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

NOV 27 1974

INFORMATION

MEMORANDUM FOR: THE PRESIDENT  
THROUGH: ROY L. ASH  
FROM: WALTER D. SCOTT  
SUBJECT: Postal Service Labor Negotiations



This is in response to your recent question on when the Postal Service labor negotiations will come up again.

The current Postal Service labor agreement will expire on July 20, 1975. The agreement covers 627,950 employees in four postal unions. Negotiations on a new contract are expected to begin early next spring.

Postal Service wage settlements with the unions have no direct impact on the Federal budget. The additional costs incurred in any settlement, however, will likely lead to the need for increasing postage rates in order to cover postal operations. Such an increase in postal rates would require a small increase in the Federal subsidy payment to the Postal Service. This would be necessary to cover the higher cost of subsidies for second, third, and fourth class mail, as provided for in the Reorganization Act.

In each of the first four years of its operation the Postal Service has run up sizable deficits. In the current fiscal year the deficit may well be over \$725 million; up \$340 million from that previously estimated for this year. Most of this increase in the deficit can be attributed to inflationary pressures - increased fuel costs, higher airline rates for movement of mail, and cost of living adjustments for employees.

The Postal Service has instituted a number of programs aimed at cutting costs, but for the most part the savings from these efforts will not meet increasing wage costs. Neither will a reduction in service. An extremely unpopular idea to eliminate Saturday deliveries would bring about annual savings of only \$250 million.

The key to controlling Postal Service costs is in holding down wage increases. Eighty-five percent of all Postal Service costs are labor related. For this reason, the upcoming negotiations with the unions become critical. The last negotiations, in July 1973, resulted in liberal benefits for employees: a \$1,100 pay increase, cost of living adjustments, and a no layoff provision. Postal management cannot afford a similar settlement this time around. A tough bargaining position on both sides could lead to a strike next summer. This may be necessary, however, to achieve a reasonable settlement.

Not only do the Postal labor settlements heavily impact the cost of providing mail service, they also have an indirect effect on another government personnel compensation issue. The Postal Reorganization Act requires the Postal Service to maintain pay and benefit levels for its employees which are comparable to those paid for similar work in the private sector. This same policy exists with respect to Federal employees under the General Schedule. To the extent that Postal wage and benefit increases exceed those provided in the General Schedule, the unions representing Federal employees can be expected to press for equal treatment. This is a troublesome problem which we will have to deal with if the Postal Service is unable to control wages and benefits.

We will be following the negotiations closely and will keep you apprised of any major developments.

OFFICE OF THE PRESIDENT

WASHINGTON, D.C.

From the President:

To:

Don Rumsfeld

Date:

Time

a.m.

p.m.

When do negotiations  
for Postal Service come up?  
Ted Klassen may have  
a serious problem that  
will affect our Budget.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

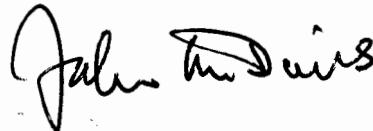
November 4, 1974

MEMORANDUM FOR DONALD RUMSFELD

Regarding your request of Alan Greenspan for information on the 1975 schedule of major collective bargaining activity:

The attached table is now being updated by the Bureau of Labor Statistics. We have been informed that the major changes will be that a total of 2.5 million workers will be involved in contract expirations, some 800,000 more than estimated originally.

This change is largely concentrated in the construction area.



John M. Davis  
Special Assistant to the Chairman

Attachments



Current and Prospective Wage DevelopmentsA. Collective Bargaining Schedule

In the normal three-year cycle of collective bargaining there are two heavy years followed by one light year. The year 1974 would normally be the second of the two heavy years. However, bargaining in 1974 is heavier than "normal" because some contracts negotiated in 1973 (construction and railroads) are up again for negotiation, even though in the past they have been of longer duration. 4.9 million workers are in major private contract agreements (1,000 workers or more) that expire in 1974, out of 10.3 million workers covered by such contracts. For the remainder of this year, the major contract expirations are in mining in November and railroads in December (see Table 1).

Earlier this year it was anticipated that contracts would expire in 1975 for 1.7 million workers covered by major private contract agreements -- a relatively light year. 735,000 are in manufacturing, of which 202,000 are in apparel, 75,000 are in lumber and wood products and 90,000 are in transportation equipment. Of the 952,000 nonmanufacturing workers whose major agreements are to expire, 366,000 are in construction, 218,000 are in retail trade including restaurants, 91,000 are in utilities and 92,000 are in transportation (other than railroads and airlines).

It is, of course, not known at this time the extent to which contracts not scheduled to expire in 1975 will, in practice, be subjected to re-negotiation.

*Most of change will be  
in construction categories*

*Current estimate about 2.5 million  
workers*

**Table 1. Calendar of major collective bargaining activity**

(Workers in thousands)

Year and month	Principal industry affected	Contract expirations <sup>1</sup>		Scheduled wage reopening <sup>2</sup>	
		Situations	Workers	Situations	Workers
All years.....		2,298	10,302	92	340
<b>Total, 1974.....</b>		<b>1,097</b>	<b>4,933</b>	<b>69</b>	<b>259</b>
January.....	Food.....	54	155	5	9
February.....	Fabricated metal products	45	131	4	15
March.....	Local and suburban transit	98	291	7	78
April.....	Local and suburban transit	156	406	14	26
May.....	Construction.....	132	449	9	16
June.....	Construction.....	154	556	13	64
July.....	Electrical equipment.....	96	902	4	8
August.....	Primary metals.....	102	685	5	21
September.....	Water transportation.....	84	278	3	8
October.....	Transportation equipment	65	221	3	6
November.....	Mining.....	33	211	2	9
December.....	Railroads.....	78	648	—	—
<b>Total, 1975.....</b>		<b>558</b>	<b>1,685</b>	<b>23</b>	<b>81</b>
January.....	Food stores.....	32	92	1	1
February.....	Transportation equipment	32	77	1	2
March.....	Construction.....	—	231	2	4
April.....	Gas and electric utilities	21	192	8	16
May.....	Construction.....	97	286	3	4
June.....	Construction.....	78	302	3	37
July.....	Fabricated metal products	27	63	1	1
August.....	Transportation equipment	39	91	2	7
September.....	Apparel.....	39	214	—	—
October.....	Eating and drinking places	30	59	1	4
November.....	Transportation equipment	11	19	1	7
December.....	Railroads.....	13	59	—	—
<b>Total, 1976.....</b>		<b>332</b>	<b>2,613</b>	<b>—</b>	<b>—</b>
January—June.....	Trucking.....	221	1,504	—	—
July—December.....	Transportation equipment	111	1,109	—	—
1977.....	Hotels.....	5	17	—	—
Year unknown or in negotiation	Construction.....	326	1,054	—	—

*2.5 million in 1975*

<sup>1</sup> Two utility agreements covering 22,550 workers are excluded since they have no fixed expiration or reopening date.

<sup>2</sup> Excludes 300,000 workers, 270,000 in the ladies apparel industry, whose contracts provide for possible wage reopeners during the year based on increases in the Consumer Price Index.

NOTE: Only bargaining situations in the private, nonagricultural economy affecting 1,000 workers or more are considered in this table. Because of rounding, sums of individual items may not equal totals.

THE WHITE HOUSE

WASHINGTON

November 8, 1974

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: ROY L. ASH  
FROM: JERRY H. JONES

The attached material was returned in the President's outbox and the following notation was made:

-- When do negotiations for Postal Service come up? Ted Klassen may have a serious problem that will affect our budget.

Please follow-up with the appropriate action and return your response to the Office of the Staff Secretary.

Thank you.

cc: Don Rumsfeld