <u>only</u> if there is firm assurance of Presidential support for legislative action. We think this should be expressed through a personal meeting between the Congressional leaders and the President, in which agreement is reached as to the nature of the pay adjustment legislation.

The main purpose of this memorandum is to urge that you initiate a meeting with the Congressional leaders to seek mutually agreeable action, and that you then publicly announce your support of any agreement reached.

The following position is suggested for the discussion on the two outstanding issues described above.

- 1. Closing the \$10,000 gap. Option A (a \$10,000 increase in January 1975) is preferable by far. The cost in terms of the total Federal salary budget is inconsequential. Any advantage of spreading out the increase would be purely cosmetic. The annual increase would be smaller but very few would fail to see that the total catch-up increase is \$10,000. A single increase can be dealt with more cleanly; staged increases would keep the entire issue alive year after year in the minds of those who most certainly can be expected to oppose an increase of any kind.
- 2. Congressional veto. There is no need for a veto over an adjustment which must be computed automatically on a Congressionally-mandated formula. Any veto would pose problems of how to catch up that amount in following years. The exercise of a veto would reintroduce salary compression so that we would again be faced with situations, as today, in which two or more distinct executive levels within an organization would receive identical salaries. Consequently, the adjustment system would be invalidated, requiring another search for a viable method for setting executive pay in the Government.

In the expected give and take of the proposed meeting it may become necessary to recede slightly from this ideal position. We would not be adverse to spreading out the catch-up period, but feel quite stongly about the need to avoid the veto possibility. This could, however, become a sticking point because of the political realities that members of Congress have to face in election years. In such an event, we urge that every effort be made to limit the effect of any veto to the Congressional and Cabinet pay levels (levels I and II). While pay compression still could result, it would be considerably above the career executive level, and would mainly impact the level (level II) about which Congressmen would be personally concerned.

Should there be an absolute insistence on a full Congressional veto procedure, then we believe it becomes essential that the legislation provide that retirement annuities be computed on the basis of the salary rate that would otherwise be payable under the comparability formula. This would at least partly forestall the loss of executive talent caused by the continuing salary compression problem. It also is needed in sheer fairness to the long-time career employee who cannot be paid at his proper rate because of Congressional unwillingness to raise their own salaries.

Robert E. Hampton

Chairman

ACTION MEMORANDUM

WASHINGTON

LOG NO .:

Date:

January 10, 1975

Time:

FOR ACTION: Brent Scowcroft

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date:

as soon as possible

Time:

SUBJECT:

Ash memo (1/2/75) re: Executive, Judicial and Legislative Pay

ACTION REQUESTED:

___ For Necessary Action

X For Your Recommendations

Prepare Agenda and Brief

____ Draft Reply

X For Your Comments

____ Draft Remarks

REMARKS:

wp

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: January 3, 1975

Time:

FOR ACTION:

Phil Buchen Ken Cole

cc (for information):

Max Friedersdorf

Bill Seidman

Bob Hartmann

Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

Monday, January 6, 1975

Time:

6:00 p.m.

SUBJECT:

Ash memo (1/2/75) re: Executive, Judicial and Legislative Pays

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

X For Your Comments

Draft Remarks

REMARKS:

1/1-On Sudman's deck; Adould have by Sp today 30 on Hartmann's desk; Ahould so be back by 500 today

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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ACTION MEMORANDUM

WASHINGTON

LOG NO .:

Date: January 3, 1975

Time:

FOR ACTION:

Phil Buchen

Jack Marsh

Ken Cole

cc (for information):

Max Friedersdorf

Bob Hartmann

Sill Seidman

FROM THE STAFF SECRETARY

DUE: Date:

Monday, January 6, 1975

Time:

6:00 p.m.

SUBJECT:

Ash memo (1/2/75) re: Executive, Judicial and Legislative Pay'

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

_ Draft Reply

X For Your Comments

Draft Remarks

REMARKS:

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the top.

The top.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

WASHINGTON

January 7, 1975

MEMORANDUM FOR:

WARREN HENDRIKS

FROM:

MAX L. FRIEDERSDORF M.

Action Memorandum - Log No.

SUBJECT:

Ash memo (1/2/75) re Executive, Judicial and Legislative Pay

The Office of Legislative Affairs concurs with the Agencies that the enrolled bill should be signed.

Attachments

ACTION MEMORANDUM

WASHINGTON

LOG NO .:

Date: January 3, 1975

Time:

FOR ACTION:

Phil Buchen

Ken Cole

cc (for information):

Max Friedersdorf

Bill Seidman

Bob Hartmann

Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

Monday, January 6, 1975

Time:

6:00 p.m.

SUBJECT:

Ash memo (1/2/75) re: Executive, Judicial and Legislative Pay'

ACTION	REQUESTED:
--------	------------

For Necessary Action	X For Your Recommendations
Prepare Agenda and Brief	Draft Reply
X For Your Comments	Draft Remarks

REMARKS:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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--- AGTION MEMORANDUM

WASHINGTON

LOG NO .:

Data. January 3, 1975

Time:

FOR ACTION:

Phil Buchen

Ken Cole

cc (for information):

Max Friedersdorf

Bill Seidman

Bob Hartmann Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

Monday, January 6, 1975

Time:

6:00 p.m.

SUBJECT:

Ash memo (1/2/75) re: Executive, Judicial and Legislative Pay'

ACTION REQUESTED:

____ For Necessary Action

For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

X
For Your Comments

Draft Remarks

REMARKS:

Should not be mentioned in Stale of Union

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

* ACTION MEMORANDUM

WASHINGTON

del: 1/6

Dota: January 3, 1975

Time:

JAN 4 1975

FOR ACTION:

Phil Buchen

Ken Cole

cc (for information):

Max Friedersdorf

Bill Seidman

Bob Hartmann Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

Monday, January 6, 1975

Time:

6:00 p.m.

SUBJECT:

Ash memo (1/2/75) re: Executive, Judicial and Legislative Pay'

ACTION REQUESTED:

 For	Necessary	Action
 For	Necessary	Action

For Your Recommendations

Prepare Agenda and Brief

____ Draft Reply

X For Your Comments

____ Draft Remarks

REMARKS:

Ques: Where does this leave Congressional pay?

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

WASHINGTON

January 2, 1975

ACTION

MEMORANDUM FOR:

THE PRESIDENT

FROM:

Roy L. Ash

SUBJECT:

Executive, Judicial and Legislative Pay

I. BACKGROUND

At the end of your discussion of the above subject with the Congressional Leaders recently, you indicated that you would get back to them on the matter before they reconvened. Consequently, a decision must be reached before then on the course you will take on this controversial issue.

Moreover, Senator McGee, who is Chairman of the senate rost Office and Civil Service Committee, has requested a meeting with you on the same subject. He wants a large meeting with senior members of House and Senate Committees and the Congressional Leaders of both parties in attendance. His purpose would be to decide collectively what, if any, legislation is feasible.

II. OPTIONS

In addition to the options presented you in my memo of November 12 on this subject (copy attached) another one is now available. It ties to the tentative decision you reached to hold this year's pay comparability increases for Federal employees to 5%.

III. RECOMMENDATION

As you cover the Federal pay decision in your State of the Union Message, the language could be broadened to state that a 5% increase will be given to all Federal employees, to those on the General Schedule at their normal adjustment date (October 1) and to

the Executive Level employees, who have received no increases for 5 years, on April 1. Then, also, you could propose that Executive Level pay hereafter be adjusted annually by a procedure such as the comparability one for General Schedule employees. (The basis for such a plan has been worked out with Hill staff.)

If you favor this approach, you could quietly advise Senator Scott and Congressman Rhodes of this Executive pay decision as you near the Message date and ask them to inform the rest of the Congressional Leaders. This will fulfill your promise to get back to them. Then, I would recommend that you not have a large meeting with Senator McGee but, instead, meet with him privately, or with a very few others, to discuss your position.

 Approve
Disapprove

Attachment

WASHINGTON

DECISION

MEMORANDUM FOR: THE PRESIDENT

NOV 12 1974

FROM:

ROY L. ASH

SUBJECT:

EXECUTIVE, JUDICIAL AND LEGISLATIVE PAY

Background

During your meeting with the Advisory Committee on Federal Pay, they mentioned the problems which have arisen because pay of Federal executives, judges and members of Congress has been frozen for over five years. You pointed out that Congress is unlikely to raise the other salaries unless they raise their own too. It now appears that Congress may take this issue up when it returns.

In meetings involving senior staff of OMB and CSC with top staff of House and Senate Civil Service Committees, the Chief Counsel of the House Committee reported that he had been instructed by senior members to work for an increase of \$10,000 in congressional pay to be voted on in the post-election session and to take effect in January. Senate staffers indicated they had been instructed to work for the highest and promptest increase that seemed feasible of enactment. The staff group consensus is that an increase of \$5,000 next January and another increase of \$5,000 in January of 1976 would be more feasible than an immediate \$10,000 boost. The representatives of OMB and CSC have indicated consistently that they had no authority to commit the Administration on any aspect of this issue.

The Pay Problem

It is becoming increasingly difficult to attract and hold high quality people for non-career and judicial appointments, and to retain high-level experienced career people because:

- -- Executive, judicial and legislative pay has remained unchanged since 1969 while the cost of living has increased by 40%
- -- General Schedule employees pay has risen 37%
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-- Annuities, being indexed to the CPI, are rising so rapidly that executives can gain more by retiring than by working.

Each passing year will worsen this situation. The long delay between increases has made the existing mechanism (quadrennial commission) inoperative because of the large increases that Congress would have to approve to catch up.

A Possible Solution

- 1. Set pay of GS-16, -17, and -18 by using the existing system for annual adjustment of General Schedule salaries on the basis of BLS comparability studies. This provision is already in the law, but the resulting salaries cannot take effect because they exceed the statutory pay of Executive Level V (\$36,000).
- 2. Abolish the quadrennial commission mechanism and substitute a law requiring that the President annually submit to Congress specific recommendations for Executive Level salaries based on a formula.
- 3. The formula would provide that pay of Executive Level V would be 5% greater than GS-18, and pay of the other executive levels would each be 5% greater than the next lower level.
- 4. The President's recommendations would take effect the succeeding January 1 unless vetoed or modified by Congress.
- 5. That formula would result in substantial increases because GS-18 should now be \$46,336 according to the current comparability law. Therefore, some limit would have to be placed on the size of the initial, and perhaps first few, adjustments; say \$5,000.

Administration Position

While it is not necessary for you to take a public position on this issue now, it appears that you may have to before the Congress adjourns.

Options

 Take no public position; let Congress vote an increase, if it wishes.

- <u>Pro</u> avoids the incongruity of asking for pay raises while advocating restraint in other areas.
- Con is a passive approach to solving the pay problem.
 - committee leadership may not act without assurance of your support, or may prepare unacceptable solution.
- 2. Take a position against any increase.
 - Pro consistent with objective to restrain spending.
 - is likely to be popular with news media and public.
 - Con pay problem will continue to have harmful consequences for Government and will grow worse each year.
 - if action is not taken in post-election session, there probably will be no action until 1977 (quadrennial commission).
- Accept an increase only after the Congress takes the initiative.
 - <u>Pro</u> likely to develop mutually agreeable solution to pay problem.
 - Con may lead to news media and public criticism.
 - will increase spending by about \$20-25 million.
- 4. Take a position favoring changing the mechanism, but delaying initial pay adjustments until FY 76.
 - Pro likely to result in acceptable legislation creating new executive pay mechanism which will facilitate solution of the problem in the future.
 - will surface the problem, but avoid criticism of inconsistency with FY 75 budget restraint.
 - Con pay problem will continue until FY 76.
 - gap will widen between current executive pay and where it should be on comparability basis.

A plan to proceed will be developed on the basis of your decision. My recommendation is Option three.

Decision

Option 1
Option 2
Option 3
Option 4

See me



EXECUTIVE OFFICE OF THE PRESIDENT OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

NOV 2 7 1974

MEMORANDUM FOR:

THE PRESIDENT

FROM:

ROY L. ASH /5/

SUBJECT:

LEGISLATIVE, JUDICIAL AND EXECUTIVE PAY

You already have my memorandum concerning pay increases for these officials as well as one from Bob Hampton, the latter strongly urging the necessity for them. As we both know, this is very much a political, rather than a budgetary, issue.

It is clear that there will be a strong public reaction against any large increases for these officials at this time.

- -- In these inflationary times, when most people feel their incomes are failing to keep pace with inflation, they will resent any large increases for officials whose present salaries already look very large to the average citizen.
- -- As you are calling upon Congress to hold the line or cut back in many areas, it will seem inconsistent to ask for additional expenditures in this unpopular area.

We can lessen this public reaction by explaining the necessity carefully, but cannot eliminate it entirely. As I see it, we must balance the very real administrative necessities we face against the probable public reaction.

My solution to this dilemma, as my earlier memo indicated, is for you to accept increases only after the Congress takes the initiative. Beyond this, you could, of course, give the Congressional Leaders quiet assurance of your recognition of the need and of your support for reasonable increases.

WASHINGTON.

LOG NO .:

Data: January 3, 1975

Time:

FOR ACTION:

Phil Buchen

Ken Cole

cc (for information):

Max Friedersdorf Bill Seidman

Bob Hartmann Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

Monday, January 6, 1975

Time:

SUBJECT:

Ash memo (1/2/75) re: Executive, Judicial and Legislative Pay'

ACTION REQUESTED:

____ For Necessary Action

_ For Your Recommendations

____ Prepare Agenda and Brief

___ Draft Reply

X For Your Comments

___ Draft Remarks

REMARKS:

dogue with Osh

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

THE WHITE HOUSE WASHINGTON

January 11, 1975

MEMORANDUM FOR:

JERRY JONES

FROM:

BRENT SCOWCROFT

SUBJECT:

Executive, Judicial and

Legislative Pay

We have no objection to the draft Ash memo of January 2 regarding Executive, Judicial and Legislative Pay.

Dr. Kissinger would like to emphasize the need, however, for the maximum feasible increase in Executive pay, in order to deal with the increasingly severe problem of retaining outstanding senior personnel.

ACTION MEMORANDUM

WASHINGTON

LOG NO .:

Date: Janu

January 10, 1975

Time:

FOR ACTION: Brent Scowcroft

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date:

as soon as possible

Time:

SUBJECT:

Ash memo (1/2/75) re: Executive, Judicial and Legislative Pay

ACTION REQUESTED:

____ For Necessary Action

X For Your Recommendations

Prepare Agenda and Brief

____ Draft Reply

XFor Your Comments

____ Draft Remarks

REMARKS:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

ACTION MEMORANDUM

WASHINGTON

LOG NO .:

Date: January 3, 1975

Time:

FOR ACTION:

Phil Buchen

Ken Cole

cc (for information):

Max Friedersdorf

Bill Seidman

Bob Hartmann Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

Monday, January 6, 1975

Time:

6:00 p.m.

SUBJECT:

Ash memo (1/2/75) re: Executive, Judicial and Legislative Pay'

ACTION REQUESTED:

L'an	Necessary	X alian	
 TOL	Mecessary,	Memori	

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

to ferry tones I don't see how the President can ask for a pay raise for the top surpl will be well known quickly that he is going beyond be 6.5. Shed & when it does it will be a solitical regative on President He should not propos say increase beyond that which PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

ACTION MEMORANDUM

WASHINGTON

LOG NO .:

Date: December 11, 1974

Time:

FOR ACTION:

Roy Ash Ken Cole

cc (for information):

Bill Timmons

FROM THE STAFF SECRETARY

DUE: Date:

Friday, December 13, 1974

Time:

10:00 a.m.

SUBJECT:

Scowcroft memo (12/9/74) re: Secretary Kissinger Supports Executive Pay Raise

ACTION REQUESTED:

For Necessary Action

X For Your Recommendations

Prepare Agenda and Brief

Draft Reply

X For Your Comments

Draft Remarks

REMARKS:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

WASHINGTON December 12, 1974

MEMORANDUM FOR:

JERRY JONES

FROM:

WILLIAM E. TIMMONS

SUBJECT:

Scowcroft Memo (12/9/74) re:

Secretary Kissinger Supports

Executive Pay Raise

The Office of Legislative Affairs concurs in the attached memorandum and has no additional recommendations.

ACTION MEMORANDUM

WASHINGTON

LOG NO .:

Date:

December 11, 1974

Time:

FOR ACTION: Roy Ash

cc (for information):

Ken Cole

Bill Timmons

FROM THE STAFF SECRETARY

DUE: Date:

Friday, December 13, 1974

Time:

10:00 a.m.

SUBJECT:

Scowcroft memo (12/9/74) re: Secretary Kissinger Supports Executive Pay Raise

ACTION REQUESTED:

For Necessary Action

X For Your Recommendations

Prepare Agenda and Brief

Draft Reply

X For Your Comments

Draft Remarks

REMARKS:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

THE WHITE HOUSE WASHINGTON

INFORMATION
December 9, 1974

MEMORANDUM FOR THE PRESIDENT

FROM:

BRENT SCOWCROFT

SUBJECT:

Secretary Kissinger Supports

Executive Pay Raise

Secretary Kissinger has sent you the memorandum at Tab A urging your support for pay increases for senior Federal executives. He cites the potential impairment of the country's diplomatic competence occasioned by the early retirement of many of the best senior Foreign Service officers in order to take advantage of pensions which, because of periodic cost-of-living increases, in some cases amount almost to the take-home pay of officers on active duty.

THE SECRETARY OF STATE WASHINGTON

December 2, 1974

MEMORANDUM FOR: THE PRESIDENT

From: Henry A. Kissinger

Subject: Executive Pay Raise

The situation at the top of the Foreign Service argues for your strong support for pay increases for senior Federal executives. The present \$36,000 ceiling on executive salaries is now reached by Foreign Service officers of Class 2 after two years in grade, and there is no salary increase on promotion to Class 1 or Career Minister.

Besides this lack of pay incentive, the periodic cost-of-living increases in pensions raise some pensions nearly to the amount of take-home pay of officers on active duty. These factors will in coming months lead a considerable number of our best senior officers to take early retirement, robbing us of five to ten years of their most valuable service. We have already suffered some such losses and we cannot have further substantial losses from the senior ranks without impairment of the country's diplomatic competence.

Of our 406 senior officers (Career Ministers through Class 2) who are old enough to seek early retirement, as many as two-thirds could do so advantageously under the present salary structure.

I believe the probable loss of talent and experience is so serious that you should support pay increases for the top Federal grades. I urge this action with full recognition of the economic problems we face.

ACTION	1	
A CATTLE VAL	A11 A11 10	A ALL MINA

WASHINGTON

LOG NO.:

Date: December 11, 1974	Time:
FOR ACTION: Roy Ash Wen Cole	cc (for information)2 KRC
Bill Timmons	7 JHC
	3 WKH
FROM THE STAFF SECRETARY	☐ CAP
DUE: Date: Friday, December 13, 1	974 Time: 10:00 a.m.
SUBJECT:	
Scowcroft memo (12/9/74 Kissinger Supports Exec	
ACTION REQUESTED:	
For Necessary Action	X For Your Recommendations
Prepare Agenda and Brief	Draft Reply
X For Your Comments	Draft Remarks
REMARKS:	
To ferry fore I agree we or substance how the Prese all american selfs and at advocate a	s- ith HAK's observance fort I fait to see after can a sh state to trighten their the same kinn

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Federal waleurs.

THE WHITE HOUSE ACTION MEMORANDUM LOG NO .: WASHINGTON November 13, 1974 Time: FOR ACTION: Phil Buchen cc (for information): Ken Cole Bill Timmons Bob Hartmann Bill Seitimany Jack Marsh Bill Walker FROM THE STAFF SECRETARY DUE: Date: November 15, 1974 Time: cob SUBJECT: Ash memo (11/12/74) re: Executive, Judicial and Legislative Pay **ACTION REQUESTED:** X For Your Recommendations For Necessary Action Prepare Agenda and Brief Draft Reply Draft Remarks X For Your Comments REMARKS: 15 march - opposer increase 11/18- Seidman recommends option # 4

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jerry H. Jones Staff Secretary

AHC ____

THE WHITE HOUSE

WASHINGTON November 15, 1974

MEMORANDUM FOR:

KEN COLE

FROM:

WILLIAM E. TIMMONS

SUBJECT:

Ash memo (11/12/74) re: Executive,

Judicial and Legislative Pay

The Office of Legislative Affairs concurs in the attached proposal and has no additional recommendations

Prese is no question on The ments of Executive pay increases. I have always perpented them but with an achumledged respected them but with an achumledged resemble of the postpone regular godernat pay nin, consumer prices climbing up, defended to recessions are mitted, suntax requests before longers, etc. it would be made illopeal to an any way support Executive pay increases now. In fort, I recommed the P threaten a veto! I would assume the economic group would assume the economic group

ACTION MEMORANDUM

WASHINGTON

LOG NO .:

Date:

November 13, 1974

Time:

FOR ACTION: Phil Buchen

cc (for information):

Ken Cole

Bill Timmons

Bob Hartmann

Bill Seidman

Jack Marsh

Bill Walker

FROM THE STAFF SECRETARY

DUE: Date:

November 15, 1974

Time:

cob

SUBJECT:

Ash memo (11/12/74) re: Executive, Judicial and Legislative Pay

ACTION REQUESTED:

	For	Necessary	Action
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X For Your Recommendations

Prepare Agenda and Brief

____ Draft Reply

X For Your Comments

_ Draft Remarks

REMARKS:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR. For the President

WASHINGTON

DECISION

MEMORANDUM FOR: THE PRESIDENT

FROM:

L. ASH

SUBJECT:

EXECUTIVE, JUDICIAL AND LEGISLATIVE PAY

Background

During your meeting with the Advisory Committee on Federal Pay, they mentioned the problems which have arisen because pay of Federal executives, judges and members of Congress has been frozen for over five years. You pointed out that Congress is unlikely to raise the other salaries unless they raise their own too. It now appears that Congress may take this issue up when it returns.

In meetings involving senior staff of OMB and CSC with top staff of House and Senate Civil Service Committees, the Chief Counsel of the House Committee reported that he had been instructed by senior members to work for an increase of \$10,000 in congressional pay to be voted on in the post-election session and to take effect in January. Senate staffers indicated they had been instructed to work for the highest and promptest increase that seemed feasible of enactment. The staff group consensus is that an increase of \$5,000 next January and another increase of \$5,000 in January of 1976 would be more feasible than an immediate \$10,000 boost. The representatives of OMB and CSC have indicated consistently that they had no authority to commit the Administration on any aspect of this issue.

The Pay Problem

It is becoming increasingly difficult to attract and hold high quality people for non-career and judicial appointments, and to retain high-level experienced career people because:

- -- Executive, judicial and legislative pay has remained unchanged since 1969 while the cost of living has increased by 40%
- -- General Schedule employees pay has risen 37%
- -- Top steps of GS-15, most of GS-16, all of GS-17 and GS-18 and Executive Level V are at the same pay \$36,000 (pay compression problem)

-- Annuities, being indexed to the CPI, are rising so rapidly that executives can gain more by retiring than by working.

Each passing year will worsen this situation. The long delay between increases has made the existing mechanism (quadrennial commission) inoperative because of the large increases that Congress would have to approve to catch up.

A Possible Solution

- 1. Set pay of GS-16, -17, and -18 by using the existing system for annual adjustment of General Schedule salaries on the basis of BLS comparability studies. This provision is already in the law, but the resulting salaries cannot take effect because they exceed the statutory pay of Executive Level V (\$36,000).
- 2. Abolish the quadrennial commission mechanism and substitute a law requiring that the President annually submit to Congress specific recommendations for Executive Level salaries based on a formula.
- 3. The formula would provide that pay of Executive Level V would be 5% greater than GS-18, and pay of the other executive levels would each be 5% greater than the next lower level.
- 4. The President's recommendations would take effect the succeeding January 1 unless vetoed or modified by Congress.
- 5. That formula would result in substantial increases because GS-18 should now be \$46,336 according to the current comparability law. Therefore, some limit would have to be placed on the size of the initial, and perhaps first few, adjustments; say \$5,000.

Administration Position

While it is not necessary for you to take a public position on this issue now, it appears that you may have to before the Congress adjourns.

Options

 Take no public position; let Congress vote an increase, if it wishes.

- <u>Pro</u> avoids the incongruity of asking for pay raises while advocating restraint in other areas.
- Con is a passive approach to solving the pay problem.
 - committee leadership may not act without assurance of your support, or may prepare unacceptable solution.
- 2. Take a position against any increase.
 - Pro consistent with objective to restrain spending.
 - is likely to be popular with news media and public.
 - <u>Con</u> pay problem will continue to have harmful consequences for Government and will grow worse each year.
 - if action is not taken in post-election session, there probably will be no action until 1977 (quadrennial commission).
- 3. Accept an increase only after the Congress takes the initiative.
 - Pro likely to develop mutually agreeable solution to pay problem.
 - Con may lead to news media and public criticism.
 - will increase spending by about \$20-25 million.
- 4. Take a position favoring changing the mechanism, but delaying initial pay adjustments until FY 76.
 - Pro likely to result in acceptable legislation creating new executive pay mechanism which will facilitate solution of the problem in the future.
 - will surface the problem, but avoid criticism of inconsistency with FY 75 budget restraint.
 - Con pay problem will continue until FY 76.
 - gap will widen between current executive pay and where it should be on comparability basis.

A.plan to proceed will be developed on the basis of your decision. My recommendation is Option three.

Decision			
	Option	1	
	Option	2	
·	Option	3	
· · · · · · · · · · · · · · · · · · ·	Option	4	

See me

ACTION MEMORANDUM

WASHINGTON

LOG NO .:

November 13, 1974

Time:

FOR ACTION: Phil Buchen

cc (for information):

Ken Cole

Bill Timmons Bill Seidman

Bob Hartmann Jack Marsh

Bill Walker

FROM THE STAFF SECRETARY

DUE: Date:

November 15, 1974

Time:

cob

SUBJECT:

Ash memo (11/12/74) re: Executive, Judicial and Legislative Pay

ACTION REQUESTED:

For Necessary Action

X For Your Recommendations

Prepare Agenda and Brief

Draft Reply

X For Your Comments

Draft Remarks

REMARKS:

The President should take the position that the recommendations last submitted by the quadrennial commission (adjusted as may be appropriate and justifiable) should now be enacted. A phasing in provision as suggested in point 5 on page 2 seems appropriate.

Although I do not feel strongly about delaying any increase until FY 76, such a delay does not seem responsive to the pay problem outlined at the outset of the Ash memorandum.

The general approach described as "a possible solution" on page 2 seems sound.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR. For the President

WASHINGTON

November 15, 1974

MEMORANDUM FOR:

JERRY JONES

FROM:

KEN COLE

SUBJECT:

Roy Ash's Memo on Executive, Judicial

and Legislative Pay

I don't see any real difference between Options 1 and 3. In any event, I strongly recommend Option 2 - oppose any increase at this time.

I clearly recognize the substance of this issue and the fact that these Executives have had no increase since 1969. However, the politics of this are such that the President should oppose any increase.

If legislation starts to move through the Congress during the Lame Duck Session, the President should issue a public statement opposing it.

ACTION MEMORANDUM

WASHINGTON

LOG NO .:

Date:

November 13, 1974

Time:

FOR ACTION: Phil Buchen

Ken Cole

cc (for information):

Bill Timmons

Bob Hartmann Bill Seidman

Jack Marsh

Bill Walker

FROM THE STAFF SECRETARY

DUE: Date:

November 15, 1974

Time:

cob

SUBJECT:

Ash memo (11/12/74) re: Executive, Judicial and Legislative Pay

ACTION REQUESTED:

__ For Necessary Action

X For Your Recommendations

_ Prepare Agenda and Brief

_ Draft Reply

X For Your Comments

_ Draft Remarks

REMARKS:

I recommend aptrois

4. Hopefully by 76 we k
be in a position in the seanony
to book an appropriate

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR. For the President



UNITED STATES CIVIL SERVICE COMMISSION WASHINGTON, D.C. 20415

IN REPLY PLEASE REFER TO

YOUR REFERENCE

November 15, 1974

MEMORANDUM FOR DONALD RUMSFELD
Assistant to the President
The White House

I am sending you the attached memorandum for the President in full recognition that it is quite a lengthy piece to read. However, in order for the President to make a value judgment, I believe he should have a full explanation of some of the things that are under consideration. Also, my approach may differ somewhat from the option paper given him by the Office of Management and Budget and I think the President should be aware of this difference. While I have not seen the OMB memo, I am generally aware of its contents.

I think this is a very critical problem and feel that if we do not achieve something in this rump session, in all likelihood nothing can be done until 1977. The problem is urgent and I am convinced that the kinds of people we are losing will seriously hamper the effective administration of some of the President's most important program efforts.

I believe that the responsibility should be a joint one with neither the President nor the Congress having to bear the full wrath.

I am sending a copy of this to both Bill Walker and Roy Ash.

Robert E. Hampton Chairman



UNITED STATES CIVIL SERVICE COMMISSION WASHINGTON, D. C. 20415

November 15, 1974

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Executive Pay

We face potentially serious problems in keeping a high-quality career executive workforce in Government unless dramatic action is taken quickly to rectify an almost impossible executive salary structure.

The problem stems from the statutory salary ceiling of \$36,000, the established salary for level V of the Executive Pay Schedule, which cannot be exceeded by any General Schedule pay level. This rate has been frozen for five years. Other salaries, as well as the "cost-of-living," have risen dramatically during those five years. The General Schedule adjustment process indicates that the GS-18 salary should now be \$46,336—a gap exceeding \$10,000. In some organizations as many as four levels of career executives are paid the identical \$36,000 salary. More and more key executives are leaving the Federal service because they are suffering disproportionately in the pay/cost fight. Many have found that they fare better by retiring than by staying in active service.

We are continuing to receive very disturbing reports from agencies about the retirement or resignation of key executive and professional talent. These losses have been particularly hard-hitting in the cases of physicians in VA hospitals; research scientists at Defense, NASA, and the National Institutes of Health; experienced field officials at IRS; and administrative law judges and attorneys at the regulatory agencies. It is clear to us that this situation is rapidly becoming critical, and the very quality of the Government's functioning is going to suffer greatly if some relief is not granted very soon.

We must come to grips with this issue. To this end, staffs of the Civil Service Commission and the Office of Management and Budget have been working with staffs of both the House and Senate Post Office and Civil Service Committees to identify approaches that could be mutually supported by the Congress and the Administration. The objective would be to complete action during the upcoming post-election session.

At the staff level there is agreement that a new system is needed for adjusting executive salaries. Preferably annual adjustments (consequently of lesser amounts) would replace the present system that is keyed to a quadrannial adjustment cycle. Once in operation, the plan would adjust executive salaries in January of each year by the same percentage, if any, as the General Schedule pay adjustment during the preceding calendar year. Legislative and Judicial salaries would be linked to the Executive Schedule and adjusted automatically at the same time. (For example, Congressional salaries are linked to level II of the Executive Schedule.) Action to adjust all these salaries would be taken automatically each year by the President.

Two issues remain in question between us and Committee staffs:

- 1. How to close the existing gap of some \$10,000 resulting from the five-year pay freeze. Three viable options have surfaced:
 - A. Increase all Executive levels (and comparable Legislative and Judicial jobs) except Executive level I by \$10,000 in January 1975. Start the regular comparability adjustment process in January 1976.
 - B. Increase all Executive levels (and comparable Legislative and Judicial jobs) except level I by \$5,000 in January 1975 and \$5,000 in January 1976. Start the regular comparability adjustment process in January 1977.
 - G. Increase all Executive level (and comparable Lagislative and Judicial jobs) except level I by \$2,000 each year for the next five years, beginning in January 1975. In addition, the regular comparability adjustment process would also start in January 1975.
- Whether the process should provide an opportunity for a Congressional veto by either the Senate or the House. (For example, by providing that the rates go into effect at the end of 30 calendar days unless vetoed by either House.)

It has been made quite clear by the Congressional staff people that action by the Congress can be anticipated only if there is firm assurance of Presidential support for legislative action. We think this should be expressed through a personal meeting between the Congressional leaders and the President, in which agreement is reached as to the nature of the pay adjustment legislation.

The main purpose of this memorandum is to urge that you initiate a meeting with the Congressional leaders to seek mutually agreeable action, and that you then publicly announce your support of any agreement reached.

The following position is suggested for the discussion on the two outstanding issues described above.

- 1. Closing the \$10,000 gap. Option A (a \$10,000 increase in January 1975) is preferable by far. The cost in terms of the total Federal salary budget is inconsequential. Any advantage of spreading out the increase would be purely cosmetic. The annual increase would be smaller but very few would fail to see that the total catch-up increase is \$10,000. A single increase can be dealt with more cleanly; staged increases would keep the entire issue slive year after year in the minds of those who most certainly can be expected to oppose an increase of any kind.
- 2. Congressional veto. There is no need for a veto over an adjustment which must be computed automatically on a Congressionally-mandated formula. Any veto would pose problems of how to catch up that amount in following years. The exercise of a veto would reintroduce salary compression so that we would again be faced with situations, as today, in which two or more distinct executive levels within an organization would receive identical salaries. Consequently, the adjustment system would be invalidated, requiring another search for a viable method for setting executive pay in the Government.

In the expected give and take of the proposed meeting it may become necessary to recede slightly from this ideal position. We would not be adverse to spreading out the catch-up period, but feel quite stongly about the need to avoid the veto possibility. This could, however, become a sticking point because of the political realities that members of Congress have to face in election years. In such an event, we urge that every effort be made to limit the effect of any veto to the Congressional and Cabinet pay levels (levels I and II). While pay compression still could result, it would be considerably above the career executive level, and would mainly impact the level (level II) about which Congressmen would be personally concerned.

Should there be an absolute insistence on a full Congressional veto procedure, then we believe it becomes essential that the legislation provide that retirement annuities be computed on the basis of the salary rate that would otherwise be payable under the comparability formula. This would at least partly forestall the loss of executive talent caused by the continuing salary compression problem. It also is needed in sheer fairness to the long-time career employee who cannot be paid at his proper rate because of Congressional unwillingness to raise their own salaries.

Robert E. Hampton Chairman

THE WHITE HOUSE WASHINGTON

January 28, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

ROY L. ASH

FROM:

JERRY H.

SUBJECT:

Executive, Judicial and

Legislative Pay

Your memorandum to the President of January 2 on the above subject has been reviewed and the decision was to go with a 5% option when others get it.

cc: Don Rumsfeld