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EXECUTIVE, LEGISLATIVE, AND JUDICIAL SALARIES

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HEARING

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BEFORE THE

COMMITTEE ON
OFFICE AND CIVIL SERVICE
UNITED STATES SENATE
NINETY-THIRD CONGRESS

FIRST SESSION

ON

S. 1989

TO AMEND SECTION 225 OF THE FEDERAL SALARY ACT OF
1967 WITH RESPECT TO CERTAIN EXECUTIVE, LEGISLA-
TIVE, AND JUDICIAL SALARIES

JUNE 26, 1973

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



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(II)

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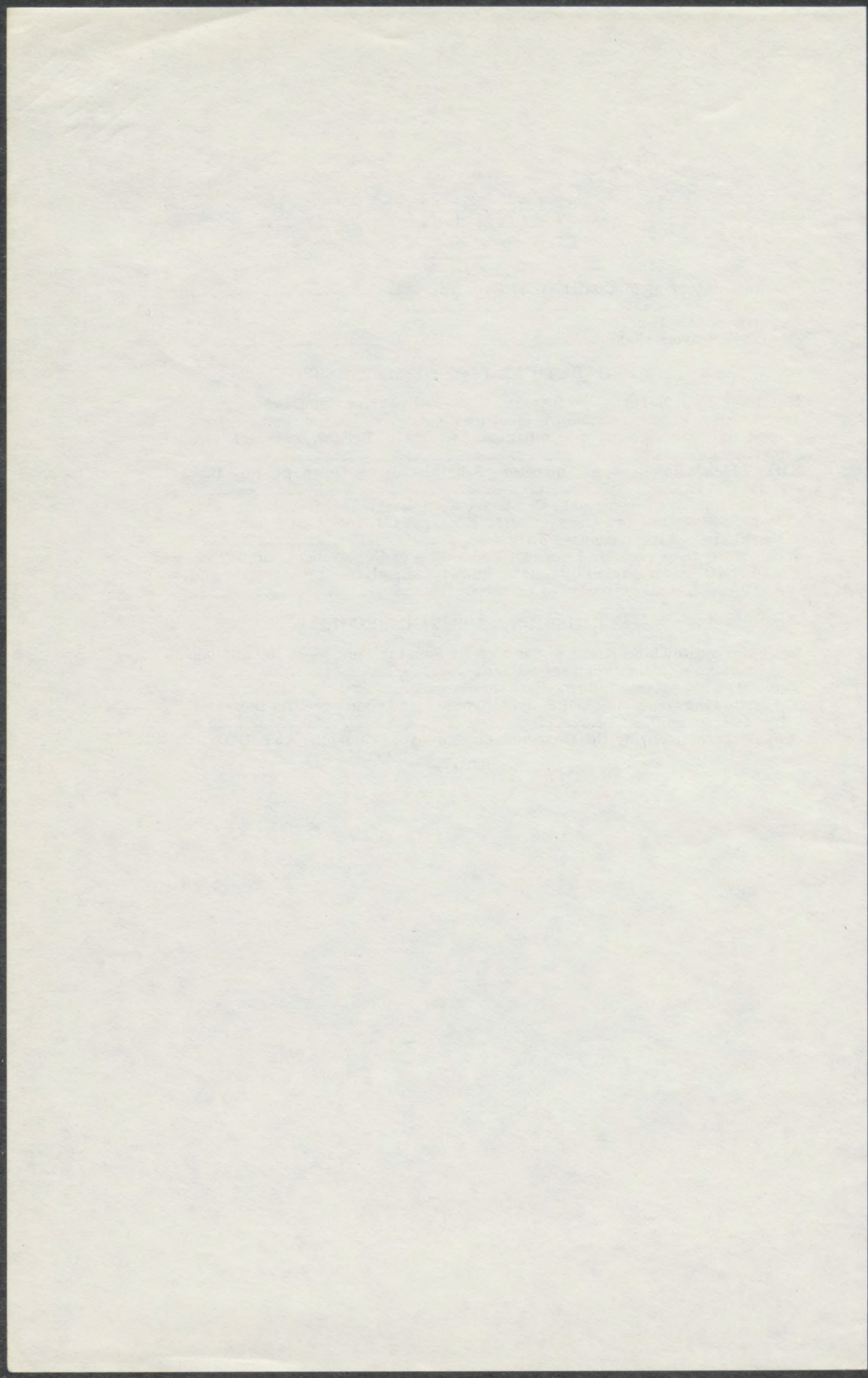
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EXECUTIVE, LEGISLATIVE, AND JUDICIAL SALARIES

TUESDAY, JUNE 26, 1973

U.S. SENATE,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The committee met, pursuant to notice, in room 6202, Dirksen Senate Office Building, at 10 a.m., Hon. Gale W. McGee (chairman of the committee) presiding.

Also present: Senators Fong, Stevens, and Bellmon.

Staff members present: Richard G. Fuller, associate staff director; Clyde DuPont, minority counsel; Tom Ebzery, counsel; and Dan Doherty, professional staff member.

OPENING STATEMENT

The CHAIRMAN. This hearing is convened so the committee may take testimony on S. 1989, a bill sponsored by the Senator from Hawaii, ranking minority member of this committee, and myself.

It is a bill that would alter the procedure by which executive, legislative, and judicial salaries are considered by the President and established by joint congressional-Presidential action.

The bill provides that the commission on executive, legislative, and judicial salaries would be appointed and would report to the President every other year instead of every 4 years. The commission report would be submitted to the President by June 30 in the year that they are scheduled to report.

The President would make his decision and recommendation to the Congress no later than August 31, and the pay adjustments involved could become effective early in October, along with other Government statutory pay adjustments. This procedure, under the pending legislation, would be followed this year. I think we are all aware of the problems caused by the arrangement in which most Federal employees receive at least a yearly pay adjustment, while the pay of the executive branch top officials, Federal judges, and the Members of Congress is considered quadrennially, if then.

In my view the Congress needs to take a new look at this problem, not from the standpoint of the level of pay for Congressmen as a substantive matter, but as a new procedure in more responsible Government. So much more hangs on this than pay alone. Caliber and type of executive level employees are simply one illustration of the complications.

Our first witness on this today is Bob Hampton. We have been having a weekly meeting of the board here with Bob lately. Nice to have you back again, Mr. Chairman.

If you will come forward, we will appreciate your presenting your views on the legislation.

Before you begin, I would hasten to explain that our thinking on the particular bill that is pending was to correct an inequity caused by the 4-year gap, that is the minimum that we can address ourselves to under the present law, even as cost of living, inflation, all of these other factors are going up, and that our eternal battle in this committee to try to distinguish between the executive level, the decisionmaking leadership level of the various bureaus of the Government on the one hand, from the troops of the other, we have constantly been faced with the rate at which the gap is closed between them.

And while that is great for all of the career public employees, that likewise is not realistic in terms of competing with the private sector for the kind of expertise that we need often on the administrative level.

At the same time the problem is caught up in the explosiveness of the Congress assessing its own salary needs or levels. We have found that every time we come to grips with that question, there are all kinds of brickbats thrown, usually without any consideration to the fact that here, in a sense, is a board of directors that is asked to bear a large measure of the responsibility over \$200 or \$300 billion a year, larger than any of the corporate groups in the country, and most of them added together.

We get the usual rhetoric, particularly in an election year, from Members of both sides of the aisle in both Houses that congressional pay considerations should not be indulged in.

Yet, we must live in the real world of survival, and congressional service need not be forfeited to the very well to do or to those who want to go to Congress and pick a rich wife so they can afford to go.

So we are hopeful we can be realistic and hardhitting and to the point. It means that the Members of the Congress are going to have to stand up and be counted when these chips are all laid out in front of us, all except those Senators who are running next year. We should have two-thirds of the Senate who stand up so we can cover our brethren who have to go home and explain it. Again that is par for the course.

We thought of requiring consideration in odd years instead of the even years in order to be of some assistance to our colleagues in the House. It has been one of my careful notations that every time we have a salary increase we get these flaming orations on the floor about how I do not need it, I will not take it, and we have noticed that those orators are the first ones that are at the door whenever we achieve a modest salary adjustment to go along with the responsibility of the job.

Very few of them have ever sent it back. Therefore, we think that a part of the task here is a more sophisticated constituency understanding of the requirements of public service that is now a full-time job, not a part-time indulgence; and if they are not careful, they may even get what they pay for.

So, with all of those thoughts in mind, we want to proceed to the testimony of the chairman. First, Senator Fong.

Senator FONG. Thank you, Mr. Chairman. I agree very, very wholeheartedly with what you have said. You have put it in very concise and clear language. I want to say that we have had the principle of comparability since 1962, and this is 1973, 11 years have passed, and we have not yet obtained comparability for the higher GS-levels. It is only in the lower grades that we have accomplished comparability.

As long as Congress refuses to pass upon their own salary, those in GS levels 16, 17, and 18 will find they have not obtained comparability with private industry. It is these employees of the Government who suffer when Congress does not vote for itself a comparable salary, comparable to that of industry. With a Government that has an outlay of \$200 billion a year, it is miniscule to say that any increase in their salary would be a waste of money.

I think that we are on the right track. We passed a bill several years ago asking for the Commission to study the executive salary rates, but we have found that within the past 4 years salaries have so escalated that the next increase will be such a whopping increase if we were to meet the comparable salary paid by private industry that there will be an outcry throughout the Nation.

I think if we are to do a good job and do it right and be fair to the employees who work for the Government so that they will continue to be in the Government service we must act favorably on this bill. We should look at this problem very realistically. I am very happy that the chairman has called this meeting to have hearings on this bill.

I do hope that the administration will back it up.

The CHAIRMAN. I did not mention a point that I hope we can explore during the course of the hearings, and that is, that as we proceed through this pending bill, try to adjust the system a bit so that it is more relevant to the circumstances which we all find ourselves, that if it were to appear wise to do so, that we would specify that this would all be subject to the same limitations and regulations in the current economic emergency that the President has imposed.

The important thing is that we write the new formula and get it underway as a formula, but I would not want it to appear that we wanted some kind of special treatment in all of this, at a time when we are trying to hold various economic factors in balance and in check.

So, at some stage we will probe how best we ought to address ourselves to that facet.

Before we get under way with our first witness, I request that S. 1989 and the agency report be placed in the record.

[The bill and report follows:]

93D CONGRESS
1ST SESSION

S. 1989

IN THE SENATE OF THE UNITED STATES

JUNE 13, 1973

Mr. MCGEE (for himself and Mr. FONG) introduced the following bill; which was read twice and referred to the Committee on Post Office and Civil Service

A BILL

To amend section 225 of the Federal Salary Act of 1967 with respect to certain executive, legislative, and judicial salaries.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 225 of the Federal Salary Act of 1967 is
4 amended as follows:

5 (1) Strike out the first sentence of subsection (b) (3)
6 and insert in lieu thereof the following: "After the close
7 of the 1969 fiscal year of the Federal Government, persons
8 shall be appointed as members of the Commission with re-
9 spect to the 1973 fiscal year and every second fiscal year
10 thereafter."

11 (2) In subsection (f) (A), immediately before "and",

1 insert the following: "Delegates to the House of Representa-
2 tives,".

3 (3) In subsection (f), strike out subparagraph (E) and
4 insert in lieu thereof the following:

5 " (E) the Vice President of the United States, the
6 Speaker of the House of Representatives, the President
7 pro tempore of the Senate, and the majority and minor-
8 ity leaders of the Senate and House of Representatives,
9 except that the review of rates of pay of positions in-
10 cluded in this subparagraph shall be made commencing
11 with fiscal year 1975."

12 (4) In subsection (g) —

13 (A) strike out "and (D)" and insert in lieu there-
14 of "(D), and (E)"; and

15 (B) strike out the last sentence and insert in lieu
16 thereof the following: "Commencing with respect to
17 fiscal year 1973, each such report shall be submitted
18 on such date as the President may designate during
19 the period from January 1 through June 30 of the
20 fiscal year in which the review is conducted by the
21 Commission."

22 (5) Subsection (h) is amended to read as follows:

23 "(h) RECOMMENDATIONS OF THE PRESIDENT WITH
24 RESPECT TO PAY.—Commencing in 1973, the President
25 shall transmit to Congress, not later than the August 31 first

1 occurring after the submission of the report and recommenda-
2 tions of the Commission under subsection (g) of this sec-
3 tion, his recommendations with respect to the exact rates
4 of pay which he deems advisable, for those offices and posi-
5 tions within the purview of subparagraphs (A), (B), (C),
6 (D), and (E) of subsection (f) of this section (including
7 recommendations to be effective in fiscal year 1974 in ac-
8 cordance with subsection (i) of this section with respect to
9 positions included in such subparagraph (E)).”

10 (6) Paragraph. (1) of subsection (i) is amended to
11 read as follows:

12 “(1) Except as provided in paragraph (2) of this
13 subsection, all or part (as the case may be) of the recom-
14 mendations of the President transmitted to the Congress
15 under subsection (h) of this section shall become effective
16 at the beginning of the first pay period which begins after
17 thirty calendar days of continuous session of Congress fol-
18 lowing transmittal of such recommendations; but only to the
19 extent that, between the date of transmittal of such recom-
20 mendations and the beginning of such first pay period—

21 “(A) there has not been enacted into law a statute
22 which establishes rates of pay other than those proposed
23 by all or part of such recommendations;

24 “(B) neither House of the Congress has passed a
25 resolution which specifically disapproves all or part of
26 such recommendations; or

- 1 “(C) both.
- 2 The continuity of a session is broken only by an adjournment
- 3 of the Congress sine die, and the days on which either House
- 4 is not in session because of an adjournment of more than three
- 5 days to a day certain are excluded in the computation of the
- 6 thirty-day period.”



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

CHAIRMAN

June 25, 1973

Honorable Gale W. McGee
Chairman
Committee on Post Office and Civil Service
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This is in reply to your request for the view of the Civil Service Commission on S. 1989, a bill "To amend section 225 of the Federal Salary Act of 1967 with respect to certain executive, legislative, and judicial salaries.

S. 1989 would change the timetable of the present quadrennial review and adjustment procedure for the salaries of the Government's top officials. Under the provisions of this bill, the Commission on Executive, Legislative, and Judicial Salaries would be required to submit its report to the President by the end of the fiscal year in which it is appointed, and the President would be required to transmit to Congress his own recommendations on new pay rates not later than the next August 31. The new pay rates would become effective at the beginning of the first pay period which begins after thirty days of continuous session of Congress after transmittal of the President's recommendations, unless the recommendations provided some later effective date or unless either House of Congress disapproved the recommendations. These changes in the timetable of the adjustment procedure would all become effective this year. S. 1989 also provides that in the future, starting in fiscal year 1975, this review and adjustment procedure will occur every two years instead of every four years.

The Civil Service Commission strongly supports all of these changes in the timing of the adjustment procedure for salaries of top officials. In particular, we believe a biennial rather than quadrennial adjustment cycle will be a considerable improvement.

S. 1989 would also bring the salaries of the Vice President, the Speaker of the House of Representatives, the President pro tempore of the Senate, and the majority and minority leaders of the Senate and the House of Representatives within the scope of the review and adjustment process. We believe this will be a very desirable change, as it will obviate special legislation such as Public Law 91-67 each time the salaries of the Government's other top officials are adjusted. We note that S. 1989 would

also remove from the review and adjustment procedure the rate of compensation for the members of the Board of Governors of the United States Postal Service. We must defer to the views of the Postal Service on the desirability of this change.

We are advised by the Office of Management and Budget that, from the standpoint of the Administration's programs, there is no objection to the submission of this report.

By direction of the Commission:

Sincerely yours,

Robert Hampton
Chairman

The CHAIRMAN. Please proceed, Mr. Chairman.

STATEMENT OF HON. ROBERT E. HAMPTON, CHAIRMAN, U.S. CIVIL SERVICE COMMISSION

Mr. HAMPTON. Mr. Chairman and members of the committee, I appreciate the opportunity to appear this morning to present the views of the administration on S. 1989, a bill designed to improve the present procedure for adjusting the salaries of the Government's top officials.

The Commission on Executive, Legislative, and Judicial Salaries has been asked by the President to submit its report on new salaries to him on June 30. Under present law, he will review this report and transmit his own recommendations on new salaries for top officials to the Congress next January as a part of his budget message. If neither House of Congress disapproves the President's recommendations in the following 30 days, his recommendations will go into effect.

S. 1989 would change this timetable. Under this bill, the President would transmit his recommendations to Congress by August 31, and the new pay rates, unless disapproved by either House of Congress, would go into effect about October 1, or on such later date as the President might recommend.

Under S. 1989, this whole adjustment procedure, including the establishment of the Commission on Executive, Legislative, and Judicial Salaries, would occur every 2 years instead of on the present 4-year cycle. Also, this bill would add the salaries of seven offices to those presently covered under this adjustment procedure. These seven are the Vice President of the United States, the Speaker of the House of Representatives, the President pro tempore of the Senate, and the majority and minority leaders of both the Senate and the House of Representatives.

We view all of these changes in the adjustment procedure for the salaries of the Government's top officials as highly desirable. In particular, the change from a quadrennial to a biennial review and adjustment is a considerable improvement, since more frequent adjustments will enable us to avoid increases of the size of the 1969 pay increase, but still allow us to maintain appropriate salaries for the Government's leaders. The bill would allow these pay adjustments to be effective at the same time of year as the annual comparability adjustment for the general schedule and the related statutory pay systems, which would enable us to better maintain appropriate pay relationships between employees under the general schedule and their superiors under the executive schedule.

In summary, through changes in timing, in frequency, and in coordination with other Federal pay adjustments, S. 1989 would provide very worthwhile improvements in the adjustment procedure for the salaries of the Government's top officials.

Mr. Chairman, that is a very brief, but to the point statement. We strongly support this legislation.

The CHAIRMAN. To capsulize your point, in your role as Chairman of the Commission and in effect as speaking officially for the Government and this administration, you believe that this pending legislation would substantially contribute to an improvement in the pay structure system as we now know it?

Mr. HAMPTON. Very definitely, sir.

The CHAIRMAN. One of the problems that we have had, of course, we have a division between the Hill and downtown on some of these things, and we have to work out those differences. Could you advise us as to where we may encounter objection to this? Is OMB going to be with us on this? What is the status there at the present time? Have you been advised on that?

Mr. HAMPTON. This position has been cleared all the way through the White House.

The CHAIRMAN. All the way through the White House. Would that include OMB then?

Mr. HAMPTON. Yes, sir.

The CHAIRMAN. This would be I think an important factor in trying to stress the urgency of the timing of this at this particular moment. Would you have any thoughts for us in regard to whether it would be language in the bill or how we might approach the matter that I added on to the end of our opening remarks in terms of making certain that we were not laid open to seeking an exception in this time of economic difficulty?

Mr. HAMPTON. I am not sure, Mr. Chairman, that I would recommend that you put that in language of the law. I am sure that any recommendation—and I would question how much or when or anything like that—has not been addressed by the President—because he does not have the recommendations of the quadrennial commission. But I think that what he would recommend would be consistent with the economic stabilization efforts, and you must keep one thing in mind in this regard and that is the categories of people that we are talking about have not received any change in pay in 4½ years. Even under those guidelines where there have been contracts negotiated in industry, the Pay Board has seen fit to make adjustments which recognized—well, where there had been no adjustment in 3 years, that you were in a catchup situation, so I am sure that that would still be considered.

I think the records of the hearing, of this hearing, plus any debate that comes out of the discussion of this on the floor could make clear the intent of the Congress. By raising this, I am not sure it would be a desirable thing though to put into legislation that would extend out into the future.

The CHAIRMAN. We would probably be better advised if we put it in strong report language when we report the bill. I would lean that way at the moment at least, because it would be questionable legislative rhetoric in terms of good legislative drafting. But you are mindful of the problem we have in that regard, in terms of making our position perfectly clear.

The committee can weigh the alternatives on that. I am going to have to run to the floor right now. I am carrying an amendment that is pending at 10:30 sharp on the foreign aid bill that I am deeply involved with. I am going to have to take my leave for the moment. But Senator Fong has agreed to take over so we might hear the witnesses scheduled rather than delay.

We think it is important that we proceed with the witness list. Senator Fong. Thank you, Mr. Chairman.

Mr. Chairman, where does the compression start in the general schedule?

Mr. HAMPTON. It starts at the fourth step of grade GS-16. The compression comes about by the fact that in the law there is a limitation on the amount of compensation that can be given to GS-18. His compensation cannot exceed that of a Level V. The last adjustment because of this ceiling that was made for GS-18 was in January 1971. Then certain GS-17's were also affected at that time. And with each subsequent adjustment that had been made in general schedule salaries since that time, it has brought the compression further down into the system, to whereas now all GS-16's in step 4 and above, all GS-17's, all GS-18's, are making the same salary as a level 5.

Of course this compression distorts the relationship between responsibility and authority of those levels and denies these men, mainly career men in the classified service, an opportunity to be compensated commensurate with their authority, plus the fact that their preparation of the future and their requirement is affected because their salary will be less than that which they had been entitled to had adjustment pay been adjusted on a timely basis.

Senator FONG. Is \$36,000 top?

Mr. HAMPTON. That is correct.

Senator FONG. So the top man in an 18 can only get \$36,000?

Mr. HAMPTON. Yes, sir.

Senator FONG. Whereas if he were allowed comparability, what would that figure be approximately?

Mr. HAMPTON. I think it is \$41,734.

Senator FONG. So we have shortchanged him by \$5,734 a year?

Mr. HAMPTON. Yes, sir.

Senator FONG. And because we have shortchanged him, we compress the pay of all those in 17 and all of those above, step 4 in 16.

Mr. HAMPTON. Yes, sir.

Senator FONG. Is it due to the limitations imposed by Congress that employees cannot receive more than Level V pay of \$36,000?

Mr. HAMPTON. This limitation was placed in the law by Congress because we had a situation that developed as a result of the Pay Comparability Act of 1962 where individuals that were subordinate to Level V were making more than their superiors. Congress said that is not appropriate, so this limitation was placed in the law.

Senator FONG. How do you feel about paying these employees more than the pay of Congressmen and Senators?

Mr. HAMPTON. You mean general schedule?

Senator FONG. Yes.

Mr. HAMPTON. Well, I, of course, think in terms of applying the comparability principle, speaking for the executive branch, rather the compensation for executives in the executive branch, I think that principle is a sound one. How this relates to congressional pay depends upon how the Congress views its situation. I think the Congress has been very reluctant to adjust its pay, as Senator McGee said, on a very timely basis, because I think it is viewed as politically painful.

Sitting outside of that environment of course I would say that Congress should not view this as so politically painful, but I do not face the voters, so I do not know what the real concern is.

I do think Congress should look realistically at the question of its pay and do it on a timely basis, particularly when you have an inflationary situation, as we have had in this country for 5 or 6 years, even longer than that.

I think the Congress of the United States is made up of 535 men who form the board of directors for the largest, most prosperous Government in the world, and that it is a fulltime job. As Members of Congress recognize, the maintenance of two homes going back and forth and everything, that I would hope they would not be as reluctant; and as long as we are related to that, we are going to have this kind of delay in making these adjustments and compression problems and other things that are considered. But I think this machinery, and reviewing this every 20 years, in an inflationary period you may have adjustments every 2 years.

In a period of relatively stable pay situations, cost of living situation, maybe the adjustments will not be every 2 years, which does link us together, is more feasible than considering it every 4 years.

But I cannot really respond directly to your question about the linkage between executive pay and congressional pay and who should be paid more.

Senator FONG. It has actually been almost 5 years, is that right?

Mr. HAMPTON. Yes, sir.

Senator FONG. So actually we are only talking about 4 years—it has not been 4 years because of the delay by the President in appointing this commission, it is going to be 5 years before the real adjustments would be made?

Mr. HAMPTON. That is correct.

Senator FONG. Unless this bill is passed, we could then cut it down to about 4 years and 8 months?

Mr. HAMPTON. Something to that effect.

Senator FONG. So it will be 4 years and 8 months, almost 5 years, if this bill is passed and the President sends to Congress his proposal as required by the bill, August 31?

Mr. HAMPTON. Yes, sir.

Senator FONG. Senator Bellmon.

Senator BELLMON. Thank you, Mr. Chairman.

I want to thank Mr. Hampton for his comments. I suppose as a Member of Congress, I should appreciate the willingness to adjust our pay more regularly, but all those votes come in for election next year and I am not sure I can afford this experience again. I remember the mail we got when we raised our pay 4 years ago and I voted for that.

Mr. Hampton, my problem with this whole process is this. If any group in the country is really responsible for inflation, it is probably the Congress, because we have consistently over the last many, many years brought about deficits and we have in this way depreciated the value of our currency. As long as we can go ahead and follow this course and contribute to inflationary pressures, knowing that we are not going to feel any pain because our own salaries will be regularly adjusted upward to compensate for the inflation that has occurred as a result of our actions, I am afraid we are going to be less inclined even

more than we are at the present time to follow a more responsible course.

My point is I am not so sure that what maybe Congress ought to have its salaries more or less permanently fixed so that we will not be tempted to go ahead and spend more than we tax the people. If we could figure out a way to stop inflation or at least to reduce it to a level we can live with, then we would not be needing these adjustments every 2 years.

Mr. HAMPTON. I would agree if your economy is stable and you have this review every 2 years, there would be less of a likelihood that your pay would be increased. The fact that you have this legislation that calls for a review by a commission does not necessarily mean that you will have an adjustment. Because if this commission does recommend adjustments and the President approves those recommendations and so forth to the Congress, the Congress still can vote that down.

Let me say on the other side of this coin about inflation and deficits and so forth, I am not an economist. I think of myself more as a public manager, manager of public institution, one of the best ways to hold down Government costs is to have the type of managers in the Government that administer these programs in the most efficient possible way.

You are going to have to pay for good management talent. It is not in great supply, in private sector or in the public sector. Good people tend to leave you if you are not compensating them at the proper rate.

So I say that—I look at it this way—if you have good managers who are well paid, who are going to run these programs, I think that you go a long way toward holding costs down. I think, yes, there are deficits. There are reasons for those deficits, because we are living in very unusual times.

The relationship between pay and inflation has never really been established by any economist of great renown. I have tried to find out this question of the chicken and the egg, but the Federal pay in general follows trends in industry. Industry increases are made up of a combination of factors, productivity, cost of living, and others. I do not know how you stop the psychology of increase after increase, because we see this in dealing with the issue of blue collar pay and classified pay, the fringe benefits package and so forth, and we see it because we are looking at industry and comparing it with our situation. Hopefully somewhere along the line this psychology can be reversed, but I do not think that treating the executives in the public sector as well as the judicial people who are manning the laws of this country significantly different from the rank and file employees of the public sector is a solution to that.

Economically in terms of cost this is a drop in the bucket. I do not have the figures with me this morning as to the total cost of such a pay increase, but it is very insignificant in terms of overall.

Senator BELLMON. As Chairman of the Civil Service Commission, are you aware that Government is losing managerial talent that we need because of an incompatible salary schedule?

Mr. HAMPTON. I do not think that we are losing significant numbers on that basis. Now the best kind of figures, indications that I have, would be what happened last year when we had a cost of living increase in retirement. We had some 80,000 people leave the Govern-

ment. We had a number of the people in the supergrades that left the Government.

I do not have those figures at my fingertips this morning. I can provide them for the record, those in the upper levels that left, if the committee would like to have those.

Senator BELLMON. I believe it would be valuable. Can you also give any indication—I am sure this would be impossible to do on a wholesale basis—as to what those managers who left the Government received when they went into private sector, in the way of salary increases? Do you have those kinds of figures?

Mr. HAMPTON. I would doubt very seriously we would have them. I could only generalize from individual cases that I have heard about. I was going to followup on more of the question that what we are faced with today, because we are having 6.1-percent increase in retirement this June 30, we are losing some of our top executives. I have had some in my own organization that have come to me and have said that I have been working on the static salary base for several years and I do not see much hope because of the newspaper reports and everything like that about the reluctance to consider this, the possible reluctance of the executive branch to do anything about it, and they feel that working on a static salary base, that they have to put in another 2½ to 3 years just to make the same retirement annuity that they could get 3 years later, so the incentive is to go up.

The people that you lose are the people that have a marketable skill on the outside. You lose some of your better people, the people that you do not want to lose. I have gone through this with two of my own top executives, and I have urged that they stay in Government, because I would hate to lose them.

There is the feeling that this is the subject matter that does not receive proper attention, which has its impact. I will provide you with the figures last year in the supergrades, and within a short period of time, after June 30, we will provide you with the figures for this year.

But I think more in terms of numbers, of course, we have an average grade of these retirees will probably be about grade 10, that will go out on this June 30. We anticipate at least 100,000 people are going to take advantage of the cost-of-living increase. I will try to break that down in such a way as to draw some conclusions from it.

Senator BELLMON. Mr. Chairman, I have no further questions.

Senator FONG. Thank you, Mr. Chairman.

The next witness is the Honorable Arch Patton, Chairman, Commission on Executive, Legislative, and Judicial Salaries, accompanied by David H. McAfee, Executive Director.

Proceed as you desire. We welcome you here this morning.

STATEMENT OF HON. ARCH PATTON, CHAIRMAN, COMMISSION ON EXECUTIVE, LEGISLATIVE, AND JUDICIAL SALARIES, AND DIRECTOR OF MCKINSEY & CO., INC., ACCOMPANIED BY DAVID H. McAFEE, EXECUTIVE DIRECTOR

Mr. PATTON. I appreciate the opportunity to testify today. As Chairman of this Commission, I have had my first exposure to Washington. I have worked for two decades with industrial companies, and most of my work has been in the compensation area.

I strongly favor this bill. When we began to organize our commission, and saw what had happened in the years since March 1969, we found a problem had developed between the general schedule and the executive schedule. One of which, as you know, is on a 1-year pay increase cycle and the other on a 4-year cycle. What impressed the Commission most was that in March 1969 Level V was at \$36,000 while GS-18 at that time was \$30,239, a reasonable 20 percent margin, but just 4 years later, because of "comparability" incrementals, GS-18 was at \$41,700. Yet, no one in GS-18 could be paid this amount because of the \$36,000 "ceiling." It shocked us that not only the Congress, but judges and the executive branch should be treated so differently from the general schedule employees.

Then when we realized that more than half of grade 16, all of grade 17 and 18 were at \$36,000, it seemed to us that this was a very difficult motivational position to be in, we have been told that many a subordinate is receiving the same income as not only his boss, but his boss's boss. I have been told of at least one case where this reached down four levels.

Senator FONG. Four levels?

Mr. PATTON. Four levels of executives reporting one to another who are all receiving the same income. This must be a real demotivation.

Then when the Commission began to look ahead, to think about the future, we made some assumptions. We assumed that GS-18, say, would increase for the next 4 years at 5½ percent for 2 years and 5 percent for 2 years. This raises GS-18 by October of 1977 to \$51,200. A 20-percent increase in Level V, now \$36,000, brings the total to \$43,200. At this level, GS-18 is still \$8,000 "under water" 4 years later.

We also looked at the mathematics of a 30-percent increase, because this is approximately what phase 2's 5.5-percent increase works out to over a 5-year period. This works out to \$46,800.

So if GS-18's "comparability," say, rate advances at the rate that we assumed, and recognizably this is a guess on our part, we are still "under water" by \$5,000. Recognition of this inflationary problem impressed us with the need for a 2-year commission. We recognized that if we are to live with phase 2, there will be permanent compression unless the 4-year commission is replaced by a 2-year commission.

Senator FONG. It was the recommendation of the Commission for a 2-year survey and recommendation, is that correct?

Mr. PATTON. Yes, and I think I can speak for all the Commissioners, even though the report had not gone to the President, for we feel very strongly that a 2-year commission would ease the compression problem substantially.

In industry, for example, senior management does not receive pay increases every year in most businesses, as 18 months or even 2 years are more likely between raises. This is particularly important in an inflationary society such as we live in. Over the 5 years, the cost of living alone is up 25 percent. When one pay system is on a 4-year cycle, and another is on a 1-year cycle, inflation raises havoc. Hence a biennial commission would be a big help.

Senator FONG. Of course, you are not privileged to give us your report.

Mr. PATTON. Unfortunately, that is the President's responsibility. Senator FONG. So we will not ask you about that report. Senator Bellmon.

Senator BELLMON. Mr. Patton, I was interested in your conclusion that the GS-18 used 5.8 percent for escalation.

Mr. PATTON. We used a figure of 5.5 percent for 2 years, and 5 percent for the third and fourth year.

Senator BELLMON. That puts the salary at about \$51,000 by 1976.

Mr. PATTON. That puts it at \$51,200; I am not supporting this figure. I am merely suggesting the mathematics comes out to that.

Senator BELLMON. What startles me is if you go ahead and extend that into 1986, this man will make \$100,000 a year.

Mr. PATTON. If you have the same inflationary pressures at work over the next x or y years, you are bound to have something like that.

Senator BELLMON. I am not sure we want that.

Mr. PATTON. We certainly do not.

Senator BELLMON. I think the decision we have to make in this committee is what can we do to keep that sort of thing from happening, and not just go ahead and accommodate ourselves to it.

Mr. PATTON. You have another problem, it seems to me. You have a problem what do you do to attract good people to run the Government. We had a little study made for the Commission that I would just like to spend a few minutes on, because I think it is interesting. As a newcomer to Washington, I had heard about turnover in assistant secretaries and under secretaries, so I began to study this.

We found that in the first 4-year term of the last three Presidents—Kennedy, Johnson, and Nixon—there were 500 under secretaries or assistant secretaries. Of this group, 20 percent had a job tenure of less than 12 months, 33 percent had a tenure of 12 to 24 months, and 47 percent had a tenure of over 24 months.

But it is really worse than that. I learned some years ago in my industrial work that it is the time that the man and his subordinate that work together that make for a team. So we examined the time that the assistant secretaries worked for the same under secretaries, and vice versa. On the same basis as the above, this boss-subordinate relationship changes the proportions materially: 39 percent work together less than 12 months, 38 percent work together 12 to 24 months, and only 23 percent over 24 months.

The significance of this to the question you are raising is that the "supergrades" are the support mechanism for the under secretaries and the assistant secretaries. Thus, it is important the supergrades be staffed with outstanding executives. But how can you keep good people in the upper levels of the Government if you do not permit them to receive pay increases, when there are three or four boss-subordinates working for each other, all at \$36,000? How do you get people to accept greater responsibility when the condition obtains?

Senator BELLMON. My reason for this line of questioning is if the GS-18 is going to reach \$51,200, and if you go on with my calculations and they are right, it would be close to \$100,000 10 years later, we would slow the process down by adjusting salaries every 4 years, it would be speeded up by adjusting every 2 years.

I can see where the equity is, but I can also see tremendous danger—

Mr. PATTON. Which is the hen and which is the egg? Is it inflation that causes it or otherwise?

Senator BELLMON. That is the point. I think the thing we have to accept in Congress is that somebody has to take the initiative and try to slow down this process.

Mr. PATTON. But suppose that is carried to extremes? The Commission tried to do this, on paper. We assumed increases, and found if this were the case, GS-18 in 1976 would be paid \$15,000 below "comparability." Furthermore, we found that everybody in the GS-15, 16, 17, and 18 would be paid \$36,000, and some people in the GS-14.

But this is so demotivational, only \$100 million involved. And \$100 million is a lot of money, of course, but compared to the \$36 billion that the Federal Government pays in salaries, it is almost small change.

Senator BELLMON. The total cost of the management is \$100 million—is this the cost of the salary increases?

Mr. PATTON. The present cost of the 2,500 people that make up the three branches is roughly \$100 million. So any salary increase is added to this total.

Senator BELLMON. The problem that troubles me is that here we have in our system this comparability arrangement, so that industry raises its salaries to pay its employees, and along comes the Government and we try to have salary increases for our people, and we go on and on, and it looks to me like forever. When will we ever slow this process down and have a period of stability?

Mr. PATTON. Frankly, Senator Bellmon, our Commission did not get into the mechanics of the general schedule, other than to raise questions about it and how it was done.

One thing I think that did shock me a little bit as an industrial type, rather than a government type, is that at grade 15, the 28,000 jobs just under the super grades 15 is priced in the market place using only three jobs. As I recall them, they are chemists, engineers, and the lawyers. These are three relatively highly paid professionals, and this is only 28 percent of the executives in grade 15.

Then to realize that grades 16, 17 and 18 are not even priced in the marketplace, they are simply extrapolated from the lower grades. This raises the same questions in my mind as it does in yours. But what is outside our responsibility as a commission.

Senator BELLMON. Is that a problem that we should perhaps concern ourselves with in this legislation?

Mr. PATTON. I do not see how you could, frankly. This gets to the whole question of comparability and how comparability is determined and the mechanics of it and how jobs are evaluated into various grades, and structure and so on. But this is a much bigger piece of the pie; it is \$36 billion against the \$100 million that our Commission is exposed to.

Senator BELLMON. You certainly make a good argument, and I do not wish to contest you particularly, but I really see a serious problem here, because we are sort of on a treadmill. I am not sure how we go about slowing it down, but it seems to me it is a dangerous process that is probably going to have to be interrupted somewhere or the other.

You have with you Mr. McAfee. Do you have any comments to make?

Mr. McAFEE. I was interested in the point of view expressed. I have been reading some ancient history, and one of the things that struck me was a statement that in Greece between 300 and 200 B.C. the purchasing power of the standard coin dropped to 25 percent at what it had been at the beginning of this period. So inflation is not a new phenomenon in this case and in this age today. It has been true throughout the whole history, and I do not think that you can halt inflation by freezing the salaries of Government employees.

Senator BELLMON. The thing that you can do, though, with Members of Congress is, if they recognize that when they take an action that contributes to inflation, they are going to be damaging their own real incomes, you produce a certain amount of disciplinary effect to the process.

Mr. McAFEE. There is no question that when Government runs a deficit, it is a fact resulting in inflation, but it is by no means the only factor.

Senator BELLMON. That is true.

Mr. McAFEE. It is impossible for a body like the Congress of the United States to act so circumspectly that it can halt inflation. It is not within its power to completely halt inflation. Now they can help prevent it by refraining from too high expenditures and running deficits, but this in itself will not stop inflation.

Senator BELLMON. We are getting a little off the subject perhaps, but how do we stop inflation?

Mr. McAFEE. If you had 100 economists in here and ask them that question, you would get 100 different answers. I do not know.

Senator BELLMON. It seems to me that a major share of the responsibility has to rest on the shoulders of Congress and of Government, and when we set ourselves a release valve, so as inflation goes up, our income goes up, then we are only reducing the discipline that the Congress needs to have—

Mr. McAFEE. I think Congress has exercised a great deal of discipline over the years. Do you realize that congressional salaries have been raised only six times in the last 100 years, and during those 100 years we have had periods of inflation, periods of deflation, we had constantly increasing productivity in the economy, so that there is nothing in history to suggest that restraint on the part of Congress' salaries has had anything to do with holding down inflation.

Senator BELLMON. That is one of the things, maybe, Congress has not contributed to productivity increases.

I do not have any further questions, gentlemen. Thank you very much.

Our next witness is Hon. Rowland F. Kirks, Director, Administrative Office of the U.S. Courts. You may proceed as you wish.

STATEMENT OF HON. ROWLAND F. KIRKS, DIRECTOR, ADMINISTRATIVE OFFICE OF THE U.S. COURTS

Mr. KIRKS. Mr. Chairman and members of the committee, my name is Rowland F. Kirks. I am Director of the Administrative Office of the U.S. Courts. I appear today on behalf of the Judicial Conference of the United States to offer the strong support of the Federal judiciary

to S. 1989. I am authorized to report to you that the bill has been considered by the Executive Committee of the Judicial Conference of the United States and has been approved unanimously by that committee. As you may know the Judicial Conference of the United States is the policymaking body of the Federal judicial system and by law makes recommendations to the Congress on legislative matters affecting the Federal judiciary, its officers and employees.

The purpose of this legislation is to speed up the process under which the recommendations of the Commission on Executive, Legislative, and Judicial Salaries, created by the Federal Salary Act of 1967, 81 Stat. 6142, 2 U.S.C. 351 et seq., may be presented by the President to the Congress. If S. 1989 is passed, the recommendations of the Salary Commission in 1973, and of the President with respect to these salaries, may go into effect approximately 6 months earlier than presently possible under existing law.

A second part of the bill would require the appointment of a Salary Commission biennially instead of quadrennially, as now provided by law. This would make possible a thorough review of the salary structure for Congressmen, judges, and high Government officials at shorter intervals of time and on a more regular basis.

Mr. Chairman, I believe it is fair to say that the provisions of the Federal Salary Act of 1967 relating to the functions of the Commission on Executive, Legislative, and Judicial Salaries has not functioned as originally intended. The Salary Act of 1967 brought into the Federal salary structure the concept of comparability between salaries in Government and in industry. As to Government employees generally this goal was substantially achieved by the pay increases granted in 1969. Since then Government employees generally have received cost-of-living increases which were designed to keep pace with the increases in the cost of living and increases in salaries granted to labor and employees in the private sector throughout the national economy.

By way of illustration: Since 1969 a Government employee in the middle step of grade 15 of the General Schedule has received four cost-of-living increases aggregating on a compounded cumulative basis, 24.6 percent.

In the private sector during this same period of time the technical professions (GS-15 equivalent) received a 19.5-percent increase and union journeymen (average of 27 construction crafts) received a 42.2 percent increase in salary, both compounded cumulatively.

Government officials, including Members of Congress and Federal judges, whose salaries are determined by the process of the Salary Commission structure in the present law, have received no increase in 4 years. Under present law they cannot receive an increase in calendar 1973.

This is not the appropriate time or place to discuss what the Salary Commission should do under present law but it certainly is most timely for the Congress to consider amending the law as proposed by S. 1989 so that the Commission could act more quickly and more frequently than present law permits.

The relevance of citing the comparative salary data referred to above and in the attached sheets to this statement is several-fold. First, it illustrates what has taken place both in and out of Government serv-

ice with respect to salary increases over the past 4 years while those executive, legislative, and judicial salaries covered by the Federal Salary Act of 1967 have stood still. The figures indicate that generally salaries of others have advanced from 25 to 30 percent. This is a significant amount. In one sense of the word this is lost salary not to be recouped, to those who received no raise.

Second, it graphically highlights the fact that the cumulative percent increase for those not covered by the Federal Salary Act of 1967 becomes so great in 4 years that to achieve comparability the Commission is faced with, and in turn so are the President and the Congress, what amounts to a traumatic one-lump adjustment which cannot help but invite criticism, unjustified though it may be. To amend the law, as proposed in S. 1989, to require the Commission procedure to function every 2 years rather than every 4 will tend to reduce the significance of this aspect of the problem.

Third, the feature of S. 1989 which would require Commission, President, and congressional action in calendar 1973 and every 2 years thereafter would have a particularly salutary effect in 1973 with respect to the top classified employees in the judicial system who are frozen in their present salaries which are fixed as a percent of the salary of a district judge as long as the salary of a district judge remains static.

As an example, referees in bankruptcy, U.S. magistrates, clerks of court, and probation officers who have reached the top of their grades can no longer receive increases in salary as long as the district judge's salary remains at its present level. This of course prejudices this class of employee when compared with other employees not so restricted.

Mr. Chairman, I would like to submit the two tables attached to this statement showing what the salaries of U.S. circuit and district judges would be today if the cost-of-living salary increases granted others had been authorized for them and the private industry pay increases.

If there is merit to the concept of comparability, equality, parity, or fair play, then substantial salary increases for Government officials covered by the Federal Salary Act of 1967 are long overdue and should not be delayed as long again. Under existing law the earliest time at which an increase can be forthcoming would be approximately March of next year—9 to 10 months away. S. 1989 would make it possible to put into effect by October of this year whatever increases may be recommended by the Salary Commission and approved by the President and the Congress.

S. 1989 also would require action by the Commission every 2 years rather than every 4, a most desirable change in the law.

The Federal judiciary heartily supports this bill and hopes that it will be speedily enacted.

Thank you, sir.

Senator BELLMON. Senator Fong has returned.

Senator FONG. How many employees are you speaking for, Mr. Kirks? That is the number of employees that are now compressed? Do you have the number that are in the judicial service?

Mr. KIRKS. The law covers all Federal judges. There are 401 authorized U.S. district judges and 98 circuit judges. There are in addi-

tion thereto approximately 150 senior judges, whose pay would be adjusted. Those are the ones who have taken the retired status, but who still perform judicial functions.

Of course as you know, Mr. Chairman, a Federal judge's salary may not be diminished during his lifetime, so all living judges, which are approximately 650, would be affected by this, as would my salary.

Senator FONG. How many other employees would be affected?

Mr. KIRKS. Directly by a recommendation of the Salary Commission, no others so far as—

Senator FONG. I am talking about the compression.

Mr. KIRKS. Well, it would affect those in 15, 16, 17, and 18.

Senator FONG. How many employees are in that category?

Mr. KIRKS. May I supply the figure rather than guess at it, Mr. Chairman?

Senator FONG. Will you supply it?

Mr. KIRKS. I will be happy to.

[The information referred to was subsequently supplied for the record.]

ADMINISTRATIVE OFFICE OF THE
UNITED STATES COURTS

SUPREME COURT BUILDING
WASHINGTON, D.C. 20544

ROWLAND F. KIRKS
DIRECTOR

WILLIAM E. FOLEY
DEPUTY DIRECTOR

June 26, 1973

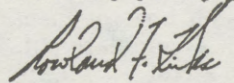
Honorable Gale W. McGee
Chairman, Committee on Post Office
and Civil Service
United States Senate
Washington, D. C. 20510

Dear Senator McGee:

In response to your inquiry this morning at the hearings on S. 1989, I am providing for the record the attached list of 446 officers and employees of the Federal Judiciary (excluding Justices and Judges) who are in a "compressed area" with respect to salaries in that their salaries are frozen until such time as there is an adjustment in Executive, Legislative, and Judicial salaries pursuant to 2 USC 351 et seq.

There are approximately 8,500 officers and employees in the Federal Judiciary.

Sincerely yours,



Rowland F. Kirks
Director

FEDERAL JUDICIAL CENTER

Director	<u>1</u>	
Deputy Director	<u>1</u>	2

ADMINISTRATIVE OFFICE, U. S. COURTS

Director	<u>1</u>	
Deputy Director	<u>1</u>	
Assistant Directors	<u>2</u>	
Division Chiefs	<u>3</u>	
General Counsel	<u>1</u>	8

U. S. COURT SYSTEM

Circuit Executives	8	
*Referees in Bankruptcy (full-time)	188	
Referees in Bankruptcy (part-time)	15	
Magistrates (full-time)	101	
Clerks of Court	108	
Commissioners of the Court of Claims	15	
Chief Technical Advisor, Court of Customs and Patent Appeals	<u>1</u>	<u>436</u>
Total		446

*Salaries currently frozen by 2-year rule (11 USC 68(b)) until November 1974. Hearings have been held on HR 3490 and HR 5323 to eliminate 2-year rule.

Senator FONG. Do you know whether you are losing anyone by early retirement?

Mr. KIRKS. Yes, sir. I am losing some this month, some of my top assistants are retiring. They are in the compressed area, and they are going to take advantage of this 6.1 early retirement provision. They have been frozen, just as in the executive, congressional branches.

Senator FONG. Approximately how many of them, would you say?

Mr. KIRKS. Well in my office, and I have an exceptionally small office to run the entire judiciary, I am authorized 258 positions, but I am losing three of my senior men on my immediate staff because of this situation.

Senator FONG. Senator Bellmon.

Senator BELLMON. Mr. Chairman, I would like to compliment General Kirks on his statement. I was a little surprised at your figures which show accumulative increases in salaries or incomes of groups in the private sector.

You say on page 2 that "union journeymen received a 42.2-percent increase in salary," during the last 4 years. It is down at the bottom of page 2.

Mr. KIRKS. The data that is referred to there, Senator Bellmon, was provided us by the Bureau of Labor Statistics. If you would be kind enough to look at the chart, the second attachment to the statement which refers to private industry pay increases, if you will observe 11.4, 11.6, which is 23 and 7, makes 27, and 7 is 34, they are noncumulative figures, but when you cumulate them, it is like compound interest, it would total 42.2 percent, I think, sir.

Senator BELLMON. This is the problem I was having, when you add them up, they do not come up to 42.

Mr. KIRKS. They do not, sir; because you are adding noncumulative annual adjustments.

Senator BELLMON. The thing that troubles me about this whole process is the point I was trying to make earlier with Mr. Patton. The private sector goes up, so the Government sector comes along and tries to increase so we can stay comparable, and nobody seems to be in a position of slowing the process down. It is sort of like the dog chasing its tail. I do not know whether those of us in a leadership position in government have the responsibility totally for bringing a little more stability in the process, but it seems that we should have at least a major share of the responsibility, and I believe we ought to do a better job of exercising it.

Mr. KIRKS. May I suggest, Senator, that the current problem is not setting the pace, if you will—those that are affected by present law and by the bill under consideration are those that are prejudiced, that are behind now, and so by adjusting them, you certainly would not, I would suggest, be stimulating the trend that you are concerned with.

This is the tip of the dog's tail that is the last to cross the threshold. These people are prejudiced, and as you will observe, on the first table that I attached to my statement, that the cumulative dollar loss, since there was a loss adjustment in the judicial salaries, for the circuit judge is \$26,000, and for the district judge is \$24,000; now regardless of what is done now, unless it is a completely improbably increase that is conferred upon them, this is money out of pocket that is not to be recouped. And as I visualize it, we are faced with two fundamental problems: one, the question of comparability, parity, equity, fair play, call it what you may, you should not stratify a particular segment of Government service and say that they are not to receive something that is comparable to what everyone else—not only in Government service but in private industry—is receiving, and the derivative effect of this is this compression, for the lack of a better all-inclusive term, we will say of the junior executive group.

Now that is where we are having noticeable impact, Mr. Chairman, in our system, because those in the junior level are not going to stay frozen in the \$30,000 to \$36,000 area indefinitely, because they do not have to subject themselves to this type of discipline in order to make a living.

Do you realize that it was announced within the past, I think, 2 weeks in the New York Times that law graduates who were being graduated from law school this year are being employed at \$20,000 a year by law firms, leading graduates? Now when you talk about paying someone who steps right out of law school into the legal profession half of what a Federal judge makes, you can see the tremendous com-

pression that is taking place in the judicial system, as a result of this static situation that prevails at the top.

Senator BELLMON. Mr. Chairman, I have no further questions.

Thank you.

Senator FONG. Thank you.

Mr. KIRKS. Thank you, Mr. Chairman.

[The following tables were attached to Mr. Kirks prepared statement:]

***PRIVATE INDUSTRY PAY INCREASES

		<u>Technical Professions</u> <u>(GS-15 Equivalent)</u>		<u>Union Journeymen</u> <u>(Average of 27</u> <u>Construction Crafts)</u>
1969		\$27,092		\$12,209
1970	2.4	27,731	11.4	13,600
1971	-0.1	27,714	11.6	15,142
1972	11.2	30,827	# 7.0	16,224
1973	# 5.0	32,368	# 7.0	17,360

Projections

1974	5.0	33,987	7.0	18,575
1975	5.0	35,686	7.0	19,875
1976	5.0	37,470	7.0	21,266
1977	5.0	39,344	7.0	22,755
1978	5.0	41,311	7.0	24,348

Cumulative Increase

1973 over 1969	19.5	5,276	42.2	5,151
1974 over 1969	25.4	6,895	52.1	6,366
1975 over 1969	31.7	8,594	62.8	7,666
1976 over 1969	38.3	10,378	74.2	9,057
1977 over 1969	45.2	12,252	86.4	10,546
1978 over 1969	52.5	14,219	99.4	12,139

*** Bureau of Labor Statistics Data

// Bureau of Labor Statistics Estimate

GENERAL SCHEDULE PAY INCREASES

COMPARABILITY INCREASES FOR JUDGES

Effective Date	Percentage Increase	Salary Grade 15, Step 4	Circuit Judge	District Judge
July 14, 1969		\$23,749	\$42,500*	\$40,000*
Dec. 27, 1969**	6.0%	25,174	45,050	42,400
Jan. 11, 1971	6.0%	26,675	47,753	44,944
Jan. 10, 1972	5.5%	28,142	50,379	47,416
Jan. 8, 1973	5.1%	29,589	52,968	49,853
<u>Projections</u>				
		Cumulative loss thru 1973-	\$26,150 ²	\$24,613 ²
Jan. 1974	5.5%	31,216	55,881	52,595
Jan. 1975	5.5%	32,933	58,954	55,487
Jan. 1976	5.5%	34,744	62,196	58,539
Jan. 1977	5.5%	36,654	65,616	61,758
Jan. 1978	5.5%	38,670	69,225	65,154
<u>Cumulative Increase:</u> ¹				
1973 over 1969	24.6%	5,840	10,468	9,853
1974 over 1969	31.4%	7,467	13,381	12,595
1975 over 1969	38.7%	9,184	16,454	15,487
1976 over 1969	46.3%	10,995	19,696	18,539
1977 over 1969	54.3%	12,905	23,116	21,758
1978 over 1969	62.8%	14,921	26,725	25,154

* Effective March 1, 1969

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

¹It should be clearly understood that the percentages shown in this portion of the table are those reflecting the total increase over the period of years shown. Because of the "compounding effect," any particular cumulative percentage increase will exceed the sum of the individual annual percentage increases during the period covered.

²These cumulative losses are the total dollars not received by the judges since 1969, because they did not receive the annual increases each year which were received by employees in the General Schedule. The \$24,613 total for district judges, for example, reflects the total not received by those judges since 1969--first, the \$2,400 increase indicated for them by the 6 percent increase awarded to the General Schedule employees on December 27, 1969.--And this \$2,400 loss was experienced for each of the four years, 1970, 1971, 1972, and 1973. Secondly, the next increase, granted on January 11, 1971, was also lost to the district judges for a three year period, beginning with the year 1971, etc

Senator FONG. Our next witness is Mr. Vincent Jay, executive vice president and legislative liaison, Federal Professional Association, accompanied by Dr. Edwin Becker, national vice president; and Mr. Lionel Murphy, research director.

**STATEMENT OF VINCENT JAY, EXECUTIVE VICE PRESIDENT AND
LEGISLATIVE LIAISON, FEDERAL PROFESSIONAL ASSOCIATION;
ACCOMPANIED BY EDWIN BECKER, NATIONAL VICE PRESIDENT**

Mr. JAY. Mr. Chairman, it is a pleasure and privilege to be before this committee again. We have been active in studying the problems of top level pay for a number of years.

Senator FONG. Are you Mr. Becker?

Mr. JAY. My name is Vincent Jay. I want to convey to you that we are very sorry that our national president, Mr. Clague, who was formerly Director of the Bureau of Labor Statistics and an outstanding gentleman of our society, is not able to be with us. He is out of town this week, and I have the privilege of introducing to this committee our national vice president, Mr. Edwin Becker, who will make the formal statement for the association, and then I would like to comment upon this after Mr. Becker has finished his statement.

With that, it is my pleasure to introduce Mr. Becker.

Mr. BECKER. Thank you very much. My name is Edwin D. Becker. I am vice president of the Federal Professional Association (FPA) and am making this statement on behalf of this organization. As a Federal professional, I am Chief of the Laboratory of Chemical Physics at the National Institutes of Health. The president of the Federal Professional Association, Mr. Edwin Clague, is unfortunately out of the city today and unable to testify himself. Accompanying me today are Mr. Vincent E. Jay, vice president/legislative liaison of the FPA, and Mr. Lionel V. Murphy, research director of the FPA.

The Federal Professional Association is a nonprofit organization consisting exclusively of professionals in the Federal service. It encompasses all disciplines and draws members from many agencies. It is dedicated to enhancing the value of the Federal career service to the public, fostering high standards of professional service to the Government, and promoting the welfare of career Federal professional personnel through education, research and appropriate consultation.

The FPA was founded in 1962, the same year that the Federal Salary Reform Act of 1962 first enunciated the principle of comparability of Federal and private enterprise salaries. The Federal Professional Association strongly supports this principle, and over the last 11 years our organization has repeatedly endorsed legislation designed, first, to implement the 1962 act and, later, to insure that comparability will be retained. In 1964, during Dr. G. K. Hartman's presidency, the Federal Professional Association proposed a specific formula that would tie congressional, judicial, Cabinet, and other top executive salaries to those in the classified service. That proposal was introduced as legislation but was not passed by the Congress. In 1967, the FPA supported the legislation that became the Federal Salary Act of 1967, and we endorsed the concept, included in that legislation, of an independent Commission on Executive, Legislative, and Judicial Salaries.

The salary adjustments made in the years immediately following the first report of the Commission in 1969 brought the first semblance of "comparability" for higher level Federal salaries. During the last 2 years, however, the effects of continued inflation in the economy have pushed up salaries in the classified service in an attempt to maintain comparability with the private sector and have again resulted in a pronounced compression at the top. The 1973 salary rates at GS-17 and GS-18 (and in the upper steps of GS-16) are now limited by executive level salaries last adjusted in 1969. For GS-18 there is nearly a \$6,000 discrepancy between the salary schedule and the actual salary paid. We believe that the principle of salary comparability enacted over a decade ago is equally valid today; steps must again be taken to assure implementation of that principle.

The Federal Professional Association supports S. 1989. We believe that a period of 4-5 years between salary adjustments is far too long. This bill would shorten that period to 2 years and would, hopefully, cause a much needed salary adjustment to be made within a few months.

There is one respect in which S. 1989 might profitably be modified. Most industrial and private business salaries are adjusted annually, and the Federal classified service has for several years been subject to approximately annual adjustments to maintain comparability. Even

in an inflationary period such annual increases have been modest—usually of the order of 5–6 percent. A biennial adjustment, of perhaps twice that amount, for congressional, judicial, and executive level salaries runs the risk of being misunderstood by the public. Perhaps the highly desirable feature of a biennial outside review by an independent commission, as proposed in S. 1989, could be combined with an automatic, clearly labeled “interim” adjustment in each even-numbered year that parallels the salary adjustment for the classified service in that year. Thus, in no 1 year would exceptionally large salary increases be required; yet the Congress would retain biennial control over its own salaries and those of the executive and judicial branches.

This completes our statement. We would be glad to answer questions, and Mr. Jay I believe would like to make a few additional comments.

Senator FONG. Would you like to make a few additional comments?

Mr. JAY. I could not help but think of the retirement situation that we have today, with sizable numbers of professionals in the super grade positions that are retiring, and it just seemed to me that the Government would have the opportunity here of having these loyal employees retire at the salary that they ought to be retiring at, rather than at the reduced salary that they are actually getting. If there is some way of adjusting this so that this retirement at this time would permit them to retire at the proposed rate that they would have been getting, if there had not been this ceiling that had been in effect several years now—

Senator FONG. What you are saying is that because there has been this interim of 4 years that their salary has fallen back?

Mr. JAY. It affects their retirement.

Senator FONG. Upon retiring at this time, they would only be retiring at the salary given them, where as if we had given them comparability, they would have retired at a higher grade?

Mr. JAY. Yes sir. If comparability had been in effect, operating during that period, they would have been getting that salary for retirement.

Senator FONG. Mr. Becker, how many members do you have in this Federal Professional Association?

Mr. BECKER. The association is very small. We have only on the order of 500 members. I think we speak on behalf of something like a quarter million professionals, not all of whom see the advantages of belonging to this organization. We have been, as I indicated, quite active in this field and have testified not only before the Congress on a number of issues over the last decade, but before the Civil Service Commission and various other Government agencies.

Senator FONG. You talk about professionals—what do you mean?

Mr. BECKER. There are a number of definitions of professionals. We would include professional managers, scientists, lawyers, et cetera, and a technical definition that we have adopted is that we would include anyone in a series—civil service series which goes beyond GS-13.

That does not mean that everyone has to be a GS-13 to be a professional. There may be a GS-5 chemist, for example, who is a professional, hence eligible to join this organization, because his series, chemistry, goes beyond that level of GS-13.

Senator FONG. You have a possible membership of a quarter of a million, you say?

Mr. BECKER. Something like that.

Senator FONG. Senator Bellmon?

Senator BELLMON. Mr. Chairman, I have no questions.

Senator FONG. Thank you, Mr. Jay and Mr. Becker.

Our next witness will be Mr. Clyde Webber, president, American Federation of Government Employees, AFL-CIO, accompanied by Mr. Carl K. Sadler, legislative representative and Mr. James H. Lynch, assistant legislative representative.

STATEMENT OF CLYDE WEBBER, PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO, ACCOMPANIED BY CARL K. SADLER, LEGISLATIVE REPRESENTATIVE AND STEVEN A. KOCZAK, DIRECTOR OF RESEARCH

Mr. WEBBER. Mr. Chairman, rather than Mr. Lynch, I have Mr. Steven Koczak, our director of research with me.

Senator FONG. Welcome, Mr. Koczak.

Mr. WEBBER. We are very pleased to be here again before the committee and certainly appreciate the fine reception we had of our testimony on the Labor-Management Relations bill some weeks ago.

On behalf of the 625,000 Federal employees whom we represent in exclusive representation units, the American Federation of Government Employees, AFL-CIO, appreciates the opportunity of appearing before your committee to endorse strongly S. 1989, a bill to amend section 225 of the Federal Salary Act of 1967 with respect to certain executive, legislative, and judicial salaries.

The major innovation incorporated in this bill is to establish a 2-year regular interval for the review of executive, legislative, and judicial salaries, instead of the present 4-year cycle. This innovation attunes the pay-setting review mechanism for these officials to the accelerated inflationary pace which has become a worldwide phenomenon.

Additionally, this biennial review will make it possible for every Congress to review the compensation of these senior levels of our Government, strengthening congressional oversight over Federal practices. Today this review is reduced because the Commission members are appointed every 4 years, that is, only in every successive second Congress.

A third important consequence of this change concerns the pay-setting practices for determining the salaries of officers and employees of the classified service, the foreign service and the Department of Medicine and Surgery in the Veterans' Administration. Under the Federal Pay Comparability Act of 1970—Public Law 91-656—the Congress provided a mechanism to review and establish the salaries of these Federal employees on an annual basis. As principal components of this Federal mechanism, the Congress established three new institutions: the President's Agent—now jointly composed of the Director, Office of Management and Budget, and the Chairman, Civil Service Commission—the Federal Employees Pay Council, composed of five labor union representatives selected on the basis of proportional representation, with no more than three designated by any single

union or federation; and a three-member Advisory Committee on Federal Pay, none of whose members hold a Federal office. All three institutions submit written views to the President, respecting their recommendations for appropriate salaries for Federal employees.

Although the President's Agent and the Federal Employees Pay Council addressed their attention in the past primarily to other matters affecting the Federal employee pay line, it is to be noted that the Advisory Committee on Federal Pay, in its October 20, 1972, report, devoted a special section to the issue of "Compression" on the Federal white collar pay line resulting from the ceiling under the 1969 adjustments for executive Level V, established at \$36,000 per annum.

In summarizing its comments, the Advisory Committee stated the following:

Summary:

Executive Level V pay was fixed at \$36,000 in 1969. Today it represents a rigid ceiling on the classified salary structure. This defeats the objective of comparability and undermines the principle of pay in keeping with work distinctions. The numbers of people involved and the fiscal costs are both small but the consequences are great. No meaningful relief can take place until the Executive pay structure is reviewed and revised.

Our own organization would have formulated such a summary somewhat differently; nevertheless, we agree with the point the Advisory Committee was seeking to underscore. Executive, legislative, and judicial salaries also should be established on the basis of current comparability with private enterprise. This cannot be done in a meaningful manner on a quadrennial basis.

Given our experiences with white collar pay setting under Public Law 91-656 and blue collar pay setting under Public Law 92-392, we fully endorse the purposes of the provisions of S. 1989 which would place executive, legislative, and judicial salaries on a better basis of comparability with private enterprise. In light of the fact that we are already so late in the legislative session for 1973, we urge the bill's earliest enactment so as to remedy the present unsatisfactory situation.

Senator FONG. Mr. Webber, of the 625,000 Federal employees whom you represent, how many of those are in the 16, 17, and 18 category?

Mr. WEBBER. We have few in the 16, 17, and 18 category. We have some people who have been promoted to those categories and continue their association with our union.

Senator FONG. Most of your members are not compressed at the present time, are they?

Mr. WEBBER. At the present time, no. However, I believe that we are well down into the 16 schedule at the present time. I believe it is the top two or three steps of the 16 schedule, it is step 7, 8, and 9 of the 16 grade which is currently frozen. The one step in 18, the five steps in 17, and now four steps in the 16 are frozen. If there is a pay increase this year, which we expect to see, consistent with other pay increases, it will probably reach down three or four more steps in grade 16, possibly get into the higher steps of grade 15, and some of the figures which you heard here today indicated it would not be too long, unless the current cycle of inflation is stemmed, that it will be down to grade 14.

Senator FONG. Senator Bellmon.

Senator BELLMON. Thank you, Mr. Chairman. Mr. Webber, you heard testimony by Mr. Patton, I believe it was, maybe it was General Kirks, who stated that in the private sector union journeymen have received increases of 42.2 percent over the last 4 years. What has been the comparable increases received by your members during the same period of time?

Mr. WEBBER. I would be glad to provide that information. We have been under two pay systems in the course of the last few years for the class of workers involved, first a coordinated Federal pay system, which we had in 1969, and then a new prevailing rate program which was enacted in law a little over a year ago. The construction industry is one of the industries which are specifically not included in the wage surveys for comparability for Federal employees in the blue collar classifications, although we feel if true comparability were to be effected, it would be necessary to ultimately extend the surveys to include the construction industry.

At the present time they are limited to certain standard industrial classifications, excluding the construction industry. But I will be glad to furnish a table of the average increases for blue collar workers over the last 4 years.

Senator BELLMON. As a general thing, have you been getting 5 percent a year, 6, 7, what?

Mr. WEBBER. I tell you one thing that has been reflected in the surveys, as you know, when the Stabilization Act was put into effect, the salaries of all Federal employees were frozen.

Since that time, there have been regular surveys for blue collar workers, but we have some surveys at the present time limited to 5½ percent pay increase for our members, while the people in the private sector in the same localities have received as much as, in one instance, 26 percent, and in other instances 18 percent, and in many instances from 9 to 12 percent, and we have been limited to 5½ percent in the same localities as a result of the stabilization program, and application of that program within the Federal service.

Senator BELLMON. You have a stake and your employees have a stake as well in trying to stabilize this situation, not letting it get out of hand. Do you agree?

Mr. WEBBER. I agree that everyone in the country has a stake in trying to keep inflation in tow. However, the pay for Federal employees is unique in that they receive no increase until such time as people in the private sector have already received their increases and have enjoyed them for a period of time.

So I am sure you will recall the first attempt on the white collar side of placing—making the Federal employee have a deferred pay increase, I believe it was some 6 months, and the Congress' reaction to the deferral, the survey that indicated pay increase of 6.6 percent. This I believe was the first action under the stabilization program.

Congress was reluctant to disapprove an alternative pay plan which deferred the pay increase from January 1, 1972, to July 1. Subsequently Congress passed the bill when they extended the Stabilization Act, they gave the Federal employees a 5.5-percent increase, effective January 1, which was the statutory date under the comparability legis-

lation, but that was still 1.1 percent less than what the survey indicated for that year.

So during the course of the last 2 or 3 years, and another I am sure you know is that last year an interpretation of the Stabilization Act called for deferment of the statutory pay increase, which was due October 1, and which was not received until January 1, 1973.

We already have a lag in pay for Federal employees because of the characteristics of the pay setting system, and finally that we should not have restrictions on us which are more severe than the restrictions which are imposed on people in the private sector. I think we should be treated in the same fashion that they are.

Senator BELLMON. You make your argument well for your position. I have no other questions.

Senator FONG. It has been over 4 years since there has been adjustment of pay of the people in the executive and judicial salaries, legislative—

Mr. WEBBER. True.

Senator FONG. If nothing is done, it will be 5 years before something will happen?

Mr. WEBBER. You have most of the administrators in Government at the higher levels, as indicated by one of the gentlemen who testified earlier, all working for the same pay rate. It is entirely likely that the level of administrators to supervisors, the 16 and above, are generally executive type positions, but you are pretty well down in the hierarchy when you are a 15. It is not unlikely that if an increase is substantial in the current survey you can get down in the 15 this year.

Senator FONG. Thank you, Mr. Webber.

This adjourns the hearing.

[Whereupon at 11:50 a.m., the hearing was adjourned.]

[The following prepared statement was subsequently supplied for the record:]

GEORGE J. KNALY, CHAIRMAN

J. STANLY LEWIS, VICE-CHAIRMAN

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393-2820 - 393-2821

June 27, 1973

STATEMENT OF THE GOVERNMENT EMPLOYEES COUNCIL, AFL-CIO, TO THE SENATE COMMITTEE ON POST OFFICE AND CIVIL SERVICE ON S. 1989 (Executive, Legislative and Judicial Salaries)

Mr. Chairman and members of the Committee:

Our organization desires to register its support of the pending bill, under which the President would present to Congress his recommendations on these salaries by August 31 of this year, and biennially thereafter. The effect of S. 1989 would be to revise the existing quadriennial review by the Commission on Executive, Legislative, and Judicial Salaries, and to accelerate the current recommendations from January, 1974 to August, 1973.

The Council has as affiliates 30 national and international AFL-CIO unions representing more than 1 million classified, wage grade, and postal employees.

In 1962, the GEC subscribed to the principle of "comparability" in establishing salaries of Federal employees covered by statutory pay systems. Our support of the concept extended to all Federal salaries from the lowest to the highest levels. The application of the principle to executive, legislative, and judicial salaries was recognized in the Federal Salary Act of 1967.

There are several justifications for approval of S. 1989.

Changing the salary review cycle from four to two years will permit each Congress to examine the structure of these higher levels in comparison with salary movements for similar executive level positions in private industry.

Adoption of the bill will permit the Executive and Judicial Branches and Congress to address themselves to the serious problem of "compression" in the Federal salary schedule on a more current basis. The Advisory Committee on Federal Pay noted the effect on the higher levels of the General Schedule attributable to the \$36,000 limitation placed on Executive Level V in 1969. As Federal classified employees become eligible for general salary adjustments each year under the "comparability" concept, the adverse effects of compression on the higher level salaries in the General Schedule become more pronounced. Unless action is taken to remove the present ceiling related to Executive Level V, a larger number of Federal career employees will be denied justified salary adjustments with each passing year. Substitution of a review of executive, legislative, and judicial salaries every two years for the existing four year study will alleviate the "compression" problem.

Our unions, which represent hundreds of thousands of Federal employees paid under statutory systems, are quite sensitive to the effects and administration of laws designed to provide pay "comparability." Despite espousal of the concept by Congress and the Executive Branch, and despite steps taken by the legislature to insure adherence to it, the fact remains that Federal employees, both classified and wage grade, have not attained that objective.

First, under the best of circumstances, the results of the annual survey of private industry salaries are not available until six months after the review is completed. Thus, Federal salaries are related to private industry rates at least six months earlier.

Second, the President has deferred payment of salary adjustments from three to six months after they are due. In one case, it was necessary for Congress to take positive action to protect the effective date of an adjustment.

Third, Federal pay generally has been controlled by the various phases of the economic stabilization program, even though the program itself permits certain exceptions. There are numerous instances in which Federal workers in particular localities have been limited to smaller wage adjustments even though their counterparts in private firms have received larger increases, and even though private industry adjustments have been approved by the bodies designated to carry out the stabilization system.

Thus, it is not difficult for us to comprehend the purpose of S. 1989 to insure a closer adherence to the "comparability" standard for executive, legislative, and judicial salaries.

We urge, Mr. Chairman, that the Committee report the bill favorably to the Senate as expeditiously as possible.



