

Y4
.P 84/10
Sa 3/7/
PT. 2

1022

88 y4
P84/10
Sa 3/7/pt. 2

GOVERNMENT
Storage

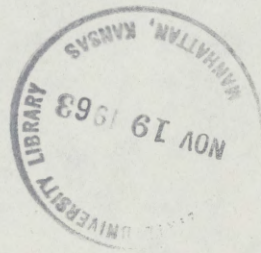
FEDERAL EMPLOYEES SALARY
ACT OF 1963
PART 2



HEARING
BEFORE THE
COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
OF REPRESENTATIVES
EIGHTY-EIGHTH CONGRESS
FIRST SESSION
ON
H.R. 7552, H.R. 7814, H.R. 8716, AND SIMILAR
BILLS
BILLS TO ADJUST THE RATES OF BASIC COMPENSATION
OF CERTAIN OFFICERS AND EMPLOYEES IN THE FEDERAL
GOVERNMENT, AND FOR OTHER PURPOSES

OCTOBER 15, 1963

Printed for the use of the
Committee on Post Office and Civil Service



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1963

23-242

FEDERAL EMPLOYEES SALARY
ACT OF 1963
PART 2

AY
9.84/10
263/1
ST.2

HEARING
BEFORE THE
COMMITTEE ON

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

TOM MURRAY, Tennessee, *Chairman*

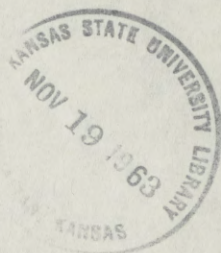
- | | |
|------------------------------------|----------------------------------|
| JAMES H. MORRISON, Louisiana | ROBERT J. CORBETT, Pennsylvania |
| THADDEUS J. DULSKI, New York | H. R. GROSS, Iowa |
| DAVID N. HENDERSON, North Carolina | JOEL T. BROYHILL, Virginia |
| ARNOLD OLSEN, Montana | AUGUST E. JOHANSEN, Michigan |
| MORRIS K. UDALL, Arizona | GLENN CUNNINGHAM, Nebraska |
| DOMINICK V. DANIELS, New Jersey | GEORGE M. WALLHAUSER, New Jersey |
| LINDLEY BECKWORTH, Texas | ROBERT R. BARRY, New York |
| HARLEY O. STAGGERS, West Virginia | KATHARINE ST. GEORGE, New York |
| ROBERT N. C. NIX, Pennsylvania | EDWARD J. DERWINSKI, Illinois |
| JOE R. POOL, Texas | ROBERT F. ELLSWORTH, Kansas |
| ALBERT W. WATSON, South Carolina | HOMER E. ABELE, Ohio |
| EDWARD R. ROYBAL, California | |
| CHARLES H. WILSON, California | |

II

OCTOBER 12, 1963

Printed for the use of the
Committee on Post Office and Civil Service





CONTENTS

Statement of—	Page
Association of American Railroads, Washington, D.C.-----	368
Association of Interstate Commerce Commission Practitioners, Wash- ington, D.C.-----	369
Association of the Customs Bars-----	370
Folsom, Marion B., Rochester, N.Y.-----	363
Gordon, Hon. Kermit, Director, Bureau of the Budget; accompanied by Elmer B. Staats, Deputy Director, Spencer Platt, Chief, Personnel Management Branch; and William Lehman, member of staff, Personnel Management Branch-----	331
Hammond, Harold F., Transportation Association of America, Wash- ington, D.C.-----	364
McElroy, Neil, Procter & Gamble Co., Cincinnati, Ohio-----	363
Macy, Hon. John W., Jr., Chairman, U.S. Civil Service Commission; accompanied by Robert F. Milkey, Pay Systems Section, Bureau of Program and Standards-----	352
Pellerzi, L. M., president, Federal Trial Examiners Conference, Wash- ington, D.C.-----	371
Price, Don K., member of President's Advisory Panel on Federal Salary Systems, Cambridge, Mass-----	363
Sulmeyer, Irving, chairman, Bankruptcy Study Group-----	371
Thwaite, C. E., Jr., Trust Co. of Georgia, Atlanta, Ga-----	364

FEDERAL EMPLOYEES SALARY ACT OF 1963

Part 2

TUESDAY, OCTOBER 15, 1963

HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 215, Cannon House Office Building, Hon. Tom Murray (chairman of the committee) presiding.

The CHAIRMAN. We will come to order. This morning's hearing will resume on pending pay legislation.

The first witness is Hon. Kermit Gordon, Director of the Bureau of the Budget.

Mr. GROSS. Mr. Chairman?

The CHAIRMAN. Mr. Gross.

Mr. GROSS. Before you start, might I inquire: How many additional witnesses do you propose to have on the subject of this new addition, this fat increase for various officials, pooh-bahs of the Federal Government?

The CHAIRMAN. What do you call them?

Mr. GROSS. Pooh-bahs. Brass hats.

The CHAIRMAN. We are always welcome to hear any officials of our Government here. It is a pleasure to always greet you.

Mr. GROSS. Is it anticipated we will only have the witnesses who are here this morning?

The CHAIRMAN. So far as the executive branch is concerned, I think that is true.

Mr. GROSS. What about the judicial branch of the Government?

The CHAIRMAN. It isn't customary to have Justice testify.

Mr. UDALL. Will the gentleman yield?

The CHAIRMAN. We never have.

Mr. GROSS. Why not?

Mr. OLSEN. We had witnesses on that subject.

Mr. UDALL. I would like to make a short statement in answer to the gentleman's inquiry.

I think the members of judicial, Chief Justices, and others do not testify on legislation of this sort, and I understand the chairman and the staff have requested the Chief Justice and the Administrator of the Federal Court System to submit statements, which I believe are before us this morning.

The CHAIRMAN. We have reports on the desk from a number.

Mr. GROSS. If you are going to resort to statements and justification for this kind of spending, why then don't we simply get state-

ments from Mr. Gordon, Mr. Staats, and Mr. Macy, and why did you have a hearing this morning if statements are substitute for personal justification, personal testimony and justification?

Mr. UDALL. Let me comment further. We have testimony from the president of the American Bar Association, which organization, I think, speaks for lawyers and judges generally. We had Mr. Segal, who represents an important committee of that association.

Mr. GROSS. I think the gentleman will admit the bill was filed only last week and there have been no witnesses since the bill was filed. I don't know anyone who had a bill of particulars with respect to this particular pay increase provision going into a good many billions of dollars.

Mr. UDALL. My comment would be that we have been discussing the proposed executive pay raises in this committee for months and months. I have circulated a memorandum to the Members of the House, members of this committee. We had a draft of my proposal or a summary of it out 6 weeks ago, at least. I can show the gentleman page after page of the hearing record where we have discussed executive and judicial pay.

Mr. GROSS. Without any bill of particulars before you. Is that the normal way of holding hearings on a bill?

Mr. UDALL. It is certainly not the preferable way, but I think the subject has been discussed repeatedly in this committee and I don't think the gentleman from Iowa is surprised that my bill was introduced or is surprised that a proposal of this kind is being made.

Mr. GROSS. I will say to the chairman and gentleman from Arizona, I am not surprised to see the fire put in the boiler for another steam-roller operation to get a bill out. I am not at all surprised to see that and, as usual, I will probably be under the roller when the roller starts moving.

Mr. UDALL. I had hoped the gentleman would support—

Mr. GROSS. If that is the way the committee wants it, God bless you, go ahead and run away with it.

Mr. JOHANSEN. Mr. Chairman?

The CHAIRMAN. Mr. Johansen.

Mr. JOHANSEN. I wonder if I may make just one comment. There are a great many people representing the executive and legislative branch, or the judicial branch. The gentleman from Arizona says it is not customary for the Justices to testify. Of course not. But Mr. Olney, the Administrator of the Courts, if I understand it correctly, appears repeatedly before appropriations subcommittees. There is no reason in the world why Mr. Olney couldn't appear.

Now I just want to make this observation that if it is proposed to close these hearings today, and to start what the gentleman from Iowa calls the steam roller rolling, I just want to make the observation—

The CHAIRMAN. Who proposed that hearings be closed today?

Mr. JOHANSEN. It was my understanding that this was the last of the witnesses.

The CHAIRMAN. That is news to me. I didn't know anything about it.

Mr. JOHANSEN. Do we have the assurance of the chairman—

Mr. GROSS. That is the inquiry I was trying to make, Mr. Chairman.

Mr. JOHANSEN. That is quite a different matter. I would like to make just this comment, that you are now adding a member to the unholy trinity. You have the normal pressures from the union members and union leadership of Federal employees coming up from the bottom, you have added last year the lateral pressures from this comparability principle, and now you are releasing any restraint on pressures from above by jacking this ceiling up, and I just oppose the procedure and I oppose the program.

The CHAIRMAN. The gentleman is entitled to his views.

Is there anything further?

If not, we will be glad to hear from you, Mr. Macy.

Mr. MACY. I will defer to Mr. Gordon, Mr. Chairman.

Mr. GORDON. I have a brief statement, Mr. Chairman, which I would like to read, if I may.

The CHAIRMAN. Very well, sir.

STATEMENT OF HON. KERMIT GORDON, DIRECTOR, BUREAU OF THE BUDGET; ACCOMPANIED BY ELMER B. STAATS, DEPUTY DIRECTOR; SPENCER PLATT, CHIEF, PERSONNEL MANAGEMENT BRANCH; AND WILLIAM LEHMAN, MEMBER OF STAFF, PERSONNEL MANAGEMENT BRANCH

Mr. GORDON. I am glad to have this opportunity to record the administration's support for adjustments in executive salaries as set forth in identical bills, H.R. 8716 and H.R. 8717. The bills also provide adjustments in career, legislative, and judicial salaries.

In recent weeks this committee and its staff have made a thorough analysis of the President's recommendations for pay adjustments in the statutory salary systems for career employees. I can add little to the record of the hearings on the bills which would make those adjustments, but Mr. Staats and I would be glad to answer any further questions which the committee may have.

In the report of the Senate committee on the 1962 Salary Reform Act, the President was asked—

to recommend for consideration at the next session of Congress appropriate increases in Federal executive salaries at all levels.

Responding to this request, the President asked his Advisory Panel on Federal Salary Systems, augmented by the addition of Mr. Justice Stanley F. Reed and former Congressman Robert Ramspeck, to prepare recommendations on appropriate levels for executive salaries; on the relationship between executive salaries and those payable to career employees; and on the relationship between executive salaries and those paid to the Congress and the judiciary. The report of the President's Panel, commonly referred to as the Randall report, was reprinted by this committee on August 16.

The Advisory Panel has rendered service of exceptionally high order to the Government and the American public. Made up of leaders from industry, labor, education, and the public service, the Panel recommended the reform of the Federal statutory salary systems and, after a review of military compensation, pointed the direction of further studies of that subject which are now being pursued in the Department of Defense. Its report on executive, legislative, and judicial pay was its final service.

The President asked the Bureau of the Budget and the Civil Service Commission to review and make recommendations on the Randall Panel's report. Our agencies have made this review, and, except for the specific salary rates proposed, we concur in the Panel's findings.

H.R. 8716 and H.R. 8717 apply the Randall Panel findings in essentially the same fashion as would we, and provide salary rates which, although lower than those recommended by the Panel, we believe to be appropriate.

The Panel, in its report, stated:

Giving up a high income to accept a lesser income in a Federal office has been a common experience in the history of our country. We believe, however, that such action should not require the individual to draw down his personal resources in large amounts in order to support himself and his family while in office. The sacrifice must be of an order which many, not just a few, are prepared to make, and it should be no greater in a Federal position than in any other form of public service. Furthermore, there are many able young men who have accumulated no reserves to help them maintain themselves in public office. It is particularly important that inadequate pay scales neither deny our country their services nor create the kind of economic pressure of family responsibility which cuts their service short when they do accept public office.

We find the Panel's reasoning persuasive. This administration has found, as did past administrations, that the current Government salaries for executives are deterrents to many able men and women who would otherwise be ready to serve in public office, but simply cannot afford it at the salary rates which we pay.

Furthermore, these low executive salaries depress unreasonably the rates which we can pay in the higher grade career posts.

I am sure that the committee will agree that the need for outstanding talent and commitment to a government career for posts at these levels is at least as great as any time in our Nation's history.

It is a truism that no organization, public or private, is better than its leadership. The Government, with its myriad responsibilities, requires leadership of the highest order. Those of us in the executive and legislative branches who are constantly involved with governmental decisionmaking might draw back for a moment to see our jobs in broader perspective and realize the dimensions of the decisions which Federal officials must make.

Leaving aside the great issues of war and peace and others which are peculiar to the public service, we might do well to remind ourselves of the magnitude of those Federal operations which are in some degree comparable with those in private companies.

Public officials manage annual Federal receipts and expenditures far greater in magnitude than anything confronting the executives and board of directors of a private company. They decide to build or not to build facilities far beyond anything which a private company can undertake. They let contracts for procurement of goods and services totaling billions annually.

In the business of government—as in any other business—skilled management is the key to efficiency and economy. Gains in productivity are preponderantly the result of managerial innovations; if, by retaining and recruiting topnotch managerial talent, we are able to speed up the increase in productivity by as little as 1 percent—in terms of output per unit of manpower input—the consequent saving to the American taxpayer would be in excess of \$150 million.

A salary structure for Federal management personnel which will enable the Government to hold its best people and to recruit others of comparable talent will, I believe, contribute to the improvement of productivity in the Federal Government.

The Randall Panel sought criteria for determining at what level Federal executive salaries should be set. They rejected the comparability principle for these high offices, and we agree with that rejection.

While the comparability principle is a valid standard for setting Federal career salary rates, it does not in our opinion have equal applicability to salaries for Federal executives.

Aside from the difficulty of finding private enterprise responsibilities which compare, for example, with the Secretary of Defense or the Secretary of State, we believe that the considerations which govern the setting of private enterprise executive rates are not, in important respects, applicable to salaries for public office.

Salaries as high as those paid in private enterprise are not required in order that we solve our pay problems for the top Government salary structure. On the other hand, we cannot continue to get along with salaries which are lower than those paid in many State and local governments and in colleges and city school systems and other non-profit activities. Those salaries have advanced rapidly in the last 5 to 8 years. Federal top salary rates have remained unchanged since 1955-56.

We cannot continue to offer salaries which often require incumbents to dig deep into their personal financial resources if, indeed, they are willing to serve at all.

We would, accordingly, derive Federal executive salaries on the structural principle outlined in the Randall report. In other words, we would adopt the six-level executive structure recommended by the Panel, and would build the salary structure for the six levels as an upward projection from the career salary levels which result from career-private enterprise comparability.

H.R. 8716 and H.R. 8717 provide the six-level structure recommended, and the salary rates in the bill are logical extensions of career comparability rates, with the salaries for levels V, IV, III, and I built up in successive 10-percent increments upon the comparability payline rate for GS-18.

Mr. JOHANSEN. Excuse me. Would you refresh my memory: what is the top GS-18 under this proposed bill?

Mr. GORDON. Under proposed legislation, Mr. Johansen, \$25,500.

Mr. JOHANSEN. Thank you.

Mr. GORDON. In this structural concept, level II is a kind of half-grade inserted between levels I and III; and level V, as explained by the Chairman of the Civil Service Commission in his statement, is the lowest executive level with a defined structural relationship to Classification Act grades.

The salary rates thus developed bear a reasonable relationship to career rates. Being thus related to career rates they will also be reasonably related to changes in the American economy, since any pressure for further change in subsequent years would arise from cumulative career comparability adjustments in keeping with private enterprise adjustments.

The rates are at levels which will remove much of the current deterrent to acceptance of public service.

The rates happen also to compare favorably with salaries paid in many State and local governments and in private educational and nonprofit institutions, although this was not the method by which they were derived.

The estimated cost of the top salary adjustments proposed by these bills is approximately \$20 million. The executive branch portion of this cost would be \$6.6 million, which could be absorbed without additional appropriations.

In conclusion, I want to emphasize the importance of the steps taken last year in the enactment of the Federal Salary Reform Act. The principles and processes of the Reform Act are fair to Federal employees and to taxpayers, and they remove much of the previous handicap to Government recruitment.

It is critical now that we abide by those principles and make the comparability adjustments proposed, and that we make the reasonable adjustments needed to bring our top salary structure into appropriate relationship with the reformed career structure.

The CHAIRMAN. Do you have anything further to add?

Mr. GORDON. I do not, Mr. Chairman. We would be happy to answer questions.

The CHAIRMAN. Any questions of Mr. Gordon, Director of the Budget?

Mr. GROSS. Yes, sir.

The CHAIRMAN. Mr. Gross.

Mr. Corbett, do you have any questions?

Mr. CORBETT. I yield to Mr. Gross.

The CHAIRMAN. Mr. Gross.

Mr. GROSS. Mr. Gordon, what is the present status of the Federal debt? How much is it?

Mr. GORDON. The Federal debt is currently \$307 billion, Mr. Gross.

Mr. GROSS. Is it true that the ceiling will have to be increased this fall?

Mr. GORDON. I presume it will have to be increased this fall.

Mr. GROSS. Are you concerned about this debt?

Mr. GORDON. Yes, indeed, Mr. Gross. The economic policy which the administration is proposing, its broad economic policy to deal with the major issues in our economy today, are designed by providing through tax reductions the stimulus that the economy badly needs to generate an expansion in the economy, an expansion in Government revenues, which will produce in a reasonably short time, we hope, a balance in the budget such that the level of the Federal debt will not increase.

Mr. GROSS. Did I hear you express a hope that you would balance the Federal budget?

Mr. GORDON. In matters affecting expenditures and revenues, Mr. Gross, it is never possible to speak with complete certainty. It is the intention of the administration to move toward a balanced budget by a strategy which I think is very ably conceived to reach that result.

Mr. GROSS. When do you propose it accomplish that?

Mr. GORDON. The date at which a balanced budget seems in prospect, if the economy expands as we expect it will expand under the stimulus

of the tax reduction, would be in 1967, fiscal 1967. This presumes the achievement of full employment in calendar 1966.

Mr. GROSS. How much did we pay on the Federal debt in the last fiscal year?

Mr. GORDON. The Federal debt increased in the last fiscal year.

Mr. GROSS. We didn't pay anything on the Federal debt in the last year; is that correct?

Mr. GORDON. That is correct.

Mr. GROSS. When do you anticipate we will start paying something on the Federal debt or do you anticipate we ever will?

Mr. GORDON. We have in the past, Mr. Gross, and I am sure we will again. When the economy reaches full employment, and this seems a reasonable objective for calendar year 1966, it would be a reasonable expectation that in a full employment situation, generating the high revenues which full employment generates, we could begin to apply some of the excess of receipts over expenditures to reduction of the debt.

Mr. JOHANSEN. Would the gentleman yield for a quick question?

Mr. GROSS. Yes.

Mr. JOHANSEN. When did we last make a payment reducing the national debt?

Mr. GORDON. I believe we made a small payment reducing the national debt in fiscal year 1960, Mr. Johansen.

Mr. JOHANSEN. Thank you.

Mr. GROSS. What do you anticipate you will ask for in the upcoming budget for interest payments on the Federal debt?

Mr. GORDON. We don't have yet, Mr. Gross, an estimate of interest payments in fiscal year 1965. These estimates must be made 18 months ahead.

Mr. GROSS. Take 1964.

Mr. GORDON. Interest payments on the Federal debt are in excess of \$10 billion, between \$10 billion and \$10.5 billion, if I am not mistaken.

Mr. GROSS. Between \$10 billion and \$10½ billion.

Mr. STAATS. The budget in January showed \$10.1 billion.

Mr. GROSS. Are you concerned about the \$10.1 billion annual appropriation for the Federal debt? Does this give you any concern, Mr. Gordon?

Mr. GORDON. It does, indeed, Mr. Gross. It gives us considerable concern, and it is in part for this reason that we have felt it so imperative to provide through the tax system the kind of stimulus to the economy which we believe will generate the revenues necessary to achieve balance in our Federal accounts.

Mr. GROSS. Where would we get the money to pay this kind of a pay increase?

Mr. GORDON. As I said in my statement, Mr. Gross, relating to executive pay, the size of the cost of the pay increase is not insignificant. It is \$6.7 million. We believe this could be absorbed by the agencies without any increase in appropriations as in fact we have done in the past with increases in civilian pay. You will remember that the increase in career pay—

Mr. GROSS. You are dealing only with the executive. When you speak of \$6.7 million, you are dealing with only the executive titles or whatever levels you want to call it in this bill; is that not correct?

Mr. GORDON. That is correct.

Mr. GROSS. Aren't you interested in all the rest of them, from the standpoint of physical ability of the taxpayers?

Mr. GORDON. Indeed we are. I thought your question related only to executive pay.

On the matter of the total cost of the legislation, there is a provision, as you know, in the budget, to cover the cost of the principal element in the legislation which is the adjustment in career pay. This was provided in the budget which was sent to Congress in January of this year.

Mr. GROSS. The total for all of them, executive, Congress, judges, whatever else may be in this, legislative employees, is how much?

Mr. GORDON. On a full-year basis, Mr. Gross, the total figure including all of the pay adjustments, involved in the bill is \$539 million, of which \$508 million represents the title I increases for classified and postal employees, and the remainder about \$31 million represents the remaining increases.

Now, that is a full-year basis and the current budget, as I indicated. We have made an allowance, we did anticipate such an adjustment, and we did make an allowance in the current budget for the major item here, the improvement in classified and postal employee pay, assuming an effective date of January 1, 1964, for that increase, so in effect we made a half-year allowance for fiscal year 1964 and that is already in the budget.

Mr. GROSS. That is an additional outgo of more than half a billion dollars. Is that correct?

Mr. GORDON. On a full-year basis, that is correct.

Mr. GROSS. Taking all of them?

Mr. GORDON. Yes, sir.

Mr. GROSS. Classified workers, postal workers, pooh-bahs in government, whatever they may be, more than half a billion dollars.

Were you supporting this tax reduction bill that has been passed by the House of Representatives before that?

Mr. GORDON. Yes, indeed. I appeared before the Ways and Means Committee to support it.

Mr. GROSS. Don't you think there is some contradiction—that you are engaging in some contradiction in reducing taxes and increasing expenditures and, what are you looking at this year, about \$9 billion deficit, or will it be less than that or more?

Mr. GORDON. It is very hard to tell, Mr. Gross, until we can estimate it, expenditures which will result from congressional appropriations and, as you know, only a minority of the appropriation bills have so far been enacted. So that it is impossible to give an accurate figure.

Mr. GROSS. You are not now trying to put all of the responsibility on Congress. They have a responsibility, but you are not trying to put it all on Congress when you say we are waiting to see what Congress does.

Mr. GORDON. I am only saying, Mr. Gross, in reply to your question, as to what expenditures will be this year, it is very difficult to estimate expenditures until Congress makes its appropriation decisions.

Mr. GROSS. At this point, Congress has cut your asking prices on practically every bill, haven't they, every appropriation bill?

Mr. GORDON. They have reduced every appropriation bill looking at the bill as a whole, yes. Individual items have been increased, but

each bill as a whole, which has been enacted so far, there have been four enacted so far, there has been a reduction.

Mr. GROSS. So up to this point could it be said that the Congress is displaying a better appreciation of fiscal responsibility than the administration, the Bureau of the Budget, and the President and all that goes into the executive branch of Government?

Mr. GORDON. Mr. Gross, I think that the performance of the executive branch in the context of this proposed tax reduction has certainly demonstrated what could fairly be called fiscal responsibility.

As you know, the President, starting in his budget message last January, indicated that the enactment of the proposed tax reduction would necessitate a close control of expenditures. The President committed himself in the budget message, as the economy expands under the stimulus of the tax reduction, to apply a substantial part of the increased revenues to a reduction in the deficit. This is reflected in the instructions we have from the President with regard to the 1965 budget on which we are working now.

I think that we are carrying out in a most rigid fashion the President's instructions to pursue a policy of tight expenditure restraint.

Mr. GROSS. Am I correct in assuming that you had a hand in formulating this bill that Mr. Udall and Mr. Broyhill brought in with respect to this particular section of the pay increase bill? Did you have a hand in preparing this bill? Were you consulted?

Mr. GORDON. I was not personally consulted.

Mr. GROSS. Was your agency, your Bureau, consulted?

Mr. GORDON. I am sure, without knowing this for a fact, I am sure that—Mr. Udall can clarify this—that the technical experts in the Bureau of the Budget, as in the Civil Service Commission, did provide technical assistance. I was not consulted.

Mr. GROSS. Do you know whether your Bureau had any difficulty in resolving the differences between the Randall report and what we have here before us today?

Mr. GORDON. I think there was a general agreement position, with which I agree, that although the Randall panel, I think, makes very good arguments for the level of executive salaries which it recommends, that the purposes of the salary adjustment could be achieved at a significantly lower level and that is why we regard the proposed salaries in the bill before the committee as more appropriate than the recommendations made by the Randall panel.

Mr. GROSS. Could it be said you are speaking for Mr. Randall today?

Mr. GORDON. I am afraid no one speaks for Mr. Randall but Mr. Randall.

Mr. GROSS. Or his blue ribbon committee.

Mr. GORDON. I think they have spoken for themselves, very effectively, Mr. Gross, in their report.

Mr. GROSS. I would like to have them before this committee, Mr. Chairman, to tell us why this bill was reduced from the Randall committee figures, but I don't suppose that now that the steamroller is in action, I don't suppose we will get Mr. Randall or any of his committee to come down here and tell us.

Mr. UDALL. Will the gentleman yield?

Mr. GROSS. Yes, I will yield. I am going to yield the floor in a minute.

Mr. UDALL. Let me make it very clear, the figures in my bill—and I speak only for myself; the gentleman from Virginia can speak for himself—the provisions of my bill, the detailed provisions were based on decisions that I made. Now, I consulted with the Budget Bureau, I consulted with Mr. Macy, I consulted with the staff of this committee, and I consulted with Members of Congress, but I take full responsibility for any levels of pay that are provided here and I am prepared to justify and to discuss them with the gentleman from Iowa or anyone else.

Mr. BROYHILL. Will the gentleman yield?

Mr. GROSS. Yes, in just a minute.

This was the same administration you consulted with that sent back in January of 1961: "Ask not what your Government can do for you but what you can do for your Government"; is this the same administration?

Mr. UDALL. It is the same administration, and I subscribe to that philosophy the gentleman expressed, but I don't think it has any particular relevance to this problem.

Mr. GROSS. I think it has every relevance to it.

Yes, I yield. Tell us who you consulted with.

Mr. BROYHILL. It is my understanding that the bill is carrying out the expressed will of Congress as indicated in the bill last year, when we stated that periodically we would adjust salaries of the Federal Government with that of comparable positions of free enterprise. And my understanding is that this bill does exactly that and no more.

If the gentleman will yield further, I would like to ask Mr. Gordon a question.

Mr. GROSS. Yes.

Mr. BROYHILL. This discussion about the cost, Mr. Gordon, is something that comes up every time we have a pay bill before us. And it is one of the strongest arguments used by the opponents to pay legislation in that it would increase the cost of Government, increase the national debt, increase the deficit.

Now, we have estimated here that the cost of the bill we have been talking about this morning is \$539 million. Now, if we fail to act on this legislation, Mr. Gordon, do you feel that the net result would mean a savings of \$539 million to the Federal Government, that we will be in the final analysis \$539 million a year better off or our national debt will be \$539 million less, or the deficit will be \$539 million less? Are we talking about an actual net increase in cost of \$539 million a year?

Mr. GORDON. Let me try to answer that this way, Mr. Broyhill—

Mr. BROYHILL. I am asking you a leading question, frankly.

Mr. GORDON. It seems to me in appraising the wage bill of the Federal Government one must look at two things: the number of employees and average salaries.

I would point out, and I think it is extremely important to bear this in mind, that the effect of improved management in Government operates just as it does in any sector of private life, making it possible to do a given volume of work with fewer employees.

I am very pleased with the performance with respect to Government employment that the Federal Government has turned in in the last year. In the last year, civilian employment in the Federal Gov-

ernment increased by 78 people. That is not a typographical error; I don't mean 78,000, I mean 78 people.

I think we have established a managerial system and control system which is tending to yield higher productivity from our Federal civil service so that I think this does respond to your question, Mr. Broyhill, to the extent that we are able by promoting improved management techniques in Government to get the rising volume of work done by a smaller number of people, to that extent, I think we will have an offset to the increase in average salaries which this bill provides.

Mr. GROSS. I thought you put on the payroll about 169,000 people since January 20, 1961.

Mr. GORDON. I don't think that is correct, Mr. Gross.

Mr. GROSS. That is the figure I get. We will get Mr. Macy a little bit later on.

Mr. GORDON. I think the increase from January 1, 1961, to January 1, 1963, is about 116,000 people. I am talking, it seems to me, that the important thing is to focus on recent trends, and there has been a sharp break in the trend in Federal employment in the last year. Not only has Federal employment in the last year increased by 78 people, but the President has made it clear to the agencies and we have followed this up with rather strong directives to the agencies, that the more effective control of Federal employment is something that this administration is going to pursue vigorously.

As you may know, Mr. Gross, the President made an estimate on this question with the Cabinet last Monday and as a consequence of that statement to the Cabinet the Bureau of the Budget is engaged in establishing new and tighter employment targets for all of the agencies of the Federal Government for the current fiscal year.

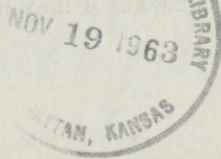
We think we are going to come out of this fiscal year with a very, very good record of control of employment. I think this relates directly to Mr. Broyhill's question, because this is largely a matter not of arbitrariness but of improving management techniques which make it possible to do the rising volume of Government work with a lower ratio of employment to workload.

Mr. BROYHILL. Will the gentleman yield further?

Mr. GROSS. Yes.

Mr. BROYHILL. I don't think there is anything magic in this particular bill or this particular figure of \$539 million, but I know it doesn't guarantee that there won't be an increase in number of Federal employees or that there will not be increased programs authorized by Congress, but I do strongly feel this way that we cannot ignore the fact, the information that has been submitted to the Congress, that there has been an increase in salaries for comparable positions outside of Government. I don't believe that we can ignore that fact.

Now, we might not have a bill exactly like this one before us, we may have a bill costing more or less, but eventually Congress is going to have to recognize and continue to recognize what comparable positions in private industry are paying, just the same way that private industry has got to recognize that. So I think this is a problem with which we are confronted, we are going to have to act on the problem, whether it is this bill or some other bill. I don't think the speaker here is saying that we can save money by ignoring this actual fact that exists.



Mr. STAATS. I would like to add to that, Mr. Chairman, by pointing back, to go back to the increases in pay for the classified service since the end of World War II, on an average annual basis, take all of them together, thereby larger percentagewise year by year than is contemplated in this bill that is before the Congress at the present time. So that these increases do take place, we think the comparability approach is a much sounder approach and fairer approach to all concerned. But in terms of the percentage increase on an average, this is probably a little less than has taken place as a practical matter since the end of World War II.

Mr. GROSS. It will be interesting to see how the financial Houdinis in this Government handle tax reduction in a full effectiveness of \$11 billion, increase the spending of the Federal Government on the other hand. It is going to be an interesting thing to watch.

A few years ago we bought some new high-speed printing presses to print money. Would you think that you would have to budget for some additions to the printing presses so you can print some more money to pay these bills that you so enthusiastically want to increase with bills of this kind?

Mr. GORDON. I am not aware, Mr. Gross, that we are budgeting for further capital equipment for the Bureau of Printing and Engraving.

Mr. GROSS. I just wondered if you had given any thought to increasing the number of high-speed presses that you have. If I remember correctly, those presses, incidentally, were bought over in Great Britain. I am not too sure about it, but I think they were purchased foreign, but we will not emphasize that.

I yield the floor. I have taken more time.

The CHAIRMAN. Mr. Johansen?

Mr. JOHANSEN. I would like to get some figures straight here and some relationships straight. What is the present ceiling on classified salaries, the top level?

Mr. GORDON. \$20,000, Mr. Johansen.

Mr. JOHANSEN. What is proposed under this bill?

Mr. GORDON. \$25,500.

Mr. JOHANSEN. What is the top ceiling? It is my understanding that the congressional salary represents a ceiling for what—for better purposes I will call subexecutives. What is the top ceiling net the congressional salary at the present time for that category?

Mr. GORDON. I am not sure I quite understand your question, Mr. Johansen. The range of salaries in the executive branch today is approximately \$20,000 to \$25,000, and in there you will find some at \$20,000, some at \$21,000, some at \$22,000, some at \$22,500, and the Cabinet salary at \$25,000.

Mr. JOHANSEN. Am I correct that Assistant Secretaries' salaries are on a par with—above or below—congressional salaries?

Mr. GORDON. Below, Mr. Johansen. A typical Assistant Secretary is \$20,000.

Mr. JOHANSEN. What category of position would be, say, in the \$22,000?

Mr. GORDON. \$22,000 I believe the service Secretaries, the three service Secretaries in the Department of Defense are \$22,000; is that correct? I believe the Under Secretary of State for Political Affairs is \$22,000. I may not have these exactly right.

Mr. JOHANSEN. What I am trying to establish now is, What would be the maximum salary for the same category? In other words, just below the proposed \$35,000 for congressional?

Mr. GORDON. Mr. Macy informs me this would work out at the proposed level salary, which is \$33,000, and that would be the salary roughly for an Assistant Secretary level, which is now the \$20,000 level.

Mr. JOHANSEN. As I study this chart accurately, the only category of salaries above the classified level for which the Randall Commission made a recommendation, which is not reduced in this bill, is the congressional and the district courts, and two other categories, Tax Court and customs court.

In other words, all of the other recommendations of the Randall Commission are reduced in this bill except the congressional and this corollary of judicial salaries?

Mr. GORDON. I think that is right, Mr. Jonhansen.

Mr. JOHANSEN. What is the significance of that?

Mr. GORDON. I am afraid I can't answer that question, Mr. Johansen. I think one ought to preserve a proper deference and recognition of the separation of powers.

Mr. UDALL. I will be glad to answer if the gentleman will yield.

Mr. JOHANSEN. In just a minute. I want to pursue a line of questioning here.

Let's forget what the reason is. What is the practical effect of not having lowered the congressional salary? Isn't the practical effect that you provide a maximum of potential increase for these categories of executive pay and of classified pay, which fall below the ceiling, which is established by congressional pay?

Mr. GORDON. Mr. Johansen, I have my doubts as to whether it is appropriate for me, as a representative of the executive branch, to testify in detail on the proposed salary levels for the Congress.

Mr. MORRISON. That is a matter of opinion.

Mr. JOHANSEN. I am not asking you to comment.

Mr. MORRISON. My opinion may be opposite to yours.

Mr. JOHANSEN. I am not asking you to comment on propriety of congressional pay. I am simply asking you a straight question as to whether the effect is not to maintain or to create this new ceiling on classified pay, raising it from at the present \$20,000 to \$25,500. That is the effect; isn't it?

And to increase the subexecutive pay that falls below the congressional ceiling, the effect is to increase that from \$22,000 to \$33,000. That is the effect. I am not asking you—

Mr. GORDON. I am not sure I really follow, Mr. Johansen, what you mean by the effect. I don't see any picture of one salary rate determining all the others.

The executive, as I think I have indicated in my testimony, the executive pay schedule has been built up starting from the top comparability level for career pay in approximately 10-percent increments from \$25,500 up to the Cabinet level of \$40,000, and it is quite true that any proposed congressional salary falls somewhere in there, but I can't quite see the logic of the argument where the congressional salary falls determines that rate.

Mr. JOHANSEN. I am not arguing with that at all. I will say to the witness, I am simply asking whether effect of \$35,000 salary for Con-

gressmen; I am not asking you to comment on fitness or appropriateness or anything else of it. Isn't the effect of that that you are able to substantially increase the top level of classified pay and still have a margin between that and congressional, and you are able to increase the top level of what I call subexecutive pay, over what the present top level is, you are able to increase it \$11,000, by your own figures?

Mr. GORDON. That is correct.

Mr. JOHANSEN. That is the effect.

Now, the thing that concerns me and what I tried to point out in my opening statement is that by raising this historic ceiling, which the congressional pay represents, you are making—you are creating a margin there which can result in further increase demands all the way down the line in terms of classified pay, and all the rest.

Mr. GORDON. I am not sure that I would agree with that, Mr. Johansen. It is assumed, I think, as a basic corollary of the comparability approach. That is, over the years ahead, wages and salaries in private industry go up, there will be comparability adjustment in the career pay schedules and this will mean, looking years ahead, that there will probably be adjustments all along the line, including the very top of the career pay line.

Mr. JOHANSEN. May I interrupt; this provides the margin in which that may be accomplished?

Mr. GORDON. The margin is provided by the fact that there is a substantial gap in the proposed schedule between the top of the career pay schedule, \$25,500 and level 5, in the executive pay schedule at \$30,000 toward which the top of the career pay schedule could rise over the years ahead without necessitating any adjustment in executive pay.

Mr. JOHANSEN. That is exactly what I wanted to hear the gentleman testify to. It is just a matter of a right meeting, so that the effect is that in addition to the normal pressures from below, in addition to the lateral pressures that you get on classified pay from the principle of comparability, you now have this margin within which there can be further increases.

Mr. GORDON. I don't think this adds any pressures to the comparability principle. This simply recognizes the fact—

Mr. JOHANSEN. It removes the pressures in terms of a ceiling.

Mr. GORDON. This permits the comparability principle to work. If that is your position, I would agree.

Mr. JOHANSEN. And it permits subsequent increases in the classified without having to worry about bumping into the congressional ceiling, pay ceiling.

Mr. GORDON. It permits further increases, comparability increases, in the career pay schedule without necessitating any change in executive pay at any level for a number of years.

Mr. JOHANSEN. Or congressional.

Mr. GORDON. Or congressional.

Mr. JOHANSEN. Now you say for a number of years.

How many years do you anticipate it will be?

Mr. GORDON. I think we have a rough estimate. I think Mr. Macy, you better check me on this, assuming I have roughly the rate of increase in wages, annual wages in the private economy that has prevailed over past years of about 3 percent a year, I think this leaves something like 7 or 8 years, John; is that correct?

Mr. MACY. Correct.

Mr. GORDON. Seven or eight years before there is any problem of the career pay schedule running into the executive pay schedule.

Mr. JOHANSEN. Now I would like to just make the observation that in response to the questions from the gentleman from Iowa, it was stated categorically that you can't predict with any certainty when there is going to be a balanced budget or any reduction in the national debt, but the witnesses are able to predict with considerable certainty that in a matter of 7 or 8 years, and I think that is maximum, as a result of the operations of the comparability principles, as a result of the pressures that are brought by private employment, including the strike privilege, you are going to have a recurrence of this process of jacking up the ceilings in order to allow for more.

So on the outing—

Mr. GORDON. This isn't a prediction. Just a projection of past trends.

Mr. JOHANSEN. I think the gentleman has more confidence in that projection than he has in the projection of a balanced budget, or reduction in national debt.

Mr. GORDON. I would have to demur on that, Mr. Johansen.

Mr. CORBETT. Will the gentleman yield?

Mr. JOHANSEN. I will.

Mr. CORBETT. I believe the gentleman is absolutely correct. And I don't know why we need to beat around the bush on it. Whatever the motivation may be, we all recognize that it is difficult to raise congressional salaries. It might as well be done in one fell swoop from the point of view of some people.

Also, there is the fact that I would suspect that in this proposal of \$35,000 congressional pay, there is bargaining space, as well as margin, and without questioning the gentleman as to his motives, I think that the authors of the bill have simply recognized that it takes a lot of doing to get the Congress to raise the level.

Mr. JOHANSEN. Let me say to the gentleman, that I am not going to any question of motives at all. I am simply going to the question of the effects and the effect is that you are creating a margin within which you can get across-the-board pay increases down the whole scale of classified pay by creating this margin and this new ceiling and you are assuring it, you are inviting it, and additionally, you are testifying that in—as a matter of projection, in a matter of 6, 7, 8 years—we are going to have to go through the process again.

Mr. GORDON. Mr. Johansen, when the Congress enacted the comparability principle, it seems to me that the Congress then accepted a number of fundamental points.

Mr. JOHANSEN. I told them at the time.

Mr. GORDON. The American economy is growing, per capita income is growing; this means a year to year increase, slow increase, but a year to year increase in wage rates and salary rates in the private economy, and it seems to me that by adopting the comparability principle, Congress accepted the prospect that the Federal pay schedule would continue in the future to match the slow improvements in the private economy which have taken place over a period of centuries.

Mr. JOHANSEN. I congratulate the gentleman on stating just exactly and accurately and eloquently the argument that I offered

against the adoption of this principle last year, because I foresaw precisely that happening.

Now, let me ask you this. The cost of this bill, I understand, is \$539 million, in round figures.

Mr. GORDON. Yes.

Mr. JOHANSEN. What is the cost of the second step of last year pay increase, which will be effective January 1?

Mr. GORDON. \$190 million.

Mr. JOHANSEN. That is for both classified and postal?

Mr. STAATS. That is correct.

Mr. JOHANSEN. What was the cost of the first step?

Mr. STAATS. All the costs together, including the indirect costs, which are the Government's contribution to life insurance fund, and the retirement fund, \$693 million.

Mr. JOHANSEN. That is first and second, or just first?

Mr. STAATS. That is schedule 1. Schedule 2 is additional \$192 million.

You see, what happened was that the Congress took the first two schedules and grouped them into the first schedule and then they enacted the third schedule as schedule 2.

Mr. JOHANSEN. My arithmetic is awfully sketchy at this point, but the net result, therefore, of last year's pay legislation, and this, if enacted, will be in the neighborhood of \$1.3 billion, or something like that?

Mr. STAATS. A little less than a billion dollars. Around a billion.

On a full year's basis, when schedule 1 and schedule 2 are both in effect, a little over \$1 billion.

Mr. JOHANSEN. That is for schedule 1 and 2 of last year's bill?

Mr. STAATS. Last year's bill, when fully into effect, for full year's basis, is about \$1,100 million.

Mr. JOHANSEN. This then will be additional to that, so the 2 year's pay increases, if this is enacted, will be \$1.6 billion, or thereabouts?

Mr. STAATS. On a full year's basis, that is right.

Mr. GROSS. Will the gentleman yield?

Mr. JOHANSEN. Surely.

Mr. GROSS. Are you projecting into this bill and all its ramifications, are you projecting increased retirements?

Mr. STAATS. That is right.

Mr. JOHANSEN. This \$190 million you mentioned was a half year, wasn't it?

Mr. STAATS. 190 is the half-year costs.

Mr. JOHANSEN. That is why it bothered me, because I couldn't reconcile with what I remembered for previous testimony. This is an annual cost, so I am speaking in terms of the annual—

Mr. STAATS. It is \$1,100,000. This is the figure for a full year.

Mr. JOHANSEN. So it is 1,100,000?

Mr. STAATS. When fully effected.

Mr. JOHANSEN. Both bills?

Mr. STAATS. Yes.

Mr. POOL. Let me ask one thing. What would be the percentage increase there now, in that projection he just asked?

Mr. JOHANSEN. On the 16?

Mr. STAATS. That reflects over the full period, an increase over what we had before the bill last year of around 6½ percent, 6.6 percent.

Mr. POOL. 6.6 percent. That includes this bill here?

Mr. STAATS. That is right.

Mr. GORDON. I think it could be added, Mr. Johansen. Part of the pay increase which went into effect in fiscal year 1963, 42 percent was absorbed without increased appropriations.

Now this is related to the figure I was giving you earlier about the fact that the Federal employment has been virtually stable over the last year. In other words, I think it would be erroneous to assume that the total costs to which you have just referred is a net increase in expenditures. A large part of it in fiscal 1963 was absorbed and this I think helps to explain the increase in total Federal employment of only 78 people in the last year.

Mr. JOHANSEN. Let me ask you one final question, and this is not in any sense personal.

The President of the United States the other day acquired a new Postmaster General. Would he have been able to acquire a more qualified Postmaster General if these higher salaries had been in effect?

You don't need to answer.

Mr. GORDON. I would be happy to answer, Mr. Johansen.

I think the real problem occurs not at the Cabinet level. There is sufficient prestige attached to Cabinet posts, so that this overcomes a great deal of the salary handicap.

I think the real management problem, and I want to emphasize the phrase "management problem," because I think that essentially what we are dealing with is not Cabinet level, second, third, fourth echelon below the Cabinet. This is where the decisions are made every day which can save or cost the Federal Government millions of dollars, and it is in this area where I think the public position, the prestige, doesn't offset the salary sacrificing that we face today as a very serious problem.

Mr. JOHANSEN. I make this observation here, that if this bill is enacted, Cabinet appointees will have all this in terms of prestige, and heaven too, in terms of \$15,000 a year pay increase, and the concern I have is how the board of directors of a company that is running in the red and has been consistently, and can give no assurance that it won't be running in the red, can justify to the stockholders, the American people, the kind of physical performance we have had with the adoption of this tax bill, with no restriction on spending, and with the adoption of this pay raise, and I suggest that it is not going to set well with the American people.

Mr. BARRY. Will the gentleman yield?

Mr. UDALL. Mr. Chairman.

The CHAIRMAN. Mr. Udall.

Mr. UDALL. Most of the time has been taken here by the opponents. I don't want to take much, because I hope we can get to Mr. Macy this morning, but I have just a couple of observations and a couple of questions I would like to pose here.

In response to the last comment there, of Mr. Johansen, it seems to me that we have to put this thing in perspective. The total pay increase that is proposed here for the Federal judges, for the Federal executives, and for the Members of Congress, these are the management people, the people that either give us a good go, on top level, or a bad one.

This amounts to something in the range of \$20 million. Now, if you project this out, it comes to two one-hundredths of 1 percent of the Federal budget.

Now, directing specific response to the comment made about what would the board of directors of a corporation do, my quick arithmetic indicates if you had a corporation, which was doing a million dollars in sales a year, and had notes and debentures out to the tune of \$3 million, relatively small corporation, and that—I am not comparing it now with the \$100 million budget and \$300 million debt—what you are asking is 200 “bucks” a year to pay the managers, your top salesmen and people that are running the plant and you are asking for \$5,200 a year to invest in increased salaries for the people that are working on the machines in the plant, your clerks and all the rest of them.

Now I think that to put things in perspective, you have to look at it from that standpoint and from that standpoint the cost of this bill is relatively insignificant.

Secondly, I want to say that I didn't see this great concern for economy on the part of some of those who have spoken strongly here this morning, when we had this military pay increase just 2 weeks ago to the tune of \$1.2 billion.

Both the gentleman from Iowa and the gentleman from Michigan voted for that pay increase, which was justified and long overdue. And I think in relationship to what we are talking about here in the vital importance of keeping a strong management team in the Federal Government, that this bill is an absolute must.

Mr. GROSS. Will the gentleman yield?

Mr. UDALL. Yes.

Mr. GROSS. When was the last pay increase for the military prior to this?

Mr. UDALL. I don't have the figures on it. Some time ago.

Mr. MACY. 1958.

Mr. UDALL. No question about it.

Mr. JOHANSEN. Will the gentleman yield for one other comment?

Mr. UDALL. Yes.

Mr. JOHANSEN. When you talk about the relative and proportionate size of the executive, judicial, and legislative pay increases, I am reminded that probably the “straw that broke the camel's back” was a real small straw.

Mr. UDALL. I thank the gentleman for that contribution.

Now, my second point is this: The question was raised over here, well, why you reduced everybody else on the Randall report, why did you leave the Members of Congress at the figure the Randall people recommended?

I prepared this legislation and introduced it, and already received, as my friends may suspect, some rather caustic comments from back home and other places, but I believe very strongly in what I am trying to do here.

Congress for a long time has downgraded itself, and I am not going to be a party to downgrading it any further. I think traditionally, if you go back historically, the Members of Congress were paid as much as the top officers in the other branches and every time a congressional pay raise has come up, the Members have been so timid, they cut themselves short. And we are talking now about yearlong sessions.

I can go home in a few months, and earn as much practicing law as I make from my present salary. But I can't do it anymore. And Members of this Congress, like the gentleman from Iowa, are worth a lot more than their pay.

He saves the taxpayers tens of millions of dollars every year, and I am not going to be a party to downgrading the Congress in relationship to Cabinet and sub-Cabinet and all the rest of it, and this is why I refuse to reduce the Randall Commission figure.

The Randall people indicated that they were putting that figure where they did, largely because of the political problems of the only people in the whole Federal Establishment, who have to fix their own pay. We are the only people. Everyone else can "pass the buck" to someone else.

Mr. BARRY. Would the gentleman yield?

Mr. UDALL. Yes.

Mr. BARRY. I would like to ask the gentleman if the administration felt in upgrading the congressional salary, they might achieve the same thing this legislative branch of Government, that they hoped to get in executive branch, namely, a higher caliber of Congressmen.

Mr. UDALL. Well, this is an old argument that is always made.

I feel rather strongly about the present caliber of Congress. I think we have a darn fine group of men here, but I know hundreds, and dozens of them, from personal knowledge, who are digging into their savings every year to serve in this Congress. I don't think there are 10 Members or 5 Members of this body who couldn't earn twice what they are paid if they went back to their businesses or law practices at home.

Mr. JOHANSEN. Will the gentleman yield for just a quick comment?

Mr. UDALL. Yes.

Mr. JOHANSEN. I suspect that both in Arizona and Michigan, there are a considerable number of people who believe very strongly that the present occupant of the seat in Congress from the gentleman's district, and from my district, could be replaced with a better man.

Mr. UDALL. This is true. I regret to say this, but there are people in Arizona who feel that way.

Mr. BARRY. Then this is an admission by a spokesman from the administration that failure to get a great deal of the program through during the last 3 years, that this is one way out, possible way out.

Mr. UDALL. I wouldn't construe this as admission of that kind, not at all.

You know, putting things in perspective, I made a speech the other day on this subject, that I hope my colleagues will read and I will try to read one of theirs—if they will send me one—but, I pointed out a couple of things.

Here are the Members of Congress, the most important group perhaps in the House Ways and Means Committee, some of the best brains, some of the most important decisions; Henry Ford comes in and testifies before them on the tax bill. His annual salary is more than the combined salaries of the whole committee, put them all together, private industry, he is worth more than the entire salaries of that whole committee.

Mrs. ST. GEORGE. Will the gentleman yield?

Mr. UDALL. Yes.

Mrs. ST. GEORGE. I would suggest he may think so himself.

Mr. UDALL. He probably does.

Another example I cited, and then I have one more little item and I shall quit.

In Arizona, we are real proud of our delegation, leaving aside the second district of Arizona, because I am a very humble and honest man, I make no comments on that.

Mr. JOHANSEN. How about the senior Senator?

Mr. UDALL. I am coming to this.

There is a utility executive in Phoenix who runs a fine company, relatively small utility, whose salary is more than the combined salaries of the chairman of the Senate Appropriations Committee, the salary of our other senior Senator—who some fellows, I regret to say, think may be the next President of our country—and the local Congressmen combined.

Now, I think here are three really outstanding men who serve their country, who have great power, who have great ability, and you can find hundreds of presidents of banks, who earn more than them individually.

But here is one executive who is paid by stockholders, investors, who are interested in making money, who simply want good management, they pay him more than the combined salaries of his two Senators and his Congressman.

One final question. This is a question, not an observation.

Mr. GORDON, I have the Kiplinger-Washington Newsletter, which is supposed to be a rather reliable business reporting service, and he says:

Higher salaries for company executives are becoming a trend. Some presidents told us approximately what was planned by grades. But we found it impossible to make any generalization. This is because the raises are divided between yearend cash bonuses, stock options, and base pay increases.

Obviously, however, there is new appreciation of the value of incentives and a fresh recognition that top managers make good business.

Do you agree with this observation, and do you agree that we are going to continue to have higher and higher executive salaries in the private sector of the economy?

Mr. GORDON. I am sure, Mr. Udall, that over the years top management salaries will go up just as will salaries at all other levels, as production increases, and as their employers are able to pay higher salaries.

I would point out, however, that the kind of increases you are talking about are not closely relevant to the problem we have here, since they are already so far, far above, than the range of salaries we are discussing. I don't think that there is an argument for trying to achieve comparability in the executive level.

In my mind, the argument is to achieve the level of salaries which will make it possible for the Government to recruit and retain public spirited people of high competence to do the Government's job more efficiently. For that I don't think you have to go up to these levels, which are 2, 3, 5, 10 times as high as the figures we are talking about.

Mr. JOHANSEN. Will the gentleman yield for one quick question?

Mr. UDALL. Yes.

Mr. JOHANSEN. Does the gentleman, in view of his lengthy argument with regard to salaries of top executives in private enterprise,

reject the argument of the witness that the principle of comparability doesn't have applicability to top Federal executives?

Mr. UDALL. I agree with the witness wholeheartedly. I don't think that we can ever compete with the big industrial corporations.

I do think we can set a salary for Cabinet, sub-Cabinet, top people who are making decisions every day, who get no glory out of being a Congressman or Cabinet member; I think we have to increase them to where the real top men, who can earn \$100,000 a year will be willing to serve at \$20,000 or \$25,000 or \$30,000, and give us the benefits of their talent.

Mr. CORBETT. Mr. Chairman.

The CHAIRMAN. Mr. Corbett.

Mr. CORBETT. Mr. Chairman, I hope and I make this suggestion kindly, that we do limit our questions to a point where we will have an opportunity to hear Mr. Macy. I think many of us are going to retain the same answers to the questions that we had before we asked them anyhow, and the sooner we get into executive session and talk to each other, we may be better off.

Mr. BARRY. Will the gentleman yield. I have a question I would like to ask the Director of the Bureau of the Budget.

Mr. CORBETT. I will yield in just a moment, because if I am not out of order, Mr. Chairman, I want to ask a couple of questions about the features of the bill.

There was some discrepancy here in these figures on the executive pay, judicial, and congressional. Now your testimony was that the amount involved for calendar fiscal year, either one, for the executive pay increase was around \$6.7 million.

Mr. GORDON. Full year basis.

Mr. CORBETT. What would the judicial be?

Mr. GORDON. The judicial would be \$7.2 million for judges, and for judicial administrative personnel, \$3.6 million.

Mr. CORBETT. \$3.6 million. And the congressional then would be what?

Mr. GORDON. \$6.9 million, Mr. Corbett.

The CHAIRMAN. Legislative employees?

Mr. GORDON. \$7.1 million.

Mr. CORBETT. That should hardly be counted in executive pay, because it normally follows the classified anyhow.

Mr. GORDON. A good part of it also would be true with respect to judicial.

Mr. CORBETT. That might clear up—point the difference between \$20 million and \$31 million as testified for the total cost.

Mr. GORDON. The difference between 20 and 31 consists of the increase in salaries for employees, legislative branch, who are not Members of the two Houses, and employees of the judicial branch.

Mr. CORBETT. That clears it up.

I yield to you.

Mr. BARRY. Thank you.

Mr. Director, some years ago a few of us on the Foreign Affairs Committee set out the Disarmament Agency and one of the safeguards to the American people in so setting up this Agency was that a great dignity be attached to this office, as well as the direct channel to the President of the United States, in addition to his reporting to the Secretary of State.

I understand in the present bill before us, that the Director of the Disarmament Agency has been reduced to a level, one below that where we in the Foreign Affairs Committee had for the security of the Nation, placed it.

I wish you would give me some explanation as to why this has been done.

Mr. GORDON. This is a very difficult question to deal with, Mr. Barry. There are a number of similar questions that could be raised about the specific allocations which the bill proposes for specific jobs.

And I must say that on many of them, I think there are considerations on both sides; looking forward to a period when I am going to have to live with a lot of these individuals, I am understandably reluctant to pronounce on the question of precisely the appropriate slot for each person.

I think there is a question about the Director of the Arms Control—this Disarmament Agency. I am aware of the background you cite. It seems to me relevant background.

One of the problems, I think, is the problem of the relationship between particular jobs. You may notice, for example, that in the same level, level 3, the salary for which is proposed at \$36,500, is the Under Secretary of State for Political Affairs. There are problems of internal comparability within the State Department, which raise difficulties here.

Now I don't mean to really take any firm position on this question at this point. It seems to me it could be reviewed and reexamined. I would just point out that in addition to the arguments that can be made, those which you have made, I think very effectively relate to this particular job.

There are considerations relating to comparability within departments which may weigh in the other direction.

Mr. BARRY. In that last regard, his primary function, probably the most important one, is the conduct and coordination of research and the formulation of policy recommendations and in this field, he has the primary responsibility and in this field, he also is dealing directly with the Secretary of Defense, and the President, and the Secretary of State. And it just seems to me that if we are going to keep this in the concept of our earlier deliberations where we have carefully—in setting up the Disarmament Agency, wanted to keep this high in the forefront and close to the President of the United States, I think to downgrade it one level, is a great mistake and may have quite a reaction.

So I recommend your authority on review of this and possible amendment to the bill to change it.

Mr. CORBETT. I have one further question, if you are finished.

Mr. BARRY. I yield.

Mr. CORBETT. Just this. Normally the salaries for the judicial have been handled by the Judiciary Committee. I think there is precedence for this committee handling it also.

Would the gentleman care to state whether or not the Department would have any objection to eliminating the judiciary from this bill and letting the proper committees of the House and Senate handle it?

Mr. GORDON. I think the question of committee jurisdiction, Mr. Corbett, is really one for the Congress on which I think it might be thought even appropriate for the executive branch to have an opinion.

I am aware that these are often very sensitive questions.

Mr. CORBETT. I recognize that, and I wasn't asking the question so much of jurisdiction as it was one of responsibility, and of toning this bill down somewhat. I think we are going to possibly cut some of these items and this is one that there has been some expression that it might be turned over to the other committee.

But if you don't care to express yourself—

Mr. JOHANSEN. Will the gentleman yield?

Mr. CORBETT. Yes.

Mr. JOHANSEN. Does the gentleman think the figure will be toned down if it is handled by the Judiciary Committee?

Mr. CORBETT. I have seen my friend operate on the basis of hope and I could also.

Mr. JOHANSEN. Not much any more.

Mr. GROSS. Will the gentleman yield?

Do you mean by "tone down," pass the buck?

Mr. CORBETT. No, reduced.

Mr. JOHANSEN. I understood the Judiciary Committee was heavily preoccupied with another item of legislation. I wondered if they would want to be burdened with this.

Mr. GROSS. Equally as much in demand by the administration, if not more.

The CHAIRMAN. Any other questions?

Mr. WATSON. Mr. Chairman.

The CHAIRMAN. Mr. Watson.

Mr. WATSON. Mr. Gordon, I notice in your statement, the next to the last paragraph, on page 6, that you say the executive branch portion of this top salary adjustment would cost approximately \$6.6 million, which could be absorbed without additional appropriations.

I think that is commendable, but at the same time, it raises a question in my mind as to how that could be effected and secondly, if that could be effected, are we overly appropriating today to the point of \$6.6 million in the executive branch?

Mr. GORDON. I simply had in mind there, Mr. Watson, the past record which I think indicates pretty clearly that it is possible, at least in certain circumstances, to absorb without increasing appropriations and a good portion of the pay increase, as was done in 1963 to the extent of 42 percent of the classified services pay increases that was put into effect last year.

This was done by managerial improvements, reduction in plant personnel increases, et cetera, and since it was done on a very large scale in 1963, with respect to classified service pay, I would be confident it could be done very readily on a very small scale represented here.

Mr. WATSON. In other words, the total cost of this end salary adjustment could be absorbed by the executive branch?

Mr. GORDON. That is correct.

Mr. WATSON. Is that factor included in the cost projection as was given to us a moment ago by Mr. Staats?

Mr. GORDON. Mr. Staats was giving gross cost figures, making no allowances for this absorption figure.

Mr. WATSON. Can we not logically conclude if the executive branch can absorb its total additional costs, could not the other departments and branches absorb a major portion of it, and then we might be

dealing with a figure even 50 percent under the cost projection, as was given a moment ago?

Mr. GORDON. I agree, Mr. Watson. I wouldn't want to hazard a precise percentage, but from the plans that we already have in effect, with respect to control of civilian employment for the rest of this year and next year, this in itself, I am sure, will make a contribution toward offsetting the cost of this pay increase.

Now whether it will be 50 percent or some smaller figure, or larger figure, I am not prepared to say, but we are hoping and we are confident to expect to finish this fiscal year with a level of civilian employment in the Federal Government substantially below the number which was reflected in the budget that was sent to Congress in January.

Mr. WATSON. One final question then.

Do you not think that the chances of the passage of this bill would be materially and substantially enhanced if such projections could be included into the total cost picture, rather than to give this total figure as has been given by Mr. Staats?

Mr. GORDON. That is a very good point, Mr. Watson. I am not sure how precise we can be, but we will certainly be happy to think about it and see what is possible.

Mr. WATSON. Could not your bureau look into the other departments and then help make a determination as to say, you can absorb the total cost of the pay adjustments, would you look into other departments and perhaps this picture might not be as dark, so far as the total additional cost, as some might believe at this time?

Mr. GORDON. We will be happy to do so.

The CHAIRMAN. Are there other questions?

If not, we will be glad to hear now from Mr. Macy of the Civil Service Commission.

STATEMENT OF HON. JOHN W. MACY, JR., CHAIRMAN OF THE CIVIL SERVICE COMMISSION, ACCOMPANIED BY ROBERT F. MILKEY

Mr. MACY. Thank you very much, Mr. Chairman. I appreciate this opportunity to appear before you and the members of the committee and to be associated with Mr. Gordon and Mr. Staats in responding to the committee's interest on pay.

I have delivered this morning to you, the official report of the Civil Service Commission on H.R. 8716 and H.R. 8717. You may wish to incorporate this in the record of the hearings.

The CHAIRMAN. It will be included in the record.

(The report follows:)

SUMMARY OF EMPLOYEE, EXECUTIVE, LEGISLATIVE, AND JUDICIAL FEDERAL SALARY BILL

(H.R. 8716, Mr. Udall—H.R. 8717, Mr. Broyhill of Virginia)

GOVERNMENT EMPLOYEES IN GENERAL

Title I, cited as the "Federal Employees Salary Act of 1963," adjusts salaries of classified, postal field service, foreign service, and Veterans' Administration medicine and surgery employees to apply the "comparability" principle for all but those in supergrade and equal level positions. The provisions are the same as in H.R. 7552 recommended by the administration.

The bill establishes new pay schedules (to replace the second-phase schedules of the Federal Salary Reform Act of 1962) effective the first pay period begin-

ning on or after January 1, 1964. The average classified increase above the present 1946 schedule is 4.7 percent, with higher percentage increases for grades 7 and above to correct the artificially depressed rates in such grades resulting from the \$20,000 ceiling fixed by the 1962 law. This provides comparability for classified grades 1 through 15 and equal levels in the other schedules, but not for supergrade levels. However, supergrade rates maintain the internal alignment pattern for grades 1 through 15.

The classified salary range is \$3,305 to \$25,000. The postal salary range is \$3,820 to \$25,445. Veterans' Medicine and Surgery and Foreign Service top salaries are \$25,500, except that the Chief Medical Director, Deputy Chief Medical Director, Chiefs of Mission, career ambassadors, and career ministers would be covered by title II, "Executive Salaries."

The postal section improves the means of fixing salaries of postmasters, using "revenue units for a fiscal year," instead of the present "receipts for a calendar year," based on 1958 postal rates. Fourth-class postmasters will be paid a pro rata part of PFS level 5 salaries, based on hours of service required by the public need.

EXECUTIVE SALARIES

Title II, cited as the "Federal Executive Salary Act of 1963," fixes higher salaries for cabinet officers and other officials in the executive branch but substantially below rates recommended by the Randall panel. All positions within this title are divided into 6 salary levels, in place of the 14 present executive salary levels.

Level I includes the 10 cabinet officers at \$40,000 per annum. Present salaries are \$25,000, and the Randall panel recommends \$50,000.

Level II includes the Deputy Secretary of Defense and the Under Secretary of State; the Administrators of AID, HHFA, NASA, and the VA; Chiefs of Mission, class 1 (now \$27,500); the Directors of the Bureau of the Budget, Central Intelligence, and FBI at \$38,500 per annum. The top present rate (except as noted) is \$22,500, and the Randall panel recommends \$45,000.

Level III, at \$36,500, includes the Deputy Attorney General, the Deputy Postmaster General, and all other Under Secretaries; the Secretaries of the Military Departments; the Administrators of largest agencies and administrations; the Deputy Administrators of VA, AID, HHFA, and NASA; the Deputy Directors of the Bureau of the Budget and Central Intelligence; Chiefs of Mission, class 2 (now \$25,000); the Chief Medical Director in VA; and the Chairmen of various Commissions and Boards. Top pay, except as noted, now is \$21,000, and the Randall panel recommends \$40,000.

All other executive positions would be placed by the President in level IV, V, or VI, for which maximum salary rates would be \$33,000, \$30,000, and \$27,500, respectively. Rates now range from \$19,000 to \$22,000, and the Randall panel recommends \$35,000, \$33,000, and \$30,000, for these respective levels.

Positions expected to be included in level IV are such as assistant secretaries of executive and military departments, members of boards and commissions, and deputy heads of large agencies.

Level V is expected to include heads of principal services and other positions which the President deems of equal responsibility.

Level VI is expected to include heads and board members of smaller agencies, deputy heads of other agencies, and other positions which the President deems to be of equal responsibility.

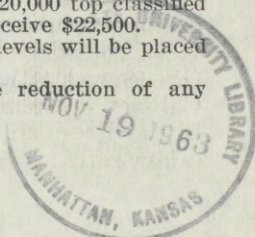
The Vice President's salary is increased from \$35,000 to \$50,500.

The necessary conforming changes in existing law and repealers are contained in section 205 of the bill.

Section 206 authorizes the President to fix the salaries of 2 Peace Corps positions; 5 FAA positions; chiefs of mission, class 3 and class 4; all career ambassadors and career ministers; 30 NASA positions; and 4 U.S. Attorney positions at appropriate rates not exceeding the maximums for levels IV, V, or VI of this title. These positions now may not exceed the \$20,000 top classified salary rate, except for the chiefs of mission, class 3, who receive \$22,500.

All of the numerous other positions now in executive pay levels will be placed under the Classification Act of 1949.

Section 210 contains savings provisions prohibiting the reduction of any rates by reason of enactment of this bill.



LEGISLATIVE EMPLOYEES AND MEMBERS OF CONGRESS

Title III, cited as the "Federal Legislative Salary Act of 1963," in section 302, increases salaries of legislative employees in appropriate relationship to classified increases, as was provided in our committee pay bill (H.R. 9531, 87th Congress) last year.

Section 303 provides increases, comparable with increases for executive branch officers, for the officers of the agencies in the legislative branch (including the top officials in the U.S. General Accounting Office, the Library of Congress, and the Government Printing Office) and for the officers of the U.S. House of Representatives.

Section 304 fixes the Speaker's salary at \$50,500 and the salaries of Senators, Representatives, and the Resident Commissioner from Puerto Rico at \$35,000. The Randall panel recommends \$60,000 and \$35,000, respectively.

The Randall panel also recommends that the allowances of the Speaker and the Vice President be increased from \$10,000 and \$15,000, the amount of the salaries of Members "deductible for income tax purposes to offset their living expenses" be increased from \$3,000 to \$5,000, and that per diem in lieu of subsistence for Members in official travel status be increased from a maximum of \$16 (or \$30) to \$50. No such provisions are in the proposed bill.

Section 305 requires that any person appointed to the staff of a Member of Congress must render actual service in the Member's Washington or district office.

JUDICIAL EMPLOYEES AND FEDERAL JUDGES

Title IV, cited as the "Federal Judicial Salary Act of 1963," increases salaries of employees in the judicial branch generally in proportion to classified salary increases provided by title I.

Section 403 increases the salary of the Chief Justice of the Supreme Court from \$35,500 to \$50,500, and salaries of the Associate Justices from \$35,000 to \$50,000. The Randall panel recommends \$60,500 and \$60,000 for these respective offices. Circuit judges' salaries would be increased from \$25,500 to \$40,500, and other Federal judges would be granted comparable increases.

APPOINTMENT AND SERVICE LIMITATIONS ; EFFECTIVE DATE

Title V, section 501, prohibits nepotism in certain appointments to positions in the Government unless full disclosure of the relationship is made a matter of public record.

Section 503 makes the proposed new salaries effective the first pay period which begins on or after January 1, 1964.

Mr. MACY. My discussion will focus on the bills now before the committee, the two I have just referred to, introduced by Mr. Udall and Mr. Broyhill. These bills would provide a comprehensive revision of statutory salaries in the executive, legislative, and judicial branches of the Government.

I commend Mr. Udall and Mr. Broyhill for their action in preparing and introducing this broad proposal. I wish to assure you that they have the active support of the Civil Service Commission.

Today, Mr. Chairman, I would like to pick up a particular thread from my earlier testimony before the committee on August 13, in support of the adjustment of statutory salary schedules recommended by the President. Several committee members suggested at that time that the top rates of career schedules and top executive salaries are now so interrelated that action on the proposed statutory schedules could not be thoughtfully considered before a proposal for adjustment of top executive rates was introduced. This was a most reasonable view, considering, for example, that the salary proposed for grade GS-18 was \$25,500 and the present salary for the Secretary of a Cabinet department is \$25,000. This interrelationship was recognized in the President's proposal by provision for a \$20,000 limit on the salary rates actually payable under the recommended career schedules,

with the limitation to remain in effect until top executive salaries were adjusted.

The constructive bills now before you include both the President's recommendations for carrying out the comparability policy of statutory salary systems and broad proposals on top executive, legislative, and judicial pay. They thus supply in concrete form the missing feature identified by committee members when I appeared here in August.

There is little to add to my earlier statement on the President's recommendations for increasing salary rates of the four statutory salary systems covered by the Federal Salary Reform Act of 1962. The recommendations would be made effective by title I of H.R. 8716. The salary adjustments proposed are called for by, and are in strict accordance with, existing statutory requirements. They would carry out the salary policy prescribed by the act that Federal salary rates shall be comparable with private enterprise salary rates for the same levels of work. They are based on an authoritative Bureau of Labor Statistics survey of salaries paid by private firms. They should be enacted, both in fairness to Federal employees and in the interest of competent staffing of the Federal civil service.

Title II covers salaries of the highest executives of the Government under the President, including the Vice President; Secretaries, Under Secretaries, and Assistant Secretaries of departments; heads and assistant heads of independent agencies; chairmen and members of commissions and board; and Chiefs of major bureaus.

I might add as an insert, Mr. Chairman, this covers approximately 400 positions under this title.

Rates proposed range from \$40,000 for level I down to \$27,500 for level VI. Positions to be paid in levels I, II, and III are listed in the bill itself; positions would be placed in levels IV, V, and VI by the President.

I emphasize again, Mr. Chairman, the statement made by Mr. Gordon that the administration endorses the executive salary provisions and levels in title II of these bills.

In reality, the proposed salaries are probably not as large as they should be to recognize fairly the responsibilities of these national offices today. Proposed rates are somewhat less than those recommended by the President's Advisory Panel on Federal Salary Systems, the Randall committee, following extensive development and study of information on executive compensation in other public and private organizations. The salary proposed for a Cabinet member is also lower than the \$50,000 or more favored by a majority of nearly 400 leaders in American life polled by the National Civil Service League, on which Mr. Gladieux testified before your committee sometime ago.

Nevertheless, the salaries proposed represent a vast improvement over present conditions. They would substantially relieve the compensation disadvantage of the Federal executive among American executives generally. In addition, they would permit the statutory salary schedules of career systems to be adjusted as required by the statutory comparability policy without conflict between their top rates and salaries of the top executive echelons.

In this connection, they not only allow the adjustment now proposed in the schedules of the Classification Act and the three related systems;

they also make an allowance for future career-schedule increases without the necessity for reopening top executive salaries. As recommended by the President's Advisory Panel, the salary for level V should constitute the ceiling which top career salaries may approach but not exceed. The \$30,000 salary for level V would provide an initial \$4,500 gap between this ceiling and the GS-18 rate of \$25,500.

I agree with the President's Advisory Panel on Federal Salary Systems that the higher ranges of Federal executive compensation cannot be and need not be fixed at rates comparable with the higher ranges of executive compensation in business and industry. Rates proposed in H.R. 8716 and 8717 are entirely consistent with this view—they are far below business and industry executive compensation levels. If the committee feels any need for data on this point, I shall be glad to furnish later, for the committee's use and for the record, information on executive compensation in private firms.

Fairness to the individuals in the Federal service and the good of the service itself, however, requires that Federal executive salaries maintain an equitable relationship with salaries in other public service fields in the United States. This is not now the case. During the 7 years since the last general adjustment in 1956, Federal executive pay has remained stationary, while pay rates in State and local governments, in colleges and universities, and in foundations, have been moving ahead with the advancing levels in the total national economy.

To illustrate State and local government executive levels, as the result of a Civil Service Commission staff study we know of more than 1,000 positions with compensation of \$25,000 or more. Over one-fourth of these, 276, pay \$30,000 or more. The \$25,000 or over positions are distributed geographically among 39 States, leaving only 11 that do not include at least one public agency paying a rate higher than that of Federal Cabinet officers.

The study made by the Commission did not result in 100-percent coverage when it was made last spring. Although it attempted to cover all State governments, it did not reach into many localities with a population below 350,000. Even since the study, more positions have crossed the \$25,000 line. A recent newspaper article, for example, mentioned the \$30,000 salary that Kentucky has established for the head of the university. Incidentally, this means that there are currently at least 40 States in which public service positions paying \$25,000 or more are found.

Today, a salary of \$30,000 for the head of a college or university is no longer a rarity. According to a 1962 report of the National Education Association, 81 presidents and 31 vice presidents receive \$25,000 or more annually.

Another 1962 report, of the Office of Education of the Department of Health, Education, and Welfare, shows these average or mean salaries in the larger universities and colleges:

Enrollment of 10,000 or more:	
Public institutions.....	\$26, 100
Private institutions.....	32, 200
Enrollment of 5,000 and up to 10,000:	
Public institutions.....	21, 400
Private institutions.....	25, 700

Statistics furnished by the Internal Revenue Service, in May 1963, indicate the level of salaries of the principal executives in tax-exempt

foundations. Executive titles vary among organizations, but among the 17 large foundations for which salaries were reported there are 8 presidents, with an average salary of \$38,050; 12 vice presidents, average salary \$29,500; and 12 directors and trustees, average salary \$28,652.

Thus, the two principal reasons for adjusting Federal executive compensation levels at this time are:

1. To permit the sound, statutory principle of comparability between Federal and private enterprise pay to operate effectively for career salary systems, and

2. To provide reasonably equitable compensation for the Government's executive officers.

These are compelling reasons. Adjustment of top Federal salaries as proposed in H.R. 8716 and H.R. 8717 would complete the reform of Federal salary systems that began so auspiciously with enactment of the Federal Salary Reform Act of 1962. Executive pay improvements proposed in the bill, coupled with application of the comparability principle at career levels, would establish an effective, equitable, and up-to-date salary structure for the Federal service.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Are there any questions?

Mr. GROSS. Mr. Chairman.

The CHAIRMAN. Mr. GROSS.

Mr. GROSS. Mr. Macy, you have used the salaries paid to university heads, presidents of universities.

Mr. MACY. Yes, sir.

Mr. GROSS. Where do they derive their income?

Mr. MACY. Where do the universities derive their income?

Mr. GROSS. That is right.

Mr. MACY. There are two types of universities I have cited here, private institutions that derive their income from tuition, gifts, endowments, campaigns among friends; and public institutions, that derive their income from tuition and tax revenues provided by the States.

Mr. GROSS. You have left out one of the most important, Mr. Macy, and that is the hundreds of millions of dollars today being spent by the Federal Government on universities, and I am sure you know this. For instance, our Manpower Utilization Subcommittee has found that 75 cents out of every dollar expended by the Massachusetts Institute of Technology comes from the Federal Government.

Mr. MACY. It is true that many universities, particularly a small number of larger universities in the technical field, receive funds from the Federal Government, but I don't feel that is relevant to my reference.

Mr. GROSS. I wonder if we could get from the Budget Bureau—I doubt your Department has it—a breakdown of all of moneys, millions and hundreds of millions of dollars being spent by NASA, by the Atomic Energy Commission, by the U.S. Arms Control and Disarmament Agency, by Defense Department, by the Agency for International Development, NASA; could you provide us with the figures of all of the contracts held by these agencies and the amount that has been expended, not held by the agencies, but held by the universities, heads of the colleges?

Mr. STAATS. Contracts or grants. Some are in the forms of contracts and others in the form of grants.

Mr. GROSS. Yes, sir; and the Peace Corps. I don't want to pass up the Peace Corps. Contracts with universities and colleges.

Mr. STAATS. Did you say for the current fiscal or last fiscal year?

Mr. GROSS. Give it to us for the last 3 years, something like that.

Mr. STAATS. This information is available.

Mr. GROSS. And I hope you will send a copy of it to my friend, Mr. Macy, for his edification, since he has used the university presidents as a criteria for this kind of pay increase legislation.

Mr. MACY. Mr. GROSS, I feel your argument is quite irrelevant as far as the salary levels of university officials are concerned.

Mr. GROSS. You feel that it is entirely irrelevant if an institution such as MIT, 75 cents out of every dollar expended there comes from the Federal Government?

Mr. MACY. I am not talking about MIT. I don't want to cite any particular institution. I think this would be inappropriate. What I am saying is that the levels I have cited for chief executives of educational institutions, it seems to me, are independent of the nature of their income.

Mr. GROSS. You feel that this has no bearing whatever upon the salaries they pay, the fact that they hold these fat Government contracts?

Mr. MACY. I don't feel this influences the salaries that the Board of Trustees or Regents determine is appropriate for these officials.

Mr. GROSS. Let me ask you, Mr. Macy, about the salaries in levels IV, V, and VI proposed increases.

Mr. MACY. Yes, sir.

Mr. GROSS. First of all, how many people do you estimate are in these three brackets, IV, V, and VI?

Mr. MACY. I estimated there were 400 in all six, not counting positions in the Foreign Service, and I believe that approximately 100 of them are in levels I, II, and III. This would mean that approximately 300 positions would be in the others.

Mr. GROSS. Are these salaries fixed by the President?

Mr. MACY. Under the proposal in title II, the positions placed in levels IV, V, and VI would be determined and placed there by the President.

Mr. GROSS. So he could pay how much, all the way from \$27,500 to \$33,000?

Mr. MACY. The legislation, Mr. GROSS, starting on page 35 specifies in subsections (d), (e), (f), and (g) the general character of the positions that the President would be able to place in those levels. So that the degree of discretion would be bound by those descriptions in the statute. For example, in subsection (e), at the bottom of page 35, on line 20, the text of the bill reads:

Officers and positions which the President is authorized to place in level IV include assistant secretaries of executive and military departments, members of regulatory boards and commissions, deputy heads of large agencies, heads of certain agencies and bureaus, and such other offices and positions, the duties and responsibilities of which he deems appropriate for this level.

So that within the criteria cited in that section for level IV, and in the following sections for V and VI, the President would place these positions.

Mr. GROSS. You say there are about 300.

Mr. MACY. About 300 in these 3 levels, and these are 3 fixed salaries. At level IV, the salary would be \$33,000; at level V, \$30,000; and level VI, \$27,500; so there would be no range.

Those would be the three rates within the limitations of the descriptions.

Mr. GROSS. That is more than the Kennedy family have on the payroll, isn't it?

Mr. MACY. That is a rhetorical question, I assume.

Mr. GROSS. It gives the President a pretty good lever, doesn't it?

Mr. MACY. I don't believe so. I think this is the kind of management discretion that the President should have and also, I believe that this would relieve the necessity of coming up and amending the statute every time a new position was created.

Mr. GROSS. There are 50 questions I would like to ask you, Mr. Macy.

Mr. MACY. I am always glad to answer your questions.

Mr. GROSS. I have to be on the House floor at noon. I want to ask you one question. It would be my hope we have some more testimony, but I say again, I can see the steam roller being fired up.

What makes the members of the military appeals entitled to \$5,500 more than a Federal district judge?

Mr. UDALL. Would the gentleman yield to me on that?

Mr. GROSS. I will be glad to yield if it can't be answered down here.

Mr. UDALL. That was a decision I made.

Mr. GROSS. I would like to know, since these gentlemen subscribe to this thing. Why there is this difference?

Mr. MACY. Mr. Gross, this is, as you indicated, a salary recommendation for the judicial branch. However, just as a technical comment on it, I can say that the salary for the Military Court of Appeals is set up on this basis to conform with the salary levels for the other courts set by law at the same level. In other words, it followed that of the Court of Customs and Patent Appeals. These are appellate courts, all paid at the same level.

Mr. GROSS. This is just done arbitrarily on the basis of "Keep up with the Joneses."

Mr. MACY. Keep up with the practice that exists at the present time.

Mr. GROSS. Keep up with the Joneses.

Mr. MACY. I don't know Judge Jones, but this is a matter of maintaining the same relationship that exists among these judicial bodies at the present time.

Mr. GROSS. I am afraid that is the story which much more—

Mr. MACY. I would say, Mr. Gross, if the Congress feels that this relation should be otherwise than with other courts at the appellate level, certainly there would be no objection on the part of the executive branch.

Mr. GROSS. I don't know whether we had a direct answer to the question or not, but why limit Members of Congress to \$35,000? Why not put them up on the basis of equality with Justices of the Supreme Court among your top people, \$50,000 a year? Why stop at \$35,000?

Mr. MACY. I believe members of the committee are in a far better position to respond.

Mr. GROSS. Can you suggest any reason why Members of Congress are held down to \$35,000?

Mr. MACY. I think this was discussed by Mr. Udall and I subscribe to his views.

There has been a traditional relationship between the salary of Members of Congress and the salaries of other key officials within the Federal service.

Mr. GROSS. I just feel downgraded by this. I feel like a second-class citizen as far as this pay bill is concerned.

Mr. UDALL. Will the gentleman yield?

Mr. GROSS. Yes, sir, I will be glad to yield. I didn't get very satisfactory answers.

Mr. UDALL. I wonder if the gentleman would offer an amendment, to increase his own salary to \$50,000?

Mr. GROSS. I am waiting for the gentleman's explanation as to first of all, Why the difference between the Military Court of Appeals, and district court judge?

Mr. UDALL. I found when we got into this thing, that there were strong views pro and con on many of these positions. The argument that finally sold me was that the Court of Military Appeals is much more similar in its jurisdiction and the importance of its decisions to the court of claims, to the circuit courts, rather than to the district court.

This is the court of last appeal for a man convicted of treason or desertion, if he is in the Armed Forces, or any of these very serious offenses, including capital offenses that are tried by military courts-martial, you work up to court of appeals.

Mr. GROSS. How about the poor devil in the Federal court with his life at stake on a murder charge?

Mr. UDALL. He has an appeal from district judge to circuit. He goes to the Federal Circuit Court in San Francisco or wherever the court is in your area.

Mr. GROSS. The court of original jurisdiction—I am not a lawyer—would be the court of most weight, I would think. They would have convicted him of first-degree murder.

Mr. UDALL. The comparable situation in a military court-martial to the U.S. district court where you are charged with murder and you see the jury and judge is the court-martial itself consisting of some colonels and majors and lieutenants. This is the comparable level of a trial and it was for this reason that I concluded that the Court of Military Appeals ought to have this other level.

Mr. JOHANSEN. Mr. Chairman, would the gentleman yield?

Mr. GROSS. Yes, sir.

Mr. JOHANSEN. For me to ask one or two questions.

Mr. GROSS. I will yield the floor.

Mr. JOHANSEN. Mr. Macy, you cite the fact that among the 17 large foundations, there are 8 presidents with an average salary of \$38,050, and then you list some other officers and salaries. How many of the foundations that are covered in these statistics operate on borrowed money?

Mr. MACY. I have no knowledge concerning the financial structure of the foundations. I cited these as instances of nonprofit organizations and the salary levels that they had considered appropriate.

Mr. JOHANSEN. Most of the foundations have a huge corpus and most of their projects are financed out of the income or by reduction of the corpus. The gentleman is certainly aware that these foundations are not operating on borrowed money. They are not operating on a deficit financing basis as is the Federal Government.

Mr. MACY. That is generally the case, but I certainly am not familiar with the structure of every one.

Mr. JOHANSEN. My point is I question greatly the relevance of the salary of foundations that are in a financial situation quite different than that of the Federal Government.

I do want to compliment the gentleman on his frankness and absolute accuracy when he says that the effect of these proposed increases in the higher levels will be to make allowance for future career schedule increases without the necessity within the time period that has been specified or suggested, for reopening top executive salaries. I am glad that the gentleman volunteered the information, which I tried to establish, and I think I did in questioning Mr. Gordon.

Now, just one other observation, and I feel the steam roller on my toes already. First of all, isn't there a difference, for example, between a career educational executive and an interim top-level Government official of the levels that are covered by this Executive Pay Act?

In other words, this is an interim service out of a lifetime, where an individual gives service as a Cabinet officer, and a sub-Cabinet officer, some of these other executive positions, compensationwise, isn't there a difference between the scale that would be expected for a career man as an educational executive and these maybe one-shot—

Mr. MACY. Educational executives move a great deal from post to post. The last figures I saw showed that the average period of service for a university president is less than 4 years.

Mr. JOHANSEN. But the gentleman misses my point, I think. They still remain educational executives, whether at Purdue or Harvard.

Mr. MACY. Many of the public officials that serve the U.S. Government remain public administrators, too, even though they may have—

Mr. JOHANSEN. But in the very top levels of executive salary, a very great many are people who serve their period of public service and then return to private life.

Mr. MACY. That is true, and this further complicates our problem, because those who are in private life are receiving salaries substantially greater than those that we are able to provide during the interim period.

Mr. JOHANSEN. That is right, and I just can't reach the point yet that I believe that the only considerations that prompt public service on the part of this type of individual is prestige and salary. I still think there are some devotion to public service and patriotism on the part of people who have established themselves financially and are willing to make some degree of sacrifice. But that is all.

The CHAIRMAN. Any other questions?

Mr. UDALL. Mr. Chairman.

The CHAIRMAN. Mr. Udall.

Mr. UDALL. I wonder if the gentleman from Michigan would indicate to me in light of the last statement whether it is his philosophy that we should rely in the operation of the Federal Government on

people of wealth who are willing to make a sacrifice or whether an ordinary citizen could aspire to become a top Federal executive and look to that for his income for his family's welfare.

I think the philosophy expressed in that last comment is one I sharply disagree with.

Mr. JOHANSEN. I am sure the gentleman does. I am talking about the top level of men of Cabinet and sub-Cabinet positions who are not making a lifetime career of it, but who are serving for an interim and then returning to private life.

The CHAIRMAN. Do you have anything further?

Mr. MACY. No, other than to again express my appreciation for an opportunity to appear before you once again on this important legislation and further to offer any technical assistance to the committee that you may desire in the course of further consideration of this and other bills on this subject.

Mr. MORRISON. Mr. Chairman.

The CHAIRMAN. Mr. Morrison.

Mr. MORRISON. Before the committee adjourns, I would like to compliment all three of the gentlemen for their very excellent testimony. I think it has been most helpful. I think their coming before the committee today will be most beneficial and helpful to the committee when we consider all of the ramifications of this very complicated and very important matter in connection with the various bills before the committee. I personally want to join other members of the committee in thanking them for their testimony and coming here today before us.

Mr. MACY. Thank you.

Mr. GORDON. Mr. Chairman, I would like to associate myself with Mr. Macy's closing comments and to thank the committee for allowing us to appear today.

Mr. OLSEN. Mr. Chairman, I want to subscribe to the statement of my colleague, Mr. Morrison, that these gentlemen have added greatly to the knowledge of this committee on this legislation and I want to also compliment Mr. Macy and Mr. Gordon on your earlier appearance that was the foundation for this appearance for the three of you. It has been most enlightening.

I know that it has been convincing to members of this committee that this bill or something very substantially like it must be adopted in order to truly have comparability with private industry. I just can't thank you enough for the excellent contribution made and I know a lot of research and a lot of hours for yourself and your people and your departments have gone in to bring these facts and figures and these conclusions to us.

I am sure, as I said, that it was very convincing to all of the members as it was to me. Thank you very much.

The CHAIRMAN. Thank you gentlemen very much.

A number of letters have been received from outstanding leaders in private enterprise—including one from former Secretary of Defense Neil McElroy and a telegram from former Secretary of the Treasury Marion B. Folsom—as well as from officials of various organizations, in general support of H.R. 8716 and H.R. 8717, which represent administration-approved salary legislation.

(The letters and telegram follow:)

CAMBRIDGE, MASS., October 22, 1963.

HON. TOM MURRAY,
Chairman, House Committee on Post Office and Civil Service,
Washington, D.C.

DEAR MR. MURRAY: As a member of the President's recent Advisory Panel on Federal Salary Systems, under the chairmanship of Clarence Randall, I should like to take the liberty of writing to you to say how much I hope that the House of Representatives will see fit to approve the Federal pay bill which has been introduced in identical form by Congressmen Broyhill and Udall.

While naturally I would have preferred a bill which completely agreed with the figures which our Panel debated at some length and finally recommended, the Broyhill and Udall bills would certainly represent a tremendous advance over our present system, and I greatly hope that some such legislation will receive favorable congressional action.

Respectfully yours,

DON K. PRICE.

THE PROCTER & GAMBLE CO.
Cincinnati, Ohio, October 11, 1963.

HON. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Perhaps you will recall that last year, when your committee was considering Federal salary reform legislation, I wrote to urge approval of this legislation. It was a fine thing for our country when it became law on October 11.

It is because of my continuing interest in the improvement of the Federal service that I now urge support of the principles underlying H.R. 8716 and H.R. 8717—bills which seem to me to do an excellent job of advancing the pay reform policies already approved by your committee in the Postal Service and Federal Employees Act of 1962. Drawing on both my Government and business experience, it is my hope that the following points can be adhered to as this legislation proceeds:

1. Full implementation of Public Law 87-793, striving for comparability of pay between the Federal and business positions requiring comparable responsibility, competence and initiative;
2. Easing of the harmful compression in the Federal salary structure by upward revision of salaries of top Government officials, including Members of Congress, Federal judges, and the heads and assistant heads of executive departments and agencies;
3. Avoidance of pay increases, at any level, which cannot be justified on comparability or on economic grounds.

Of course, in considering each of the above points, it is implicit that Federal spending should be held to a minimum by a determined effort to reduce personnel and to increase the productivity of the employees retained.

I am sure it is generally realized that the pay reform proposals of the pending legislation not only are supported by the present administration but also conform to recommendations by President Eisenhower during his incumbency. These pay adjustments for Members of Congress, Federal judges and the top officials of the executive branch are, I believe, long overdue and merit the support of every American interested in good government.

Sincerely,

NEIL McELROY

ROCHESTER, N.Y., October 15, 1963.

HON. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives,
Washington, D.C.:

Based on my long experience in industry, 6 years' experience in the Eisenhower administration and my service on Advisory Panel appointed by President Kennedy to study Federal salary schedules, I strongly approve the provisions of the compensation bills introduced by Congressmen Broyhill and Udall.

Hope favorable action will be taken this year.
Increases in current executive, legislative, and judicial salaries are in my opinion vital in the interest of sound government.

MARION B. FOLSOM.

TRUST CO. OF GEORGIA,
Atlanta, Ga., October 10, 1963.

Hon. TOM MURRAY,
Chairman, House Post Office and Civil Service Committee,
Washington, D.C.

DEAR MR. MURRAY: I am taking the liberty of writing to you because I understand that hearings are in progress with regard to the question of Federal salary systems.

This subject is a matter of interest and concern to me. I have been a respondent to a questionnaire sent out by an advisory committee on salaries. I have studied their reports and items in the press on this subject with interest. In my experience, a satisfactory solution to the personnel problem is a most important aspect of carrying on any enterprise and causes all other problems to decline in significance or even, in fact, to disappear. The same principle, I am sure, would apply equally in the administration of Government affairs.

It is too much to expect alert, aggressive, competent, ambitious people with families to support, and children to educate, to make the sacrifices that the present scales of compensation in any important governmental position would require. I feel positive that we would be better off to give our important Government employees adequate compensation. The job would be done better and the number of people required would undoubtedly be smaller.

Please let me say that I support with enthusiasm any action that would result in competent people being adequately paid, and I hope you will lend your support as well to this undertaking.

Sincerely yours,

C. E. THWAITE, Jr.

TRANSPORTATION ASSOCIATION OF AMERICA,
Washington, D.C., October 10, 1963.

Hon. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of the board of directors of the Transportation Association of America, I wish to urge your committee to take favorable action on executive pay legislation which will make possible a substantial increase in the annual compensation of members of the regulatory agencies directly concerned with transportation. These agencies include the Civil Aeronautics Board, Interstate Commerce Commission, and the Federal Maritime Commission. The members of other regulatory agencies undoubtedly are faced with the same financial problems arising out of present levels of compensation.

TAA is a national transportation policy organization whose membership consists of representatives of transport users, investors, and carriers of all modes, including air, freight forwarder, highway, oil pipeline, railroad, and water carriers. All of these interests participate actively in our continuing efforts to establish sound national policies for the maintenance of a strong transport system under private enterprise.

You will also be interested to know that our 113-man board of directors includes not only top executives of all carrier modes mentioned above, but also senior officials of leading banks, insurance companies, investment companies, agricultural interests, manufacturers and suppliers, petroleum businesses, and professional persons. A number of these individuals have rendered prior Government service and have considerable familiarity with the problems of adequate compensation for agency members. A list of our board of directors is enclosed.

It is because of our long-standing interest in attracting and maintaining in office the most competent personnel available that TAA in 1956 actively supported substantial salary increases for agency members, in 1961 renewed its policy of support, and last January took further steps to implement this policy in 1963.

We have also just published a brochure entitled "Good Pay for Good Government" which presents in succinct fashion the principal reasons in support of ade-

quate compensation for such key Government personnel. A copy is enclosed for your information.

In the event your committee develops a printed record concerning executive pay legislation, we respectfully request that this letter and enclosures be included therein.

Sincerely yours,

HAROLD F. HAMMOND.

GOOD PAY FOR GOOD GOVERNMENT

THE NEED TO ADJUST AGENCY MEMBER SALARY SCALES

Transportation Association of America, Washington, D.C.

THE NEED FOR HOLDING ON TO TOP-CALIBER TRANSPORT AGENCY MEMBERS

TAA is concerned about keeping the 21 member positions on the Civil Aeronautics Board, Interstate Commerce Commission, and Federal Maritime Commission filled with men who have become knowledgeable about the complex problems of transportation.

It is generally recognized that during the period since the end of World War II there has occurred a rapid increase in the problems and responsibilities assumed by the Federal Government. This trend, accompanied by the quickening pace of our national economy, has increased the demand for Federal officers with sufficient ability and experience to qualify for public service. Such excellence "will neither be obtained quickly, nor will it be retained for adequate periods, until we compensate our top officers on a basis commensurate with the complex and difficult roles assigned to them." (Randall report to President, June, 1963.)

The extensive obligations and duties imposed upon the CAB, ICC, and FMC members responsible for the economic regulation of common carrier transport are apparent from the fact that in 1962 these 3 agencies decided 9,120 formal proceedings. These members were also involved in a vast number of policy problems affecting safety, legislation, litigation, research, enforcement, and economic regulations.

It is exceedingly difficult to keep these 21 positions filled with experienced and seasoned men who will exercise enlightened and objective judgment in all matters requiring decision. For example, such difficulty is highlighted by the fact that 13 of the 22 CAB members who served prior to the present incumbents occupied such positions less than 3 years, only half the 6-year term of office. Fewer than one-third of these members served to the end of their appointed terms. In brief, this abbreviated service is not good—it is not in the public interest.

THE HISTORY OF AGENCY MEMBER SALARY STRUCTURE

The Congress, in 1887, created the Interstate Commerce Commission, the first regulatory agency of the Federal Government. The annual salary of the Commissioners was then fixed at \$7,500 per year.

During the next 30 years this salary periodically increased, reaching a \$12,000 level in 1920. The ICC members' salary was reduced to \$10,000 per year in 1932 as an economy measure during the depression. It was again restored 12 years later to \$12,000 per year, raised to \$15,000 per year in 1949, and to the present level of \$20,000 per annum in 1956. This salary level also prevails today for the CAB and FMC, with the Chairmen of these agencies authorized to receive \$20,500 per year.

STATE, LOCAL GOVERNMENT, AND OTHER OFFICIALS ARE BETTER PAID

A 1963 Civil Service Commission study showed the following comparative salaries:

Over 900 Governors, mayors, and city managers, administrative and professional executives, judges, and public corporation officers receive annual salaries exceeding \$25,000 per year to a high of \$60,000 per annum.

Five hundred and eleven principal administrative officers of colleges and universities and 143 administrators in the Nation's public school system receive salaries of \$20,000 or more per annum.

The pay scales of major foundation and other nonprofit institution executives range from \$20,000 to more than \$50,000 per year.

A study of 14 nonprofit contractors handling Federal research and development work revealed that 186 officers, technical directors, and other staff members receive salaries ranging from \$23,000 to \$45,000 per year.

One hundred and twenty top officers of the United Nations receive compensation ranging from almost \$19,000 to over \$25,000 per year.

AGENCY CAREER EMPLOYEES ARE ALMOST AS WELL PAID

In 1963, 6 staff members of the ICC, CAB, and FMC are receiving at least \$20,000 per year, the same salary paid to the agency members; 17 staffers are in the \$19,000 to \$20,000 range; 18 are in the \$18,000 to \$19,000 range; and 23 are in the \$17,000 to \$18,000 range. A total of 64 career employees in these 3 agencies alone who earn almost as much as the agency members themselves.

In 1962 President Kennedy advocated the principle of comparability between pay for Government career employees and the average pay for private enterprise work at the same levels. The adoption of such principle in the Federal Salary Reform Act of 1962, without concurrent upward adjustment of executive pay, has further aggravated the inequitable salary scales for agency members vis-a-vis career employees.

In fact, proposed legislation (H.R. 7552) provides that grades 15, 16, 17, and 18 career employees can all earn \$20,000 per year, clustering them with agency members.

RECENT CONGRESSIONAL AND WHITE HOUSE ACTION

The President, in his February 1962 message to Congress relevant to salary reform, recognized the inadequacy of existing salary levels for executive positions. Later the same year the Senate Post Office and Civil Service Committee urged the President, "to recommend for consideration at the next session of Congress appropriate increases in Federal executive salaries at all levels."

In 1963 the President has recommended salary increases for classified employees ranging from 2- to 26-percent increases. In the meantime, he established in January 1963 a 12-man Advisory Panel on Federal Salary Systems to submit salary recommendations, including the appropriate levels for executive salaries. Chairman Clarence B. Randall of the Advisory Panel submitted its report on June 12, 1963, recommending substantial salary increases for Cabinet members, Supreme Court Justices, Members of Congress, and other high Government officials, including regulatory agency members.

In recommending salary increases for such positions, the Panel concluded as follows: "We are convinced that our top salary structure no longer provides positive encouragement to men and women of the highest ability, dedication, and conviction about the American way of life to accept Federal appointments in either the executive branch or the judiciary, or to seek Federal elective office with assurance that the financial demands upon them can, in most instances, be met from their salaries."

This report was transmitted to the Congress where it is now under active study by the Senate and House Post Office and Civil Service Committees.

ADVISORY PANEL RECOMMENDATIONS FOR AGENCY MEMBERS

Annual salaries of \$35,000 per year were recommended for agency members and \$40,000 per year for agency chairmen.

Additional financial benefits were recommended, including (1) reimbursement of residential moving costs to and from the seat of government, (2) per diem allowances up to \$50 per day, (3) reimbursement for other legitimate expenses incurred in the line of official duty, and (4) separation pay at the termination of service up to a maximum of 3 months' pay.

ACTUAL EXPERIENCES AND REACTIONS OF PRESENT AND PAST AGENCY MEMBERS

TAA conducted a special survey of the present and past members of the transportation regulatory agencies to obtain firsthand information about the need for higher compensation. The following comments support corrective action:

"Speaking only for myself, financial considerations were almost entirely decisive in my case in leaving the only two important Federal Government positions I ever held."

"Had I not already established over a period of many years free-and-easy access to credit with two of my home State banks, it would have been financially impossible to serve out my terms * * *. Like most others, I still have a son

preparing for college and I see no way on the current salary level to provide adequately for his higher education."

"I have no hesitancy in saying that many highly competent people known to me have been required to leave the Government service against their basic desires and entirely because of financial and economic considerations."

"I would have stayed in Federal service longer because of the challenge and the broad scope of responsibility, however, when you are losing cash at the rate of \$6,000 per annum due to inadequate expense allowance, inadequate protection for your family either in the form of pension or insurance benefits, and on top of that losing 50 to 75 percent of your earning capability or comparable positions, 2 years is about all a person can afford to give of his time."

"As part of a team trying to recruit men for the administrative agencies, I found again and again that highly qualified younger men simply could not serve because of financial considerations. They were usually just starting into the high earnings portion of their career, they had sizable family obligations, and they were concerned not only with the diminution of income while in Washington, but also their loss of position on the promotional ladder in business or their profession."

"In my own case, service was at quite a personal sacrifice. My income was cut substantially and my personal expenses substantially increased. For a man with four young children to pick up and move to Washington, find suitable living accommodations, schools, and in general to fit into a new community is an expensive process, and of course, none of this expense is borne by the Government."

"Gave up income and practice netting \$25,000, equal to about \$35,000 in Washington; \$5,350 extra taxes to date. Just had to remortgage house for \$4,000."

COMMENTS BY INFORMED PERSONS CONCERNED WITH THE PROBLEM

Clarence B. Randall, former Chairman of the Advisory Panel, says: "A man may have the highest and most dedicated purposes in the world, but he is also a normal human being. He may have parents to support, a home to buy, children to send to college, and a future to provide for. He must not be asked to make the full sacrifice. We on the outside must share his burden."

Former President Dwight D. Eisenhower has declared: "If we are to retain in Government service the highly skilled and able civilian employees who contribute so much to the Nation's strength, it is clear that certain revisions are needed in the statutory pay structures for these employees. * * *"

John W. Macy, Jr., Chairman of the Civil Service Commission, says: "Our National Government today is facing the most complex problems that man has ever experienced. * * * Therefore, the Government must be staffed from bottom to top with high-quality personnel capable of contributing to solutions of these problems in the national interest."

Elmer B. Staats, Deputy Director, Bureau of the Budget, says: "Executive pay levels must be raised. Higher executive salaries are needed in order that we may pay what is necessary at career levels and in order that the Government may command the caliber of men needed in the sub-Cabinet levels."

Anthony F. Arpaia, former Chairman of the Interstate Commerce Commission, says: "We do have big government and we probably do have too much government, but I think what we, as citizens, should do is insure that however much government we have it be good. And if we drive good people out of public office we are not only going to have big government, we are going to have bad government."

Robert Ramspeck, former Congressman and Chairman, Civil Service Commission, and member of the Advisory Panel, says: "We need the best possible people who will serve on the regulatory agencies long enough to acquire the expert knowledge and judgment which such responsibilities require."

TAA SUPPORT OF INCREASED AGENCY MEMBER COMPENSATION

In 1956, because of deep concern of both carriers and shippers over the inadequate salaries paid to CAB, FMC, and ICC members, TAA joined other organizations in asking Congress to grant a significant increase. This was accomplished later that year, when Congress authorized a 33-percent boost from \$15,000 to \$20,000, plus an additional \$500 for each chairman.

In January 1963, the TAA Board of Directors unanimously endorsed a substantial increase in present pay for such members, to be effected through either

salaries or other allowances. Why? To increase attraction for and help maintain competent personnel.

TAA, in February 1963, urged the Randall Advisory Panel to recommend appropriate compensation increases for regulatory agency members concerned with transportation. TAA now strongly encourages Congress to enact this year legislation to such effect, and urges interested organizations to join in this appeal.

HISTORY REPEATS ITSELF

1796

President George Washington: "The compensation of the various officers of the United States in various instances, and in none more than in respect to the most important stations, appears to call for legislative revision. * * * It would be repugnant to the vital principles of our Government virtually to exclude from public trusts talents and virtue unless accompanied by wealth."

1963

The Randall Advisory Panel on Federal Salary Systems: "We are convinced that all Americans want and expect the highest competence in the conduct of national affairs. We are also convinced that the overwhelming majority of them will support substantial adjustment in executive, legislative, and judicial pay if they have assurance that more adequate compensation will provide a major incentive to our ablest men and women to serve in elective and appointive offices in the Federal Government."

ASSOCIATION OF AMERICAN RAILROADS,
RAILWAY LABOR EXECUTIVES' ASSOCIATION,
Washington, D.C., October 23, 1963.

Hon. TOM MURRAY,
*Chairman, House Committee on Post Office and Civil Service,
Washington, D.C.*

DEAR MR. CHAIRMAN: We, the Association of American Railroads and the Railway Labor Executives' Association, are vitally interested in the administration of the railroad retirement system and the railroad unemployment insurance system. Both systems are financed by payroll taxes on the railroad industry and the costs of administration, including salaries, are also paid from these payroll taxes. Both systems are administered by the Railroad Retirement Board, a tripartite agency, one member of which is selected upon the recommendation of the railroads, one upon the recommendation of labor organizations representing railroad employes and the chairman without recommendation by either group.

We are concerned about the salary level provided for the three members of the Board in H.R. 8716, which was introduced on October 7, 1963, and referred to your committee for consideration. Section 202 of title II of the bill establishes a "Federal Executive Salary Schedule" to be divided into six salary levels. Level III of this schedule, which is contained in section 203(c), includes a number of Federal agencies to which the Railroad Retirement Board compares very favorably both in importance and in size, but the Board is not included.

The railroad retirement system which the Board administers is the nationwide retirement system for employees in the Railroad industry. It provides important protection to railroad employees and their dependents and survivors. Employees receive annuities upon their retirement for age or disability. Annuities are paid to their spouses and other dependents and annuities or lump sums are paid to the survivors of railroad employees. The railroad unemployment insurance system which the Board administers provides nationwide unemployment insurance protection for railroad employees in the form of unemployment, sickness, and maternity benefits.

During the fiscal year ending June 30, 1963, the Railroad Retirement Board paid more than \$1,200 million in benefits to 1,200,000 beneficiaries under the two systems. The total amount paid out by the Board through fiscal 1963 is about \$14 billion.

The Board employs about 2,000 employees. Among the Government agencies included in section 203(c) of H.R. 8716 is 1 with about the same number of employees and 11 with considerably less than this number.

In at least 10 of the agencies included in section 203(c), the salaries of the Chairmen and other members of the agencies are \$20,500 and \$20,000, respec-

tively, the same as of the Chairman and members of the Railroad Retirement Board.

The Board has an excellent record of performance in the administration of the two systems, and we feel very strongly that, considering the importance and size of the systems the Board administers, the failure to include the Board in section 203(c) is unwarranted.

The Congress has always regarded the railroad retirement and railroad unemployment insurance systems, and their administration, as of particular and primary concern to the employers and employees in the railroad industry and has always attached great weight to any recommendation upon which representatives of the employers and employees have been in agreement. We have an especially notable record of having been in agreement virtually at all times for more than 25 years on matters pertaining to the administration of the two systems.

As representatives of those who, in effect, pay the salaries of the three members of the Board, we respectfully request that section 203(c) of H.R. 8716 be amended by adding at the end thereof, after line 14 on page 35, the following:

"(47) Chairman of the Railroad Retirement Board.

"(48) Members of the Railroad Retirement Board, other than Chairman, except that the annual rate of basic compensation of such members shall be \$33,000."

We shall appreciate it if you will see that our proposed amendment and the reasons therefor are made available to and given consideration by the committee.

Sincerely yours,

ASSOCIATION OF AMERICAN RAILROADS,
By GREGORY S. PRINCE,
Executive Vice President and General Counsel.
RAILWAY LABOR EXECUTIVES' ASSOCIATION,
By G. E. LEIGHT, *Chairman.*

ASSOCIATION OF INTERSTATE
COMMERCE COMMISSION PRACTITIONERS,
Washington, D.C., October 16, 1963.

HON. TOM MURRAY,
Chairman, Post Office and Civil Service Committee,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN MURRAY: On behalf of the executive committee of the Association of Interstate Commerce Commission Practitioners, we desire to lend our support to the efforts you are making to improve the salaries of regulatory Commissioners. The association is a nonprofit bar association of about 4,000 members devoted to promoting the proper administration of the Interstate Commerce Act and related acts, and to uphold the honor of practice before the Commission. Our executive committee includes not only top executives of surface transportation, but in addition our membership is representative of responsible officials both of the regulated modes of surface transportation and also of the Nation's shippers—comprising all types and sizes of industrial and commercial concerns—State regulatory agencies, educators, and all others who deal directly with the commission in connection with the regulation of rail, motor, water, and freight forwarder transportation.

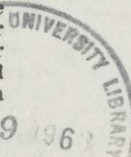
We have been following with interest the activities of the House Post Office and Civil Service Committee with respect to proposed salary adjustments for Federal legislators, executives, and the judiciary. We note also that your committee issued a committee print of the report of the Advisory Panel on Federal Salary Systems, containing the views of the Panel appointed by the President to consider the relationship of those salaries to others.

We subscribe entirely to the finding in the report that:

"There stands out in boldest relief the need for excellence in all three branches of our Government. That excellence will neither be obtained quickly, nor will it be retained for adequate periods, until we compensate our top officers on a basis commensurate with the complex and difficult roles assigned to them."

We also agree with the finding in the Panel report:

"The Federal Government will always be able to command the services of persons who recognize their obligation to give of their time and talents to the Nation. It should not, however, be at a competitive disadvantage with other forms of public service in attracting the best talent. We are convinced that our top salary structure no longer provides positive encouragement to men and women of the highest ability, dedication, and conviction about the American



way of life to accept Federal appointment in either the executive branch or the judiciary, or to seek Federal elective office with assurance that the financial demands upon them can, in most instances, be met from their salaries."

We are especially cognizant of the inadequacy of the salaries paid to Commissioners of the Interstate Commerce Commission. The Interstate Commerce Commission is faced with the largest and most complex workload in its history. The current salary levels, which provide \$20,500 for Chairman, and \$20,000 for members of the Commission, are totally inadequate to secure and retain the level of excellence required of Commissioners of a body as important as the Interstate Commerce Commission.

By comparison, we note in the report that salaries and allowances pay to 902 State and local government officials, including governors, mayors and city managers, administrative and professional personnel, public corporation personnel and judges, range from \$25,000 per annum to \$60,000 per annum; that 511 principal administrative officers of colleges and universities are paid \$20,000 or more per annum, and 157 of these, including 81 college presidents, are paid in excess of \$25,000 per annum; that the annual salaries of the presidents of the 12 Federal reserve banks range from \$32,500 to \$70,000; and that the 1961 median salary for the top executive in 1,157 selected corporations ranges from \$53,000 to \$91,000 per annum. We agree with the statement in the report that Cabinet officers and numerous other Federal officers have duties and responsibilities equal to or greater than any to be found in private enterprise.

Accordingly, we support the recommendations in the report that the chairmen of regulatory commissions be compensated at the salary of \$40,000 per annum and that regulatory commission members be compensated at the rate of \$35,000 per annum. On behalf of the Association of Interstate Commerce Commission Practitioners, we urge your committee to approve legislation providing these levels of compensation for the chairmen and members of the regulatory agencies.

We are aware of a number of articles in the newspapers reflecting the views of assistants to the President indicating how difficult it is to secure the proper talents for important positions in the Government, including those for regulatory agencies, at current salary levels. Transportation is the largest industry in the United States and the Interstate Commerce Commission is the regulatory agency which handles the largest part of the transportation regulation in the country. We are aware of the devotion to public service by the current Interstate Commerce Commissioners, but we are satisfied that it is asking too much of even the most devoted officer, to live on a salary which is far from compensatory for the responsibility of the position. We recognize that the opportunity to serve and the prestige which accompanies the office is worth a great deal, and it is only for this reason that we do not recommend a salary higher than that recommended in the report. We are interested in attracting and retaining in office the most competent Commissioners available, without undue sacrifice, and for this reason we press for a more appropriate salary. We are sure you are also aware that a number of subordinate personnel in regulatory agencies now receive a salary equal to the members of the regulatory agencies. Although we agree that the salaries of the top officials below the Commission level should also be raised, we believe that it is especially important to make a substantial increase in the salary for Commissioners.

If you have any questions about the association, or any point in this letter, we will be glad to clarify it or, if you desire, to testify.

Sincerely yours,

W. M. MILLER, *President.*

THE ASSOCIATION OF THE CUSTOMS BAR,
October 17, 1963.

Hon. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.

MY DEAR MR. MURRAY: The Association of the Customs Bar wishes to go on record as favoring early passage of H.R. 8716 and H.R. 8717 particularly as it relates to increased salaries for judges of the U.S. Customs Court.

It is common knowledge that the present level of salaries for such judges is considerably below that of judges of the State and city courts sitting in New York City, where the U.S. Customs Court is located. In addition, the expenses of living in or around this metropolitan area is an added burden which must be recognized.

Respectfully,

JOHN D. RODE, *President.*

OCTOBER 16, 1963.

HON. TOM MURRAY,
*Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.*

DEAR REPRESENTATIVE MURRAY: The Bankruptcy Study Group, an organization having a membership of 188 persons, composed of attorneys engaged in the practice of insolvency matters and also of technical personnel engaged in bankruptcy administration, has unanimously passed its resolution urging that the increase in salary for referees in bankruptcy as incorporated in H.R. 8717, be enacted into law.

Those of us who practice regularly in the bankruptcy field recognize the utmost importance in maintaining the high caliber of our referees. If we are to keep our outstanding referees, we believe that the salary increase proposed in the above bill is necessary.

The undersigned, as chairman of the Bankruptcy Study Group, and as an attorney practicing for many years in the bankruptcy field, would be pleased to come to Washington to testify before your committee in support of this most needed and worthwhile legislation. If my testimony and presence would be of any assistance to you, would you please advise.

Very truly yours,

IRVING SULMEYER,
Chairman, Bankruptcy Study Group.

THE FEDERAL TRIAL EXAMINERS CONFERENCE,
Washington, D.C., October 15, 1963.

HON. TOM MURRAY,
*Chairman, House Post Office and Civil Service Committee,
Washington, D.C.*

MY DEAR MR. CHAIRMAN: The Federal Trial Examiners Conference, organized to further the efficient administration of acts of Congress under which hearing examiners function, firmly believes the public interest demands that legislators, judges, officials of our executive departments, and their staffs, receive compensation on a level sufficiently high to retain and to attract men of the highest ability, and to maintain their independence.

The Federal Trade Examiners Conference, therefore, by unanimous action of its executive committee unequivocally endorses H.R. 8716, and its objectives, and urges its enactment at this session of Congress. We most earnestly advocate on behalf of our members who reside throughout the United States that Congress, in the public interest, raise the compensation of its own Members.

It is requested that this letter be made part of the hearings on the cited bill and subject to your discretion be placed in the Congressional Record.

Respectively submitted, with esteem and best regards,

L. M. PELLERZI, *President.*

The CHAIRMAN. Further action on this legislation will be announced later, subject to the wishes of the committee.

The committee stands adjourned.

(Whereupon, at 12 noon, the committee was adjourned.)

○

