

Y4
.P 84/10
92-49

1022

92-49
P84/10
H26

EARLY RETIREMENT OF POSTAL EMPLOYEES

GOVERNMENT

DOCUMENTS

Storage

31 1972

THE LIBRARY
KANSAS STATE UNIVERSITY

HEARING

BEFORE THE

SUBCOMMITTEE ON RETIREMENT, INSURANCE
AND HEALTH BENEFITS

OF THE

COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

SECOND SESSION

JUNE 27, 1972

Serial No. 92-49

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



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1972

83-288 O

Barcode with vertical text: 11600 74344

AY
9/189
PA-20

DOC
T00

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

THADDEUS J. DULSKI, New York, *Chairman*

DAVID N. HENDERSON, North Carolina, *Vice Chairman*

MORRIS K. UDALL, Arizona
DOMINICK V. DANIELS, New Jersey
ROBERT N. C. NIX, Pennsylvania
JAMES M. HANLEY, New York
CHARLES H. WILSON, California
JEROME R. WALDIE, California
RICHARD C. WHITE, Texas
WILLIAM D. FORD, Michigan
LEE H. HAMILTON, Indiana
FRANK J. BRASCO, New York
GRAHAM PURCELL, Texas
BILL CHAPPELL, Jr., Florida
ELIZABETH (Mrs. George) ANDREWS,
Alabama

H. R. GROSS, Iowa
EDWARD J. DERWINSKI, Illinois
ALBERT W. JOHNSON, Pennsylvania
WILLIAM LLOYD SCOTT, Virginia
JAMES A. McCLURE, Idaho
LAWRENCE J. HOGAN, Maryland
JOHN H. ROUSSELOT, California
ELWOOD HILLIS, Indiana
WALTER E. POWELL, Ohio
WILLIAM O. MILLS, Maryland
RICHARD W. MALLARY, Vermont

JOHN H. MARTINY, *Chief Counsel*

VINCENT M. GAUGHAN, *Staff Director and Special Counsel*

VICTOR C. SMIRLODO, *Counsel*

WILLIAM A. IRVINE, *Assistant Staff Director*

THEODORE J. KAZY, *Senior Staff Assistant*

FRANCIS C. FORTUNE, *Coordinator*

ROBERT E. LOCKHART, *Assistant Counsel*

RALPH J. DEVLIN, *Staff Assistant*

SUBCOMMITTEE ON RETIREMENT, INSURANCE, AND HEALTH BENEFITS

JEROME R. WALDIE, California, *Chairman*

BILL CHAPPELL, Jr., Florida
DOMINICK V. DANIELS, New Jersey
RICHARD C. WHITE, Texas
FRANK J. BRASCO, New York

ELWOOD HILLIS, Indiana
WILLIAM L. SCOTT, Virginia
LAWRENCE J. HOGAN, Maryland

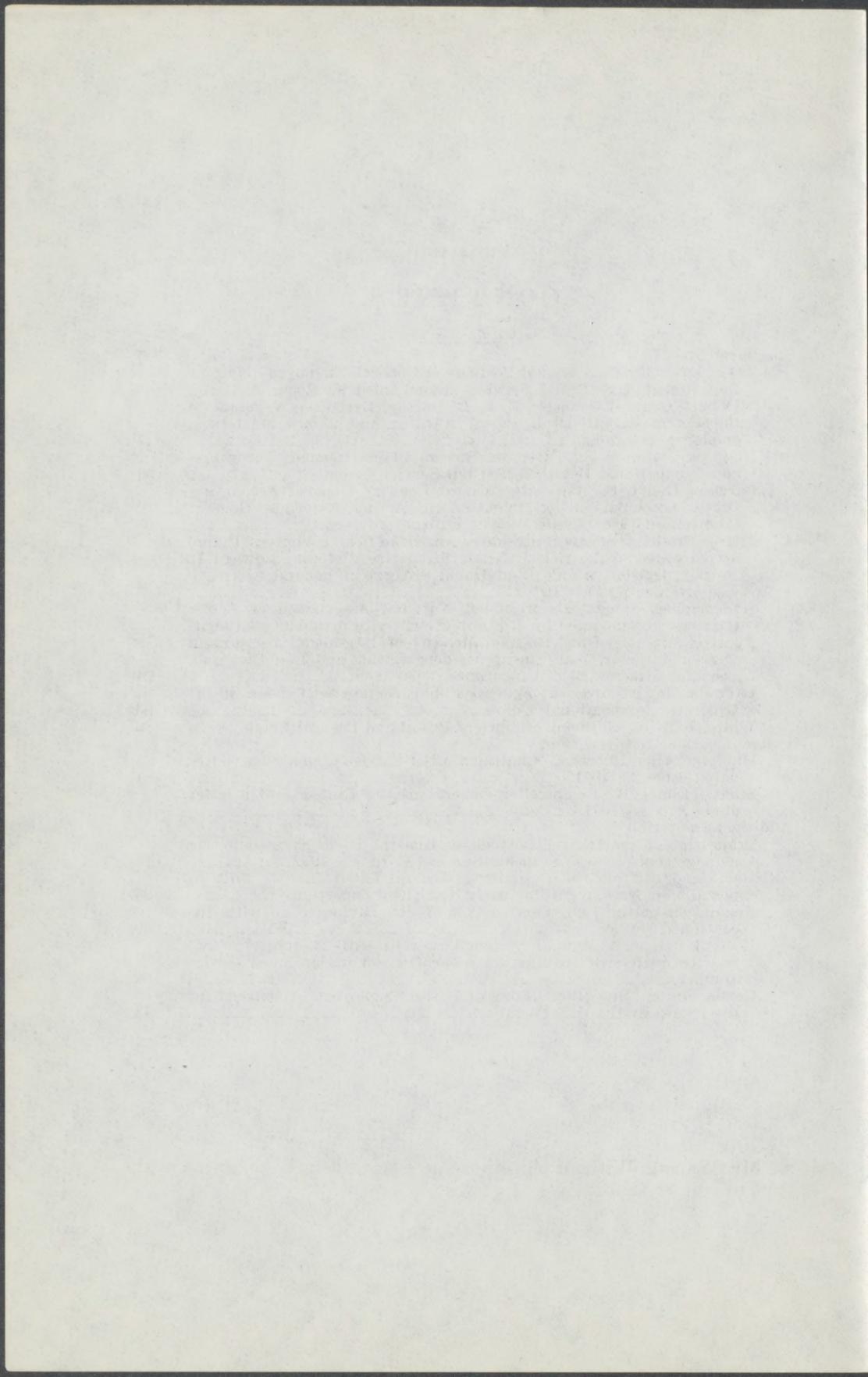
Ex Officio Voting Members

THADDEUS J. DULSKI, New York

H. R. GROSS, Iowa

CONTENTS

Statement by—	Page
Gayle, Lawrence C., Assistant Postmaster General, Employee Relations Department, U.S. Postal Service, accompanied by Roger P. Craig, Deputy General Counsel; E. E. B. Dorsey, Executive Assistant to the Postmaster General, Postal Affairs; and James Masterson, employee relations-----	1
Ruddock, Andrew E., Director, Bureau of Retirement, Insurance, and Occupational Health, U.S. Civil Service Commission-----	36
Barclay, Henry F., Associate General Counsel, General Accounting Office, accompanied by John Moore, Acting Associate General Counsel, and Mrs. Leslie Wilcox, attorney-adviser-----	63
Filbey, Francis S., general president, American Postal Workers' Union, accompanied by Patrick J. Nilan, legislative director; Edward L. Bowley, legislative aide; and David Silvergleid, general executive vice president, AFL-CIO-----	65
Rademacher, James H., president, National Association of Letter Carriers, accompanied by J. Stanly Lewis, vice president and legislative director; Glen Hodges, director of life insurance; Austin Carlson, director, health insurance department; and John Swanson, assistant director, health insurance department-----	74
LaPenta, James, director, Federal Public Employees Division of the Laborers' International Union-----	83
White, John W., National Alliance of Postal and Federal Employees--	86
Communications received from—	
Hampton, Hon. Robert E., Chairman, Civil Service Commission, letter dated June 23, 1971-----	81
Staats, Elmer B., Comptroller General of the United States letter dated July 28, 1971-----	81
Additional material—	
Transcript of remarks of Postmaster General E. T. Klassen to the management of the U.S. Postal Service, March 28, 1972-----	19
Memorandum from the Postmaster General dated June 5, 1972, to postal employees, regarding early retirement opportunity-----	25
Regulation of the Civil Service Commission having to do with discontinued service retirement-----	60
Federal Personnel Manual System Letter No. 831-23, subject: Civil Service retirement, involuntary separation for discontinued service annuity-----	62
Comments on "Retention Rights of Postal Employees," furnished to the record by the U.S. Postal Service-----	43



EARLY RETIREMENT OF POSTAL EMPLOYEES

TUESDAY, JUNE 27, 1972

HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON RETIREMENT,
INSURANCE AND HEALTH BENEFITS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 210 Cannon House Office Building, Hon. Jerome R. Waldie (chairman of the subcommittee) presiding.

Mr. WALDIE. The subcommittee will come to order.

Our first witness today is Mr. Lawrence C. Gayle, Assistant Postmaster General, Employee Relations Department. He will be accompanied by Mr. Roger Craig, Deputy General Counsel, U.S. Postal Service.

The subject matter of this inquiry is to determine the manner by which the involuntary retirement is being solicited by employees of the Postal Service. The purpose for that decision, and the results to the Postal Service and the employees from that decision, has been fully implemented.

Will you proceed, Mr. Gayle.

STATEMENT OF LAWRENCE C. GAYLE, ASSISTANT POSTMASTER GENERAL, EMPLOYEE RELATIONS DEPARTMENT, U.S. POSTAL SERVICE, ACCOMPANIED BY ROGER P. CRAIG, DEPUTY GENERAL COUNSEL; E. B. DORSEY, EXECUTIVE ASSISTANT TO THE POSTMASTER GENERAL, POSTAL AFFAIRS; AND JAMES MASTERTSON, EMPLOYEE RELATIONS

Mr. GAYLE. Mr. Chairman, we have a prepared statement I would like to read at this time.

Mr. WALDIE. Go ahead and read it.

Mr. GAYLE. Mr. Chairman, I welcome the opportunity to appear before your subcommittee regarding the early retirement opportunity offered to eligible postal employees.

On March 28, Postmaster General E. T. Klassen addressed an important policy statement to the top management of the U.S. Postal Service. I would like to have a copy of his remarks made a part of the record.

Mr. WALDIE. Without objection, those remarks may be placed at the end of your testimony.

Mr. GAYLE. In those remarks, the Postmaster General stated:

In 1970, Congress passed the Postal Reorganization Act, and I know that the primary factor that led Congress to approve this legislation was the conviction and determination that was expressed by management that we could do two things—first, that we could provide better service; and second, that we could bring costs and revenues into balance. Achieving these two things simultaneously is a challenge that will be the crucial test of our managerial skills.

If I could address myself to his second objective; that is, to bring costs and revenues into balance, the Postmaster General pointed out that 85 percent of our total operating expenses during the past year were labor and employee benefit costs.

Any significant cost reduction aimed at eliminating the necessity for a \$450 million rate increase next year must come primarily in the area of our labor costs.

As a step toward reducing our total work force, and thus reducing costs, the Postmaster General announced in these remarks that effective that date, there could be no hiring from outside the Postal Service for 90 days. Throughout this period, only critical vacancies could be filled by the promotion, transfer, or reassignment of career employees and all other vacant positions would be reverted.

Furthermore, each manager was to examine his staffing requirements and advise his supervisor what methods he planned to use to bring his costs into line. If constructive approaches were not developed it would be necessary to impose additional directives.

The freeze on hiring and on the reverting to vacant positions are only two steps in the effort to reduce our work force in order to reduce costs.

On June 5, 1972, the Postmaster General directed the attention of postal employees to the cost-of-living increase in retirement annuities by 4.8 percent beginning July 1, 1972. Furthermore, he pointed out that since there was an excess number of employees servicewide, he was providing the opportunity for involuntary retirements through the discontinued service retirement opportunity.

Mr. WALDIE. That directive will also be included in its entirety in the record, following your testimony.

Mr. GAYLE. The Postal Service, under section 1001(e) (3) of the Postal Reorganization Act, has the right and obligation to maintain the level of its work force in the most efficient manner, and is specifically provided the right "to relieve officers and employes for duty because of lack of work or for other legitimate reasons." Under this statutory authority, the Postmaster General requested resignations from eligible employees who desired to take early retirement under existing procedures of the Civil Service Commission.

The Postmaster General conferred with the Civil Service Commission to determine if this program of early retirement opportunity was consistent with the Civil Service Commission regulations and we were advised that under our announced requirement for a work force reduction, the Civil Service Commission regulations for discontinued-service annuities are applicable.

Mr. WALDIE. May I interrupt you at that point.

In your agreement with the postal unions are you permitted to engage in a reduction in force during the period of this agreement?

Mr. GAYLE. We are prohibited from the involuntary layoff of employees covered under that collective bargaining for the life of that agreement.

Mr. WALDIE. Is it your understanding of the agreement that a reduction of force is permitted under the agreement?

Mr. GAYLE. The language of the contract does not—I will quote the language of the contract.

Mr. WALDIE. Well, I do want to get into that, but am I correct in concluding that reduction in force in your view is not contrary to your agreement?

Mr. GAYLE. Sir; the Civil Service Commission has quite extensive regulations as to what is a reduction in force.

Mr. WALDIE. I realize that, but under the agreement, is it your view that reduction is permissible?

Mr. GAYLE. No; no layoff. If you determine that a reduction in force is defined as an involuntary layoff, then it is not permitted under the current agreement.

Mr. WALDIE. Article 6 in the agreement is entitled "No layoffs or reduction in force."

Mr. GAYLE. And the language follows.

Mr. WALDIE. Do you conclude that the language qualifies no reduction in force to mean that reduction in force can occur?

Mr. GAYLE. If it is an involuntary—

Mr. WALDIE. Is there a reduction in force permitted under any circumstances other than a layoff?

Mr. GAYLE. I don't see that there would be.

Mr. WALDIE. So that an involuntary layoff is permitted under this agreement?

Mr. GAYLE. I cover that point a little later in my statement, sir.

Mr. WALDIE. Well, right now can you give us the answer?

Mr. GAYLE. We will live up to the full spirit and content of this contract.

Mr. WALDIE. Is a reduction in force that is an involuntary layoff permitted?

Mr. GAYLE. If you define a—

Mr. WALDIE. Does a reduction in force have any other definition?

Mr. GAYLE. Under my interpretation of the details of the Civil Service reduction in force regulations, which are quite extensive, there could be other conditions other than involuntary layoff in connection with a reduction in force.

Mr. WALDIE. What is the motivation or result of the reduction in force that is occurring in the post office if it is not an involuntary layoff?

Mr. GAYLE. We are not at this time invoking the formal procedures of the so-called reduction-in-force procedures.

Mr. WALDIE. Is it the absence of formal procedures that leads you to believe that what is occurring is not a reduction in force?

Mr. GAYLE. We are not having a reduction in force in the formal sense at the present time.

Mr. WALDIE. And what are the other methods?

Mr. GAYLE. Attrition, retirement.

Mr. WALDIE. Early retirements that are involuntary?

Mr. GAYLE. Yes. The discontinued service types and also the so-called optional type of retirement.

Mr. WALDIE. But the early retirements are all involuntary are they not?

Mr. GAYLE. Yes, sir; under the definition of the Retirement Act.

Mr. WALDIE. They have to be involuntary before they can qualify for early retirement?

Mr. GAYLE. Involuntary in the sense that that is the term used in the Retirement Act.

Mr. WALDIE. Yes; and involuntary in the sense that unless you comply with that term of the Retirement Act you are not entitled to retirement benefits.

Mr. GAYLE. Yes, sir.

Mr. WALDIE. So no matter how it is rhetorically explained, the net result is that the retirement is involuntary, is it not?

Mr. GAYLE. Well, if you mean in the sense that—

Mr. WALDIE. I mean in the sense they would otherwise have preferred to continue working but they have been told they have to retire.

Mr. GAYLE. No, sir. They have the choice of deciding to accept this offer or not accept it.

Mr. WALDIE. Isn't that then a voluntary retirement?

Mr. GAYLE. It is voluntary in the sense that they have freedom of choice whether they should accept it or not.

Mr. WALDIE. Will they be involuntarily discontinued if they don't accept the offer of retirement?

Mr. GAYLE. No, sir; there will be no coercion whatsoever. It is spelled out in the instructions.

Mr. WALDIE. I will ask the Civil Service Commission to take careful note of that. It is your testimony that these employees, if they don't retire voluntarily, will experience no jeopardy in employment whatsoever?

Mr. GAYLE. No, sir; they will not.

Mr. WALDIE. Let me interrupt you at this moment.

At this point I gather none of the procedures for reduction in force under the formal procedures are being instituted and therefore what is occurring is not a reduction in force. That is your testimony roughly?

Mr. GAYLE. Formal reduction in force has not been accomplished at this time.

Mr. WALDIE. Has an informal reduction in force been accomplished?

Mr. GAYLE. Yes, sir, in the sense that attrition—

Mr. WALDIE. Are you seeking a reduction in force?

Mr. GAYLE. Yes, sir.

Mr. WALDIE. But not formally.

Mr. GAYLE. If you define the term reduction in force to mean that the number of employees is going down, yes, sir, there is a reduction in our work force.

Mr. WALDIE. And that is the objective?

Mr. GAYLE. Yes, sir.

Mr. WALDIE. On June 5, the Postal Service put out a memorandum signed by you. It states in order to establish the broadest possible application of retirement the program as announced by the Postmaster General in his memorandum of June 5, 1972, a single competitive

area is established for the U.S. Postal Service. Is not the specification as a single competitive area a formal retirement for reduction in force?

Mr. GAYLE. Yes, sir; it is part of the regulations.

Mr. WALDIE. All right. Then you established a single competitive area for the U.S. Postal Service. In fact, you have adoption of formal regulation of the reduction in force, have you not?

Mr. GAYLE. I would like Mr. Masterson to answer that, as far as the particular regulations involved.

Mr. WALDIE. Please do.

Mr. GAYLE. It is somewhat complex on that.

Mr. MASTERSON. Mr. Chairman, there are two applications to the statement you are reading about the competitive area.

Prior to having a formal reduction in force it is required by the Commission's regulations to announce the competitive area, define it, and make it available, and known to employees. In conjunction with that the regulations also require that if you are going to invoke the involuntary retirement process you must also announce a competitive area, and it is in this context that we announce the competitive area.

Mr. WALDIE. All right. It is your conclusion that announcing competitive area has nothing to do with the reduction in force.

Mr. MASTERSON. At this point, no; because there is no reduction in force formally now in process.

Mr. WALDIE. But then—let me explore this—a single competitive area is being designated for what other purpose?

Mr. MASTERSON. For the informal process of reduction in force and utilization of the—

Mr. WALDIE. Is there a process known as informal reduction in force? What is the statutory authority for an agency to announce informal reduction in force?

Mr. CRAIG. The statutory authority for that, Mr. Chairman, is provided in the retirement chapter of title 5, and I would think that the Civil Service Commission is best qualified to answer that.

Mr. WALDIE. I will ask them, too.

Mr. CRAIG. It is also spelled out in their regulations.

Mr. WALDIE. And within that, it is my understanding of your testimony that there are two sorts of reductions in force that require the establishment of competitive areas. One is a formal reduction in force, which you are not engaged in; the other is an informal reduction in force in which you are engaged. Is that a correct summary of what I have been told?

Mr. CRAIG. That is correct.

Mr. WALDIE. And it is further your assumption that an informal reduction in force is not prohibited by article 6 of your nationwide agreement.

Mr. GAYLE. If the freeze and early retirement opportunity fail to achieve significant work force reductions, the Postal Service has the further option of bringing formal reduction-in-force procedures into effect.

Mr. WALDIE. We are in an informal reduction in force at the present time under the statutory authorities of establishing competitive area, are we not?

Mr. CRAIG. That is correct, and our position is that an informal reduction in force is not prohibited by the national agreement.

Mr. GAYLE. If it is necessary, we have that option of going into a formal reduction-in-force procedure.

Should this happen, the Postal Service is committed and will live up to the full intent and spirit of its contractual obligation under the "no layoff" provision of the current national agreement.

Mr. WALDIE. Can you tell me this: What is the difference in terms of impact on the Postal Service and employees between a formal and informal reduction in force?

Mr. GAYLE. Well, any time you reduce your work force by attrition or any other method—

Mr. WALDIE. Now wait a minute. Not any other method. You are reducing your work force in a manner that is consistent with early retirement benefits which has as its principal premise it is an involuntary reduction, as far as the employee is concerned, does it not?

Mr. CRAIG. That is correct.

Mr. WALDIE. All right. Now, what is the difference between an involuntary separation under an informal reduction in force, and an involuntary separation under a formal reduction in force?

Mr. CRAIG. An involuntary separation under an informal reduction in force or a reduction in force without resort to the formal reduction in force procedures require an acceptance by the employee of the request that he submit his resignation.

In a formal resort to reduction-in-force procedures the employee may be separated after applying the various procedures that govern his retention without any act on his part of all. He can be separated completely without his own participation in the process.

Mr. WALDIE. Does his participation in the process deprive you from concluding that his separation was involuntary?

Mr. CRAIG. Again, I think this is primarily a matter within the Civil Service Commission's jurisdiction, but I would say that it does not deprive it of its involuntary character for the following reason: Voluntary retirement is completely at the volition of the employee. In the case of the informal reduction-in-force, which we are running now, the employee had no option prior to the commencement of these informal operations to retire. It was only after the Postal Service determined that we should request the resignations and that a situation required our reducing our work force that this opportunity became available. It is not a voluntary retirement, in that action by the Postal Service had to precede the opportunities being opened to employees.

Mr. WALDIE. Does it become involuntary in terms of his acts because of the threat that you will go into a formal reduction-in-force?

Mr. CRAIG. No; it does not.

Mr. WALDIE. There is no threat or coercion at all?

Mr. CRAIG. That is correct.

Mr. WALDIE. His act is totally voluntary?

Mr. CRAIG. His act is voluntary except that it was preceded by a decision of the Postal Service without which he could not have retired.

Mr. WALDIE. Well, does that in your view make his act involuntary, the decision of the Postal Service?

Mr. CRAIG. Well, I would have to bow in the direction of the Civil Service Commission to explain their own regulations on that.

Mr. WALDIE. Have they concluded that these retirements are all involuntary?

Mr. CRAIG. I believe within the purpose of the retirement statutes this is an appropriate reading.

Mr. WALDIE. They have concluded that these retirements are involuntary?

Mr. CRAIG. I believe so.

Mr. WALDIE. And you have concluded that?

Mr. CRAIG. We have concluded that the Civil Service Commission says this is appropriate and we are therefore——

Mr. WALDIE. And you have concluded that their retirements are involuntary, have you not?

Mr. CRAIG. As far as my personal belief is concerned, they are involuntary within the meaning of these regulations, but I don't believe that our personal beliefs are important. The important thing is that the administering agency of the retirement program has agreed that it meets their requirements.

Mr. WALDIE. I will ask the Civil Service Commission to give me the regulation that leads them to conclude that the decisions of these employees are involuntary decisions, but do you know of a regulation upon which they base a conclusion that when these employees retire under this system they are involuntarily retired?

Mr. CRAIG. The regulation which I am referring to is subchapter S11, found in Federal Personnel Manual Supplement 831-1.

Mr. WALDIE. And that is the term, involuntary separation means any separation against the will and without the consent of the employee. That is what we are dealing with here?

Mr. CRAIG. Well, we are also dealing with a regulation that says that after an agency determines that a reduction in force is necessary it may, before resorting to prescribed reduction-in-force procedures, or while these procedures are in process, request by letter the resignation of employees in the affected competitive area who meet the age-or-service requirements, or both, for——

Mr. WALDIE. Where is that? That is 2, isn't it?

Mr. CRAIG. Yes. It is d(2), resignation requested.

Mr. WALDIE. So you have determined that a reduction in force is necessary?

Mr. CRAIG. That is correct. An informal reduction in force.

Mr. WALDIE. I don't see the words "informal reduction in force."

Mr. CRAIG. Within the meaning of this regulation we have determined that a reduction in force is necessary.

Mr. WALDIE. And that in your view is not a violation of article 6 of the nationwide agreement?

Mr. CRAIG. That is correct. The usage of the term is different. In the national agreement the reduction-in-force agreement is obviously tied in with layoffs, and that is not what we are doing.

Mr. WALDIE. Will the employees in this informal reduction in force be advised of their retention rights under the reduction in force regulation?

Mr. CRAIG. They are aware that they have retention rights.

Mr. WALDIE. Have they been advised of their retention rights? Have they been informed?

Mr. CRAIG. They have been informed that they have retention rights and that this is not coercive, yes.

Mr. WALDIE. Have they been informed what those retention rights are?

Mr. CRAIG. I can't speak for the hundreds of employees. I have no evidence to believe that there is any employee who has not been fully informed of his retention rights.

Mr. WALDIE. All right. That is fine. We will check that.

That would be necessary, would it not, to comply with this regulation, an employee must be fully informed of his retention rights under the reduction-in-force regulations?

Mr. CRAIG. I believe that is correct.

Mr. WALDIE. And that has been accomplished in this informal reduction in force that has taken place within the Postal Service?

Mr. CRAIG. Yes, sir.

Mr. GAYLE. Mr. Chairman, if you are referring to the formal—

Mr. WALDIE. No. I am referring to the statutory authority that you have recited to me as the basis for your informal reduction in force, and I am reading this paragraph d(2). That counsel referred to of S11-2, "Meaning of involuntary separation."

That regulation that you recited to me as authority that after an agency determines that a reduction in force is necessary it may, before resorting to the prescribed reduction-in-force procedures or while they are in process, request by letter the resignation of employees to the effective competitive area. I presumed that was the basis of that directive establishing the entire U.S. Postal Service as a competitive area.

Then further reading that, it says to avoid any implication of coercion an employee must be fully informed of his retention rights under the regulation.

Now, to carry that out, from my understanding, an employee, I presume, then, who is asked to sign one of these statements of his resignation is not coerced, but is provided with a list telling him what jobs he has available in terms of his retention rights.

Mr. CRAIG. No.

Mr. WALDIE. All right. How do you comply with that requirement that he be fully informed of his retention rights under the reduction-in-force regulation?

Mr. CRAIG. In this instance the full information is based on the explanation of the Postmaster General that we are attempting to avoid formal resort to reduction-in-force procedures and the retention rights of all employees at this time are the same, namely, that if they do not submit a request for a voluntary retirement they will be retained in the Postal Service. Every employee has the right to be retained.

Mr. WALDIE. So it has nothing to do with retention rights. He will keep his job if he doesn't resign.

Mr. CRAIG. He will retain his job.

Mr. WALDIE. Retention rights under involuntary is not defined as you define this right, it is defined under a normal reduction in force as to whom he can bump along the line, is it not?

Mr. CRAIG. Well, I do not agree that that is the only definition for retention rights within the meaning of the regulation.

Mr. WALDIE. All right. So that the full retention rights that you believe implies with that directive you provide him with a copy of the speech of the Postmaster General of what date?

Mr. CRAIG. There is the memorandum of the Postmaster General of June 5, and then there was the earlier statement in March.

Mr. WALDIE. So the employee is told his retention rights are in that document.

Mr. CRAIG. That is correct, and he is also invited to discuss any matter relating to this with his supervisor.

Mr. WALDIE. If the question is asked, "What are my retention rights under this regulation?" What would the supervisor advise him?

Mr. CRAIG. His supervisor would tell him that his retention rights are absolute. If he does not sign this, he will not lose his job. If he wants to go into the details of his rights as a veteran or nonveteran, although it is irrelevant to this process because we are not resorting to formal reduction-in-force procedures, I have no reason at all to believe that he would not be informed of this.

Mr. WALDIE. I have departed from Mr. Gayle's statement much too far.

Mr. GAYLE. To conclude, it is the hope of the Postal Service to avoid the need to invoke formal reduction-in-force procedures. For this reason, we have taken the steps mentioned above in the hope that the freeze and the early retirement opportunity will reduce our work force to an acceptable level.

I have previously supplied to you the June 5 memorandum for the record.

Mr. WALDIE. Mr. Hillis, do you have some questions that you want to ask?

Mr. HILLIS. Thank you, Mr. Chairman. Yes, I have a few.

Mr. Gayle, I have before me Order No. 72-2, Temporary Reemployment of Retirees and Compensation for such Reemployment. I took it from your statement that the purpose of the whole procedure that we are about is to reduce the level of employment in the Postal Service. Is that correct?

Mr. GAYLE. Yes, sir, and to maintain service of the Postal System at the same time, and improve it.

Mr. HILLIS. In referring now to section 2 of Order No. 72-2, are you familiar with this order?

Mr. GAYLE. Yes, I am.

Mr. HILLIS. Any retiree reemployment in accordance with section 1 of this order may receive compensation fixed by the Senior Assistant Postmaster General for Employee and Labor Relations at a daily rate not exceeding a daily rate sufficient to yield him an amount after any necessary reduction which, when added to his annuity income, equals the daily rate of his compensation at the time of retirement, plus his annuity.

Now, if I interpret that correctly, his annuity payment is being taken as part of his salary, is that correct?

Mr. GAYLE. No, sir; it can be, but it could go up to the extent of having him retain his annuity for the time limits involved here, plus what salary he was getting before.

Mr. HILLIS. Well, then, you are using part of the retirement fund as part of his salary. Is that correct?

Mr. GAYLE. No, sir; we are not. We are saying in effect that if you go off on July 1, and if we have certain critical requirements to maintain service up to a maximum of 60 days we will request you to stay on board if you so desire, and we will continue to pay your present salary for those time limits involved, and you will receive your annuity.

Mr. HILLIS. So he receives the annuity in addition to the present salary.

Mr. GAYLE. Yes, sir; but solely for a maximum of 60 days and solely to maintain service levels in a critical vacancy.

Mr. HILLIS. Well, the fact of at least 60 days here is that the fellow is retired but he is really right back on the job.

Mr. GAYLE. Yes, sir, and when you have people going out and you have to move people around and shift around to maintain service requirements, we are trying to provide a method whereby certain critical positions are maintained during that period of 60 days to get people in the proper place of the work force.

Mr. HILLIS. Is there legal authority in using the retirement fund in this manner when a person is actually not retired?

Mr. GAYLE. Well, he is what you would call, I believe, a reemployed annuitant.

Mr. CRAIG. Yes; there is legal authority for this.

Mr. HILLIS. Well, it just seems highly unusual to me that a person should be employed at his full salary and still be drawing retirement from the retirement fund at the same time.

Mr. CRAIG. The language there is permissive. It is not mandatory. The reason for it is, of course, that if we face a situation where we have a severe shortage of manpower it may be necessary to offer the person the opportunity essentially, to keep his salary plus his annuity, or something at least a little bit above present existing salary in order to encourage him to stay on the job for this period of time.

It is permissive, not mandatory, but it is an option that we felt necessary in the cases where, for example, we might have four people go out all at once and where critical services require a short term of reemployment.

Mr. HILLIS. Has any study been made? Can you give us an estimate as to how much this will be used?

Mr. GAYLE. No, sir; it is our intention that it will be a very limited use and certainly for no longer period of time than absolutely necessary with a maximum period of 60 days on any individual.

Mr. HILLIS. Can the person in that period be extended?

Mr. GAYLE. No, sir; under this order, 60 days is the maximum.

Mr. HILLIS. That is all the questions I have.

Mr. WALDIE. Counsel, let me get one thing straight. The nationwide agreement, article 6, entitled "No lay-offs or reduction in force," says it is agreed by the employer that no work force will be laid off on an involuntary basis during this agreement. I assume you conclude that what is occurring here in this involuntary, informal reduction in force is not in violation of that agreement.

Mr. CRAIG. That is correct.

Mr. WALDIE. I assume that the necessity of an employee receiving early retirement, that he be involuntarily separated, is a different definition under the Civil Service regulations than the definition you have used in this agreement.

Mr. CRAIG. That is correct.

Mr. WALDIE. And that it does comply with the Civil Service regulations that he be involuntarily separated so he can get early retirement?

Mr. CRAIG. That is correct.

Mr. WALDIE. But he is not laid off involuntarily as a result of employment of those terms.

Mr. CRAIG. Within the meaning of the contract, correct.

Mr. WALDIE. Mr. Gross?

Mr. GROSS. Mr. Chairman, I regret that I couldn't get here at the start of the meeting. I attended another subcommittee meeting at 9:30 this morning.

Mr. Gayle, in the fiscal year 1973 budget information which the Postal Service supplied, the House Appropriations Committee under the title of "Personal Summary," shows the 1972 estimate of total permanent employees to be 613,330 as compared with the 1973 estimate of 718,403.

In view of this estimated increase of permanent employees, do you still maintain that June 5 press release, "The Postal Service said to liberalize retirement policy," was made possible because of an excess number of Postal employees?

Mr. GAYLE. Yes, sir, in the sense that also that budget included a \$450 million rate increase during fiscal 1973. To be able to provide the level of employment that is mentioned in that budget submission would require the rate increase.

The statement of the Postmaster General referred to earlier is that we must learn to live within our revenues and that we are trying to avoid such a rate increase by reducing our expenses.

Mr. GROSS. But you have what seems to be conflicting press releases.

Mr. GAYLE. I don't quite understand what you mean, sir.

Mr. GROSS. On one hand you profess in a press release to have an excess number of employees, and in your official budget you estimate an increase and ask Congress to provide for an increase insofar as its contribution to the Postal Service is concerned.

Mr. GAYLE. Yes, sir. I do not purport to be an expert in budget. It is my understanding though that there was a revised budget submitted and that that budget reflects trying to forego an increase in \$450 million of increased revenues from Postal Service revenues. I could supply that information for the record, sir, as far as the adjusted budget is concerned.

Mr. GROSS. Thank you, Mr. Chairman.

Mr. WALDIE. Mr. Gayle, when the Post Office Department engaged in I guess a similar procedure, an informal reduction in force, this involved the top management people about a year ago. Was that the same procedure you utilized then as is being utilized now?

Mr. GAYLE. Well, sir, it involved more than top management. It involved all of our headquarters levels of employees and our regional people, and it started with a so-called involuntary and optional retirement and then later extended to formal reduction-in-force procedures under Civil Service regulations.

Mr. WALDIE. Did you go into the formal reduction in force because there were not a sufficient number availing themselves of the opportunities extended under the involuntary reduction in force.

Mr. GAYLE. Yes, sir, we did, when we were reducing from 15 regions to five.

Mr. WALDIE. Why are not the employees in this reduction in force being offered the same 6-month bonus that you offered the employees in your last reduction in force?

Mr. GAYLE. Well, quite a few reasons. I think the most obvious reason is that the requirement for the reduction at the time you were talking about, 15 regions being reduced down to five, is a considerable cut. In other words, I can't recall the figures exactly, but approximately we were taking people from about a 6,000 person work force level down to about an 1,800 person work force level, and it was necessary to have a severe reduction in force.

Now, there is a need for a reduced work force to be able to live within our income or our revenues, but I would not consider it as severe as that particular proportion that we were talking about.

Mr. WALDIE. The severity to which you allude is only described in terms of numbers that will be reduced in force. The severity for the individual is just as severe under this procedure as it was under the prior procedure, is it not?

Mr. GAYLE. In the eyes of an individual, I assume so, yes, sir.

Mr. WALDIE. And so the bonus that was paid was not to assist the individual, it was to assist the Postal Service in getting these decisions from these people.

Mr. GAYLE. No. The bonus as far as the reduction was concerned was to make it as attractive as possible for people to go out at the top who were able to get a retirement and reduce the severity of the formal procedures that we had later to go into.

Mr. WALDIE. Severity to whom?

Mr. GAYLE. People in that remaining unit.

Mr. WALDIE. You mean so that you would not have to involuntarily coerce that remaining group out?

Mr. GAYLE. To reduce the need for it as much as possible.

Mr. WALDIE. Right, but in this instance that need does not exist. You do not feel you have to entice these people out as you did in the other instance.

Mr. GAYLE. Not with the same financial cost.

Mr. WALDIE. Do you think you can get these people out without giving them a bonus?

Mr. GAYLE. No, sir. I think the policy decision basically is that we are going to reduce our work force down to acceptable levels by attrition both from the top and the bottom.

Mr. WALDIE. Well, then, why do you give them early retirement if it is attrition you are working on?

Mr. GAYLE. Well, this is attrition, sir, in time.

Mr. WALDIE. Well, isn't giving them a bonus to get him out also within your definition of attrition?

Mr. GAYLE. It would certainly speed up attrition in certain cases.

Mr. WALDIE. Early retirement is designed to speed up attrition; isn't it?

Mr. GAYLE. Yes, sir.

Mr. WALDIE. Why then are these people not offered a bonus as were the management employees?

Mr. GAYLE. I would say from a policy decision it was not felt to be necessary nor desirable from an economic viewpoint at this particular time.

Mr. GROSS. Mr. Chairman, could I ask one other question? This may have been covered before I arrived. It has troubled me since the June situation came about.

The Civil Service regulation specifically defines involuntary service separation as follows:

The term involuntary separation means any separation against the will and without the consent of the employee. Other than separation for cause on charges of misconduct or delinquency.

Do employees of the Postal Service who retire under terms of the June 5 announcement meet this definition and if so, what is the meaning of this sentence which is excerpted from the press release of June 5, 1972, which states:

Employees desiring to retire under the early retirement program may do so prior to December 31, 1972.

How can an employee "desiring to retire" be considered as an involuntarily separated employee against his will and without his consent?

Mr. GAYLE. I would like Mr. Craig to answer that particular point.

Mr. CRAIG. This is a question that the Civil Service Commission should be answering since it is a question of the construction of their own regulations. I might, however, say this: The regulation from which you just read goes on a little further to say that whether a separation is involuntary depends upon all the facts in a particular case. It is the true substance of the action which governs, rather than the methods followed or the terminology used. The responsibility for determining whether a separation is involuntary for retirement purposes rests with the Commission.

As we read on further, paragraph d(2) entitled "Resignation Requested" states that an agency can request resignations, before resorting to formal reduction-in-force procedures, if it is determined that a reduction in force is necessary.

Under these regulations we have consulted with the Commission and the Commission is agreed that we have met the requirements under the regulation, for an involuntary separation.

Mr. GROSS. What is the amount of the unfunded liability to the retirement fund that you are creating?

Mr. CRAIG. I don't know whether we are creating any, and I would defer to the Civil Service Commission. They have the expertise to answer that question.

Mr. GROSS. Thank you, Mr. Chairman.

Mr. WALDIE. Mr. Gayle, I understand that there are 83,243 potential eligibles for this informal reduction in force. Of that maximum number, what is your estimate of those that will avail themselves of this involuntary opportunity to retire?

Mr. GAYLE. Well, sir, if you mean question No. 1, your first figure, we have a total of 181,413 people that are eligible for retirement either voluntarily and so-called involuntarily discontinued service annuities, so out of that figure it is impossible to tell you what is going to happen between now and July 1.

I do know this much, that as of noon yesterday there was a total of 15,652 that have submitted applications and of that, 8,714 are considered voluntary. In other words, they would be optional retirements, and 5,899 would meet the so-called discontinued service or involuntary eligibility, and 939 are applying under disability types. However, those might change from disability to some other type of retirement.

Mr. WALDIE. Let me take a Post Office as an example for the question I want to ask. In Buffalo, N.Y., according to the statistics I have here, as of July 1971, you have 3,953 employees. The number of that group that were eligible for retirement was 1,013. I presume within that figure are those eligible for voluntary retirement or involuntary separation.

Mr. GAYLE. I do not have those figures in front of me, but listening to them it would sound probable that they would include both types.

Mr. WALDIE. I think that is probably correct. How does this procedure comply with the management tools that attempt to make reduction in force a selective process?

In other words, it would be very disruptive. I would think, if everybody in the Buffalo, N.Y. Post Office retired, whereas in the Bronx Post Office maybe only very few retired of the eligibles.

Reduction in force, as I understand it, is a management tool that permits selectivity in terms of reducing your work force. You don't really under this system attain this selectivity, do you? It is sort of a hit and miss thing and at the end of it, you look where you finally have arrived.

Mr. GAYLE. Yes; I would have to agree with you that basically a formal reduction, where you can go in and pick out individuals and say "We don't need you and we don't need you," and so forth, certainly is a nicer way from an efficiency point of view, but certainly a much more difficult way from a human viewpoint.

In the early retirement or any retirement program, or any across-the-board program, you are going to lose some people that you would rather not lose. That is a calculated risk you have to take, but you have to balance the problems you have by going in the other direction.

Now, it is our intention to move the work force within the various restrictions and rules and regulations and so forth, including the collective bargaining agreement, to maintain this service level and get the employees where they are needed to perform the job.

Mr. WALDIE. Two further questions in that area. I gather this temporary hiring for a 60-day period is designed to reduce some of that adverse impact.

Mr. GAYLE. Yes, sir. It is in case we have offices now, and we probably will have offices where many of our top employees will go, and this happens even without this type of program, where we have maybe our top three or four people that are all eligible at one time in a block, and do elect to go, and this happened last year and the year before when we had the cost of living increase, and it is necessary to either promote within that post office or to transfer.

Mr. WALDIE. Do you have the right to extend temporary employment beyond the 60-day period that was referred to?

Mr. GAYLE. No, sir. Under this order this is a maximum of 60 days under this order.

Mr. WALDIE. Is that in compliance with statutory limitations or is that a management decision of the Postal Service?

Mr. GAYLE. Management decision.

Mr. WALDIE. Statutory authority would permit management to make a decision at the end of 60 days if they were so inclined that they needed another 60 days, and so forth.

Mr. CRAIG. That is my understanding. I would want to check that out. If we were contemplating going beyond the 60 days we would have to research it carefully.

Mr. WALDIE. In fact, there is no limitation on your statutory right to continue these rif of employees on a temporary basis as long as you desire?

Mr. CRAIG. That is my understanding from a statutory viewpoint. Of course this would be counterproductive.

Mr. WALDIE. Well if, as Mr. Hillis brought out, the annuitant's salary, the annuitant's income which you do not pay, which the retirement fund pays, is in essence part of his salary, there would be a great economic incentive to keep a temporary employee rather than a full-time employee when his entire salary was paid by the Postal Service.

Mr. GAYLE. No, sir. In other words, the Postal Service is paying the full amount, and we would not be accomplishing the economies that we would need. If in effect this man goes out and we are in effect replacing him, we are not reducing the work force, so we have a great deal of urgency of—

Mr. WALDIE. Maybe I misunderstood the colloquy between you and Mr. Gross.

Mr. GAYLE. It might be helpful here to give you the detailed instructions on how to provide for people under this particular order.

Mr. WALDIE. Before you do that, so that I can get it clear, in that colloquy between you and Mr. Hillis he had referred to Postal Service Order of June 7, 1972, describing temporary employment of retirees and compensation for such reemployment. And in paragraph 2 he states any retiree employed in accordance with section 1 of this order may receive compensation at a daily rate sufficient to yield him an amount, after any necessary deduction corresponding to his annuity which, when added to his annuity income, equals the amount of compensation at the daily rate of his compensation at the time of his retirement, plus his annuity.

Now that is complicated language, but it seems what we are saying is if he received \$40 a day while he was full-time employed and then received an annuity that compensates \$10 a day, you would only have to compensate him for \$30.

Mr. CRAIG. No, sir. This authorizes us to pay him the full \$40. Again, it is permissive language. It is not mandatory. It authorizes him to be paid \$50 so that when you subtract the \$10 from his pay it comes down to \$40 and then you take \$40 plus the annuity and that would yield him \$50 a day.

Mr. WALDIE. I see.

Now, if you will describe what you were about to describe, is that the practice? Is that what you do in effect? Pay the man more than he was getting when he was actually employed?

Mr. GAYLE. Well, sir, as far as practice is concerned, I think this is a unique situation and while we have no practice as such—

Mr. WALDIE. Tell me what you did with the supervisors that retired with their bonus. How did you pay them?

Mr. GAYLE. Normally in a retired annuity.

Mr. WALDIE. No; but how did you do with those supervisors that you reemployed?

Mr. GAYLE. The Postal Service paid him minus his annuity.

Mr. WALDIE. All right, and that is exactly what we suspect you will do here. That is what you did in the past, right?

Mr. GAYLE. This is a little different.

Mr. WALDIE. So you got the supervisors for less than you were paying them before they went into involuntary retirement.

Mr. GAYLE. I don't know what supervisors you are referring to. I am not aware of any supervisor that was employed as a reemployed annuitant within the last year or so.

Mr. WALDIE. Well, I know of some, at least according to testimony before this committee of the group that you separated under involuntary. You retired some of them on a temporary basis because of dislocations and need.

Mr. GAYLE. All right, sir. I understand that was in the regional office and the word supervisors, I am really thinking of the post office.

Mr. WALDIE. And they were paid a salary less their annuity?

Mr. GAYLE. Yes, sir.

Mr. WALDIE. So in effect you transferred the cost of their employment, a portion of that cost was transferred to the retirement fund, was it not, while they were employed temporarily?

Mr. GAYLE. I assume that is correct.

Mr. WALDIE. So that when you say—and you are quite correct that this regulation Mr. Hillis and I referred to only authorizes you to do that. You don't have to do it. In fact, the fact is that you did not do it. You did deduct their annuity from the pay that they received.

Now let me ask you one further question. That was your past practice. What is your future practice? What do you intend to do if these people are temporarily retired that are taking early retirement under this involuntary program this informal reduction in force? How would you pay them, or have you decided that?

Mr. GAYLE. We have decided on the basis of this order that it is not mandatory, but may be used at the discretion and in a particular situation for filling critical vacancies during this period of time to maintain service under very tight control, that it may be possible to pay him his regular salary, plus his annuity.

Mr. WALDIE. I know that may be possible, and I know that is authorized. I am asking you what do you intend to do. Has there been a decision made at this point as to how temporaries will be compensated?

Mr. GAYLE. No, sir. The only decision made at this point is what the maximum can be.

Mr. WALDIE. Have any temporaries under this program to date been rehired?

Mr. GAYLE. No, sir.

Mr. WALDIE. All right.

Mr. GAYLE. For all practical purposes, it wouldn't happen until July 1.

Mr. WALDIE. Now, one further final question from me. If you do not accomplish your goals in terms of the numbers that availed themselves of this informal reduction in force opportunity, would you then utilize a formal reduction in force at the expiration of your National agreement?

Mr. GAYLE. That is impossible to say at this time, sir. What the Postmaster General has said is that if we don't learn to live within our revenues and don't accomplish the job, further directives will be necessary. He has not spelled out those and I am certainly not in a position to say what may come later.

Mr. WALDIE. I think it is important for my understanding of your compliance of these regulations and for questions I will ask of Mr. Ruddock, or the Civil Service Commission when it appears.

Is it then fair to say at this moment in time there has been no decision entered into given the fact that you do not make your objectives in the numbers that separate themselves if enough people do not separate to meet the Postmaster General's objectives, you do not know at this moment whether you will engage in a formal reduction in force. Is that fair?

Mr. GAYLE. Yes, sir. We do not know at this particular point in time.

Mr. WALDIE. So no decision has been made as to proceeding from this informal step to the next formal step for reduction in force.

Mr. GAYLE. Not until we see what has happened during this particular step.

Mr. WALDIE. And if you see what will happen in this particular step, how will that influence the decision?

Mr. GAYLE. We will have to see what the figures are, what the reduction in costs are, not only in employees' costs but in other areas.

Mr. WALDIE. In short, if not enough people avail themselves, you will probably go into a reduction in force.

Mr. GAYLE. Well, we would have to take other measures, yes, sir.

Mr. WALDIE. What other measures are there other than formal reduction in force?

Mr. GAYLE. When 85 percent of your costs are in labor costs, you can't get it all out of the remaining 15 percent, so there would have to be further personnel actions, and I am not at liberty or I don't think a decision has been made at this time to say what that decision might be.

Mr. WALDIE. What sort of a reduction in force could you take if further personnel action is dictated?

Mr. GAYLE. Well, we have in effect a freeze where we have attrition—

Mr. WALDIE. But that is in existence now?

Mr. GAYLE. Yes.

Mr. WALDIE. We are talking about new steps that are not in existence at this point, if you fail in your objectives under these programs.

Mr. GAYLE. Continue your freeze, which in effect takes advantage of all attrition for reduction of the work force whereby whenever a man leaves for any reason you don't replace him. That is one step and it is one that we are using at the present time, hoping to be able to reduce it with the early retirements.

Mr. WALDIE. I suspect it is not unfair to say that realistically your next step, if this doesn't work, has to be a formal reduction in force.

Mr. GAYLE. Well, certainly I think that the situation is serious enough that the Postmaster General has to consider alternatives that he can within various restrictions, laws, and regulations, and the facts of life.

I am sure he is exploring every alternative that he can without upsetting particular service standards.

Mr. WALDIE. The employees are apprised of that dilemma in which the service finds itself?

Mr. GAYLE. Yes, sir. I think very much so.

Mr. WALDIE. Mr. Hillis, do you have any further questions?

Mr. HILLIS. No, Mr. Chairman.

Mr. WALDIE. Mr. Chappell.

Mr. CHAPPELL. No, sir.

Mr. WALDIE. Thank you, Mr. Gayle.

I wonder if you would do us the courtesy of staying around so that we can call on you if we need more information.

Mr. GAYLE. Yes.

(The two attachments to the statement of Mr. Gayle, referred to earlier, follow:)

(Announcer: On March 28, 1972, Postmaster General E.T. Klassen addressed an important policy statement to the top management of the United States Postal Service. Although the remarks were directed specifically to management, they are reproduced here so that every employee in the United States Postal Service may hear the statement directly and understand its meaning and importance.)



Postmaster General E. T. Klassen

During the 10 weeks that I have been Postmaster General, I have been making a systematic review of everything the Postal Service does.

I regret having to use this mechanical means of discussing with you some of my concerns, but I am sure you will understand that it is not physically possible to meet personally with all of our people.

During this period, I have talked with and listened to a large number of postal managers and postal employees at all levels of responsibility. I have spent a considerable amount of time with many important customers and concerned citizens. I have also visited with key Congressional leaders and representatives of the news media, and I have had numerous and extensive meetings with many of our key managers.

Today I want to discuss some of the long-range concerns that must be dealt with by postal management, at all levels, and then to provide you with some policy direction for dealing with some of these concerns.

Let me review some background information.

In 1970, Congress passed the Postal Reorganization Act, and I know that the primary factor that led Congress to approve this legislation was the conviction and determination that was expressed by management that we could do two things: First, that we could provide better service; and second, that we could bring costs and revenues into balance. Achieving these two

things simultaneously is a challenge that will be the crucial test of our managerial skills.

As part of my review of the Postal Service, I have taken a long, hard look at where we are today and where we will be in 1984. That's the year that Congress expects us to be self sufficient.

We have an immediate obligation to provide high quality service, but our costs are rising. 85% of our total operating expenses this year are labor and employee benefit costs. Our budget for 1973 requires an additional \$450 million rate increase, but every rate increase faces an angry outcry from the public.

Looking ahead to 1984—when our annual volume will approximate 125 billion pieces of mail—my greatest concern is that if things continue as they are—if we don't change the way we manage our business—our accumulated deficit between now and 1984 will be \$38 billion. Throwing into the mix all of our present programs, the projected rate increase, the implementation of the nationwide bulk and preferential mail systems—and even if they are as efficient as projected—they will only reduce the accumulated deficit to \$20 billion.

What options do we have? What are the possible ways that we can eliminate the remaining \$20 billion deficit, and still give high quality service?

- First—very significant cost reductions.
- Second—additional mechanization systems.
- Third—substantial income from new services.
- Fourth—additional rate increases.

I'd like to deal with that last point first since it is most important.

First-class postage varied only 1¢ during the 95 years prior to 1958; during the last 14 years it has inched up from 3¢ to 8¢. We must all recognize that Congress, the news media, and our customers are not sympathetic to rate increases. In addition, we are now encountering increasingly stiff competition from many sources.

In first-class mail, some utility companies are experimenting with delivering their own bills. In second-class, we expect increasing competition from businesses in the field of transportation.

In third-class, our competition comes in the form of a diversion of this type of potential revenue to other advertising media such as newspaper inserts and unaddressed circulars that can be delivered by firms like the Independent Postal Service of America.

In fourth-class, our competitors are United Parcel Service, Greyhound, American Airlines, and a host of similar delivery-type service firms. United Parcel alone did \$650 million in business in 1970 and earned in excess of \$35 million in profit. All of this was business that was formerly ours.

I made some rough calculations involving one of our major customers, who is today giving serious consideration to the feasibility of delivering his own publications. Their decision, not ours, could result in the elimination of thousands of Postal Service jobs. The magnitude of such "competition" cannot be ignored.

If I were the head of a big company in the private sector and one of my suppliers was not providing the type and kind of service at realistic costs that I needed—I, too, would consider taking my business elsewhere.

I've encountered, in far too many instances, an attitude on the part of some of our people at various levels of responsibility, that since they feel that we already have more mail than we can handle, why should we worry about competition?

Well, it appears that the volume of mail is being affected. If the trend continues, the percentage increase in mail volume for the fiscal year will be the lowest since the beginning of the Great Depression in the 1930's. I think it is pretty important that all of us understand that we are playing for keeps, that we do have competition, and that our jobs and careers are at stake.

In face of all these competitive factors, my managerial experience instinctively tells me the public is not ready to absorb another postage rate increase in the immediate future—unless we can clearly demonstrate, first, that we have improved our service in a significant and consistent manner, and second, that our costs have been dramatically reduced.

All of us must understand that the survival of the U.S. Postal Service depends upon everyone giving SERVICE. SERVICE is the only thing we have to sell. It behooves every manager, particularly those who serve as postmasters or front-line supervisors, to get this message across to all of their employees.

While I believe strongly in mechanization, and while new products and services offer enormous opportunities to us, they are not the total answer to this growing competition and increasing costs. It is imperative, therefore, that managers and employees at all levels give priority attention to significantly increasing their productivity, and at the same time, improving the quality and consistency of our services and I mean for all categories of mail, including a major reduction in the damage of parcels.

I think that our overall performance in the matter of parcel damage is inexcusable and totally unacceptable. On numerous occasions, I have watched a mail truck drive up to the curb, and I have seen parcels thrown out on the curbside. It made no difference what the package said, fragile or otherwise, all of them were pitched out onto the curb. I am disappointed to find that in many locations this practice is still going on.

We can no longer afford to tolerate that kind of behavior. This is the kind of thing that all front-line managers must deal with and deal with firmly.

I have dwelt on the impact of competition and the importance of service because they are critical to our survival, and we had better recognize that the Postal Service is not ordained to exist forever.

Some of the steps I am now going to cover may initially appear to be harsh measures, but we must establish a high degree of credibility with our employees and our customers. This will require strong internal discipline on the part of each individual.

The following actions are effective immediately:

First, service and customer courtesy must once again become a way of life throughout the entire Postal Service. Local managers will be held accountable for consistently achieving the service standards established by the regions during their San Diego meeting on February 25th.

These internal standards will be soon sent to local managers by the Regional Postmasters General.

Second, we must learn to live within our income. This means that without impairing service, costs must be substantially reduced in order to enable us to eliminate the need for a \$450 million rate increase next January.

Effective this date, there will be no hiring for 90 days. Throughout this period, critical vacancies may be filled by the promotion, transfer or reassignment of career employees.

We know that some major post offices have been operating for more than eight months without hiring a single employee. Other managers have substantially reduced their permanent work force by not filling vacancies that were caused by resignations and retirements. This approach protects the careers of our present employees. It protects their benefits and their future benefits, and above all it opens opportunities for their career advancement.

No increases in complement ceilings nor in job levels will be approved until the new job evaluation procedures, that are now under study, are implemented.

During this 90-day period, each manager is to examine his own organization and to advise his superior what method he plans to use to bring his costs in line. If constructive approaches are not forthcoming, we will have no alternative but to impose new directives for the period beyond the 90 days.

I have been disturbed to hear both postal managers and union officials discrediting one another, and thereby defeating our endeavor to build a meaningful relationship with our own employees. Therefore, we will hire experienced labor-relations personnel and they will be made available to assist managers at our major installations. There will be no other exceptions during this period without my personal approval.

Third, within the next month, the Regional Postmasters General will also be provided with broad authority to accomplish transfers on a permanent basis, provided the employee and the recipient manager both agree to the transfer. This authority will enable postal installations to adjust for critical personnel requirements.

Fourth, on July 1, 1972, the practice of placing persons on temporary or permanent details must cease. On that same date, July 1, 1972, the practice of augmenting day-to-day workforces by outside contractors or expert consultants is to cease. Exceptions will require personal approval by the Deputy Postmaster General or the Postmaster General, as may be appropriate.

On these four policies—service and courtesy;—cost reduction;—expanded transfer authority;—and termination of workforce augmentations—I will expect managers to reward their subordinates for superior achievement in complying with the full intent of these policies. Conversely, I will also expect them to take forthright action where there is not compliance. Senior managers will be critically judged by this standard. In turn, I will look to your immediate supervisors and to each of you to judge your subordinates by the same test.

In the final analysis, the American people, our customers, and the Congress will only judge us by what we do, not by what we say we are going to do.

I am reminded at this point of two phrases that were favorites of former President Harry S. Truman. I used both of these at the Headquarters meeting in January. The first was, and I quote, "The buck stops here." The second was, "If you can't stand the heat, then get out of the kitchen." I think we should all reflect on these two phrases.

Every man and woman wants to be proud of what he or she is doing. And, indeed, most of our people are doing a fine job, and they know it—and we know it. Self respect is self-recognized. We want all of our people to feel that way. But above all, we should have—and we should deserve—the pride and respect of the American people. And, as individuals, we'll know that too.

I appreciate this opportunity to share with you some of the concerns that I have.

Thank you.



THE POSTMASTER GENERAL
Washington, DC 20260

June 5, 1972

MEMORANDUM TO POSTAL EMPLOYEES

SUBJECT: Early Retirement Opportunity

It has been my experience that too frequently we do not make known to our employees those benefits that are immediately available to them. If you have not already heard, the Civil Service Commission has announced that retirement annuities will be increased by 4.8% beginning July 1, 1972. Postal employees eligible for an optional retirement who retire and are in a nonpay status no later than June 30, 1972 will receive this 4.8% increase.

In addition to these persons, other employees have expressed an interest in becoming eligible for an early retirement. In response, we are enabling other eligible employees to qualify for a discontinued-service retirement.

The situation creating the discontinued-service retirement opportunity arises from the fact that we have an excess number of employees. But for the No-Layoff provision in our National Agreement, we would be actively engaging in a system-wide reduction-in-force. The situation that we find ourselves in qualifies under existing Civil Service Commission instructions for discontinued-service retirements. Separations resulting from resignations submitted in response to a request from management will qualify as discontinued-service retirements.

To permit any employee who meets the age and service requirements for a discontinued-service retirement and who wants to retire early to do so, I am, under existing Civil Service Commission instructions, hereby requesting resignations from eligible employees. If you are eligible and resign in response to this request effective no later than June 30, 1972 your annuity will be increased by this additional 4.8%.

- 2 -

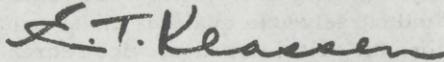
Separations resulting from a resignation in response to this request will be considered involuntary for retirement purposes. Under these circumstances, nearly all employees in the following categories will be eligible for an immediate annuity:

- a) Persons who are over the age of 50 having 20 or more years of Federal service; or
- b) Persons with 25 or more years of Federal service.

I am extending the expiration date of these discontinued-service retirement provisions to December 31, 1972. However, it should be clearly understood that any employee who retires after June 30, 1972 will receive the regular annuity but not the additional 4.8% cost-of-living increase mentioned above. This extension will allow eligible employees and their families ample time to prepare for this major decision, and will allow any employee who becomes eligible during this longer period to take advantage of this early retirement opportunity if it is his desire to retire.

Attached are fact sheets providing more detailed information on your retirement rights and benefits, and an Employee Resignation Form to be used by an eligible employee who wants to avail himself of this opportunity to retire. If you are interested in taking advantage of this opportunity or learning more about it, please contact your postmaster or immediate supervisor for any additional information you would like to have.

While I encourage you to take advantage of this opportunity to retire, particularly in time to get the 4.8% cost-of-living increase, I want it clearly understood that no employee will be coerced to submit a resignation in response to this request.



E. T. Klassen

Attachments:

- A - Retirement Information
- B - Employee Resignation Form



THE POSTMASTER GENERAL
Washington, DC 20260

June 5, 1972

RETIREMENT INFORMATION

The following information is supplied on the subject of discontinued service retirement benefits.

Please contact your postmaster or immediate supervisor if additional information is needed.

ELIGIBILITY REQUIREMENTS

1. Discontinued Service Retirement: Employees who act in response to this management request will be "involuntarily separated" from the service for retirement purposes and will be entitled to an immediate annuity if:

a. You have been employed under the retirement system for at least one year within the 2-year period immediately preceding the separation on which the annuity is based, and

b. You meet either of the following minimum requirements on the date of separation:

(1) Attainment of age 50 and completion of 20 years of creditable service, including five years of civilian service, or

(2) Regardless of age, have completed 25 years of creditable service, including five years of civilian service.

2. Annuity Computations

a. Basic annuity is computed using length of service (including credit for unused sick leave) and high-three average salary (highest three consecutive years of salary). The basic annuity formula is:

(1) 1 1/2 percent of high-three average salary times the first 5 years service;

(2) plus: 1 3/4 percent of high-three average salary times next five years service;

(3) plus: 2 percent of high-three average salary times all service over 10 years.

b. Retirement before age 55 on an involuntary separation results in a reduction in basic annuity of 2 percent for each year or 1/6 of 1 percent for each month the employee is under age 55.

c. You may determine your approximate monthly annuity by using the attached charts which include the 4.8% cost-of-living increase.

3. Insurance Benefits After Retirement

Provided certain conditions are met* -- if you retire on an immediate annuity with 12 years or more creditable service, or for disability, you may retain your Federal group life and health insurance as a retired employee.

a. Life Insurance - Your regular life insurance continues free. You pay premiums for optional insurance until age 65; at that time optional insurance continues without cost. The Civil Service Commission automatically deducts the appropriate premiums from your annuity check on a monthly basis.

b. Health Insurance - You continue to pay health insurance premiums as a retiree. The Civil Service Commission automatically deducts the appropriate premiums from your annuity check on a monthly basis.

4. Optional Retirement. An employee under the retirement system is eligible for optional retirement on an immediate annuity if:

a. He has been employed under the retirement system for at least one year within the 2-year period immediately preceding the separation on which the annuity is based, and

b. He meets one of the following minimum age and service conditions:

* See your postmaster or immediate supervisor for information concerning these conditions.

- (1) Age 62 and five years of civilian service, or
- (2) Age 55 and 30 years of creditable service, including five years of civilian service, or
- (3) Age 60 and 20 years of creditable service, including five years of civilian service.

5. Disability Retirement. An employee under the retirement system who is separated from the service by reason of disability is entitled to an immediate annuity if he has at least five years of civilian service. The Civil Service Commission reviews medical evidence to determine whether the employee is totally disabled for service in his position.

CIVIL SERVICE RETIREMENT SYSTEM MONTHLY ANNUITY RATES

KEY TO ANNUITY RATES IN TABLES

A---Monthly annuity to retired employee if survivor benefit is not elected.

B---Monthly annuity to retired employee with maximum benefit to surviving spouse.

Generally, the annuity to the surviving spouse is approximately 55% of rate A. It may be greater than 55% in certain cases where a guaranteed minimum survivor annuity is payable.

- Note:
1. Service for which retirement deductions were withheld and later refunded cannot be counted unless the refund is redeposited.
 2. Rates shown are subject to reduction if --
 - (a) retirement (except on account of total disability) is before age 55. Reduction for this reason is 1/6 of 1% for each full month the retiring employee is under age 55.
 - (b) service includes any civilian time after August 1, 1920, for which no retirement deductions were withheld or deposited. Monthly reduction in retired employee's annuity for this reason is 1/12 of 10% of the amount due as deposit (except in certain cases of guaranteed minimum disability annuity.)
 3. If retirement is on account of total disability, the rates shown are subject to increase if the employee qualifies for the guaranteed minimum disability annuity.
 4. "Years of Service" columns include credit for the period represented by the unused sick leave. Annuity based on actual service is limited to 80% of the high 3 average salary. This limit is reached with 41 years and 11 months of service (slightly less if high 3 average salary is less than \$5,000.) However, annuity in excess of the 80% which is produced by credit for unused sick leave is payable.

APPROXIMATE MONTHLY ANNUITY

Years of Service (Includes unused sick leave)	AVERAGE ANNUAL PAY (3 highest consecutive years)																						
	\$ 4,000	5,000	6,000	7,000	8,000	9,000	10,000	11,000	12,000	13,000	14,000	15,000	16,000	17,000	18,000	19,000	20,000	21,000	22,000	23,000	24,000	25,000	
5	A \$28	\$32	\$40	\$46	\$52	\$59	\$66	\$72	\$79	\$85	\$92	\$99	\$105	\$111	\$118	\$125	\$131	\$137	\$145	\$151	\$157	\$163	A
	B	27	31	39	45	51	58	64	70	76	83	89	95	103	109	115	122	128	134	140	147	153	B
6	A	35	41	48	57	65	72	81	89	97	105	113	122	129	137	146	153	161	170	178	186	194	A
	B	34	40	47	56	63	71	79	87	94	103	110	118	126	134	141	150	157	166	173	181	189	B
7	A	41	48	58	67	77	87	96	106	115	125	134	144	154	163	173	182	192	202	212	221	231	A
	B	40	47	57	66	74	84	93	103	112	122	131	140	150	159	169	178	188	197	206	216	225	B
8	A	47	56	67	78	89	101	111	123	134	145	156	167	178	190	200	212	223	234	245	255	267	A
	B	45	55	65	77	87	97	109	119	130	141	152	162	174	184	195	206	217	228	239	249	261	B
9	A	52	63	77	89	102	114	127	139	152	165	177	190	202	215	228	241	254	266	279	291	304	A
	B	51	62	74	86	99	111	124	136	148	160	173	186	198	210	222	235	247	259	271	284	297	B
10	A	59	71	85	100	113	128	141	156	171	184	199	213	227	241	256	269	284	298	312	326	341	A
	B	58	69	83	96	111	125	138	152	166	180	194	208	221	235	249	263	277	290	304	318	330	B
11	A	66	80	95	111	128	144	159	175	192	208	223	239	255	271	287	303	319	334	351	367	383	A
	B	64	78	93	109	125	139	155	171	187	202	218	233	248	264	280	296	310	325	340	353	368	B
12	A	73	88	106	124	141	159	177	195	213	230	247	265	283	301	319	336	354	371	389	407	424	A
	B	71	86	104	121	138	155	173	190	206	224	241	259	276	293	310	326	342	357	374	390	406	B
13	A	80	97	116	136	155	175	194	214	234	253	272	291	311	330	350	369	389	408	428	446	466	A
	B	78	94	113	133	152	171	190	209	227	246	265	284	303	321	339	356	373	391	409	425	443	B
14	A	87	106	127	148	170	191	212	233	255	276	297	318	339	361	381	402	423	444	466	487	508	A
	B	85	103	124	145	166	185	206	227	247	268	289	309	329	348	367	386	405	423	443	462	481	B
15	A	94	114	137	160	183	206	230	253	276	298	321	343	367	390	413	436	459	481	504	527	550	A
	B	91	112	134	156	179	201	223	246	268	290	312	334	354	374	395	416	436	457	478	498	519	B
16	A	101	124	148	173	197	222	246	271	297	321	346	370	395	419	444	468	494	518	543	567	592	A
	B	99	121	145	169	193	217	241	264	288	312	334	356	379	401	423	445	467	489	512	534	556	B
17	A	108	132	158	184	212	238	264	290	318	344	370	396	422	450	476	502	528	554	582	608	634	A
	B	105	129	154	180	206	232	258	283	309	332	356	380	405	428	452	476	499	523	547	570	594	B
18	A	115	140	169	197	225	254	282	310	339	366	394	422	451	479	507	536	564	591	619	648	676	A
	B	112	137	165	192	220	247	275	302	328	353	378	403	430	455	480	505	530	555	582	607	632	B
19	A	122	150	179	210	239	269	299	329	359	389	419	449	479	508	539	568	598	628	658	687	718	A
	B	118	146	175	204	234	264	294	324	354	384	414	444	474	503	533	562	592	621	651	681	711	B
20	A	129	158	190	221	254	288	316	348	380	412	443	475	506	539	570	602	633	664	697	728	760	A
	B	126	154	185	216	247	278	308	337	366	394	422	451	480	508	537	565	593	621	651	679	707	B
21	A	136	167	200	234	267	301	334	368	401	434	467	501	534	568	602	635	669	701	735	768	802	A
	B	132	162	195	228	261	293	324	354	385	414	444	475	505	534	565	595	625	655	685	715	745	B
22	A	143	176	211	246	281	316	351	387	422	457	493	527	563	597	633	668	703	738	773	808	844	A
	B	139	172	205	240	275	308	340	372	403	435	466	498	530	562	593	625	656	687	720	751	783	B
23	A	150	184	221	258	296	332	369	406	443	480	517	553	590	628	664	701	738	774	812	849	886	A
	B	146	180	216	252	288	323	355	389	422	455	488	522	555	588	621	655	687	721	755	787	821	B

Annuitants include 4.8% for those retiring on or before June 30, 1972
 A - Monthly annuity to retired employee if survivor benefit is not elected.
 B - Monthly annuity to retired employee with maximum benefit to surviving spouse.

APPROXIMATE MONTHLY ANNUITY

Years of Service (Includes unused sick leave)	AVERAGE ANNUAL PAY (3 highest consecutive years)												20,000	21,000	22,000	23,000	24,000	25,000						
	\$4,000	5,000	6,000	7,000	8,000	9,000	10,000	11,000	12,000	13,000	14,000	15,000							16,000	17,000	18,000	19,000		
24	A \$157	\$193	\$232	\$270	\$309	\$348	\$387	\$425	\$464	\$502	\$542	\$580	\$618	\$657	\$696	\$735	\$773	\$811	\$850	\$889	\$927	\$966	A	
	B	153	189	226	264	302	336	371	407	441	476	510	545	581	615	650	684	719	754	789	824	858	B	
25	A	163	202	242	283	323	364	404	444	485	525	566	606	647	686	727	767	808	848	889	929	969	1010	A
	B	159	197	236	276	314	351	387	423	460	496	532	569	606	641	678	715	750	787	824	859	896	933	B
26	A	171	211	253	294	337	379	421	463	506	548	590	632	674	717	759	801	843	885	927	969	1011	1053	A
	B	167	205	246	287	327	365	402	441	479	517	554	592	631	669	706	744	782	820	858	896	934	970	B
27	A	178	219	263	307	351	395	439	483	527	570	614	658	702	746	790	834	878	921	965	1009	1053	1097	A
	B	173	213	257	300	340	379	418	458	498	537	576	616	656	695	735	774	813	853	893	932	971	1011	B
28	A	184	228	274	320	365	411	456	502	548	593	639	684	730	776	822	867	913	958	1004	1049	1095	1141	A
	B	180	222	267	311	352	393	434	476	517	558	598	639	681	722	763	804	845	886	927	968	1009	1050	B
29	A	192	237	284	331	379	427	474	521	569	616	663	711	758	806	853	900	947	995	1043	1090	1137	1184	A
	B	187	231	277	322	365	408	450	493	536	577	620	663	706	748	791	834	876	919	962	1004	1047	1090	B
30	A	199	245	294	344	393	442	492	541	590	638	687	737	786	835	885	934	983	1031	1080	1130	1179	1228	A
	B	194	240	287	333	377	421	465	510	554	598	642	686	732	776	820	864	908	952	997	1041	1085	1129	B
31	A	205	255	305	356	407	458	508	560	611	661	713	763	814	865	916	966	1018	1068	1119	1170	1221	1272	A
	B	200	248	298	344	390	436	481	527	573	618	664	711	757	802	848	894	939	985	1031	1076	1122	1169	B
32	A	213	263	315	378	421	474	526	578	632	684	737	789	842	895	947	1000	1052	1105	1158	1210	1263	1315	A
	B	208	257	308	365	402	450	497	545	592	639	686	734	782	829	876	923	970	1018	1066	1113	1160	1207	B
33	A	220	271	326	380	435	489	544	598	653	706	761	815	870	924	979	1033	1088	1141	1196	1250	1305	1359	A
	B	214	265	318	366	415	464	512	562	611	659	708	758	807	855	904	954	1002	1051	1100	1149	1198	1247	B
34	A	226	281	336	393	449	505	561	617	674	729	786	842	898	954	1010	1066	1122	1178	1235	1290	1347	1403	A
	B	221	274	327	377	428	478	528	580	630	680	730	781	832	882	933	983	1033	1084	1135	1185	1236	1286	B
35	A	234	289	347	405	463	521	578	636	695	752	810	868	925	984	1042	1099	1157	1215	1273	1331	1389	1446	A
	B	227	282	336	388	440	493	544	596	649	700	752	805	857	909	961	1013	1065	1117	1170	1221	1273	1326	B
36	A	241	298	357	417	477	537	596	656	716	774	834	894	954	1013	1073	1133	1193	1251	1311	1371	1431	1490	A
	B	235	290	346	399	453	506	560	614	668	721	774	828	882	936	989	1043	1096	1150	1204	1258	1311	1364	B
37	A	247	307	368	430	490	552	613	675	737	798	859	920	982	1043	1105	1165	1227	1288	1350	1411	1472	1534	A
	B	241	299	355	410	465	521	575	631	686	741	796	852	908	962	1018	1073	1128	1183	1239	1293	1349	1404	B
38	A	255	315	378	441	505	568	631	694	758	821	883	946	1009	1073	1136	1199	1262	1325	1389	1451	1514	1577	A
	B	248	307	365	421	478	534	591	649	705	762	818	875	933	989	1046	1102	1159	1216	1273	1330	1387	1443	B
39	A	262	324	389	454	519	584	649	714	779	843	908	973	1038	1102	1167	1232	1297	1361	1426	1491	1556	1621	A
	B	255	315	374	432	490	549	607	665	724	782	840	899	958	1016	1074	1133	1191	1249	1308	1366	1424	1483	B
40	A	268	333	399	466	532	599	665	733	800	866	933	999	1066	1132	1199	1265	1332	1398	1465	1531	1598	1665	A
	B	262	323	384	443	503	563	623	683	743	803	863	923	983	1043	1103	1162	1222	1282	1342	1402	1462	1522	B
41	A	276	342	410	478	547	615	683	751	821	889	957	1025	1093	1162	1230	1298	1367	1435	1504	1572	1640	1708	A
	B	268	331	393	454	516	577	638	700	762	823	885	946	1008	1069	1131	1193	1253	1315	1377	1438	1500	1562	B
* 41 - 11 and over	A	280	349	419	489	559	629	699	768	838	909	978	1048	1118	1187	1258	1328	1397	1467	1537	1607	1677	1747	A
	B	272	339	401	464	527	590	653	716	779	842	904	967	1030	1093	1156	1219	1282	1345	1407	1470	1533	1596	B

Annuities include 4.8% for those retiring on or before June 30, 1972.
 * Annuity in excess of the 80 percent which is produced by credit for unused sick leave is payable.
 A - Monthly annuity to retired employee if survivor benefit is not elected.
 B - Monthly annuity to retired employee with maximum benefit to surviving spouse.

MULTIPLICATION FACTORS FOR REDUCING BASIC ANNUITY WHEN ELIGIBLE EMPLOYEE RETIRES AND IS LESS THAN 55 YEARS OF AGE

Age at separation and at least 1 day over—	0 month	1 month	2 months	3 months	4 months	5 months	6 months	7 months	8 months	9 months	10 months	11 months
40	.701667	.703333	.705000	.706667	.708333	.710000	.711667	.713333	.715000	.716667	.718333	.720000
41	.721667	.723333	.725000	.726667	.728333	.730000	.731667	.733333	.735000	.736667	.738333	.740000
42	.741667	.743333	.745000	.746667	.748333	.750000	.751667	.753333	.755000	.756667	.758333	.760000
43	.761667	.763333	.765000	.766667	.768333	.770000	.771667	.773333	.775000	.776667	.778333	.780000
44	.781667	.783333	.785000	.786667	.788333	.790000	.791667	.793333	.795000	.796667	.798333	.800000
45	.801667	.803333	.805000	.806667	.808333	.810000	.811667	.813333	.815000	.816667	.818333	.820000
46	.821667	.823333	.825000	.826667	.828333	.830000	.831667	.833333	.835000	.836667	.838333	.840000
47	.841667	.843333	.845000	.846667	.848333	.850000	.851667	.853333	.855000	.856667	.858333	.860000
48	.861667	.863333	.865000	.866667	.868333	.870000	.871667	.873333	.875000	.876667	.878333	.880000
49	.881667	.883333	.885000	.886667	.888333	.890000	.891667	.893333	.895000	.896667	.898333	.900000
50	.901667	.903333	.905000	.906667	.908333	.910000	.911667	.913333	.915000	.916667	.918333	.920000
51	.921667	.923333	.925000	.926667	.928333	.930000	.931667	.933333	.935000	.936667	.938333	.940000
52	.941667	.943333	.945000	.946667	.948333	.950000	.951667	.953333	.955000	.956667	.958333	.960000
53	.961667	.963333	.965000	.966667	.968333	.970000	.971667	.973333	.975000	.976667	.978333	.980000
54	.981667	.983333	.985000	.986667	.988333	.990000	.991667	.993333	.995000	.996667	.998333	1.000000

Attachment B



THE POSTMASTER GENERAL
Washington, DC 20260

EMPLOYEE RESIGNATION FORM

(Submit to Postmaster or Immediate Supervisor for Processing)

In response to the Postmaster General's request of June 5, 1972,
I hereby submit my resignation to be effective _____, 1972.
(print date)

I, _____, understand that I
(print name)
will be involuntarily separated under conditions which will entitle
me to a discontinued-service annuity. Because of my desire to
retire at this time, I have acceded to the Postmaster General's
request and am foregoing any retention rights I may have. I have
not been coerced to submit this resignation.

Signature _____ Date _____

FOR USE BY EMPLOYEES ELIGIBLE UNDER TERMS OF DIS-
CONTINUED-SERVICE RETIREMENT -- NOT FOR OPTIONAL
RETIREMENTS.



THE POSTMASTER GENERAL
Washington, DC 20260

June 5, 1972

MEMORANDUM TO ALL POSTAL MANAGERS

SUBJECT: Critical Vacancies and Retirement Policy

Please refer to my Memorandum to Postal Employees dated today regarding early retirement opportunity. Vacancies occurring due to retirements should be treated as any other vacancies and may be filled only in accordance with the guidelines and instructions for filling critical vacancies, as spelled out in the Postal Bulletin of April 27, 1972. Vacant positions which are not critical are to be reverted immediately by processing a Form 1644.

While we are very desirous of having as many of our eligible employees as possible take advantage of the early retirement opportunity outlined in my June 5, 1972 memorandum, I want it clearly understood that coercion is not to be exercised.

The decision to retire will be a very difficult one for all eligible employees, and this choice must remain their individual responsibility. These employees, including many of you, have dedicated many years to the Postal Service, and this decision must be treated with dignity.

E. T. Klassen

Mr. WALDIE. Mr. Andrew Ruddock. Are you going to be the representative of the Civil Service Commission on these sensitive questions?

STATEMENT OF ANDREW E. RUDDOCK, DIRECTOR, BUREAU OF RETIREMENT, INSURANCE, AND OCCUPATIONAL HEALTH, U.S. CIVIL SERVICE COMMISSION

Mr. RUDDOCK. Yes, sir.

Mr. WALDIE. I sometimes get the feeling we would like to have someone else come up here. Not because we don't appreciate you, because I do, and I know all the committee does, for the honesty of your statements. But it seems to me you probably would like some relief occasionally from appearing before this committee.

Mr. RUDDOCK. I doubt you have a prepared statement. You rarely do, and you don't need one, do you?

Mr. RUDDOCK. Yes, sir, I do. It is very short. May I read it?

Mr. WALDIE. Yes, you may. You heard our questioning of the gentlemen from the Postal Service. I hope your statement will address itself to those questions and we would like to hear some comments on that.

Mr. RUDDOCK. Mr. Chairman and members of the committee, I appreciate this opportunity to discuss with the committee the retirement implications arising from the decisions of the Postmaster General to reduce the size of the postal workforce, and to further this objective by requesting resignations from employees eligible for immediate annuity if involuntarily separated.

I should make it clear at the outset that a decision to reduce the number of employees in an agency is a management decision which rests with the head of that agency. It does not rest with the Civil Service Commission.

Having decided that a reduction in the number of employees is to be accomplished, an agency may resort to several methods, or a combination of methods to achieve the desired result. One effective although sometimes slow method is to place a freeze on hiring, and by not replacing employees who resign, retire, or die, simply wait until the force is reduced to the desired size. In many cases, an agency decides that the attrition process is too slow and it must resort to formal reduction-in-force procedures, under which, with due regard to their relative retention rights, employees are notified that they will be dismissed, downgraded, or transferred to other locations.

Several months ago the Postmaster General decided that the Postal Service must reduce its workforce, and announced a freeze on hiring. To accelerate the attrition process, the Postmaster General has now requested the resignations of employees who will, if they resign in response to his request, qualify for immediate annuity. Their entitlement to retirement will be based on the "involuntary separation" provision of the retirement law (5 U.S.C. 8336(d)).

It is well settled by decision and precedent that a separation that results from a resignation submitted at the request of an agency official is involuntary for retirement purposes. The involuntary separation provision of the retirement law has always been construed very liberally in favor of employees. As long ago as August 7, 1934, the

Veterans' Administration, which was then responsible for administering the Retirement System, ruled that:

Where it is clearly shown that the employee was requested to resign by the head of the employing establishment, that resignation as a result of the demand or request may be accepted as an involuntary separation from the service; and if there is no charge of delinquency or misconduct, the basis for annuitable status under the involuntary separation provision of the retirement law exists.

The fundamental premise has remained the same through all these years.

Mr. WALDIE. May I interrupt you, Mr. Ruddock.

Mr. RUDDOCK. Yes, sir.

Mr. WALDIE. We have that quote from the Veterans' Administration and the part you have quoted is accurate, but you left out the preceding paragraph. Let me read that preceding paragraph:

Whether a separation by resignation is voluntary, that is, through a choice of the employee acting on his own accord and free will, or involuntary, that is, influenced by another, is a question of fact to be determined in each individual case.

And I only include that language because it would appear that the 1934 opinion upon which you approved this action dealt with an individual employee's case and the extension of that opinion was in consideration of an individual's contention that his employment was voluntary or involuntary.

I gather your interpretation of that is that an agencywide request therefore complies with the employee's decision being involuntary.

Mr. RUDDOCK. Yes, sir.

I would agree with you completely. The 1934 decision by the Veterans' Administration was a decision in an individual case. The determination by the agency then having that responsibility that a resignation which results from an agency request is involuntary, that rule has been consistently applied. That has been in effect for 38 years. To my own personal knowledge, which goes to 1939 in this area, there has not been an individual case decided otherwise.

Mr. WALDIE. But neither has there been agencywide application of that rule prior to the Postal Service's action involving the regional offices, as I understand it.

Mr. RUDDOCK. We have had the agencywide request for resignations in other instances. I guess that would have occurred first in 1969, in modern times.

Mr. WALDIE. That is the Postal Service?

Mr. RUDDOCK. No. This procedure is available to all agencies.

If I may back up just a little bit, I said 1969 would have been the first in modern times. It is my understanding that back in the 1930's when Congress passed the so-called Economy Act which permitted a special early retirement for Federal employees who were involuntarily separated, that the common practice among agencies at that time was to circulate among employees who had the age and service requirements a sheet where they could sign if they wished to be involuntarily separated. So the very liberal interpretation of this provision in favor of employees goes way back.

That would have been before the 1934 decision for the resignation requested.

In 1969 there were sizable reductions in force going on and contemplated throughout a number of agencies in the Federal service. At that time the Civil Service Commission put out FPM Supplement 831-23, which recognized that a separation resulting from a requested resignation is involuntary and said to the agencies, "you may use this technique as a management tool when you are in a reduction in force situation. You may ask for resignations and resignations that are submitted in response to such request will be involuntary for retirement purposes.

Mr. WALDIE. But was it a condition of the directive that that you be in a reduction in force situation before it had application?

Mr. RUDDOCK. That you be in a reduction in force, but not necessarily in the sense of applying the formal reduction in force procedures.

I think there is a tendency here to say "reduction in force" as if it were in quotes and meaning some special technique that is available under a whole list of Civil Service Commission regulations. I think reduction in force in its normal sense is what is going on currently in the postal service where management has made a decision that it will reduce the work force.

To me that is a reduction in force.

Mr. WALDIE. I understand, but there are certain benefits that flow from a formal reduction in force that are not present in a reduction in force by mere attrition. Mere attrition does not provide you early retirement, so you have to have a formal reduction in force under our laws and regulation before you are entitled to the benefits that accrue to a man or woman employee involved in a formal reduction in force.

If the reduction in force is by attrition, they get no benefits.

Mr. RUDDOCK. Well, purely attrition in the sense of a freeze on hiring and not filling vacancies. In order for employees to be eligible for early retirement, discontinued service retirement, an action must be initiated by management.

Now, that does not in my opinion need to be the institution of formal reduction-in-force procedures where you give employees a notice saving, "This is going to happen to you."

Mr. WALDIE. So that it is your opinion—I will go into that further—that certain benefits employees can receive by "an informal reduction in force"—I don't see the term in the statute—but informal reduction in force is what the Post Office says they are now engaging in, and certain benefits accrue to the employees.

Do they also get the retention rights that would be available to them under a formal reduction in force?

Mr. RUDDOCK. They may not be deprived of those retention rights. The employee may forego his retention rights. If he decides to do that, then he submits his resignation in response to the request.

If he wants to exercise his retention rights, he may do that merely by remaining silent.

Mr. WALDIE. Can he get his early retirement if he doesn't sign a waiver saying he foregoes his retention rights? He can't, can he?

Mr. RUDDOCK. Well—

Mr. WALDIE. In other words, you tell him, "You give up your retention rights if you want early retirement."

Mr. RUDDOCK. His eligibility for immediate annuity does not stem from his signing the statement. The purpose of his signing the statement that he has not been coerced is merely carrying out the Commission's desire that agencies not use coercion.

Mr. WALDIE. All right, but does he have to sign a statement that includes giving up his retention rights?

Mr. RUDDOCK. In submitting his resignation in response to the request, yes, he is foregoing his retention rights.

Mr. WALDIE. Is he required to?

Suppose the employee says, "I am not going to give up my retention rights, but here is my resignation."

Mr. RUDDOCK. Well, I don't know what he is retaining.

Mr. WALDIE. Suppose he doesn't either, but he wants to keep his retention rights. If he crossed out on this form, "I have acceded to the Postmaster General and am foregoing any retention rights I may have." He may not know what he has, but apparently the Postmaster General suspects that he has some.

Would you, the Civil Service Commission, say that foregoing retention rights has nothing to do with his ability to have an early retirement?

Mr. RUDDOCK. I think if he were to say to the Civil Service Commission, "I insist on exercising my retention rights," I think we would say to him, "Well, that is inconsistent with your submitting your resignation."

Merely by not responding to the request of the Postmaster General—

Mr. WALDIE. But why does the Postmaster General then require that he give up his retention rights?

Mr. RUDDOCK. That, in my judgment, is strictly a safeguard against coercion.

Mr. WALDIE. Well, that seems to me to be coercion. He has to give his retention rights.

Mr. RUDDOCK. Well, his retention rights, as I understand the national agreement, is that he may not be laid off involuntarily.

Mr. WALDIE. Well, did you approve this employee resignation form?

Mr. RUDDOCK. We saw that resignation form, and it seemed to us to be consistent with the desire to protect the employee from coercion.

Mr. WALDIE. Now, let me ask this question. If the employee struck out that provision where he says, "I am foregoing my retention rights," would he be permitted to draw his early retirement? Would that be considered an uncoerced resignation?

Mr. RUDDOCK. If I had that situation in front of me, Mr. Chairman, I believe I would want to communicate with that individual, and I would want to ask, "Have you been coerced? Are you voluntarily giving up your right to remain in the service so that you may have this early retirement?"

Mr. WALDIE. Can I continue this just one moment further?

Mr. Gayle, would you come up here, because I think we have questions to ask of you at the same time.

Mr. RUDDOCK. Mr. Chairman, I am having difficulty understanding why an employee would say, "I want to retire, but I insist on retaining my retention rights."

Mr. WALDIE. I am, too, but I am also wondering why the Postmaster General insists that he give up his retention rights.

Mr. GAYLE. Well, as I understand the regulations of the Civil Service Commission, one of the things that the employee is saying is that, "I wish to leave the service."

Mr. WALDIE. Well, then, why does he have to say, "I give up my retention rights"?

Mr. GAYLE. Well, if he is not forgoing his retention rights, he stays.

Mr. WALDIE. Well, then, why not leave it out?

Mr. GAYLE. That says that I have to give up my retention rights through my own voluntary act to take early retirement.

Mr. WALDIE. But why does he say he has to give up his retention rights?

You are saying if you want early retirement, you have got to give up your retention rights. Isn't that what this says?

Mr. GAYLE. Well, that is like which comes first, the chicken or the egg. In effect, when you retire, you are leaving the service.

Mr. WALDIE. Well, then, why do you require him to sign a statement giving up his retention rights?

Let me ask you this to assist in that answer. If you were in a formal reduction in force, he would have retention rights, would he not?

He would still be entitled to early retirement, but he would have retention rights on which he can base his decision, would he not?

Mr. GAYLE. Not unless the agency had declared it to be available to the people.

Mr. WALDIE. I guess what I am really trying to say is I don't understand why the Postmaster General conditioned this philosophy of resignation on his giving up his retention rights.

May I ask you this: If you took this form and crossed out "forgoing any retention rights," and initialed it, would you accept his resignation?

Mr. GAYLE. I think I'd have to ask why is he crossing it out, No. 1. Is he being coerced into this decision? If he doesn't want to leave the service, then he must want to stay for some reason to retain his retention rights.

Mr. WALDIE. Suppose he crossed it out because he doesn't know what his retention rights are?

Suppose he says, "I don't know what my retention rights are. I would have known under a formal reduction in force, but you have to provide me with a list." Suppose he says, "Therefore, I am giving up something that I don't even know exists, and I am not willing to do that"?

Mr. GAYLE. If it proceeds to a formal reduction in force, then that would be given to him in great detail.

Mr. WALDIE. In an informal reduction in force it is not given to him in great detail?

Mr. GAYLE. At this point in time there is an option for him to choose early retirement versus staying and waiting if there is a reduction in force at some point in the future.

Mr. WALDIE. But he is not given the option of determining what his retention rights are in making the decision?

Mr. GAYLE. Not at this particular point in time.

Mr. WALDIE. And that is why he has to forgo them; is that right?

Mr. GAYLE. Without any coercion.

Mr. WALDIE. If there is no coercion, why do you include the language "forgo retention rights"?

Why don't you leave that out so the man makes the decision, "I am going to retire," or "I am not"?

Where would you be damaged if you left out the condition that he forgo his retention rights?

Mr. GAYLE. Well, as I understand it, one purpose of the regulation is to prevent him from coming back at some point in time and saying in effect, "I have changed my mind and where is my job?"

Mr. WALDIE. All right.

So this is put in there not to benefit the employee, but to protect you from the possibility that he might say, "I want my retention rights."

Mr. GAYLE. At some point in the future, whether he maintains them legally is another question.

Mr. WALDIE. And this also has nothing to do with the requirement that says the employee must be fully informed of his retention rights.

It isn't to avoid that requirement that you have had him waive his retention rights?

Mr. GAYLE. Not to my understanding it is not.

Mr. WALDIE. Do you understand why it is in there?

Mr. RUDDOCK. It was in there strictly to try to be sure that there would be no coercion, and I think after communicating with an individual who had crossed it out, if we find that in fact he is aware of the no-layoff provision, if he is aware of what the no-layoff provision means, and he still wants to submit his resignation in response to this request, I would see no reason for not accepting it.

Mr. GAYLE. The same thing would be true of any employees not covered by the so-called layoff provision.

Mr. HILLIS. Mr. Ruddock, I just have a couple of questions.

For the record, now, you base quite a bit of the authority to do this—at least early precedent was the 1934 case in a ruling by the Veterans' Administration. For the record now, would you state what were the circumstances of that case, if you know?

Mr. RUDDOCK. That particular case was one involving an Internal Revenue case. It is my understanding that the official head of the installation was of the opinion that the service of this particular individual was inefficient and asked for the resignation, and the employee submitted the resignation in response to that request.

Now, in the ordinary meaning, ordinary understanding of the word "resignation," that implies a voluntary act on the part of the employee.

The Veterans' Administration in the 1934 case went behind the record, found that the action had been initiated by management, found that the employee's resignation had been submitted in response to that request, found that there was no charge of misconduct or delinquency, and held that the separation was involuntary for retirement purposes.

If the employee in that case had not submitted a resignation in response to the request, management could have initiated formal action for removal of the employee. The employee under the statutes at that time would have had the right to be informed of the reasons and the right to respond and the right to be heard and so on.

The employee in that case voluntarily relinquished if you will, or decided not to exercise, certain rights.

Mr. HILLIS. Did that involve one employee who might have had charges of some nature employed against him if he had not?

Mr. RUDDOCK. It could have.

Mr. HILLIS. Well, on June 8, 1971, you sent up to Congress an official request. This is the Civil Service Commission form, request for legislation, this was the transmittal letter:

During a major reduction-in-force in a department or agency Civil Service would permit the optional retirement after at least 25 years' service or after becoming 50 years of age with at least 20 years of service.

Could you explain briefly to the committee the distinction of this proposal and current early retirement program which has been approved here for the benefit of the postal service?

Mr. RUDDOCK. Yes. In the language which the Commission proposed if the Commission decides that a major reduction in force is underway, employees in areas affected by that could voluntarily retire if they have 25 years' service at any age or if they have a combination of 20 years of service and age 50. The difference I think is that under the proposed legislation the separation could be initiated by the employee without any action by management.

In the resignation-requested procedure, this is not something which can be initiated by the employee. It must be initiated by management as the exercise of a management tool, and the employee then is responding to an action initiated by management.

In some of the agencies since 1969 the request for resignations given by the agency official has not been general and across-the-board, but has been directed toward certain individuals or toward certain occupations, or it has been general but excluding people, for example, in scarce occupations.

Mr. WALDIE. Mr. Ruddock, may I interrupt you?

We are under the second bells for a quorum call. We will have to go down and answer the rollcall. We will return and we will continue until 12:30 and recess until 1:30 and start up again. But we will be right back and continue with your testimony.

(At 11:30 a brief recess was taken.)

Mr. WALDIE. The subcommittee will come to order, please.

While we are waiting for Mr. Hillis, who will resume his questioning of you, I would like to get one more thing straightened out in my mind, and that goes back to the waiver that the employees are required to sign concerning retention rights.

For my information and for the committee record, will you describe precisely what those retention rights are that the employee waives when he signs that form?

Mr. RUDDOCK. I am not sure that I can describe the retention rights in all of the details. I can describe the principal retention right, which is the one that stems from the no layoff provision in the national agreement, which is a right not to be involuntarily laid off during the term of that agreement, and that would be applicable to those to whom the agreement applies.

Mr. WALDIE. So it is your understanding that that is in there to protect them against any violation of the nationwide agreement. They waive their rights under the nationwide agreement is your understanding of one of the rights they waive when they waive their retention rights?

Mr. RUDDOCK. They are certainly waiving the right to be retained in the service.

Mr. WALDIE. Well, if they resign, obviously they have waived that right, have they not?

Mr. RUDDOCK. Yes, sir.

Mr. WALDIE. So that doesn't have to be spelled out. When they sign the request for resignation, they waive any right of retention in the service.

Mr. RUDDOCK. The purpose of the waiver is to be sure the employee was not being coerced.

Mr. WALDIE. It's your understanding the only rights they waive when they waive their retention rights are rights that accrued to them under the nationwide agreement as employees?

Mr. RUDDOCK. Well, I think in submitting his resignation in response to the request from the Postmaster General, an employee is also deciding that he will not exercise whatever other rights he may have.

For example, if he is a veteran, then he has certain rights that stem from that. I am not the expert in that field, but, for example, he would have to be notified—I believe it is 30 days' notice that you have to be given about any action that is going to affect you adversely, and rights of that kind.

Mr. WALDIE. Those are the rights he waives?

Mr. RUDDOCK. They would be included in the rights he waives when he resigns.

Mr. WALDIE. Where could we get a list of the retention rights that are being waived by the signing of that waiver?

Are retention rights—is that not a word of art that deals only with a RIF situation? Retention rights is a statutory phrase that deals with the rights a man has or a woman has when he or she is involved in a RIF. I don't know of any other kind of retention rights as a phrase. Am I correct in that?

Mr. RUDDOCK. I don't know. I can't answer that question.

Mr. WALDIE. Well, maybe Mr. Gayle can.

Mr. Gayle, would you come up again?

Would you describe for the committee's record, Mr. Gayle, precisely what rights are waived when a man waives his retention rights because, you see, so it's clear in my mind what an employee has waived, I want it spelled out on this committee's record, and I assume any other rights, other than what the committee describes, have not been waived.

What are the retention rights that the employee waives?

Mr. GAYLE. Well, to give you a detailed list I would have to supply them for the record.

Mr. WALDIE. Would you do that?

Mr. GAYLE. Yes, sir.

(The information follows:)

RETENTION RIGHTS OF POSTAL EMPLOYEES

The need to control costs in the Postal Service in order to avoid a further rate increase has required efforts to reduce the postal work force. Under the current National Agreement, however, it is not possible to resort to formal reduction-in-force procedures for bargaining-unit employees.

Since the bargaining unit contains most postal employees, the Postal Service decided to attempt to secure the required general work force reduction through attrition and retirements.

Accordingly, the relevant retention rights of postal employees at this point in time are not those that prevail under the formal reduction-in-force procedures. Instead, the relevant retention rights are the rights of employees to continue their employment with the Postal Service.

Employees have been informed of their right to retain employment through the Postmaster General's Memorandum of June 5, 1972. They were also invited to seek additional information about the early retirement opportunity from their postmasters and immediate supervisors.

Mr. WALDIE. What is your present understanding of the kind of retention rights?

Mr. GAYLE. In general, he is saying that, "I wish to retire and leave my job and pick up my retirement that I am eligible for, and that to take that action I am giving up any rights that I had to that job," and so forth and so on.

To give you a detailed list of retention rights under a formal reduction in force, I will have to supply that for the record.

Mr. WALDIE. But are those the rights he is waiving?

Mr. GAYLE. If he stayed—

Mr. WALDIE. No. At the time he signs the statement, he is apparently waiving rights that are in existence at that time. Not in the future. Those rights have been described as retention rights, and I want to know the description of those rights that he is waiving that are in existence at the time he signs the waiver?

Mr. GAYLE. In general he is waiving his rights to the job. There are detailed lists, as pointed out, the 30-day notice requirement, and so forth.

Mr. WALDIE. Is he provided with a copy of the rights that he is waiving when he signs that waiver?

Mr. GAYLE. No, sir, he is not.

Mr. WALDIE. All right.

Would you provide that for me by tomorrow morning?

Mr. GAYLE. Yes, sir.

Mr. WALDIE. It is not difficult, is it?

Mr. GAYLE. Just sitting down and going through the various regulations and picking them up.

Mr. WALDIE. Fine. And that is the meaning of the phrase "retention rights" that he waives, whatever that list is that you provide me?

Mr. GAYLE. That is my understanding, yes, sir.

Mr. WALDIE. Counsel, would you please come forward again?

Is that a fair understanding of the situation?

Mr. CRAIG. I would like to ask you, if you would, to repeat your question.

Mr. WALDIE. Counsel, I have asked Mr. Gayle to provide me with a description of the retention rights in existence at the time the man or woman signs the waiver of those rights. What, in fact, is he or she waiving as a matter of retention rights?

Can you respond to this now?

Mr. CRAIG. I can respond that there are a collection of rights which would be known at any particular instant in time and we will supply those for the record.

Mr. WALDIE. Right. The particular instant in time with which I am concerned is not in the future when we get into a formal reduction in force, because he cannot waive rights that are not his at the time he waives them. I think you would agree with that, would you not? He can't prospectively waive rights that might accrue to him—

Mr. CRAIG. If he leaves the postal service before a formal reduction in force takes place, he obviously is not going to be around—

Mr. WALDIE. Precisely.

Mr. CRAIG (continuing). When it takes place, but the effect of his action is that he is no longer there to assert those rights. Whether that can be deemed a waiver, I don't know.

Mr. WALDIE. I assume you are quite correct, he is not there to assert those rights and those rights were not his at the moment he signed the waiver because you were not in a formal reduction in force, is that correct?

Mr. CRAIG. That is correct.

Mr. WALDIE. There is no question in your mind that the rights available to an employee are not available to him at this moment in time?

Mr. CRAIG. They are only available in an inchoate sense. If he gets into a formal reduction-in-force and if he remains there, he will have certain rights, but they are not available at the present time because he is not in that situation.

Mr. WALDIE. Right, but there are apparently rights that are available to him at this present time which he is waiving by signing this agreement.

Mr. CRAIG. That is correct.

Mr. WALDIE. All right. That is what I would like to have a list of.

Mr. CRAIG. All right.

Mr. WALDIE. I guess we could, if you would like, Mr. Ruddock, proceed with your statement while we are waiting for Mr. Hillis.

Mr. RUDDOCK. All right. I had just completed reading the 1934 decision of the Veterans' Administration.

This fundamental premise has remained the same through all these years. Though the procedure of requesting resignations was not widely used until 1969, the rule that such separations are involuntary has been applied consistently to separations resulting from requested resignations. I think it reasonable to assume that Congress has been aware of this longstanding interpretation of the law, and would have amended the law if it had disapproved.

The one other item I want to address is the cost to the retirement fund of the retirements that will result from the Postal Service's request for resignations. This is somewhat complex, but I will explain it as simply as I can.

The normal cost of the retirement system is estimated, in part, by using assumptions as to the rates at which employees will retire under the different provisions of the law. The assumptions used in the valuations, such as the one recently completed by the Board of Actuaries, are based on past experience.

For the period 1966 through 1971, retirements under the involuntary provision ranged from a low of 2,274 in fiscal year 1969 to a high of 14,000 in fiscal year 1971, with an average of 5,214 a year. Our cost estimates assume that involuntary retirements will continue at about the same rates as experienced since 1966. These cost estimates are not increased by involuntary retirements, such as those that will result from the present action of the Postmaster General, unless the rate of involuntary retirements from all agencies, over a period of years, exceeds the numbers assumed in the valuation.

Retirement normal cost will be increased if present and future experience requires an increase in the rate assumed during future

valuations. For example, if the next valuation were to assume involuntary retirements at a rate of 10,000 a year, double the presently assumed rate, normal cost would be increased by about 0.15 percent of payroll. On the other hand, if the average annual rate during the next few years exceeds 5,000, but only because of 1 year that deviates from normal experience, the rate assumed for the next valuation will not be changed and normal cost will not be affected.

The unfunded liability will be increased if involuntary retirements exceed the assumed rate between valuations. The Postal Service has estimated that 133,000 postal employees may be eligible for involuntary retirement. We have no basis on which to estimate the number who will resign at the request of the Postmaster General. However, for each 1,000 who retire from all agencies in excess of the rates assumed for valuation purposes, the unfunded liability is increased by \$9.6 million.

Mr. WALDIE. Well, if I may interrupt, at this moment in time, if I understood the statistics that were given by Mr. Gayle, 5,000 I believe have retired under this provision.

Mr. GAYLE. Yes, sir; under this provision this year.

Mr. WALDIE. Yes; at this moment, so the unfunded liability at this moment has been increased by \$48 million.

Mr. RUDDOCK. Yes, sir; although it is difficult to say that with certainty until we know what the experience from all agencies is going to be.

Mr. WALDIE. Right from this agency.

Mr. RUDDOCK. If there were none from any other agency, then this would be within what we had assumed and what is being financed by the current normal cost contributions of the system, so that it would not be in that sense an additional cost over and above what had been estimated, what had been assumed to occur.

Mr. WALDIE. In other words, your assumptions took into account the fact that the service may engage in this sort of process?

Mr. RUDDOCK. Yes, sir; the assumptions took into account that this process was available to all agencies.

Now, we could, for example, have years such as fiscal year 1971 where we had 14,000 retirements, that greatly exceeded the average for the past 5 years. Hopefully that year was an aberration rather than an indication that it is going to be 14,000 a year from now on. If it were to be 14,000 a year from now on, the next valuation would have to change the assumption and that would increase the normal cost.

Mr. WALDIE. When does the next valuation occur?

Mr. RUDDOCK. By law it must be no later than June 30, 1975. The law requires one at least every 5 years.

Mr. WALDIE. In your view, what is occurring in the Postal Service is entirely within all the assumptions that were made with the retirement fund?

Mr. RUDDOCK. It may be, but we will have to see how many there are and also how that stacks up with what is occurring in other agencies.

Mr. WALDIE. What did your assumptions assume would be the case? You will know what the case is when the process is concluded, but your assumptions must assume something.

Mr. RUDDOCK. Approximately 5,000 a year from all agencies.

Mr. WALDIE. Whereas, as of this moment in time the process is nowhere near completed and we have 5,000 from the Postal Service alone, which would seem to indicate your assumptions were incorrect.

Mr. RUDDOCK. Sir, we don't try to assume that there will be 5,000 in each and every year. Taking a figure out of the air, there could be 10,000 this year, and next year for all agencies, there would be only 2,000, so between valuations it is still possible to average 5,000.

Mr. WALDIE. So when will we know whether your assumptions are correct?

Mr. RUDDOCK. We will know certainly when we make the valuation as of June 30, 1975.

Mr. WALDIE. I see, but we won't know until then?

Mr. RUDDOCK. That is right.

Mr. WALDIE. So we will make no determinations as to the condition of the fund until that situation is concluded in 1975.

Mr. RUDDOCK. There will not be this kind of a precise fix on the unfunded liability until that point. Between valuations, we increase the estimates of unfunded liability on the basis of what we know.

Mr. WALDIE. Let me put it this way: What concerns you as to the action, the accuracy of your assumptions if at the end of the years there are, say, 10,000 and the Postal Service anticipates—Mr. Gayle, what is the figure again that you anticipate will avail themselves of this early retirement provision?

Mr. GAYLE. It was impossible for me to say. I could only say what it was as of yesterday.

Mr. WALDIE. But you have no estimate of what it would be in the future?

Mr. GAYLE. No, sir. Everybody's crystal ball is different. I might point out in prior years the Postal Service has had almost zero. I think last year less than 600, and prior to that time almost zero.

Mr. WALDIE. I should put it this way, Mr. Gayle. In opting for this method of attrition, accelerated attrition, what objective were you seeking? How many did you hope would take advantage of this?

Mr. GAYLE. I don't think the Postmaster General has set a total objective on his work force reduction. I do know that he has set a very definite objective of avoiding the rate increase which is projected for \$450 million. How much of that has to come from all savings, including employee savings, I don't think he has arrived at a set figure and certainly I would suspect he has not arrived at a set figure as far as this particular method is concerned, a combination of things.

Mr. WALDIE. Well, that is the answer to my question. There is no assumption as to how many will take advantage of this accelerated retirement.

Mr. GAYLE. No, sir; there is not.

Mr. WALDIE. And there is no assumption on the other side of the coin as to how many we could stand without jeopardizing the retirement fund, I suspect.

Mr. RUDDOCK. No, sir. Only a recognition that if the rate is going to average and continue into the future to be more than 5,000 a year, then in the next valuation we will have to take this into account in assessing normal cost and also take it into account in determining the unfunded liability of the system at that particular time.

Mr. WALDIE. How long between valuations? 1975 will be the next one. When was the last one?

Mr. RUDDOCK. As of June 30, 1970. The law says that there must be one at least every 5 years.

Mr. WALDIE. In 1971 how many were accelerated retirements?

Mr. RUDDOCK. I do not have that number.

Mr. WALDIE. Was it over 5,000 that was the benchmark?

Mr. RUDDOCK. I don't know.

Mr. WALDIE. How much was it in 1972?

Mr. RUDDOCK. Excuse me, sir. Fiscal 1971 was 14,000.

Mr. WALDIE. I see. Was the assumption that you could bear 5,000 during each of those years to 1975?

Mr. RUDDOCK. The assumption would permit a little over 5,000 a year as an average.

Mr. WALDIE. And in the first year of that assumption period you have 14,000?

Mr. RUDDOCK. Yes, sir.

Mr. WALDIE. What did you have in the second year?

Mr. RUDDOCK. We don't have that yet.

Mr. WALDIE. Is that what we are working on now?

Mr. RUDDOCK. We will close that fiscal year as of June 30, 1972, and then, of course, we will have to process applications that are filed for retirement up to and including June 30, to include them in 1972 statistics.

Mr. WALDIE. Does it appear that the 1972 statistics are going to be in excess of 5,000?

Mr. RUDDOCK. Mr. Waldie, I have not any idea because I don't get a runoff from those statistics until after the fiscal year is closed. It will probably be September or October before I am in a position to have a fix on that.

Mr. WALDIE. But at this moment in time you have used up 3 years of the assumption. We had almost 15,000 in the first year where it was assumed you could bear 5,000 a year, so we don't have any tolerance. In fact, we have got to have less than 5,000 for the remaining years to break even.

Mr. RUDDOCK. To finance it within normal cost, yes, sir.

Mr. WALDIE. If we have 5,000 or more in the remaining years, we are in trouble, aren't we?

Mr. RUDDOCK. One oversimplified approach to this would be to think of the cost in terms of a cost for each thousand people who are retiring as if they were excess and then correct after the fact they turned out to be within the assumptions.

Mr. WALDIE. If our assumptions are wrong and the unfunded liability becomes jeopardized, then it requires an increase in retirement contribution from the Federal Government and the employees to redress that problem.

Mr. RUDDOCK. Only if the assumption is changed for the future on the assumption that a higher rate is going to continue into the future. You would not change normal cost because of what had occurred in a single year.

Mr. WALDIE. No, but at the end of the 5-year period.

Mr. RUDDOCK. But if you change the assumption in the next valuation, then, as I have indicated, if you have doubled the assumed

rate, you would increase normal cost by fifteen-hundredths percent of normal payroll, and at the present time the law requires equal contributions from the employees and from agencies.

Mr. WALDIE. The reasons I am asking those questions are simply these. If we find by this policy—which does seem to me to be unique, although I understand you believe Congress has approved it because they haven't acted contrary to it when similar policies have been utilized by agencies in the past, but if this policy in fact jeopardizes the retirement fund, the burden of this policy falls on all remaining employees.

Mr. RUDDOCK. Yes, sir, just as an increase in the rate of retirement under any one of the provisions or enactment of a new liberalized provision would increase the normal cost of the system. Under the normal cost method of financing, you try to lay aside, invested and earning interest, money you are going to need to pay the benefits as they accrue.

Mr. WALDIE. Every department in the Federal Government could provide for their retiring employees this same early retirement provision if the department head would simply make the pronouncement that he is urging people who are eligible to retire. Would that be sufficient to entitle them to early retirement?

Mr. RUDDOCK. No, sir.

Mr. WALDIE. What additional conditions must occur before employees in other departments are entitled to early retirement?

Mr. RUDDOCK. Under the letter 831-23 put out by the Civil Service Commission in 1969, it would be necessary for the agency first to determine that it is going to reduce the force. Now, I have purposely avoided using the quote "reduction in force."

Mr. WALDIE. I noticed that.

Mr. RUDDOCK. Next, it would be necessary for management to ask for resignations of employees who have 25 years of service or who have reached age 50 and have 20 years of service. That would put the employee in a position to retire if he chose to submit his resignation in response to that request.

Mr. WALDIE. When the President placed a freeze on employment by all departments and agencies of the Federal Government, is that not compliance with the first condition, a reduction in force, a reduced force, to use your terms, has been ordered?

Mr. RUDDOCK. Yes, sir, if the ceiling set for that particular agency is less than current level of employment.

Mr. WALDIE. No, it is not less than. He is just setting a freeze. He says nobody shall hire for the next 6 months. We want attrition to set in. A freeze on the level of employment at that time, is that sufficient to comply with the determination that the employee work force will be reduced? Or must he put a freeze on it and then set a limit to which it must be reduced?

Mr. RUDDOCK. I want to be sure I am fully responsive to the question. A freeze on hiring is always announced or put into effect—Let me say it another way. A decision to put a freeze on hiring is always for a purpose, and if that purpose is to reduce the number of employees in the agency, I would say yes, a reduction in force situation prevails.

Mr. WALDIE. And they would then be able to avail themselves of this procedure that the postal service has availed themselves of?

Mr. RUDDOCK. The agency head then could decide that he would ask for resignations in order to speed that process.

Mr. WALDIE. Mr. Hillis, you were in the middle of a line of questioning.

Thank you, Mr. Ruddock.

Mr. HILLIS. Mr. Ruddock, I have just a couple more questions.

Do you recall the question you were talking about when we had to leave, concerning the proposed legislation that was submitted permitting the department the optional—or let me rephrase it—During a major reduction in force in the department or agency would permit the optional retirement on a reduced annuity of Federal employees with at least 25 years' service or after 50 years of age with at least 20 years' service?

Now, that is what is proposed here, is it not?

Mr. RUDDOCK. There is a difference, Mr. Hillis. Under what the Commission proposed, the Civil Service Commission would have to make the determination that an agency is in a major reduction in force. Then the initiative would be with the employees. No action by the management of that agency would be required at that point.

It would be optional with employees, and they could exercise that option just as any other option in the retirement law. In the present situation, it is the agency, not the Civil Service Commission, that decides that a reduction in force is in process. It is the agency which takes the initiative by asking for resignations, and the employees then respond to that.

Now, both of these have the same general objective, which is one of helping to achieve the goal of a reduction in force in a way that is, if you will, as painless as possible. Painless in the sense of achieving the separations and the reduction by employees who are eligible for immediate annuity and who are willing to retire, doing that rather than by adversely affecting other people.

Mr. HILLIS. I take it that the Commission is satisfied that the Postal Service is employed in a bonafide reduction in force in this instance?

Mr. RUDDOCK. Yes, sir.

Mr. HILLIS. Did you have to approve this program?

Mr. RUDDOCK. No, sir. Our function was one of expressing our opinion that the management decision to ask for resignations, a decision made by the Postmaster General, was fully within existing instructions of the Civil Service Commission and that the method which he was using to impart that to employees, including the safeguards against coercion, were fully within the instructions issued by the Civil Service Commission.

But let me reemphasize he did not need permission from the Civil Service Commission to do anything.

Mr. HILLIS. In other words, they initiated the action, and then you checked into it to see whether it met the existing criteria?

Mr. RUDDOCK. It was our opinion that it was consistent with existing instructions.

Mr. HILLIS. And you would make a similar ruling if a similar program were initiated by other agencies such as Department of Transportation or Commerce?

Mr. WALDIE. May I interrupt you so the record will be complete? When you make the review of what the agency is proposing to do to determine whether it is in accordance with your instructions, will you give me the authority where I can find those instructions against which you compare what they are doing to determine if it is permissible?

Mr. RUDDOCK. Well, the instruction was issued originally in Federal Personnel Manual Letter 831-23, which I will supply for the record, and it is currently in Supplement 831 to which Mr. Craig gave reference, and I will also submit that for the record.

Mr. WALDIE. Is that subchapter S11, discontinued service?

Mr. RUDDOCK. Yes, sir.

Mr. WALDIE. And what other authority do you compare your actions to?

Mr. RUDDOCK. I don't know of any other authority.

Mr. WALDIE. All right. I will later, when Mr. Hillis has concluded, compare what they have done with this to determine your conclusions as to its comparability.

Mr. HILLIS. I don't have any further questions.

Mr. WALDIE. Then let's get into that if we can. I think it's narrowed down to the point where I have a better understanding. What they are doing must be found in terms of your approval within the confines of subchapter S11, discontinued service retirement?

Mr. RUDDOCK. Yes, sir. Now, let me make clear the point we are ruling on primarily is whether the individual will be eligible for immediate annuity. And our answer is, clearly under the circumstances, he will, yes.

Mr. WALDIE. That is your first determination.

Your second determination in the procedures that they have set up to accomplish that early retirement they must comply with the regulation set forth in this document?

Mr. RUDDOCK. Yes, sir.

Mr. WALDIE. And you have made a determination in fact they have?

Mr. RUDDOCK. Yes, sir.

Mr. WALDIE. Do you have a copy of that?

Mr. RUDDOCK. Yes, I do.

Mr. WALDIE. Will you refer to paragraph 2 of S11-2 and that starts, "After an agency determines."

Do you see the paragraph I am referring to?

I am sorry. It is paragraph D2.

Mr. RUDDOCK. Oh, yes.

"After an agency determines that a reduction in force is necessary."

Mr. WALDIE. It may be before resorting to the prescribed reduction in force procedures.

Now at this point, just for my clarification, are they referring to a formal reduction in force as contrasted with what has been described as informal reduction in force?

Mr. RUDDOCK. My interpretation of that is that they are going to reduce the level of the work force, not a decision that they are going to invoke the formal reduction in force procedures.

Mr. WALDIE. So you made the conclusion that they have not determined that they will resort to a formal reduction in force at any point in time?

Mr. RUDDOCK. That is right.

Mr. WALDIE. And that is not a necessary determination on your part?

Mr. RUDDOCK. In my opinion it is not.

Mr. WALDIE. After an agency has determined that a reduction in force is necessary, in your view that could be an informal reduction in force or attrition?

Mr. RUDDOCK. It could be one achieved by attrition.

Mr. WALDIE. It may be before resorting to the prescribed reduction in force procedures.

What does that phrase have reference to? What is a prescribed reduction in force procedures?

Mr. RUDDOCK. That refers to a formal reduction in force.

Mr. WALDIE. And does that not have relation back to the phrase reduction in force in the first part of this sentence?

Mr. RUDDOCK. I don't think one necessarily follows from the other. The hope in, first of all, putting a freeze on hiring and, second, trying to speed the attrition process by requesting resignations of people who will be eligible for immediate annuity if they separate, is to try to accomplish the necessary reduction in force without invoking the prescribed reduction in force procedures.

If everything works out, you won't have to get to a formal reduction in force.

Mr. WALDIE. All right. It may, before resorting to these procedures or while these procedures are in process, request by letter the resignation of employees. In that situation, separation resulting from a resignation submitted in response to such a request will be considered involuntarily for retirement purposes, and then skip down, to avoid any implication of coercion an employee must be fully informed of his retention rights under the reduction in force regulations.

From the testimony we have heard so far do you believe the employees have been fully informed of their retention rights under the reduction in force regulations, and that has reference to the formal reduction in force, does it not?

There are no other regulations for reduction in force except for formal reduction in force?

Mr. RUDDOCK. I do not know whether the Postal Service has advised each employee of what retention rights he would have if, as, and when formal reduction in force procedures are invoked.

Mr. WALDIE. And yet does not that say that an employee must be fully informed of his retention rights under the reduction in force regulations as a part of applying this informal process?

Mr. RUDDOCK. That is what it says.

I think we have a slightly different situation here that stems from the national agreement between the Postal Service and the unions. I would point out that the memorandum to postal employees of June 5, 1972, from the Postmaster General contains this language:

But for the no-layoff provision in our national agreement we would be actively engaging in a systemwide reduction in force.

Mr. WALDIE. Well, I know that.

Mr. RUDDOCK. I presume that the employees to whom this was addressed are aware of the national agreement. I would presume they are aware of the no-layoff provision. On the second page of the—

Mr. WALDIE. Wait a minute. I don't think this has reference to the national agreement. If my interpretation of this is contrary to yours, that is what I am really trying to find out.

Mr. RUDDOCK. Well, I think the no-layoff provision here is paramount and in effect preempts all other retention rights in this instance.

Mr. WALDIE. It is your understanding that because of the national agreement they do not have to supply the employee with his retention rights under reduction-in-force regulation?

Mr. RUDDOCK. I think that would be a meaningless gesture.

Mr. WALDIE. What about those employees that are not covered under the national agreement? Are all employees covered under it?

They are not. Now, what about meaningless gestures, assuming your interpretation is correct, which I do not assume, for those employees not covered under the agreement?

Mr. RUDDOCK. Perhaps not. But on the second page of the memorandum it says:

If you are interested in taking advantage of this opportunity or learning more about it, please contact your postmaster or immediate supervisor for any additional information you would like to have.

I would presume that the opportunity is available to any employee who wants to ask further questions about his retention rights to be given that information.

Mr. WALDIE. And in your view, as long as they say, "If you ask us, we will tell you," that complies with the requirement that specifically says, "To avoid any implication of coercion, an employee must be fully informed of his retention rights under the reduction-in-force regulations"?

It is your view that that is satisfied if they tell the employee that, "We will inform you of those rights if you request"?

Mr. RUDDOCK. I am not sure that in the precise technicalities that that is full technical compliance with that provision.

In my opinion the purpose of the provision is to avoid coercion, and again, if an employee says, "I have been coerced, I have not been apprised of my retention rights," I would gladly ask the Postal Service to take him back, and I would expect them to do that.

Mr. WALDIE. I have got to answer a telephone. I will be right back, and the first question I will ask you when I come back is, Do you think that this requirement that they might be fully informed of their retention rights under reduction-in-force regulations which are formal retention rights is avoided by the signing of the waiver or they waive their retention rights?

I want you to think about two questions. To comply with this outline of how they must conduct this affair, must these employees be provided with a list of retention rights under formal reduction-in-force procedures, and, two, can they waive that requirement by the statement the postal manager has requested them to sign and, in fact, have they waived that requirement with your consent? Do you consent to their waiving the requirement of that statute?

It is complicated, but I will be right back.

Well, as a matter of fact, we will recess for lunch and start again at 1:30 p.m.

AFTERNOON SESSION

Mr. WALDIE. The subcommittee will come to order, please.

Mr. Ruddock, would you like to have the question that I had asked you read back to you?

Mr. RUDDOCK. Yes.

Mr. WALDIE. Well, we will have to start over again, because the reporter that was here and took that question is not here for the afternoon session. Let me see if I can think what the question was. I know it was a very astute, carefully phrased question.

Mr. RUDDOCK. We were talking, Mr. Waldie, about whether there had been technical compliance with the provision in that letter that says the employee is to be informed of his retention rights under the reduction-in-force regulations. I don't remember the specific wording of your question.

Mr. WALDIE. I think I remember it now.

Under the specific provisions of that regulation, the words are "to avoid any implication of coercion, an employee must be fully informed of his retention rights under the reduction-in-force regulations."

Now, does that mandate apply to employees under the situation in which the Postal Service is seeking a reduction in force?

Mr. RUDDOCK. I would say "Yes," in the broad sense of our wanting to be sure that we are avoiding coercion and to be sure that the employee understands that he does have an alternative to submitting his resignation in response to the request of the Postmaster General.

Mr. WALDIE. What are the regulations that describe the retention rights referred to in that language?

Mr. RUDDOCK. They would be regulations of the Commission, but I would say immediately that to the best of my knowledge no employee has been given a listing that says, "Here are your retention rights in connection with an agency request for a resignation."

Mr. WALDIE. Do you have those regulations available?

Mr. RUDDOCK. They are regulations to the Civil Service Commission, yes, sir.

Mr. WALDIE. And those are the regulations to which this language refers?

Mr. RUDDOCK. Yes, sir.

Mr. WALDIE. And those are the regulations that describe his retention rights under this procedure?

Mr. RUDDOCK. It would be the regulations that prescribe his retention rights in the event the agency is invoking the—

Mr. WALDIE. No, that is not what I am asking.

We have decided that what the agency is doing is not a formal reduction in force compared to paragraph 2 that we are discussing in which this language has been contained, which describes the procedures that must be followed if an agency does not follow a prescribed formal reduction-in-force procedure.

Among those procedures is this language:

An employee must be fully informed of his retention rights under the reduction-in-force regulations.

Is it or is it not your understanding that that means an employee in the Postal Service under the present situation must be informed of the reduction-in-force regulations that describe his retention rights?

Mr. RUDDOCK. No, sir; we have not construed it that way and it has not been construed that way in the case of any other agency requesting resignations.

Mr. WALDIE. So your construction of that language is that it only comes into effect when there is a formal reduction in force that is in process?

Mr. RUDDOCK. I am not sure that when that was written and issued, that the words were weighed with the precision with which they are being weighed this morning. I think the lead phrase of that sentence states what it was intended to accomplish, in other words, to avoid any appearance of coercion; and we would think that an employee had not been coerced if he knows that he has an alternative, that he is not required to resign in response to the request.

Mr. WALDIE. Would you think that would be the case in a formal reduction in force proceeding, too?

Mr. RUDDOCK. Yes.

Mr. WALDIE. In other words, in a formal reduction-in-force proceeding, it is your contention this language does not compel the delivery of full information of his retention rights under the reduction-in-force regulations by the agency?

Mr. RUDDOCK. I believe it would not take the form of giving him a list of rights. I think it would take the form of a notice which he receives under the formal reduction-in-force procedures which say, in effect, "Your job is being abolished or being declared surplus," or whatever, "and in lieu of separation you are offered placement in (this position) at (this pay) at (this location)"; so that he is advised in terms of a specific alternative to separation rather than in terms of: "Here are the rules that are contained in the reduction-in-force regulations and which describe the form of rights of which you are entitled."

Mr. WALDIE. I understand that distinction. Must an employee, then, in the Postal Service, be informed as to alternatives to help him make his decision whether he wants early retirement, and those be where he can be located in the reduction in force?

Mr. RUDDOCK. In my opinion, the only alternative he needs to be aware of at this point is that he does not have to respond to the request for the resignation.

Mr. WALDIE. And your understanding of the retention rights that he waived by signing this form was the right to stay employed, that is the only right he waived?

Mr. RUDDOCK. Yes.

Mr. WALDIE. That is your understanding?

Mr. RUDDOCK. That is correct.

Mr. WALDIE. He waived no other retention rights, just the right to be employed if he so desired?

Mr. RUDDOCK. At this point, yes.

Mr. WALDIE. All right. So at a later date, if someone maintains that when the employee starts to assert rights in a reduction in force, if he says that "I was coerced and I have retention rights that were not provided me," it is your view that at least one contention cannot be made, that we waive those rights under that waiver?

Mr. RUDDOCK. For some future time?

Mr. WALDIE. Yes.

Mr. RUDDOCK. I would not construe that in any way as being a waiver of future rights.

Mr. WALDIE. The only right he waived under that clause was the right to stay in his present employment?

Mr. RUDDOCK. Right.

Mr. WADLIE. Now, on June 8, 1971, Mr. Hampton of the Civil Service Commission, Chairman, wrote to the Speaker involving the legislation that Mr. Hillis was discussing with you, why it was necessary. He said:

Under present law, an employee who is at least age 50 and has at least 20 years' service, or 25 years' service regardless of age, may retire on an immediate annuity if he is involuntarily separated, as when he is reached by reduction in force. Unless the employee is old enough and has sufficient service to retire optionally, if he is not reached for reduction in force, he does not have the right to retire even if he is desirous of doing so.

I guess that is not a correct statement.

Mr. RUDDOCK. It is correct. That does not assume an agency request for his resignation. That would change the picture.

Mr. WALDIE. I see; Mr. Hampton simply didn't describe that incident? I gathered if you read Mr. Hampton's statement here you would assume the only time he could retire under an involuntary separation was if he was reached for reduction in force, and your conclusion is that is an erroneous interpretation.

Mr. RUDDOCK. Mr. Waldie, I thought that was given as an example rather than being the sole and only reason.

Mr. WALDIE. That could very well be. At least that is how you understand it to be?

Mr. RUDDOCK. Yes, sir.

Mr. WALDIE. He goes on to say:

The proposed legislation would simply give the long service employee who was not eligible to retire under the regular optional retirement provision of the law the opportunity to retire voluntarily during a limited period when his agency is undergoing a major reduction in force.

There is no way of providing, as I understand Mr. Hampton's language, the opportunity for an employee to retire voluntarily when his agency is undergoing major reduction in force unless this legislation is adopted.

Mr. RUDDOCK. To retire under an optional provision of the law; that is correct.

Mr. WALDIE. Now, how do we then provide administratively that opportunity for him? In other words, I gather from what Mr. Hillis was talking about to you, that Mr. Hampton said to do that which we are doing in Postal Service now required Congress to enact a law. Congress has not enacted a law, and yet they are doing it.

Mr. RUDDOCK. If Congress enacted the law proposed by the Civil Service Commission, we would move the initiative from agency management to the employee. The employee could decide to retire during reduction in force.

Mr. WALDIE. Why did Mr. Hampton want to move the initiative from agency management to the employee?

Mr. RUDDOCK. The one major issue that has been raised from 1969 until, let's say, a month ago about the agency-requested resignation procedure was from employees who said: "I want them to ask for my resignation and they won't. My agency is in a reduction in force, but management has asked for resignations on some kind of a specific basis that does not include me."

This was the belief on the part of the Commission in consulting with some of the other agencies, that the Government service would be well served if during a major reduction in force those employees who want to optionally retire would be permitted to do that, and in so doing ultimately save the jobs of other people.

Mr. WALDIE. But that is precisely what is occurring in the Postal Service. You have described it precisely; have you not?

Mr. RUDDOCK. The end result after the Postmaster General asks for the resignation is exactly the same.

Mr. WALDIE. So that you don't need this legislation.

Mr. RUDDOCK. For the Postal Service?

Mr. WALDIE. If it is good for the Postal Service, what they are doing, any agency could do what they are doing; right?

Mr. RUDDOCK. Yes, sir; but another agency might not choose to use that management tool or to use it in just that way.

Mr. WALDIE. Would the enactment of the legislation have prohibited or circumscribed the Postal management from doing anything they did under this reduction in force?

Mr. RUDDOCK. I don't believe so.

Mr. WALDIE. They would have done exactly what they have done, given the enactment of this legislation, anyway?

Mr. RUDDOCK. They could have, although there is a question of whether any purpose would have been served by asking for resignations of people who are eligible to retire at their own option. At the present time, for example, if I understood Mr. Gayle's testimony this morning, as of noon yesterday they are aware of roughly 15,000 postal employees who expect to retire at the close of business today, 9,000 of them at their own option under optional provisions of the retirement law and approximately 6,000 responding to requests for resignations.

Mr. WALDIE. Mr. Hillis, do you have any questions on that?

Mr. HILLIS. No questions.

Mr. WALDIE. One final question that I have.

In the information given to employees as to their rights concerning early retirement opportunities—you are familiar with that? June 5?

Mr. RUDDOCK. Yes, sir.

Mr. WALDIE. Was that designed to let the employees know where they stood on this, to assist them in making their decision? Is that the purpose of that?

Mr. RUDDOCK. I think the primary purpose of it was to inform them that the Postmaster General was requesting resignations of people who fell in certain categories and also to give them some information which would enable them to make a reasonable and intelligent decision.

Mr. WALDIE. If your understanding of the waiver of the retention rights is correct, that is why there was no description of what retention rights they are waiving contained in this information.

Mr. RUDDOCK. Yes, sir. Actually, the retention rights, if you boil it down to the individual, would be somewhat different with respect to each individual.

Mr. WALDIE. Well, as I understand it, there is only one retention right they waived, the right to stay in employment. That is what I understood you to say.

Mr. RUDDOCK. That is right.

Mr. WALDIE. So that is not different.

Mr. RUDDOCK. I am talking about the specific retention rights that would exist under the reduction in force regulations.

Mr. WALDIE. But they are not under a reduction in force regulation, you told me.

Mr. RUDDOCK. All right. The only right they are waiving at this point is the right to be retained in their present position.

Mr. WALDIE. That is right, so there is no necessity of dealing with specific reduction in force retention rights.

Mr. RUDDOCK. No, sir.

Mr. WALDIE. The only right that refers to, and I want this abundantly clear in the record, is the right to remain in employment. That is the only thing they waive.

Mr. RUDDOCK. That is right.

Mr. WALDIE. Now, in that information that they provided the employee, in terms of disability retirement they describe what a person can do.

An employee under the retirement system who is separated from the service by reason of disability is entitled to an immediate annuity if he has at least 5 years of civilian service. The Civil Service Commission reviews medical evidence to determine whether the employee is totally disabled for service in his position.

I am advised that to date, 939 employees have availed themselves of disability retirement under the provision.

Well, let me ask you this: Are you familiar with how many have sought disability retirement since this informal reduction in force has begun?

Mr. RUDDOCK. No, sir; except Mr. Gayle, I believe it was, gave a figure this morning and I don't remember that figure. Was it 900?

Now, that would not at this point, I don't believe, be 900 applications for disability retirement which had been submitted and processed and approved, unless they started long before June 5, because the disability retirement procedure includes the necessity for medical evidence and it is not as fast a process as applying for optional retirement.

Mr. WALDIE. Is it fair to assume there would be more people now seeking disability retirement were it not the case that they were provided with this expression of desire from the Postmaster General that people take some sort of retirement? Was this to encourage those entitled to disability retirement to take it?

Mr. RUDDOCK. I would not assume so.

Mr. WALDIE. Why would they then describe disability retirement?

Mr. RUDDOCK. I would assume they were doing so in an effort to be sure the employee understood that disability retirement is one of the rights that is available under the retirement law, but I cannot imagine an employee making his decision as to whether or not he is disabled on the basis of an agency request for resignations.

Mr. WALDIE. It seems strange, does it not, and yet that is precisely what the information is intended—the subject is early retirement opportunity, and under that subject they describe disability retirement.

Mr. RUDDOCK. I would have to classify that in my judgment as being informative rather than as pertaining specifically to the request for resignations.

Mr. WALDIE. In other words, you don't interpret this as encouraging those eligible for disability retirement to now take it?

Mr. RUDDOCK. No, sir.

Mr. WALDIE. I have no further questions. We will submit some questions to you, perhaps, in writing.

I do thank you for your testimony. As usual, it has been informative and thorough.

We will convene again with our next witness just as soon as this vote is concluded.

Thank you, Mr. Ruddock.

Mr. RUDDOCK. Thank you.

(Whereupon, a brief recess was taken.)

(The following information was furnished the subcommittee subsequent to the hearings by Mr. Ruddock:)

Subchapter S11. Discontinued Service Retirement

S11-1. ELIGIBILITY

a. **Requirements.** An employee under the retirement system who is involuntarily separated from the service is entitled to an immediate annuity if:

(1) He has been employed under the retirement system for at least one year within the 2-year period immediately preceding the separation on which the annuity is based, and

(2) He meets either of the following minimum requirements:

(a) Attainment of age 50 and completion of 20 years of creditable service, including five years of civilian service, or

(b) Regardless of age, has completed 25 years of creditable service, including five years of civilian service.

b. **Recovered or restored disability annuitant.**

A disability annuitant who, before reaching age 60, recovers or is restored to earning capacity and is not reemployed (see section S10-13), is entitled to immediate annuity if, when disability annuity terminates, he meets either of the requirements in paragraph a(2) above; the one-year-out-of-two-service requirement cited in paragraph a(1) above need not be met in this case.

c. **Reduction for early retirement.** If the retiring employee is under age 55, the basic life annuity rate is reduced by one-sixth of one percent for each full month (two percent a year), if any, he is under age 55. The annuity rate so determined will not be increased when the annuitant reaches age 55.

S11-2. MEANING OF INVOLUNTARY SEPARATION

a. **Definition of term.** The term *involuntary separation* means any separation against the will and without the consent of the employee, other than separation for cause on charges of misconduct or delinquency. Examples are: Reduction in force; abolishment of position; lack of funds; expiration of term of office; liquidation of an office or of an entire agency; inefficiency (unless due to the employee's misconduct); disability (provided the separation action is initiated by the agency); separation during probation because of failure to qualify; or separation of an indefinite or temporary employee under the Commission's instructions for displacement (section 316.801 of the regulations). Note, however, that whether

a separation is involuntary depends upon all the facts in a particular case; it is the true substance of the action which governs rather than the methods followed or the terminology used. The responsibility for determining whether a separation is involuntary for retirement purposes rests with the Commission. When an employee's decision between accepting another job offer or separation depends on whether the separation would be classed as involuntary for retirement purposes and doubt exists whether the proposed separation would be involuntary, the question should be referred to the Commission for advance decision, together with a statement of all the facts concerning the proposed action.

b. **Directed reassignment; reclassification.**

The separation of an employee who resigns or is removed from the service because he refuses to accept a directed reassignment to a position of the same or higher grade outside his commuting area (or which newly requires a tour of tours of duty outside his commuting area) is considered involuntary not for cause for retirement purposes unless his position description or other written agreement or understanding provides for such reassignments. A reclassification of an employee's position will not support a finding of involuntary separation for retirement purposes.

c. **Resignation in lieu of involuntary separation.** If an employee, after receiving notice that he will be separated under any of the circumstances cited in paragraph a above, resigns before the scheduled separation date, his separation is involuntary. If the notice contains an offer—in lieu of separation—of promotion, reassignment, or demotion to another available position, the employee's resignation in lieu of accepting the other position also constitutes an involuntary separation. If, however, the employee resigns before receiving official separation notice or after he enters on duty in the new position, the separation is voluntary.

d. **Resignation requested.** (1) Separation of an employee who submits his resignation in response to a request from a recognized representative of a new incoming administration, or from another appropriate officer, is involuntary for retirement purposes. The resignation request must be specific about the particular employee and must be made after election day. Unsolicited resignations, those based on the belief or pos-

sibility that resignation will be requested, and those prompted solely by personal conviction or choice are voluntary rather than involuntary for retirement purposes. A copy of each resignation in this category must accompany the retirement application.

(2) After an agency determines that a reduction in force is necessary, it may, before resorting to the prescribed reduction-in-force procedures or while these procedures are in process, request by letter the resignation of employees in the affected competitive area who meet the age or service requirements, or both, for discontinued service retirement. Separation resulting from a resignation submitted in response to such a request will be considered involuntary for retirement purposes. The purpose of this procedure is to lighten the impact of the reduction in force (i.e., an employee may decide to forego his retention rights and resign, thus enabling the agency to retain an employee who would otherwise be separated). To avoid any implication of coercion, an employee must be fully informed of his retention rights under the reduction-in-force regulations. His written resignation must specifically state that he is resigning of his own volition at the request of a particular responsible official due to a reduction-in-force situation, and that he was not coerced to forego his retention rights. A copy of each resignation in this category must accompany the retirement application. The individual Retirement Record (Standard Form 2806) in such a case should record the separation as "Resignation—RIF Situation."

e. **Separation of Presidential appointees.** The separation of a Presidentially appointed policy-making officer because of acceptance of his resignation by the President is considered involuntary. It is considered involuntary at any time the resignation is submitted and accepted, not only with the advent of a new administration.

f. **Change in location of employment.** When the location of an office or unit is changed because of decentralization, or because of the transfer of the functions of an organizational unit, and an employee is separated or resigns solely because he is unable for family or personal reasons to accompany the office or unit to its

new location, the action is considered involuntary if the change in the location of the office or unit is such that the employee would be compelled to change his place of residence in order to continue in employment. If the new location is within reasonable and ordinary commuting distance from the home of the employee and he fails to accompany the office or unit to the new location, his separation is not considered involuntary.

g. **Actual separation not always essential.** It is not always necessary that an actual separation from Government employment be directed. For instance, a notice of separation from a particular position due to its abolishment is sufficient. Abolishment of position means the actual termination of the job, with the duties being eliminated entirely or combined with the duties of another position or positions. When the duties and responsibilities of a job are continued without material change, there can be no involuntary separation based on a mere redescription or a paper transaction of eliminating one position and creating another.

SI1-3. PROCEDURE

a. **Application for retirement; individual retirement record.** A separated employee who is eligible for a discontinued service annuity should fill out an Application for Retirement, Standard Form 2801, and file it with the appropriate office of his agency. The employee's Individual Retirement Record, Standard Form 2806, is completed, and forwarded to the Commission as provided in subchapter S22. If the employee has filed application for retirement, the application should accompany the individual retirement record. The record, however, is not held pending receipt of the application.

b. **Advice to employee.** The agency renders every assistance to the employee by explaining in detail the types of annuity available to him, by helping him to select the type best suited to his circumstances, by explaining the effect of making deposit or redeposit, and by getting a statement from him to accompany his application, showing any unverified service in other agencies.

UNITED STATES CIVIL SERVICE COMMISSION

FEDERAL PERSONNEL MANUAL SYSTEM

LETTER

FPM LETTER NO. 831- 23

Washington, D.C. 20415
December 10, 1969

SUBJECT: Civil Service Retirement: Involuntary Separation for Discontinued Service Annuity.

Heads of Departments and Independent Establishments:

The Commission has long held that resignation submitted in response to a request, not based on misconduct or delinquency, by a responsible agency official constitutes an involuntary separation for purposes of retirement on an immediate annuity. This "resignation requested" procedure has arisen infrequently, usually in cases of high-level policy-making positions following a change of administration.

The Commission has now decided that a limited extension of this policy is warranted so as to lighten the impact of current and future reductions in force (i.e., an employee may decide to forego his retention rights and resign, thus enabling the agency to retain an employee who would otherwise have to be separated).

Accordingly, after an agency determines that a reduction in force is necessary, it may, before resorting to the prescribed reduction-in-force procedures or while such procedures are in process, request by letter the resignation of employees in affected competitive areas who meet the age and/or service requirements for discontinued service retirement on immediate annuity. Separation resulting from a resignation submitted in response to such a request will be considered involuntary for retirement purposes.

This procedure is not to be used as a device for coercing employees to give up their retention rights (see discussion of voluntary vs. involuntary character of personnel actions beginning on page 24.02 of FPM Supplement 752-1). Before an individual is requested to resign he must be fully informed of his retention rights under the reduction-in-force regulations and he must freely decide whether he wants to exercise them or to forego them and retire. In order to avoid any misunderstandings that might arise, each employee's written resignation must state that he is resigning in response to the particular responsible official's request in the reduction-in-force situation and that he was not coerced into giving up his retention rights. A copy of the resignation must accompany the application for retirement submitted to the Commission in each affected case. Standard Form 2806 in such case should record the separation as "RET RIF (Res Req)".

Nicholas J. Oganovic

Nicholas J. Oganovic
Executive Director

Mr. WALDIE. The subcommittee will come to order.

The next witness will be Mr. F. Henry Barclay, Associate General Counsel of the General Accounting Office, who will be accompanied by Mr. John Moore, Acting Associate General Counsel, and Mrs. Leslie Wilcox, Attorney-Adviser of the General Accounting Office.

All right, Mr. Barclay. Do you have a statement you would like to offer for the record?

STATEMENT OF F. HENRY BARCLAY, ASSOCIATE GENERAL COUNSEL, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY JOHN MOORE, ACTING ASSOCIATE GENERAL COUNSEL, AND MRS. LESLIE WILCOX, ATTORNEY-ADVISER

Mr. BARCLAY. Mr. Chairman, we have no formal statement for the record. However, I would like to address myself, if I may briefly to two specific points.

Mr. WALDIE. Please proceed.

Mr. BARCLAY. The two basic issues that we would like to address ourselves to at this time are first, the question of the legality of the Civil Service Commission's regulations and secondly, a very brief statement about the unfunded liability of the Civil Service Retirement Fund.

So far as the civilly service regulations prior to 1969, the regulations were specifically geared to an individual employee situation, one where he had received a RIF notice and at this point in time he would offer his resignation and it was considered as an involuntary retirement if he retired at that point.

In 1969 the Civil Service Commission adopted a different approach, in the way of an agency RIF concept, as contrasted to the individual retirement based on a proposed or actual RIF notice to the individual employees.

It was our thought at that time and still is that the extension, so to speak, of the early involuntary retirement provisions to an agency RIF concept is a liberal interpretation of the involuntary retirement provision of the law.

However, I would like to state at this juncture that the General Accounting Office in this particular area is in a little different situation than it ordinarily is. The fact of the matter is that under present law the settlement of all claims under the Retirement Act is solely a function of the Civil Service Commission.

Our office has consistently taken the position that we have no jurisdiction to override any determination in that regard made by the Civil Service Commission under existing law. Because of this, we have not made an indepth study of the various ramifications of the type of situation we have today with the Postal Service.

So far as the unfunded liability of the retirement fund, the retirements that are now taking place in connection with the agency RIF concept present a case that does not come under the revised funding authorized in Public Law 91-93, covering a new or liberalized benefit under a statute that is passed by the Congress. Under the revised formula, as you are aware, there is a requirement for the funding of the new liability that is created.

However, in the situation that we are faced with in the involuntary separation under existing law, there is no requirement for the funding of any increase in the unfunded liability. This is one of the significant differences as far as our office is concerned between the practice of treating it as an involuntary retirement under the existing procedures and the proposed legislation which would shift it over in basic concept to a voluntary retirement in major reduction-in-force situations.

The proposed early voluntary retirement, would be, we think, a liberalized retirement benefit and therefore would qualify under the Public Law 91-93 requirement for funding through the appropriation process.

Mr. WALDIE. Do you think it now qualified for that?

Mr. BARCLAY. The involuntary situation does not qualify as we read Public Law 91-93 because it is under an existing law that was in effect prior to the date of the revised funding concept.

Mr. WALDIE. Do you construe what is occurring in the Postal Service an involuntary retirement?

Mr. BARCLAY. We have not formally addressed ourselves to this issue, Mr. Chairman, rather deliberately because of our lack of jurisdiction. Anything I say in that regard would have to be a purely personal opinion. In that regard, I would view the present procedure as certainly an extremely liberal interpretation, at best, of the involuntary retirement provisions.

Mr. Ruddock did refer to the old decision of the Veterans' Administration as a precedent but, as I listened to the testimony, it seemed to me that that was aimed at an individual situation rather than the agency concept that we are now dealing with.

Mr. WALDIE. If this then is determined—and I am not asking you for that determination—as being a voluntary retirement, thereby a liberalized retirement, what are the consequences that follow that determination?

Mr. BARCLAY. If it were determined under the present law to be a voluntary retirement? Of course this would necessarily rule out the very type of operation that the Civil Service Commission, and in this particular instance the Postal Service is undertaking since the people that would be affected are the people who could not qualify under voluntary retirement, not having met the service requirements of the law.

Mr. WALDIE. In other words, what you are saying is there is no way that this could be determined to be a voluntary retirement or that they would not be entitled to early retirement?

Mr. BARCLAY. That is correct.

Mr. WALDIE. How can you have an involuntary retirement that does not involve coercion? They seem to be terribly concerned that somebody is going to find that the employee was coerced to retire and therefore they seem to imply that this decision was purely at his own volition.

If the decision is of his own volition, it is a voluntary decision and he is not entitled to early retirement.

Mr. BARCLAY. I think the rationale is that it is a voluntary retirement as far as the employee is concerned but that, looking at it on an agency concept, they have a situation where they have made a determination that the agency would be going into the RIF action to separate employees.

Rather than do that, they give the employee the option to retire but, as far as the agency is concerned, the determination of the necessity for a RIF is considered as paramount and creates an involuntary retirement situation. As I see it they then view this as creating an involuntary retirement situation as far as the employee is concerned.

It is kind of a vicious circle situation, as I see it.

Mr. WALDIE. The truth of the matter, it seems to me from what I have heard, is that they did decide to go into a RIF but they deny that. They say they have not made that decision, but I believe they have decided to go into a RIF and I believe that these employees are coerced to take early retirement under the threat that they will be RIFed unless they do take retirement.

Mr. BARCLAY. Well, if I read correctly the civil service regulations that we are applying here, I believe both the representative of the Postal Service as well as the Civil Service Commission took the position that there must of necessity be a determination that if they did not go the present route that they would go into a formal RIF; that the present action is prior to going into a formal RIF. Therefore, there has been a determination, in fact, of a RIF situation though not a use of the RIF procedures.

They never invoked the formal procedures present in an actual RIF.

Mr. WALDIE. My understanding is that the only reason they have not gotten to the formal RIF is a nationwide agreement. That is my own personal view. There are protestations and concern for the employees sensitive to the contrary.

My belief is they have gone into a formal RIF immediately without any concern about the employee's sensitivity, that the process they adopted was designed to avoid a breach of contract in their view. My further view is it does not avoid it at all.

I am not asking you to comment on this. Do you have anything further that you desire to say?

Mr. BARCLAY. I have nothing further to comment.

Mr. MOORE. I have nothing further, Mr. Chairman.

Mrs. WILCOX. No.

Mr. WALDIE. Thank you very much. We appreciate your appearance before the committee and your contribution.

Mr. BARCLAY. Thank you.

STATEMENT OF FRANCIS S. FILBEY, GENERAL PRESIDENT, AMERICAN POSTAL WORKERS UNION, ACCOMPANIED BY PATRICK J. NILAN, LEGISLATIVE DIRECTOR; EDWARD L. BOWLEY, LEGISLATIVE AIDE; AND DAVID SILVERGLEID, GENERAL EXECUTIVE VICE PRESIDENT, AFL-CIO

Mr. WALDIE. The next witness is Mr. Francis Filbey, general president, the American Postal Workers' Union and is accompanied by Mr. Nilan, the legislative director of the APWU and Mr. Bowley, the legislative aide to the APWU.

Mr. Filbey, we are pleased to have you before the committee.

Mr. FILBEY. With me is the general executive vice president of the AFL-CIO, Mr. David Silvergleid, who I am sure is no stranger to the committee.

Mr. WALDIE. He is no stranger at all. All of you are welcome to the committee. We are ready to file any statements that you would like to file and include in the record or we will hear from you directly by summarizing or whatever course you wish.

Mr. FILBEY. We have a very short statement, Mr. Chairman.

Mr. WALDIE. It will be introduced in the record in its entirety.

(The statement referred to follows:)

PREPARED STATEMENT OF FRANCIS S. FILBEY, GENERAL PRESIDENT, AMERICAN
POSTAL WORKERS UNION, AFL-CIO

Mr. Chairman and members of the committee, for the record, I am Francis S. Filbey, General President, of the American Postal Workers Union (AFL-CIO) with offices at 817 14th Street, N.W., Washington, D.C. I am very pleased to appear before the Committee this morning with our National Director of Legislation, Patrick J. Nilan and Legislative Aide, Edward L. Bowley.

We speak in behalf of more than 350,000 postal employees for whom we are the Exclusive National Representative for labor-management relations and collective bargaining with the U.S. Postal Service. Our membership is employed in post offices in all 50 states, the District of Columbia, Puerto Rico, Virgin Islands and Guam.

Mr. Chairman, and Members of this Committee, we would like to begin by commending you in taking the initiative in scheduling hearings on a subject that is apparently considered "routine" by the U.S. Postal Service. On June 5th this organization received a written memorandum from the Postmaster General advising of his decision to invoke the "discontinued service" retirement provisions authorized agencies under the U.S. Civil Service Commission. A few days prior to the release of the memorandum, we were notified of the early retirement opportunities the U.S. Postal Service contemplated offering Postal employees. We were advised that one reason for this offer was to help reduce an alleged excess 75,000 persons in the U.S. Postal Service.

When we received the June 5th memorandum, I responded to the Postmaster General on June 6 raising a few questions that have not, at this time, been acknowledged. Attached herewith is a copy of my June 6 response and I ask that it be included as part of our statement.

Mr. Chairman, at this time I would like to elaborate on some of the points I raised in my reply to the Postmaster General as well as some other questions that have arisen since that time. First, Mr. Chairman, we question the alleged 75,000 excess employees, particularly, in view of the failure on the part of the U.S. Postal Service to provide over-night delivery of locally mailed mail even to local patrons. It appears to us that to remove such a large number of experienced and knowledgeable employees, the Postal Service would decrease even the present level of "efficiency."

It is just inconceivable to us that the removal of thousands of Postal employees who are highly qualified and dedicated employees, and to do so in such a short span of time, can improve the service to the public, a goal the Postal Service insists is uppermost in its plans. It is apparent that there is no intent on the part of the U.S. Postal Service to replace any personnel and those, if any, that they may hire will be practically untrained. We ask a very significant question—who's going to move the mail?

Now, in view of the fact that this move was taken solely by the U.S. Postal Service, and apparently, only in behalf of their interest, we fail to understand why then, were not those employees given the same severance pay incentives that were provided for management officials under a similar offer by the U.S. Postal Service in 1971? You may recall, Mr. Chairman, that at that time the special "inducement" to eliminate "waste", was to provide severance pay equal to six months of base salary.

Mr. Chairman, even if we were to agree with the U.S. Postal Service management that there does in fact exist thousands of excess employees, which we do not, we are at a further loss as to understand why the U.S. Postal Service, who has praised the labor-management provisions of the National Agreement, failed on a subject of such vital importance and great consequence to its employees, to consult with the unions signatory to the National Agreement prior to finalizing any decisions.

The American Postal Workers Union believes that the unilateral action taken by the U.S. Postal Service is in itself, violation of the National Agreement and we further believe and contend that cut-backs of such magnitude in addition to the already drastically reduced number of hours presently received by Postal employees in small offices throughout this Nation, violates the very spirit and intent of the no lay-off provision of the National Agreement. These alleged violations, of course, are being challenged through the procedures set forth in the National Agreement. I might add at this point, Mr. Chairman, that in his announcement, the Postmaster General stated "But for the no layoff provision in our National Agreement, we would be actively engaging in a system-wide reduction in force." Even with this provision, the unions were not afforded the right to "negotiate" on behalf of its members.

This, to us, is not good labor-management relations and once again, highlights the high-handed practices undertaken by the new U.S. Postal Service.

Mr. Chairman, the American Postal Workers Union has not taken a position for or against the retirement proposal offered by the U.S. Postal Service for the reasons outlined above. We do believe, however, that before we would have reached agreement on any such offer, we would have insisted, among other things, that eligible employees should not be penalized with the 2% per year reduction of annuity for each year they are under the age of 55, a severance pay equal to that previously provided managerial employees and extension of the 4.8% annuity raise through December 31st. Only then would the American Postal Workers Union have considered the overall merits of the program, much less endorse it.

Mr. Chairman, we appreciate the opportunity to appear before your Committee and present our views on this subject and we are prepared to answer any questions you may have.

AMERICAN POSTAL WORKERS UNION, AFL-CIO,
Washington, D.C., June 6, 1972.

HOB. E. T. KLASSEN,
Postmaster General, U.S. Postal Service,
Washington, D.C.

DEAR MR. KLASSEN: We have read with great interest your memorandum to postal employees dated June 5th, subject "Early Retirement Opportunity."

We are at a loss to understand why the same benefits which were made available to departmental and regional employees; namely, a half year separation pay, is not being made available to the employees in our bargaining units.

We are further disturbed by your statement in paragraph 3, and I quote, "The situation creating the discontinued-service retirement opportunity arises from the fact that we have an excess number of employees." In view of the failure of the Postal Service to be able to give overnight delivery of locally mailed mail to even local patrons, we cannot understand how the efficiency of the Postal Service will be increased by the separation of thousands of our most qualified and dedicated employees. Your letter does not indicate any intention of replacing the bulk of these separated employees which, again, causes us to wonder how the service to the public is going to be improved with reduced personnel and replacements, if any, practically untrained.

We also raise the question as to whether or not this unilateral action on the part of the U.S. Postal Service is in violation of the National Working Agreement. While we appreciate the advanced information (4 days) given our Unions, we feel strongly that a program of such magnitude should have required some in-depth consideration and discussion with the Unions party to the National Contract.

Sincerely yours,

FRANCIS S. FILBEY, *General President.*

Mr. FILBEY. Mr. Chairman. I think there are one or two points we would like to point out in our prepared statement. Number one is the fact that it is our belief and the belief of other unions of postal employees that we, as unions, were at least entitled to an opportunity to negotiate with the Postal Service prior to this order or instructions or program being established.

In lieu of having the opportunity to really consult or to negotiate, our union was advised about 5 days before the issuance of the Postmaster General's letter by telephone. In fact, he tracked me down in Gulfport, Miss., to read the statement to me that the Postmaster General intended to promulgate.

Certainly, had we had the opportunity to consult and possibly to negotiate as we believe we were entitled to, we would have made certain suggestions. Number one, that the rank and file employees in our bargaining units should in our opinion be afforded the same opportunity and the same severance pay that was afforded to managerial employees just about a year ago when this kind of procedure took place in Department headquarters and in the regional offices.

Lacking the ability to obtain that, we would certainly have made every effort to convince the Postal Service that they had an obligation to do something about the reduced annuity these people would have to take on the basis of being under the 55-year voluntary age.

Third, as a minimum we would have made every effort to have convinced the Postal Service that the 4.8 percent which will be an additional percentage which will be made available to people who retire under this program prior to June 30 be made available also to the people who would retire under this provision after June 30 and prior to December 31.

We, of course, were not afforded that opportunity. We have filed formal complaints under our contract with the Postal Service.

Mr. WALDIE. Did you listen to the response of Mr. Gayle as to what he construed to be the difference between the two situations?

Mr. FILBEY. No, I did not have the opportunity to hear Mr. Gayle. I have had the opportunity of reading his prepared statement and I have some comments I wish to make on that.

Mr. WALDIE. In response to a question that I asked following what was the distinction that precluded these people receiving severance pay he said the impact was more disastrous in terms of the reduction of the regional office staff and I asked him, "Disastrous to whom? The man who is reduced it seems to me would be equally disastrously treated whether he was a supervisor or whether he was a postal employee on a salary status."

His answer was the disaster that they were seeking to soften was the disaster that was contemplated—he didn't use these words—by the Postal Service.

Mr. FILBEY. We share your opinion that it was a disaster for managerial employees to be placed in the same position. To soften that disaster the Postal Service decided they would give them 6 months severance pay. We say the disaster is greater on our salaried employees.

Mr. WALDIE. I would say that is correct.

Mr. FILBEY. Absolutely. Mr. Chairman, I noticed an effort on your part to have the Postal Service make a statement as to what their actual goal is in this particular program, how many employees they anticipate or hope would avail themselves of this opportunity.

We, too, would like to have that information. Additionally, we would like the Postal Service to tell us the number of excess employees they believe are on board, the categories and so forth so that we could examine that situation.

Obviously, if the kind of system is going to continue to operate in the Postal Service, the coming negotiations next spring are going to be loaded, shall we say, at a minimum with fireworks.

It is going to be necessary for these unions at a minimum to make every effort to force the Postal Service to establish a supplemental retirement program for postal employees to take care of this reduction in annuity that is now going into law as the pending legislation, which I understand will make it voluntary solely at the option of the employee without the employer having the opportunity or the ability to use coercion.

Certainly the Postal Service's statement here today cannot be considered as anything else but coercion. The Postal Service says here today that if they do not, through the freeze and reverting of vacant positions and this accelerated retirement program, obtain the elimination of the necessary positions that they are giving serious consideration to invoking the reduction in force procedures.

This statement obviously will be made available to postal employees across the country and it can be considered as nothing else but coercion. What they have said here is if you don't take it now we are going to use the RIF procedures.

Mr. WALDIE. As a matter of fact, I noticed on page 4 from the Postmaster General's announcement that had escaped my attention but that confirms my belief where you quote his statement:

But for no layoff positions in our national agreement we would be actively enlarging in a system which had reductions in force.

That would seem to lay it on the table.

Mr. FILBEY. That is laying it on the table.

Mr. WALDIE. It was not the concern on the part of the Postal Service for the impact on employees of a reduction in force procedure that led them into this informal reduction in force, it was because you had precluded them from using that harsh manner of reducing their forces by your agreement.

Mr. FILBEY. If you notice on page 3 of Mr. Gayle's statement at the third paragraph, this in my opinion is nothing but coercion.

If the freeze and the early retirement opportunity fail to achieve significant work force reductions, the Postal Service has the further option of bringing formal Reduction in Force procedures into effect.

To me that is outright coercion.

Mr. WALDIE. It certainly is that and it would seem to me it is also a fairly good tipoff as to that clause 6 in your article 6 in your next negotiations agreement. The integrity of that article would appear to be very essential for the well-being of the postal employees.

Mr. FILBEY. You can understand the difficulty we are going to encounter in our efforts to retain that language in our next agreement. Following that up we are at a loss to understand. We negotiated that agreement effective July 20, 1971 and the Postal Service at that time agreed to it.

There must not have been this tremendous excess of employees at that time or, on the other hand, someone in the Postal Service has made a serious blunder.

Mr. WALDIE. To your knowledge do you or any of the other organizations who are signatories to that contract maintain that article 6 in fact is violated by the present procedures?

Mr. FILBEY. Yes, sir.

Mr. WALDIE. How do you do that? What is the process?

Mr. FILBEY. We contend in our short formal statement that the programs—

Mr. WALDIE. I mean have you formally filed a grievance on it?

Mr. FILBEY. No; we are at the present moment going through the national grievance procedure alleging that the Postmaster General in instituting this program has failed to comply with the section of the contract which prevents the Postal Service from taking unilateral action.

As to whether this section or this actually violates the low layoff clause, this is something our counsels are presently studying.

Mr. WALDIE. Fine. I don't know the answer to that myself but it seems to me that it ought to be softened.

Mr. FILBEY. I would like to point out one other language in Mr. Gayle's statement where he makes reference to the passage of the Postal Reform Act. He quotes:

To relieve officers and employees for duty because of lack of work or for other legitimate reasons.

Under this statutory authority the Postmaster General requests using this procedure. Nevertheless, the Postal Service when it entered into an agreement with the unions agreed to give up that right.

Again, this is an implied threat that if they cannot accomplish their goal of drastically curtailing the employment in the Postal Service that they might try to rely on the basic law and invalidate some section of the existing national agreement.

Mr. WALDIE. Let me understand what you are contending. You are saying on page 3 in this paragraph that that statutory right was waived in effect by article 6 of the national agreement?

Mr. FILBEY. Yes; we had a great deal of discussion and spent a number of hours convincing the Postal Service that we would not sign a contract with that language picked up by the law and inserted in the contract.

Mr. WALDIE. I think that is correct. May I ask you a question for a moment. What is your understanding of that waiver clause in the agreement the employee has to sign before he is entitled to early retirement?

What does he waive in your understanding in terms of retention rights? Would he specifically waive retention rights? What do you believe that employee has given up?

Mr. FILBEY. I think one thing the employee has given up, particularly a postal employee who is a veteran, is I think he has signed away his veteran's rights.

Of course, in our bargaining units, in the people represented by our bargaining units, our contract provides for no layoff but there are roughly 100,000 postal employees that are not covered by that contract.

Any of the postal employees in my opinion who sign that waiver is going to find it extremely difficult should he have second thoughts and wish to sue in the Federal courts to get his veteran's preference rights, which I believe is a waiver of a major right.

Mr. WALDIE. Does he not also by signing that agreement waive the rights in the national agreement? If he is covered, does he not also waive those rights? Are they not precluded?

Mr. FILBEY. I would imagine the Postal Service would consider that he has waived those rights. The union considers that no employee has a right to waive his or her rights under that contract. It is a contract with the union, not with the individual employer.

Mr. WALDIE. But the individual employee is the third party beneficiary of the contract and theoretically, I don't know.

Mr. FILBEY. We are having a great deal of discussion at the present time with the U.S. Postal Service concerning the ownership, shall we say, of grievances by the union rather than by the employer which we believe the language in the contract provides.

Mr. WALDIE. I wish I had asked counsel for the Post Office. In fact, I will ask counsel for this committee to prepare a letter asking that specific question, if the waiver retention rights include the fact that the employee thereby waives waiver retention rights that he might have by reason of the national agreements and if it is his understanding that he has waived those rights also by the execution of that waiver.

Mr. FILBEY. Finally, Mr. Chairman, I think there is one point that the Congress, I am sure, will take into consideration and that the American public ought to look at—how the Postal Service can expect to improve its service to the public.

I notice again in the Department's statement while they touch briefly on service to the public they are more interested at the present moment in eliminating the positions in order to prevent a postage rate increase of \$458 million.

How they can expect to improve the Postal Service to the public by advocating and urging and in some instances coercing long-time dedicated, experienced employees to leave the Service if they are replaced—and it is not their intention as we understand it to replace very many of them—by new employees.

It may take one to 5 years to train them. How this will improve the Postal Service we are at a loss to understand. As a union we are a little bit fed up about being blamed by the American public for poor postal service.

I think that your hearings are bringing out some facts which are going to place the blame for poor postal service right where it belongs, on poor postal management. This is one of the reasons for poor postal service in this country, this kind of philosophy, this kind of idea that instead of the customer having to pay for the product that you cut down the service and release employees.

Mr. WALDIE. The concept of early retirement is not offensive to me. I like it. But it becomes objectionable to me if the employee is coerced into early retirement purely to serve the objectives of management.

Early retirement in this situation in no way is sought for the convenience of the employee, it is sought entirely for the objectives of management. They are ill-defined and don't fully understand what they are to get, a numerical reduction of the work force, not a reduction where there are surplus positions or where there are inefficient employees.

It is just an across-the-board reduction in the work force and it does seem to me that your contention that as representatives of the employees a unilateral decision of this nature certainly ought to have been at the minimum brought to your attention for advice and recommendation since the impact is upon the employees but the reason for it is for the convenience of management.

Mr. FILBEY. Yes, sir.

Mr. WALDIE. Thank you, Mr. Filbey.

Mr. FILBEY. Mr. Chairman, there is one other thing I wish to add. While we do not represent managerial employees we are receiving requests daily.

Practically the entire top management in this country are availing themselves of this opportunity. Knowing some of the top managerial people in some of these offices, we are fully confident that they are not leaving voluntarily, that there is a coercion on these people.

Of course, we don't represent them. We know there is coercion on our people because they are in effect being told if you don't avail yourselves of this we are going to move the mail to another city, you are going to have to move, you are going to have to do this or do the other thing.

I cannot conceive such an accord as this operating free of coercion, it is impossible.

Thank you, Mr. Chairman.

Mr. WALDIE. I think your very definition requires coercion because the retirement has to be involuntary. The employee cannot desire to retire or is not entitled to early retirement if he has to be involuntarily retired. Coercion is implicit with the definition of that.

Mr. FILBEY. We would hope you would find out how many they would hope to get rid of.

Mr. WALDIE. We will certainly try. It is difficult.

Gentlemen, do you have any further comments?

Mr. SILVERGLEID. I was interested in the way you brought out in your discussion with Andy Ruddock the fact that in fiscal 1971 there were over 14,000 of the so-called discontinued service retirements which more or less absorbed a 3-year allotment.

I understand the postal testimony indicated there are over 5,000 in the Postal Service alone as of this period and this is going to continue until the end of December of this year. It is becoming increasingly obvious that there is going to be a definite depletion of the annuity fund, there is no way they can avoid it.

Mr. WALDIE. No; but was it not interesting when Mr. Ruddock said that all these things were assumed to in fact occur when they made their assumptions and if their assumptions are wrong in this 5-year period they may be right in the next 5-year period.

I was not impressed but neither was I surprised. I had been listening to the Civil Service Commission's assumptions on what will happen in the future in other fields and found them equally inaccurate.

It is incredible that you have 14,000 in the year when you anticipated 5,000 and you have 5,000 already from one agency this year that will meet your assumptions of 25,000 in 5 years when you are in your second year and already have 19,000 on the record and you are a long way from being completed in your second year.

My guess is that they will be well over their 25,000 assumption for a 5-year period by the end of their second year.

Mr. SILVERGLEID. I think they will double.

Mr. FILBEY. If the postal employees by using this system are going to finance their \$458 million, we are talking about between 40,000 and 45,000 rank and file employees on the average of \$10,000 a year.

Mr. WALDIE. I think you are going to finance more than that. I think it should be of concern to you, too, that though the ostensible prac-

tice would be that those that they temporarily rehire would be hired over and above their annuity income.

They said they have the authority to do that but they do not mention until interrogation brought it out that, in fact, although they have the authority to pass the practice was that the annuity was subtracted from the income for that particular job.

The retirement fund will be employing, in my view, postal people and you will be competing with retirees that will be rehired at a lot less than they have to pay an entering man in to the Service or a man that is promoted from the Service to a higher position.

That would seem to me to have certain ramifications to your membership, too.

Mr. SILVERGLEID. By the way, there is also a definite basis for the increase and disability applications. Under this discontinued service requirement there is a 2 percent a year reduction for each year under 55 and an employee who goes out on disability sustains no such reduction.

Mr. WALDIE. I understand that. The question that I was seeking and was not able to ask because no one seemed to know was whether there was an increase in disability retirees or not.

If there are increased disability retirees the question I have is how does the service keep these people working all these years when they are disabled and all of a sudden it looked like they are going to be r.i.f.'d and their disability surfaces?

Mr. NILAN. The Postal Service figures show up to 929 disability retirement requests. I would rather suspect that in the 6-month period I presume they are covering the previous 6 months and that that is rather high for the Postal Service.

Mr. WALDIE. I am sure it is. We are going to find that out. I am certain what happens, and they encourage it to happen, by including the explanation of the disability retirement as they describe rights are available to you in early retirement they are encouraging people to take a shot at disability retirement.

I don't discourage people from taking a shot at it but it is of concern to me as a Congressman that we apparently had so many disabled people employed that no one discovered. That is a strange phenomena.

Mr. NILAN. We want to also commend you for demonstrating that the track record and the credibility of the Civil Service Commission during the past 12 months first with the health benefits and the Blue Cross rates and now in this instance certainly leaves a lot to be desired.

For the first time in our experience they have really had their credibility shattered to a largess extent.

Mr. WALDIE. I think I would share your conclusion that their credibility is deserving of some examination from time to time. I get more and more of the opinion that the Civil Service Commission is nothing more than in a relationship with the executive departments of the Government and that they conceive their role to be to make life easy for the administrators of the Federal system and if that means ignoring the rights of employees, so be it.

That is the theme they seem to operate on. I have seen very little indication of any role of advocacy for the employee that has been expressed at least in these two issues, the health benefits issue and this issue.

They seem to be bending over backward in every instance—in the one instance to assist the carrier, not the employee and the health benefits program and in this instance to assist the managers of the Postal Service rather than the employees by strained interpretations of the statutes.

I have rarely seen a more strained interpretation. What the Postal Service wanted to do was not designed in any way to assist the employees in their relations with the postal management.

Mr. NILAN. Mr. Chairman, that is another reason that our organization representing postal workers hopes that this committee and the Congress will continue at least for the foreseeable future to look after us rather than casting us totally adrift as some would like to have done.

Mr. WALDIE. I would think that is a worthwhile commitment.

Mr. FILBEY. It also seems obvious to us, and I hope to the committee, that some action must be taken to strengthen these unions at the bargaining table next spring on such as the right to strike.

If the Postal Service continues these kinds of programs, fails to consult and negotiate and violates the contract as they are consistently doing with or without the right to strike, I forecast that you may have another one in the not too distant future.

Mr. WALDIE. I understand those pressures and I understand the necessity of having better ability to influence the postal managers toward understanding the problems of employees. I just wonder, very frankly, sitting here today how you are going to preserve article 6 in your next round of negotiations absent the right to strike.

You are just not going to do it that I can see. They have been very outspoken and have been very straightforward and given you plenty of warning that they are going to engage in a massive reduction in force at the expiration of this contract and article 6 is going to determine whether they will get away with it.

Mr. FILBEY. It will be very difficult.

Mr. WALDIE. It will be, but, good luck.

Mr. FILBEY. As I say, it may result in a legal or illegal strike.

Mr. WALDIE. Well, I hope it is a legal strike.

Mr. FILBEY. So do I.

Thank you, very much, Mr. Chairman.

Mr. WALDIE. Our next witness is Mr. James Rademacher, the president of the National Association of Letter Carriers. Mr. Rademacher, will you introduce your associates?

STATEMENT OF JAMES H. RADEMACHER, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS, ACCOMPANIED BY J. STANLY LEWIS, VICE PRESIDENT AND LEGISLATIVE DIRECTOR; GLEN HODGES, DIRECTOR OF LIFE INSURANCE; AUSTIN CARLSON, DIRECTOR, HEALTH INSURANCE DEPARTMENT; AND JOHN SWANSON, ASSISTANT DIRECTOR, HEALTH INSURANCE DEPARTMENT

Mr. RADEMACHER. Yes, I will, Mr. Chairman.

On my immediate right is our very able vice president and legislative director, Stan Lewis. On my left is Mr. Glen Hodges, director

of our life insurance, and to his left is Mr. Austin Carlson, who directs our health insurance department, as you well know; and his assistant in that area is Mr. John Swanson on my far left.

Our appearance here today is in behalf of 230,000 members of the NALC. We appear to present our views relative to the retirement policy announced by the U.S. Postal Service on June 5, 1972.

On June 1, 1972, in a most unusual action, Postmaster General E. T. Klassen visited our union headquarters and met with me for the purpose of discussing a proposal which he intended to announce publicly on June 5, 1972. The proposal was the discontinued-service retirement program which was subsequently announced and which would: (1) Permit optional retirement of all postal employees who are 50 years of age and have 20 years of service; (2) who have 25 years of service at any age.

Although it would not be in the best interest of some of our members to oppose the suggested retirement program, we did have some meaningful suggestions to offer the Postmaster General. At the time of the discussion on June 1, I suggested to Mr. Klassen that all employees be granted the additional 4.8 percent increase which was forthcoming for all annuitants on the rolls on July 1, 1972, even though their retirements might occur as late as December 31, 1972. A further union suggestion was that the same type of severance pay which was allowed management retirees a year ago be granted retiring employees at this time. We also urged the Postmaster General to fill all vacancies of regular assignments and further asked the Postal Service to join in supporting legislation to liberalize the Civil Service Retirement Act by rescinding the provision which calls for the deductions of 2 percent for each year the retiring employee is under age 55. The final union proposal on June 1 at the meeting with the Postmaster General was that no coercion is to take place with regard to the early retirement program.

The Postmaster General responded by assuring there would be no coercion of employees but he was noncommittal on any of the other union proposals.

It will be noted in the instructions issued on June 5 by the U.S. Postal Service that if it had not been for the "no layoff" provision in our national contract, the Postal Service would be actively engaged in a systemwide reduction in force at the present time. We cannot agree that a reduction in force is necessary since attrition to date appears to have resolved the problem of excess employees due to mechanization and automation. For example, since the employee freeze order of April 28, 1972, there have been more than 9,000 terminations, none of which has been replaced.

I want to reiterate what Mr. Filbey has said concerning Mr. Gayle's statement that if the Postal Service intends, as indicated by Mr. Gayle, to carry out the further option of bringing a formal reduction in force procedure into effect, they will find themselves involved in very serious litigation, and I want to make that clear at this point, because in the opinion of the National Association of Letter Carriers, this is a flagrant violation of the contract that they and we signed.

Mr. WALDIE. That is article 6 you have reference to?

Mr. RADEMACHER. That is right, Mr. Chairman.

One of the instructions issued in the policy governing discontinued service retirements that is disturbing our membership very much is the fact that they are required to "resign" rather than retire. We understand that in order to qualify for an annuity under this type of procedure, the employee is unable to actually apply for retirement and is expected to resign his position.

Immediately following issuance of the June 5 instructions, our union took the following action:

We wrote to Chairman Thaddeus J. Dulski and Chairman Gale W. McGee, of the House and Senate Post Office and Civil Service Committees, and urged a meeting of the conferees on S. 1681. This legislation would permit employees retiring after June 30, 1972, to be eligible for the annuity increase of 4.8 percent. Chairman McGee responded that, "The House has yet to appoint conferees on the bill, which may indicate that there may become second thoughts generally about this legislation."

Chairman Dulski wrote: "In view of the fact that the Senate conferees have indicated they will not accept the House amendment requiring that the U.S. Postal Service pay for increases in the unfunded liability of the civil service retirement fund due to pay raises for postal employees, the convening of a conference on S. 1681 would appear to be futile."

The union contacted Chairman Jerome R. Waldie of this subcommittee and urged hearings with subsequent legislation to permit qualifying employees to retire without the 2-percent penalty for each year under age 55.

We informed our membership of our proposal and reminded them that the instructions were very clear that no coercion was to be exercised by management.

We met with other postal unions to discuss the issue.

The national working agreement between the postal unions and the U.S. Postal Service mentions the subject of retirement in this manner.

Article XXI, Section 3. Retirement. The employer shall continue the funding and administration of the Retirement Program at the current contribution level for the duration of this Agreement.

Because the subject of retirement was included in our national contract, the unions feel that the postal service should have negotiated this new condition of employment, even though temporary in nature. Because we are now covered by the Taft-Hartley Act, the employer is obligated to negotiate such matters as fringe benefits. They have merely advised and conferred but the policy was not negotiated. If it had been, the unions were in position to make demands upon management such as a continuance of the 4.8 percent annuity increase for those retiring beyond June 30, 1972. We certainly would have attempted to negotiate severance pay for rank-and-file workers in the same manner it was paid management officials last year.

Because of the strong feelings of the unions on this matter of negotiability, a grievance has been filed with the senior assistant to the Postmaster General under date of June 9, 1972. In that grievance, the unions have charged that the issuance of the instructions on the subject of discontinued-service retirement did violate the rights of

the unions and the employees who have been adversely affected by such violations. In the event of an unfavorable settlement of this dispute, the matter will be promptly referred to arbitration.

This is not the first instance of unilateral action on the part of the U.S. Postal Service and I refer, of course, to the exodus a year ago of more than 1,600 managerial employees. When instructions were issued by Postmaster General Winton M. Blount urging managerial employees to retire and offering a lucrative severance pay bonus, we strongly objected to Chairman Dulski in a letter dated May 28, 1971. In that letter, we questioned the authority of the Post Office Department (not yet the U.S. Postal Service) in permitting retirement with a compassionate bonus. Chairman Dulski referred the questions of my inquiry to the Civil Service Commission and the Comptroller General. Chairman Robert E. Hampton of the Commission answered Chairman Dulski in a letter dated June 23, 1971. I believe that it is important for the record that a copy of Chairman Hampton's letter be incorporated in this testimony and we are attaching same herewith.

It will be noted in Mr. Hampton's letter the conclusion that if 3,000 employees were to retire at an added cost of \$20,000 each, the liabilities to the retirement fund would be increased by \$60 million.

I believe when you indicated in your press release, Mr. Chairman, that the cost liability could amount to \$10,000 per person, you understated the raid on the fund which is now taking place. If only half of those eligible took advantage and did retire, the unfunded liability would exceed \$1 billion according to the statement that has been made.

In addition to asking the Civil Service Commission to respond to my inquiry on the subject, Chairman Dulski also requested the Comptroller General to render an opinion on my inquiry as to whether or not the granting of a severance pay bonus to only managerial employees is unfair to other postal workers.

I am attaching herewith the answer dated July 28, 1971 and signed by Comptroller General Elmer B. Staats. You will note please the conflict in policy where the Comptroller General indicates that the bonus for managerial employees in 1971 was intended to induce those employees eligible to retire to do so in order to avoid the elimination of positions of newer employees.

Now, the shoe is on the other foot and if the Comptroller General's decision of July 28, 1971 is to be considered official policy, now that the early retirement program has been expanded to all employees, we feel that severance pay should also be granted to all retiring workers.

Mr. WALDIE. There are two things that I wonder about. The decision to grant severance pay was made exclusive of Congressional reference. Nobody asked Congress if they approved or disapproved of severance pay. It was apparently determined to be purely a managerial prerogative. It does seem to me that that is certainly a classic example of an inequitable treatment of similar classes of employees given similar objectives of management.

I am wondering out loud if this action is not subject to some restraint, I mean the action of deciding no severance bonus will be granted these employees in a similar position as was granted the other employees. If that decision is not subject to review, either under

the agreement—and I am not familiar enough with the agreement to determine—or else in a court as an arbitrary unreasonable action as affecting employees unequally. I just put that so it is in the record. I do not know the answer, and I will attempt to find out.

Mr. RADEMACHER. Mr. Chairman, just like yourself, I would like to respond aloud. I think that the Comptroller General's letter just quoted, and as part of this testimony will give you the answer. What is sauce for the goose is sauce for the gander.

Mr. WALDIE. It would appear to me that that is the case.

Mr. RADEMACHER. We want to make it clear at this hearing today, Mr. Chairman, some things perhaps that have been overlooked in the hearing in trying to bring out the intent of all the other alleged skull-duggery that might have taken place. We want to make it clear that we are not opposed to our members having the opportunity to retire at an early age.

On the contrary, we strongly support early retirements, and truly believe that the pending legislation, H.R. 11255, does not go far enough to meet the immediate needs of our restless membership. When the statistics indicate that one of each three of our members retiring does so for reasons of disability, there is strong evidence of the need of earlier retirement.

We suggest the provisions of H.R. 7647, sponsored by Representative Frank J. Brasco, of New York, be substituted for the language of H.R. 11255. The Brasco legislation would permit retirement following 20 years of service with an annuity based upon 2.5 percent of his high 3-year average pay multiplied by the total service.

I bring this out at this time only to make a point, Mr. Chairman. I hope you will bear with me. You will find today that postal employees will not be leaving in droves as I, myself, am guilty of predicting earlier because of the totally inadequate annuity which is now payable to those who meet the requirements of the discontinued service retirement.

On the contrary, you will find a lesser number of rank-and-file workers leaving than managerial employees. Although there are only 10 percent of the total number of postal workers serving in managerial positions, in our opinion 20 percent of the Nation's supervisors and postmasters will be retired by June 30, 1972. We anticipate no more than 5 percent rank-and-file workers leaving the service this year.

The reason is evident: An employee with 25 years of service and age 50, a letter carrier, would receive only \$310 monthly after deductions for survivor and health insurance. An employee age 50 with 20 years of service would receive only \$220 monthly after deductions, only by retiring by June 30.

The USPS has indicated that there are 184,000 employees of the 700,000 on the rolls who could qualify for retirement under the temporary policy. If such eligible employee did retire, there would be an annual wage saving of \$2 billion; but who would deliver the mail?

If just those eligible to retire in the 12 largest post offices (41,128) chose to retire, there would be a saving of practically the exact increased income which would be derived from a 1-cent postage rate increase (\$450 million), but deliveries would have to be reduced to three weekly.

At this point, I would just like to ask for the record how suddenly are there an assumed more than 40,000 excess regular full-time employees in the Postal Service. How come all of a sudden that in order to avoid a request for a rate increase, which is total to the salary of 41,000 people, how do these people suddenly become excess?

I might answer that with an assumption, Mr. Chairman. I have reason to believe that there is an engineering firm that has informed the Postal Service that they could rid themselves of 20 percent of the postal workers. Now, I am certain that if that statement was made, and I feel it was made, and I feel the Postal Service is now reacting from that statement, that if it was made, then certainly whoever made it did not go office by office. They just assumed on the basis of total income and that total facility and total employees, you could get by with 20 percent less people. So, we are now approaching a crisis.

We have said it for a month, we repeat it here today. When a letter carrier retires, and perhaps this week when 3,000 or 4,000 or more retire, somebody has to deliver that mail, and it is going to be delivered on costly overtime, as has been taking place since April 28. The cost of overtime has soared, but there is no reference or record of that made; all they are talking about it how many excess people that they terminate.

You could terminate the entire number that they have suggested, and give everybody 12 hours a day, but where is the economy? So, they really and truly are not excess.

To get back to the statement, if it were not for the meager annuities that are payable with the penalties for those under age 55, there might well be an exodus that would severely cripple an already deteriorating Postal Service. In fact, with the employment freeze and the distinct possibility of about 20,000 postal workers retiring this week, the fears of our union are reaching fruition. Within a month, the Postal Service will be in worse crisis that occurred in 1966.

I remind the chairman and the committee that in 1966, Postmaster General Larry O'Brien was forced to order the same kind of an employment freeze. At that time, mail cars were lined up all over this country, and management even went to mailers of circular mail and got permission to burn the mail because the date of the sale expired. It cost Mr. O'Brien and the Bureau of the Budget and the country \$30 million in 1966 to deliver the mail that had been piled up because of the fact of the employment freeze, and we are approaching that level even this minute.

We cannot convince top-level management that when a letter carrier who is assigned to a permanent route, choses to retire, someone must be hired to deliver that mail. Under the instructions of April 28, 1972, no vacancies shall be filled other than critical vacancies.

In our opinion, a vacancy created by a letter carrier is a vacancy which can be properly labeled "critical." When management realizes that such vacancies must be filled and new employees are, of necessity, appointed to the rolls, it will be proven that there is no economy in offering such a liberal policy especially when new employees must be added and overtime costs must be paid.

The overtime paid to postal workers since the employment freeze is about the highest such cost the Postal Service has ever encountered, and it continues to soar.

If I may return to H.R. 11255, I would like to again voice the strong objection of the NALC to the provision which increases annuity deductions to 7.5 percent. We call attention to the Congress several months ago of the fact that the average employee would be contributing more than \$2,000 additional funds over a 30-year period based upon his present salary. He then could retire optionally under the "Magic 80" formula. Many would not choose to do so even though they have been assessed the cost of this optional provision.

We take strong exception to the attitude of the Civil Service Commission which, as you know, has announced that the normal cost of funding is now less than 13 percent. Rather than suggest liberalization of the Retirement Act, the Commission has suggested that any excess income be applied toward the existing unfunded liability. In other words, active employees are expected to make up the deficiency caused by several Congresses of the past which have not appropriated the employer's share into the retirement fund. Postal workers, and especially our union, are not going to buy such a proposal, and we strongly urge this subcommittee to reassess the entire retirement program in the hopes that such legislation as that proposed by Congressman Brasco can be enacted into law.

We appreciate the opportunity to appear before you today to discuss this very serious subject. We want you to know that in the months ahead, all of our attention is going to be focused on the subject of retirement with such activities not limited entirely to correcting the inequities for active workers. We intend to strongly push for enactment of legislation which would aid our retirees. It is a disgrace upon our Government to know that thousands of former employees and their survivors actually receive less than \$100 monthly.

It is a most shameful situation when more than one-half of the annuitants and survivors on the rolls receive less than \$200 monthly. The fact that increases in the cost of living triggered slight increases in annuities is not sufficient to meet the needs of those who benefit by merely \$100 annually.

Just as Congress is legislating still another deserved increase in social security pensions, some positive action must be taken to relieve the financial plight of those who have given their lifetime to our Government and to the survivors of those workers.

We appreciate, Mr. Chairman, on behalf of 230,000 of our members and the officers that are here today, the opportunity to appear before you, and we appreciate more importantly the fact that you are dedicating your role as chairman of this committee to making certain that the liability that is involved in the Retirement Fund, and the assets as well, are a matter of concern of yours in this committee, and all of us in the Federal Service are grateful for your attitude in this regard.

Mr. WALDIE. I thank you, Mr. Rademacher, for your statement. It was forthright, excellent, very helpful. Gentlemen, do any of the rest of you desire to make any statement, keeping in mind that a tally vote was just called. I appreciate that decision.

Mr. RADEMACHER. They kept that in mind and responded in the negative.

Mr. WALDIE. Thank you very much gentlemen.

(The attachments to Mr. Rademacher's statement follow:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., June 23, 1971.

Hon. THADDEUS J. DULSKI,
Chairman, Committee on Post Office and Civil Service,
U.S. House of Representatives.

DEAR MR. CHAIRMAN: This is in reference to your letter of June 9, 1971, concerning the effect of a recent policy announced by the Postmaster General on the Civil Service Retirement Fund. The announced policy was to permit severance pay to certain employees who requested retirement.

The severance pay itself is not paid from the Fund so it does not have any effect. However, the Fund will pay out more in retirement benefits to these retirees than if they had retired later.

The Office of the Actuary in the Commission is responsible for predicting the liabilities of the retirement system. They must develop retirement rates to predict the expected time of retirement of the average employee. Until the date of retirement, the Fund will receive contributions from the employee and his agency. After that date, he will receive benefits. These predictions are based on the past experiences of retirements among Civil Service employees. Any unpredictable event such as a reduction-in-force or the policy being considered will result in less income and more benefit payments since each affected employee will be retiring earlier than expected.

For example, an employee now age 55 may have been planning to retire at 60. If he retires at 55, as a result of this policy, assuming he lives to age 60, he will receive an extra five years of benefit and pay five years less of contribution. Assuming his final salary is \$13,000 and his annuity is \$7,500, he will pay in \$4,550 less and receive \$37,500 more over the five year period for a total added cost of \$42,500. After age 60, he will be receiving a smaller benefit than he would have received if he had retired at age 60 and this will serve to offset some of the added cost.

This policy, therefore, will increase the liabilities of the system. If, for example, 3,000 employees retire at an added cost of \$20,000 each, the liabilities will be increased by \$60,000,000. Each year the interest on this amount will be paid so the added liability will remain on the books at the level of the original added cost. Until 1980, the amount will grow slightly since full interest is not paid until after 1979.

Sincerely yours,

ROBERT E. HAMPTON,
Chairman.
By JAYNE B. SPAIN,
Acting Chairman.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., July 28, 1971.

Hon. THADDEUS J. DULSKI,
Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This refers to your letter of June 9, 1971, by which you have requested our comments on two questions raised by the President of the National Association of Letter Carriers, Mr. James H. Rademacher, concerning the retirement bonus for postal employees recently announced by the Postmaster General.

The Postmaster General's memorandum of May 13, 1971, a copy of which is enclosed, indicates that the Postal Service will give each eligible headquarters or regional employee who retires between May 16 and June 15, 1971, a bonus equal to six months pay, payable on January 1, 1972. Mr. Rademacher in his letter of May 28, 1971, to you, points out that this bonus is extended to a limited number of postal employees and that in his opinion this is unfair to the many retiring employees to whom the bonus was not made available. He makes the additional point that at the time the bonus was declared the Postal Service had not fully come into existence. He, therefore, inquires as to the authority by which the Post Office Department has declared such a bonus and asks whether this policy is in violation of the laws and regulations of the Civil Service Commission.

As is suggested by Mr. Rademacher, at the time the bonus was declared certain provisions of the Postal Reorganization Act had not become effective. Section

15(a) of the act (Public Law 91-375) establishes the date of enactment as the effective date of certain specified sections, and then provides as follows:

"* * * Except as otherwise provided in this Act, the other provisions of this Act shall become effective within 1 year after the enactment of this Act on the date or dates established therefor by the Board of Governors and published by it in the Federal Register. * * *

By Resolution No. 71-9, adopted by the Board of Governors on January 13, 1971, and published in the Federal Register on January 16, 1971 (Vol. 36, No. 11) July 1, 1971, was established as the date upon which the Postal Service shall commence operations, further constituting the effective date of all provisions of the act not made effective on an earlier date. Resolution No. 71-8, adopted by the Board of Governors and published on the same date as above, established January 20, 1971, as the effective date of section 1003 of title 39, United States Code, as contained in section 2 of the act. That provision of the code entitled "Employment Policy" provides in paragraph (a) as follows:

"Except as provided under chapters 2 and 12 of this title or other provision of law, the Postal Service shall classify and fix the compensation and benefits of all officers and employees in the Postal Service. It shall be the policy of the Postal Service to maintain compensation and benefits for all officers and employees on a standard of comparability to the compensation and benefits paid for comparable levels of work in the private sector of the economy. * * *

Section 401(2) of title 39, which became effective on the date of enactment of the act, grants the Postal Service the general power to "adopt, amend, and repeal such rules and regulations as it deems necessary to accomplish the objectives of this title." Also, section 101(c) of title 39 provides as follows:

"(c) As an employer, the Postal Service shall achieve and maintain compensation for its officers and employees comparable to the rates and types of compensation paid in the private sector of the economy of the United States. It shall place particular emphasis upon opportunities for career advancements of all officers and employees and the achievement of worthwhile and satisfying careers in the service of the United States."

Reference appears throughout the various sections of the amended title 39 to compensation of officers and employees of the new Postal Service in terms of something more than salary alone. Section 1005(b) distinguishes basic pay from "any allowance or benefit," and section 1005(f) refers to "fringe benefits." All the above provisions constitute broad authority to establish a system of compensation and benefits appropriate to carry out the responsibilities of the new Postal Service and would further appear to evidence a presumption on the part of Congress that the system established might incorporate types of compensation and incentives for which there is no current precedent within the Federal civil service.

In view of this broad grant of authority, we cannot find that the retirement bonus declared by the Postmaster General is either illegal or beyond the scope of his authority under the act. With regard to Mr. Rademacher's objection that the limitation of the offer of the bonus to regional and headquarters employees is inequitable, we understand that the basis for so differentiating between those employees and other employees is the fact that the reorganization to effect the new Postal Service would have required substantial reductions in force only at headquarters and regional levels. The bonus was intended to induce those employees eligible to retire to do so in order to avoid the elimination of positions of newer employees, rather than those employees with greater seniority, which is often the consequence of a reduction in force. In view of the broad grant of authority to fix compensation and benefits, the express purpose for that authority being to place particular emphasis on opportunities for career advancement, we are unable to find that the exclusion from eligibility for the bonus of employees not at regional or headquarters levels is improper.

Further, we find nothing in applicable provisions of the civil service retirement laws or regulations which would preclude the payment of the bonus as proposed.

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

Mr. WALDIE. I am sorry we are so late in the hearing. We do have two more witnesses.

Gentlemen, I will be back to continue the hearing if you will just be patient.

(Whereupon, a brief recess was taken.)

Mr. WALDIE. The subcommittee will come to order.

Our next witness will be Mr. James LaPenta, Director, Federal Public Employees Division of the Laborers' International Union.

STATEMENT OF JAMES LaPENTA, DIRECTOR, FEDERAL PUBLIC EMPLOYEES DIVISION OF THE LABORERS' INTERNATIONAL UNION

Mr. LaPenta. Mr. Chairman, my name is James LaPenta. I am the director of the Federal Public Employees Division of the Laborers' International Union. I am here on behalf of the Mail Handler's Division of the Laborers' International Union which has national exclusive recognition for the some 47,000 mail handlers in the Postal Service. I would like permission to submit a written statement for the record.

Mr. WALDIE. Yes, you may do that.

Mr. LaPenta. Therefore, today, I will be very brief and speak to you extemporaneously and provide that written statement. First of all, Mr. Chairman, I would like to commend you for holding these hearings. Your hearing uncovers, in my estimation, the hypocrisy of a campaign before the Congress, and particularly before this committee against postal workers and postal unions.

This campaign made it appear that the unions and these postal workers are really arrogant saboteurs of the Postal Reorganization Act, that they want the best of all worlds, of collective bargaining and the alleged congressional largess in this fringe benefit area as it relates to retirement, health, and life insurance benefits.

In actuality, in my opinion, the Postal Service has been thumbing their nose at the Congress and at the Postal Reorganization Act. As Al Smith said, let's look at the record. In previous presentation, for example, in just this area alone, the Postal Service is vigorously opposed to coming under provisions of paying the unfunded liability that would be due whenever they changed the pay schedule, whether that is a negotiated pay schedule or not, and you know the liability in that respect.

For every \$2 of pay increase, the unfunded or the liability against the Retirement Fund increases about \$1, and they have vigorously tried to get out from under that particular requirement.

Second, they admitted today, for example, that they want a further double dip into the fund. You heard the testimony about what they intended to do insofar as reemployed annuitants were concerned, and to me that amounts to a double dip—going back and once again hitting that fund and not paying for it.

Let's for a minute, if I may, open up the umbrella which has covered them as they have taken the so-called right to management actions since the initiation of the Postal Reorganization Act. I want to

touch briefly on the freeze, on the discontinued service annuity, and on the RIF proposals which, conversely to what was said here today by Mr. Gayle, I do not think there is any question in the Postmaster General's statement that he intends to go into a RIF.

In fact, he said that he would be in a RIF right now if certain conditions didn't exist so we know that is the next step—the freeze, the discontinued service annuity, the informal reduction in force which they are trying to put into effect by using the device of the freeze, and the discontinued service annuity, followed by the RIF, if this does not come about.

They do all of this under this guise of right to manage. I want to point out a couple of things for the record which I have stated in appearances before other committees about the so-called right to manage.

I want to make it perfectly clear that our union, as we have done in other instances, we are not coming back to Congress and asking Congress to interfere with the collective-bargaining process. We are not coming back to Congress and asking Congress to come back and to exercise congressional oversight into the day-by-day activities of the operation of the Postal Service, which happens to be the thing that was done some time in the past, and this was one of the principal reasons for the enactment of the Postal Reorganization Act.

But, we are saying to the Congress, vigorously exercise your oversight over the Postal Reorganization Act. It would be unrealistic to expect that some of the things that they are required to do under the Reorganization Act can be put into effect instantaneously. They cannot put the new plant and the new equipment; they cannot go out and raise the capital funds and overnight provide that new plant and that new equipment in order to run the Postal Service more efficiently.

So, therefore, they are going to have to continue operating the service as a labor intensive enterprise, and not one which is going to have the benefits of a new plant and new equipment and new technology and automation and so forth.

But, you certainly can look at their right to manage. In my previous testimony before other committees, I put for example on the record their own National Service Index which shows that the Postal Service, from the receipt of the mail from the collection process to the delivery process, the way they measure this, that since 1969, it is worse than it was at that particular time, and it is worse than it was 10 years ago.

So, I think we have got to look at the practices that they are using in terms of managing this new Postal Service. I think we can question their right to manage in terms of the deal they made with the Corps of Engineers. I think that was a questionable right to manage practice the way they went about that, and certainly whether or not that is going to give us the new plant that we need by using the Corps of Engineers should certainly be a subject of inquiry by the Congress.

I think that there should be more inquiry into whether that is going to provide them with the plant and equipment that they need. Look at the gag order that they put into effect. To me, that is a questionable management exercise if they are really sincere in managing this labor intensive organization.

I think that is a counterproductive management practice that they have employed.

Look at what they did when they went to the money market for the first time when they went out and they borrowed that money, and then turned around and invested that money, and in that transaction, they actually lost some \$30 million to \$35 million.

Look at the carrot-and-stick approach that they used with their top management and middle management employees when they forced them to retire last year. In that instance, as my other colleagues have said, they gave them a little bit more than their ordinary rank-and-file postal worker today, but that aside, it still was not, in my opinion, a very desirable management practice, and it has created some havoc which they have not yet been able to repair because unfortunately, while using that device, they got a lot of knowledgeable people out of the Postal Service, a lot of middle managers who did know something about moving the mail, and by this large scale method that they used in forcing them out of the Service, they found themselves short.

You brought that up today when you tried to open up that line of questioning and asked them didn't they have to go back and then reemploy people after they forced them out. The fact of the matter, as you well know, they did have to go back and reemploy some of the people that they had forced out.

So, there are a number of management situations that they put into effect since the Postal Reorganization Act, which I feel needs very vigorous exploring on the part of the committee in order to protect the postal patron and the postal worker and the Congress, who does have the obligation to oversee how the new Postal Reorganization Act is supposed to work.

For example, getting back to the freeze and the discontinued service annuity, the freeze is supposed to save \$450 million in accordance with the Postmaster General's own testimony. The discontinued service annuity, while it is hard to pin a figure on this, I calculate that if they get anywhere near what they think that they want to get out of this program, somewhere in the neighborhood of 50,000 or 60,000 people to retire, my calculation on that comes to about \$1,250 million. So, \$1,250 million plus the \$450 million, you are talking in that neighborhood of over \$1,600 million.

Now, it seems to me again it is the Congress responsibility to make sure that if any of these kinds of savings are effected, that both the postal patron and the postal worker ought to share in some part of this saving. That is what the Postal Reorganization Act says. It is not working that way.

Through the collective bargaining process, we are supposed to be able to bargain collectively with the Postal Service so that they can share with postal workers some of these benefits.

Through the Postal Rate Commission, the postal patron is supposed to be protected, but that is not the case either, because to the contrary, the Postal Rate Commission cannot be an adversary against the U.S. Postal Service as the legislation is currently constructed.

All they can merely do is to kind of oversee again the rate structure, and that which goes into the making of a new rate, but they cannot be an adversary against the Postal Service in order to protect the postal patron.

So, what in effect we are saying to you is that the Congress needs to make certain that in exercising these rights of management, which

they have said under the Postal Reorganization Act this has fallen to them to exercise, that the savings just don't go into the pockets of management; that in accordance with the Postal Reorganization Act, through the collective bargaining process, through the Rate Commission, et cetera, that in the efficient operation and management of the Postal Service, if they are carrying out the spirit and the letter of the law, that these other two groups share also in the good management that is supposed to be the result of the Postal Reorganization Act.

Mr. WALDIE. Mr. LaPenta, I do not want to cut you short, but I do not want to get caught in another tally vote.

Mr. LAPENTA. I am finished.

Mr. WALDIE. Why don't you stay there, and we will have Mr. White come up and we might ask some joint questions.

Mr. White, why don't you join us here.

I presume you have a statement that you will present to the subcommittee.

STATEMENT OF JOHN W. WHITE, NATIONAL ALLIANCE OF POSTAL AND FEDERAL EMPLOYEES

Mr. WHITE. Yes; my name is John W. White of the National Alliance of Postal and Federal Employees.

It came to my attention yesterday that our national president, Robert White, who had hoped to appear, was out of town. Mr. Chairman, the few months that I have been in Washington, because I have been in Baltimore, I have had an opportunity to learn a lot and I have admired the manner in which you conducted your hearings.

We are an independent union, industrial in nature. You are no doubt aware of our fight for survival and we are in a titantic struggle with the seven inclusive unions fighting for survival and we are critical of some of the things which have occurred. Just about every time this organization has appeared since the change in administration at our national level, we have commented on the fight in which we are engaged.

We are the sole spokesmen from an organizational point of view for black employees, females, and some other minorities in the whole Federal Government. We appreciate the so-called umbrella, if you wish to call it that, because of the action of other unions. They addressed themselves to very vital problems which have been discussed here today, but it has continued to be necessary for us to point out the inequities which are heaped upon black employees and females and others.

The current crisis is no exception when you witness the fight that is developing in what has been discussed here today, and then you look to the other side, a part of the total picture of reduction in force. The brunt of the burden is on black employees.

Recently looking over the figures in the Postal Service between November of 1970 and May of 1971, it is noted that there was a decrease in the Postal Service work population by 10,000. A total of 10,000 people less. Out of that 10,000 less, and these are civil service figures, 6,000 of the 10,000 employees who went off the roll were blacks, were Negroes—not mixed with other minorities, Negroes.

So that the part which has not been commented on today prior to my getting up here is what adverse effect beyond that which is heaped upon just general employees are being felt by our members. I wish to bring that to your attention.

Of course, we as a union have represented our members in all crafts and all agencies, and we pride ourselves on understanding all problems which are related to employee-management relations, whatever it is.

Whether it is a grievance or whatever it is, we are familiar with it and we represent our members completely and fully.

I would like to have an opportunity to present a written statement to the committee. I appreciate the opportunity, Mr. Chairman, to just let you know that we support what you and your committee are doing; we are on your side. We were there when you offered the amendment successfully in the House to include postal employees and which was knocked out apparently in the Senate committee and the fights which you have lead, but at the same time we face the future with a certain amount of uncertainty.

It is good seeing, Mr. LaPenta again, I knew him when he was with management after he came down with Mr. Kennedy, he came into town a few years back.

The exclusive unions are so busy fighting us or dealing with general problems that the problems of some of the mere individuals go unheeded. This may not be intentional, but we willingly come to grips with these employee problems no matter how minute they may appear from the point of view those who have negotiated a contract. They say, to them "We got you a raise", but they don't perhaps listen enough to the people problems which are vital to those adversely affected.

So to shorten it, I appreciate the opportunity to say one or two words and I know President Robert White will be glad that I had this opportunity.

Mr. WALDIE. Thank you, Mr. White. We are glad that you were here.

I am aware of the problems that the alliance addresses itself to most generally and I am sympathetic with the effort to find solutions. I am equally perplexed by the way those solutions can be best accomplished.

I have always supported the alliance as an extremely worthwhile employees' organization. I like the objectives, I recognized its ability to offer employees in the service a different approach to some of their problems than the other unions are able to do.

I don't know how that is going to work itself out but at least we know in contracts that the alliance has had with this committee there has been a most satisfactory contact. I appreciate your being here today.

Mr. LaPenta, your remarks I thought were very, very provocative. I gather you would concur then with the statement that Mr. Rademacher made, I believe, and maybe Mr. Filby, I don't recall which, that there still is a necessity at least of keeping a congressional string whether it be through oversight or some other process upon the operation of the postal service.

I gather you believe that the way to do that most productively at this stage is through oversight function.

Mr. LApENTA. Yes, I do. Contrary to what some might think, I don't think there are enough hearings being held to review the right to management actions of the United States Postal Service.

We, for example, have filed national grievances alleging a violation of the working agreement, not only the taking of unilateral action which Mr. Filbey talked about, but other articles in that agreement as it relates to both the freeze and the discontinued service annuity.

We are in the process of exploring, too, whether or not we should further file an unfair labor practice. The trouble with that is with the current makeup of the National Labor Relations Board, and you know what I am speaking about.

Mr. WALDIE. I do.

Mr. LApENTA. They have introduced a new policy called the collierizing of cases which means you have to go and exhaust your remedies which would mean you go through what your collective bargaining agreements provide before you can go that route, and that is not a sufficient remedy for us to really meet this amount or anywhere near an equal basis, but be that as it may, we have filed these two national grievances and we will take them to arbitration.

Mr. WALDIE. Can you ideally or can you practically eliminate the necessity of strong congressional intervention, whether it be by oversight or some other manner, in terms of misuse of management prerogatives by the collective bargaining agreement.

Mr. LApENTA. No, you cannot.

Mr. WALDIE. Is the reason you cannot do that, you do not have the right to strike?

Mr. LApENTA. In my opinion, that is correct. And until we get the right to strike, we will have to come to Congress to plead our case.

Mr. WALDIE. In essence, because you don't have a bill to compel proper attention to your demands from management, which would mean a certain ascribing to management's prerogatives, you have to come to Congress to get that sort of attention.

Mr. LApENTA. That is correct.

Mr. WALDIE. If you had the right to strike, I for one would cut the umbilical cord completely.

Mr. LApENTA. And I would concur with that thinking also. I have suggested that perhaps we might start down this avenue by providing for a limited right to strike. Again, in appearances before Congress, I pointed to the Canadian statute where they have an option before they go to collective bargaining to choose whether to go to arbitration or right-to-strike. Once they select their particular option, that is the track that they travel.

Mr. WALDIE. They could travel either track there at the employee's option solely.

Mr. LApENTA. At the union's option, yes.

Mr. WALDIE. It does not require a managerial approval of that.

Mr. LApENTA. That is correct.

Mr. Chairman, one other thing. You had a lot of dialog today about this retention of rights and whether or not they were waived. I concur with your line of questioning there. In my opinion they are not only asking them to waive their rights either retroactively or prospectively, but both.

Mr. WALDIE. I think so too but I would hope that this record at least eliminates that contention.

Mr. LAPENTA. I can give you one example today or I can hold it and put it in the record. I am thinking about the back pay case which amounts to about \$55 million related to the administrative work week and that situation there provided that after January the collective bargaining contract would be the device and the grievance would be the device by which postal employees could recoop or get the back pay that they were entitled to as a result of the mismanagement of Public Law 89-301.

When and if they resign from the Postal Service, how can they take up a grievance? They can't. So again your line of questioning this morning along that score, I think was particularly apropos.

Mr. WALDIE. The purpose of that line of questioning was essentially to establish a record that the Civil Service Commission at least interprets that waiver as having no more force or effect than a statement by the fellow that he realizes that if he didn't want to resign, he would not have to, and that is nonsense.

But if that record holds up, he has not waived any other rights whatsoever. All other rights that might be in existence remain in existence now. If I understand that record, the Civil Service Commission is the one that I presume will speak for them, interpret what that constitutes.

I am personally convinced that is not what the Postal Service intended, they intended far more than that. Rather than an indication of noncoercion, that seems to me to be the most coercive line in that entire document.

Gentlemen, I do appreciate it. We hit it right on the nose. I am sorry we had to work so long this afternoon.

Mr. LAPENTA. Thank you very much, Mr. Chairman, for the opportunity to appear before your committee.

Mr. WALDIE. Thank you.

(Whereupon, at 3:50 p.m., the subcommittee adjourned, subject to call of the Chair.)

(The prepared statement submitted by Mr. LaPenta, subsequent to the hearing, follows:)

STATEMENT OF JAMES J. LAPENTA, DIRECTOR, FEDERAL-PUBLIC SERVICE EMPLOYEES
DIVISION, LABORERS' INTERNATIONAL UNION

I speak for the Mail Handlers Division of Laborers' International Union of North America, AFL-CIO.

The Mail Handlers Union commends the Chairman for holding these hearings. The hearings uncover the hypocrisy of a campaign before the Congress and before the Committee against postal workers and postal unions.

The campaign makes it appear the postal unions and postal workers are arrogant saboteurs of the Postal Reorganization Act. It wrongly portrays them as wanting the best of both worlds—of collective bargaining and alleged Congressional largesse in the fringe benefit area of retirement, health and life insurance.

In actuality it is the U.S. Postal Service which is seeking to go around the collective bargaining process and deny postal workers the right to share with management any savings afforded by the Discontinued Service Annuity program and the "Freeze" on new hiring.

The programs according to the U.S. Postal Service figures are saving in the neighborhood of \$1,250,000,000 and \$450,000,000 respectively for a total of \$1,700,000,000. The U.S. Postal Service has denied the postal unions and the postal workers the right to negotiate over the sharing of these savings, and have unilaterally put into effect these programs.

The unions have filed National Grievances charging violations of the National Working Agreement and have demanded that postal management sit down and negotiate, in addition to the early retirement benefits, other matters such as the extension of the 4.8% cost of living benefit to go along with the early retirement annuity and a cash bonus as was given to postal management in 1971 when the

Postal Service first put the early retirement program into force and effect with those non-bargaining unit management employees.

In actuality, this remedy and the ultimate arbitration of the matter is so slow a process as to make its results ineffective.

Therefore, our union wholeheartedly endorses and supports our sister union, the National Association of Letter Carriers, asking Congress to pass H.R. 7647 sponsored by Congressman Brasco of New York that would permit retirement following 20 years of service with an annuity based on 2½% of the high three-year average pay times total service.

Our union requests that the Chairman weigh the actions of the U.S. Postal Service described above with their record as regards retirement funding and that the Chairman then decide who really is seeking the best of both worlds.

In previous testimony before the House Post Office and Civil Service Committee the U.S. Postal Service vigorously opposed coming under a provision of paying for liabilities—unfunded liabilities when new pay rates are established either unilaterally or via the collective bargaining process.

As the Chairman knows, for every \$2 of pay increase the unfunded liability of the retirement fund is increased by \$1.

Secondly, in testimony before this Committee they admit they really are double dipping into the retirement fund by a proposed scheme of re-employing an annuitant and paying him his annuity plus his regular salary schedule.

Our union, in appearances before other committees of the House Post Office and Civil Service Committee has stated, and repeats here, that we are not after the committee to interfere in the collective bargaining process or to get back into the business of managing the day by day operations of the Postal Service.

This union has also stated that many of the provisions of the Postal Reorganization Act cannot be implemented overnight. You cannot change the Postal Service overnight from a labor-intensive organization to one that operates via automation and mechanization.

However, we have said, and also repeat here, that the record of the "Right To Manage" that has been given to the Postal Service by the Postal Reorganization Act can come under the close scrutiny and oversight of the Congress, particularly, the House Post Office and Civil Service Committee and its subcommittees, and we have listed a number of questionable practices in exercising this "Right To Manage". To mention a few, and by no means all inclusive:

In the transition period from a labor-intensive enterprise to an automated-mechanized one all of these "Right To Manage" decisions, if examined closely, will be seen in their true light as political decisions rather than management operating decisions, and have contributed to a deterioration of Postal Service.

The "Freeze" and the Discontinued Service Annuity Program are the outstanding examples which are designed to drastically reduce the number of people in the labor-intensive enterprise and consequently will leave the Postal Service short of the qualified manpower needed to do the job during the transition period.

(1) The use of the Corps of Engineers—the Building Program.

(2) The manner in which they handled the first Postal Bond issue and are losing in the neighborhood of \$30,000,000 as a result.

(3) The carrot and stick approach they used in forcing a number of middle management people out of the service in 1971 which forced them then to re-hire some of these employees, cashiered, so to speak, and the resultant disruption of service that this wholesale shotgun approach to getting rid of employees precipitated.

(4) The hiring "Freeze" which while it may make management look good on the budget sheet and allow them to play politics by alleging the \$450,000,000 saved will stop another postal rate increase this year has factually, because the U. S. Postal Service is labor-intensive, forced a curtailment or a reduction in mail service—on that score the record is perfectly clear.

(5) The Discontinued Service Annuity Program, while supposedly saving anywhere from \$1,250,000,000 to \$2,000,000,000 again is at the expense of mail service and the equity that they should be contributing to the unfunded liability of the retirement fund and not obligate other Federal Agencies to piggy-back the U. S. Postal Service in this regard.

Finally, Mr. Chairman, by the re-institution of the Gag Rule which prohibits postal employees from contacting Congress, the Postal Service is thumbing their noses at the Committee an saying that an avenue of information by which Congress can exercise more fully its oversight prerogative is being closed arbitrarily and perhaps even illegally by this arrogant action of the Postal Service.

