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MEETING WITH
SECRETARY W. J. USERY, JR.

Tuesday, April 6, 1976

2:00 P. M.

THE PRESIDENT HAS SEEN.....

THE WHITE HOUSE
WASHINGTON

No Action required as a result of this meeting by this office.

Bill Seidman has action on the Minimum Wage Legislation.

~~THE PRESIDENT HAS SEEN...~~

THE WHITE HOUSE

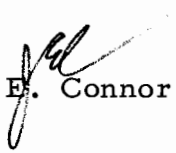
WASHINGTON

April 5, 1976

MEETING WITH SECRETARY OF LABOR

W. J. USERY, JR.

Tuesday, April 6, 1976
2:00 p.m. (60 minutes)
The Oval Office

From: James E. Connor 

I. PURPOSE

To meet with Secretary Usery in order to discuss several broad issues of mutual concern.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: This is your first private session with Secretary Usery since his swearing in on February 10, 1976. It will be the eighth in a series of meetings with your new Cabinet officers. It is intended to enable each of you to indicate general policy areas and approaches you consider important.

B. Participants: Secretary Usery, Jim Connor

C. Press Plan: Announcement to the Press. Press photo opportunity at beginning of meeting and David Hume Kennerly photo.

D. Discussion: The Secretary has indicated a number of issues he would like to discuss with you. The points the Secretary may bring up and some information on them are attached at Tab A.

III. TALKING POINTS

1. Bill, I have made it a practice to meet with my new Cabinet members to discuss some broad problem areas that concern both them and me. I want to have the opportunity to get your views and to give you some of my own. But first, I want to congratulate you on your extraordinary efforts in bringing the Teamsters strike to an end over the weekend. Without your untiring and determined personal efforts, your commitment to fairness to both sides and your superb qualities of mediation, we would be in a very serious situation today. The entire nation is in your debt for this accomplishment, as well as for your many past significant achievements in the field of mediation between labor and management.

2. I understand that there are several areas that you wish to discuss, the first of which is a review of DOL Personnel Matters. Let's start with those. (See Tab B for specific issues)

3. I think it imperative we move quickly with the appointments to bring your department up to strength and I will ask Doug Bennett and his shop to make every effort to move quickly on these appointments.

4. Relationships with organized labor are a vital part of your job as Secretary and are important to me, to the Administration and to the nation. I am glad to hear of your progress in this important area and hope there will be continued improvement in spite of the difficulties.

5. I appreciate your bringing me up to date on pending negotiations in the construction and other industries and hope you will continue to make that a practice.

6. I have not had an opportunity to study fully your memorandum on Minimum Wage Legislation yet, but plan to do so soon. (Memo attached at Tab C) I would like the opportunity to have some of my other advisers look at it and give me their views. As you note, the proposals being considered by the Congress raise fundamental policy issues and need careful consideration. I find the notion of indexing an interesting one, and would be glad to hear your own views on that.

7. I'm most interested in your ideas on the issue of job creation and hope you will follow up with proposals which we can give further study to.

8. Bill, I want you to know that you will have access to me when you need it. I've asked Jim Connor to meet with you regularly. If you need quick answers or want to see me, let him know.

TAB A

Issues Which Secretary Usery will wish to discuss with the President

1. Review of DOL Personnel Matters: The major issues are the designation of a new Under Secretary to replace Bob Aders; the Assistant Secretary for Labor-Management Relations; the Assistant Secretary for Employment Standards; and David Stowe's reappointment to the National Mediation Board. A memo from Doug Bennett outlining the status of all of these is attached at Tab B.
2. Relationship with organized Labor. The Secretary will give his assessment of the current situation.
3. Report on the pending negotiations in the construction and other industries. The Secretary will undoubtedly wish to discuss how some of the negotiations with the Teamsters were handled and want to brief the President on pending negotiations with other industries such as the construction industry.
4. Minimum Wage Legislation. Attached at Tab C is a memorandum which the Secretary has just submitted for consideration by the President. The issue he will most likely want to discuss is the question of linking the minimum wage to an automatic index. He will want to get the President's reaction to such a possibility and see whether DOL should do more work on the subject. He is not looking for a decision, just some indication of the President's reaction. It is recommended that the President indicate that since the issues raised are so complex, he would like to have the opportunity for further study and that he ask the Secretary for his own views.
5. Job creation. The Secretary has some ideas he wishes to bring to the President's attention. Again, these are matters which do require decision by the President but merely an indication of interest.

THE WHITE HOUSE

WASHINGTON

April 5, 1976

MEMORANDUM FOR: JAMES E. CONNOR
FROM: DOUGLAS P. BENNETT **DPB**
SUBJECT: President's Meeting with Secretary Usery

The President may want to discuss the following personnel matters with Secretary Usery:

Under Secretary:

Robert O. Aders resignation has been accepted. Secretary Usery's first choice is Peter G. Nash, former General Counsel of the National Labor Relations Board. Nash is not acceptable to the AFL-CIO and the Construction Trades Union because of his strong position on Common Sit_{US} and his close relationship to the Business Roundtable.

Michael Moskow, currently Director, Council on Wage and Price Stability is another possibility suggested by the Secretary.

It is my recommendation that whoever is the final choice, it is most imperative that a decision be made soon.

Assistant Secretary for Labor-Management Relations:

Paul J. Fasser resigned this post effective 1 April 1976. Secretary Usery wants to designate Bernard E. DeLury, Assistant Secretary for Employment Standards, to succeed Fasser. The President has orally agreed to this change.

Assistant Secretary for Employment Standards:

To replace DeLury, Secretary Usery wants to name John C. Read, currently Counselor to the Secretary, as Assistant Secretary for Employment Standards.

The President has informally approved that decision.

National Mediation Board:

The term of David Stowe (D-Maryland) expires 1 July 1976; he currently serves as the Board's Chairman. I. W. Abel has recommended his reappointment.

The Board is responsible for assuring the prompt and orderly settlement of labor disputes affecting rail and air carriers and growing out of grievances or out of interpretation or application of agreements concerning rates of pay, rules or working conditions.

Secretary Usery favors the reappointment of Stowe.

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

April 5, 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Minimum Wage Legislation

You are familiar with the minimum wage provisions of the Fair Labor Standards Act (FLSA) most recently amended in 1974. These provisions establish among other things minimum wages and maximum hours for individuals employed by firms engaged in interstate commerce. Periodic adjustments to the minimum wage rate however have been accompanied by sensitive economic, political and social issues. The 1974 adjustments, for example, resulted in a serious disagreement between the Administration and organized labor.

On October 9, 1975, Congressman John Dent introduced legislation (H.R. 10130) to amend the FLSA in a number of important respects. This memorandum summarizes the events which have occurred since the bill was introduced and the major issues which are likely to confront the Administration with respect to minimum wage legislation. You will find in Attachment A a summary of the current statutory requirements and the proposals presently receiving attention in the House.

Background

1. The Department of Labor testified on the Dent Bill last fall and presented an objective appraisal of its impact but did not offer an Administration position on the legislation. While organized labor strongly supported the bill, it did not have widespread Congressional support and has not come to a vote in the House Labor Subcommittee.
2. It now appears that organized labor as well as the Democratic majority in Congress will make the enactment of minimum wage legislation a major goal this year.

3. Recently Congressional staff circulated a draft bill (attributed to Congressman Dent) which contains the more moderate provisions summarized in Attachment A.

On April 5 we were informed that another new proposal has now been informally introduced to the House Labor Subcommittee. This proposal is summarized as a footnote to Attachment A and may have the endorsement of the AFL-CIO.

4. No bill has been introduced in the Senate and it is likely that the Senate will limit itself only to addressing a House-passed bill should that occur.

Issues

The proposals now being considered by the Congress raise fundamental policy issues in three areas:

1. Should the minimum wage be increased? If so, should it be \$2.65, \$3.00 or some other level? When should these increases become effective?

These questions raise issues about the need to pay an adequate wage for low income workers; the economic and employment effects of an increase in the minimum wage (especially for youths); and the timing of future increases.

2. Should the minimum wage be indexed? If so, which index should be chosen - a price index or a wage index? To what initial minimum wage level should the index be applied (e.g., \$2.30, \$2.65, \$3.00 or some other level)?

At issue is whether future adjustments to the minimum wage level made necessary by inflation, wage, and productivity changes are best handled through periodic legislative increases or automatic adjustments tied to an appropriate index.

3. Should the present tip credit be changed? If so, what is the appropriate limitation?

This issue effects relatively few employees but will be of keen interest primarily to restaurant and hotel employers and workers.

We have been analyzing carefully the various proposals under consideration and their economic and political effects. There have been informal discussions within the Administration, with the AFL-CIO, and with the business community. As we develop an Administration position on minimum wage legislation it would be appropriate to work with the Domestic Council, CEA, OMB and the Economic Policy Board and to continue the dialog with important outside groups. Before proceeding, however, I believe a discussion with you is essential and look forward to raising the matter with you on April 6.

A handwritten signature in black ink, appearing to read "W. J. Flanagan, Jr.", written in a cursive style.

Secretary of Labor

Attachment

Attachment A -- Minimum Wage Provisions

Provision	Present Statutory Requirements (1974 Amendments)	H.R. 10130	Recent Draft Bill
Basic Minimum Wage	1/1/76 - \$2.30	Increases minimum wage to \$2.65 on 7/1/76 & \$3.00 on 1/1/77	Increases minimum wage to \$2.65 on 7/1/76
Indexing	No provision for automatic adjustment	Subsequent to 1/1/77 the \$3.00 minimum would be adjusted up to twice a year by the percentage change in the CPI plus a 1% add-on at each adjustment	Beginning 1/1/77, the \$2.65 minimum would be adjusted by the percentage change in the BLS hourly earnings index on an annual basis.
Overtime	Requires that employees be paid <u>1-1/2</u> times the regular hourly rate for all hours worked over 40 per week	Requires that employees be paid <u>2-1/2</u> times the regular hourly rate for all hours worked over 40 per week	Contains no overtime provision (current requirements would continue)
Tip Credit	Wages paid to tipped employees (mostly restaurant & hotel workers) may be reduced by up to 50% of the minimum wage	Reduces the tip credit to 25% 1 month after enactment and eliminates the credit 1 year after enactment	Effective 1/1/77, tip credit would be limited to \$1.00 per hour

Note: We were informed on April 5 of the following proposal now informally before the House Labor Subcommittee: increase minimum wage to \$2.65 on 1/1/77, minimum wage would be adjusted as a fixed percentage of Average Hourly Earnings on an annual basis thereafter. Effective 1/1/77 tip credit would be limited to \$1.00 per hour.