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94-64 PANAMANIAN RETIREMENT

GOVERNMENT

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APR 30 1976

HEARING

BEFORE THE

SUBCOMMITTEE ON

MENT AND EMPLOYEE BENEFITS

OF THE

COMMITTEE ON

OFFICE AND CIVIL SERVICE

USE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

SECOND SESSION

ON

H.R. 11495

A BILL TO AMEND SECTION 8335 OF TITLE 5, UNITED STATES CODE, TO REDUCE THE MANDATORY RETIREMENT AGE FOR NON-UNITED STATES CITIZEN EMPLOYEES OF THE PANAMA CANAL COMPANY OR THE CANAL ZONE GOVERNMENT EMPLOYED ON THE ISTHMUS OF PANAMA TO SIXTY-TWO YEARS OF AGE

FEBRUARY 17, 1976

Serial No. 94-64

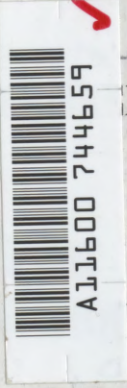
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RECOMMENDATIONS ON H.R. 11495, PANAMANIAN RETIREMENT

Hon. Thomas A. Tinsley, Director, Bureau of Retirement, Insurance, and Occupational Health, U.S. Civil Service Commission:

- (1) Amend the bill so as to give an individual time (1 year) to adjust to any reduction in income and living standards that would result from enactment of this bill.

Hon. Thomas M. Constant, Secretary, Panama Canal Co., and Assistant to the Governor of the Panama Canal Zone Government:

- (1) This legislation should be enacted in order to: (a) increase the efficiency of the work force of the Canal organization; and (b) provide increased employment opportunities for younger Panamanians.

- (2) Delay the effective date of the bill 1 year so as to permit the employees time to adjust themselves to their retirement in the Republic of Panama across the border and find suitable housing.

PANAMANIAN RETIREMENT

TUESDAY, FEBRUARY 17, 1976

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON RETIREMENT AND EMPLOYEE BENEFITS,
Washington, D.C.

The subcommittee met at 9:30 a.m. in room 311, Cannon House Office Building, Hon. Richard C. White (chairman of the subcommittee) presiding.

Mr. WHITE. The subcommittee will come to order.

The subcommittee has convened this morning to consider the merits of H.R. 11495, a bill introduced by Congressman John M. Murphy of New York.

The effect of the bill would be to establish the same requirement for mandatory retirement under the Civil Service Retirement Act for non-U.S. citizen employees of the Panama Canal Co. and the Canal Zone government employed on the Isthmus of Panama as that which has been in effect for most of the U.S. citizen employees of the canal enterprise since July 1926 and for all such workers since July 1931.

Our first witness this morning will be Thomas A. Tinsley, Director, Bureau of Retirement, Insurance, and Occupational Health, U.S. Civil Service Commission.

STATEMENT OF THOMAS A. TINSLEY, DIRECTOR, BUREAU OF RETIREMENT, INSURANCE, AND OCCUPATIONAL HEALTH, U.S. CIVIL SERVICE COMMISSION

Mr. TINSLEY. Mr. Chairman, I have a very brief prepared statement which can be submitted for the record.

Mr. WHITE. Without objection, the statement can be placed in the record in full at this point.

[The complete statement follows:]

PREPARED STATEMENT OF THOMAS A. TINSLEY

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to appear before your subcommittee to give the Commission's views on H.R. 11495.

The bill would, in effect, establish the same mandatory retirement age for non-U.S. citizen employees of the Panama Canal Company and the Canal Zone Government employed on the Isthmus of Panama as that which has been in effect for most U.S. citizen employees of the Canal enterprise since July 1926, and for all such U.S. citizens since July 1931.

The present mandatory retirement at age 62 after 15 years service on the Isthmus of Panama applies only to U.S. citizens. We have no objection to the same provision for non-U.S. citizens.

When this age was established by Public Law 69-522, enacted July 3, 1926, one of the prime considerations was the effect of exposure to extreme heat over an extended period of employment. While our legislative background is somewhat sketchy on this law, we assume that the effects of tropical heat were considered less harsh for indigenous employees.

The Canal Zone Government advises that most of their semi-skilled and unskilled positions, as well as nearly all positions requiring heavy manual labor are filled by non-U.S. citizen employees. Reduction in the mandatory retirement age from 70 to 62, therefore, would have a favorable impact on the efficiency of the workforce of the Canal agencies since older workers in such positions do not generally have the agility and stamina to meet the demands of many positions. Another result would be improved safety since experience has shown that older workers in jobs requiring heavy manual labor or physical agility are more accident prone.

There are approximately 11,000 non-U.S. citizen employees of the Panama Canal Company and the Canal Zone Government of whom 500, or about 4.5%, are age 62 and over.

If H.R. 11495 is enacted, these 500 non-U.S. citizen employees would be mandatorily retired when the law takes effect. For each of the first five years after enactment there would be from 150 to 200 mandatory retirements above the normal rate of voluntary retirements.

We estimate that enactment of H.R. 11495 would increase the unfunded liability of the Civil Service Retirement and Disability Fund by about \$7.4 million which would be amortized in 30 equal annual installments of approximately \$459,000.

In conclusion, the Commission has no objection in principle to enactment of H.R. 11495 which would put non-U.S. citizen employees on the Isthmus on the same mandatory retirement footing as U.S. citizen employees in the Canal Zone.

I thank you for the privilege of appearing this morning. I will be happy to answer any questions.

Mr. TINSLEY. Mr. Chairman, I appreciate this opportunity to appear before your subcommittee to give the Commission's view on H.R. 11495.

This bill would establish the same mandatory retirement age for non-U.S.-citizen employees on the Isthmus of Panama as that which has been in effect for most U.S.-citizen employees of the canal enterprise since July 1926, and for all such U.S. citizens since July 1931.

The present mandatory retirement at age 62 after 15 years' service on the Isthmus of Panama applies only to U.S. citizens.

The Commission, Mr. Chairman, has no objection to the same provision for non-U.S. citizens as that contained in this bill.

The cost of the bill, Mr. Chairman, is relatively minor when one considers the size of expenditures in the retirement area. And the Commission estimates that enactment of this bill would increase the unfunded liability of the Civil Service Retirement and Disability Fund by about \$7.4 million which would be amortized in 30 equal annual installments of approximately \$459,000.

Thank you, Mr. Chairman.

Mr. WHITE. What is the present age of retirement for noncitizens in the Canal Zone?

Mr. TINSLEY. Seventy, the same as all other employees under the retirement system with, I believe, two exceptions, the 62 for U.S. citizens working in the Canal Zone and, I believe, a group in Alaska that worked for the Alaska Railroad.

Mr. WHITE. Now, suppose a U.S. citizen were employed there for 15 years in civil service and then returned to the United States and worked, say, 5 additional years, do you work out a formula for those 15 years down there, or do you figure he becomes debilitated on that 20th year?

MR. TINSLEY. No, the general formula contained in the Retirement Act is applicable in either case. An individual with 15 years of service, regardless of whether it was on the Isthmus or someplace else, would receive $26\frac{1}{4}$ percent of his high 3 salary; 20 years' service would be $36\frac{1}{4}$ percent.

MR. WHITE. Suppose he came back to the United States, would he have a term that would allow him that complete amount of time?

MR. TINSLEY. Yes, sir; the full 15 years.

MR. WHITE. Will this change the law to benefit our status there in relation to the Government of Panama? Are present negotiations underway?

MR. WHITE. That I'm not certain of, Mr. Chairman, that would be a matter the State Department would be more competent to comment on rather than I.

I do not know if the State Department has reviewed this bill. Perhaps the people from the Panama Canal Company would know. However, they should be aware of it, and I know of no objection that they have entered.

MR. WHITE. Was the early retirement for U.S. citizens originally established because the American citizen was working outside the United States, and, if so, how does this apply as in noncitizens from this country originally?

MR. TINSLEY. The original provision contained in the law, Mr. Chairman, goes back quite a number of years, back to 1926. And I believe when one considers conditions in the world, particularly in the tropics at that period of time, it would not have been unusual to provide for certain earlier type retirement benefits and certain other benefits for employees that had spent a considerable period of time working in that climate and environment.

MR. WHITE. I'm advised that a number of the employees of the Panama Canal Zone have indicated they would like the effect of this bill to be delayed 1 year so that they could, I presume, adjust themselves rather than have the 62 years of retirement age imposed on them at this time.

Do you have any comments on that?

MR. TINSLEY. The Commission would have no objection to that type of amendment to the bill, Mr. Chairman. In fact, I personally think it would be well to so amend the bill and give an individual a time to adjust to any reduction in income and living standards that would result.

MR. WHITE. Thank you, very much.

MR. HARRIS, do you have any questions?

MR. HARRIS. No questions.

MR. WHITE. Thank you, Mr. Tinsley.

We have Mr. Thomas M. Constant, Secretary of the Panama Canal Company, and Assistant to the Governor of the Panama Canal Zone Government.

STATEMENT OF THOMAS M. CONSTANT, SECRETARY, PANAMA
CANAL COMPANY, AND ASSISTANT TO THE GOVERNOR OF THE
PANAMA CANAL ZONE GOVERNMENT

Mr. CONSTANT. Thank you, Mr. Chairman. I will summarize my statement, if it please the subcommittee.

Mr. WHITE. Without objection, your entire statement will be placed in the record in full at this point.

[The complete statement follows:]

PREPARED STATEMENT OF THOMAS M. CONSTANT

Mr. Chairman and members of the Committee, I am Thomas M. Constant, Secretary of the Panama Canal Company. Accompanying me this morning is my assistant, Mrs. Hazel M. Murdock.

I am here to offer testimony regarding the bill, H.R. 11495, which was introduced on January 26, 1976, by Congressman Murphy of New York. The bill would amend section 8335 of title 5, United States Code, to reduce the mandatory retirement age of non-United States citizen employees of the Panama Canal Company or the Canal Zone Government employed on the Isthmus of Panama from 70 to 62 years. The bill would thus establish the same mandatory retirement age under the Civil Service Retirement Act for non-U.S. citizen employees of the Canal agencies as that currently in effect for U.S. citizen employees.

On behalf of the Panama Canal Company and the Canal Zone Government, I strongly urge that this Subcommittee favorably consider H.R. 11495. It is the position of the Canal agencies that reduction in the mandatory retirement age for non-U.S. citizens would result in an increase in efficiency of that portion of the work force. Of approximately 11,000 non-U.S. employees of the Canal Company and the Canal Zone Government, some 500 (about 4.5%) are 62 years of age or over. Many of these employees occupy manual labor positions, as, for example, longshoremen, seamen, and line handlers aboard vessels. Due to their age these workers are often found not to have the agility and physical stamina necessary to meet the demands of the job, such as handling cargo or heavy mooring lines or climbing a Jacob's ladder on a ship. Despite the lower levels of performance of these older employees, termination for cause is usually not supportable and their physical condition is not such that they would qualify for disability retirement.

We believe that mandatory retirement at age 62 would increase the efficiency of the work force of the Canal organizations because it would permit replacement of the Canal organizations because it would permit replacement of the older employees with younger workers who are physically agile and more capable of performing heavy manual labor in the unskilled and semiskilled categories. It is obvious, of course, that use of younger workers would have a position effect in terms of job safety under conditions where strength and alertness are factors in avoiding danger.

Finally, an earlier mandatory retirement age would provide increased employment opportunities for younger Panamanians whose primary hope for employment in the Canal Zone lies with the Panama Canal Company or the Canal Zone Government, since these agencies employ about 75% of the total Federal workforce in the Zone.

Approximately 500 non-U.S. citizen employees would be retired at the time the law took effect. During the first five years thereafter, it is believed from 150 to 200 individuals would be retired annually in excess of the normal rate of voluntary retirements.

No additional expenditures by the Canal agencies are anticipated to carry out the program. Some savings are expected due to the increased productivity and the lower beginning wage rates payable to new employees. Although the amount of such savings is not readily subject to estimate, our personnel bureau believes that approximately \$545,000 in savings could be achieved within one year after the Act becomes effective. I do not have data regarding the financial impact of the proposed bill upon the Federal retirement system administered by the Civil Service Commission.

Although the Canal agencies support H.R. 11495 in its present form, we recommend that one change of a substantive nature be made. The bill should be amended to provide a deferred effective date of one year after enactment in order

to give the employees over age 62 sufficient time to prepare for retirement. This is particularly desirable in the case of Canal Zone residents where termination of employment will also involve loss of rights to Canal Company quarters and the need to locate private housing in the adjacent Republic of Panama. Such a result could be accomplished by amending Section 2 of the bill to read as follows: "Sec. 2. This Act shall become effective one year after enactment."

I appreciate very much this opportunity to appear before this Subcommittee, and I shall be pleased to answer any questions the Members may have.

Mr. CONSTANT. Mr. Chairman, and members of the committee, it is a pleasure to be here this morning, and I appreciate this opportunity to provide testimony regarding the bill, H.R. 11495, which was introduced on January 26, 1976, by Congressman Murphy of New York.

The bill would amend section 8335 of title 5, United States Code, to reduce the mandatory retirement age of non-U.S.-citizen employees of the Panama Canal Company or the Canal Zone Government employed on the Isthmus of Panama from 70 to 62 years.

On behalf of the Panama Canal Company and the Canal Zone Government, I urge that this subcommittee favorably consider H.R. 11495. It is the position of the canal agencies that reduction in the mandatory retirement age for non-U.S. citizens would result in an increase in efficiency of that portion of the work force. We have, approximately, 11,000 non-U.S. employees of the Canal Company and the Canal Zone Government. Some 500 of the employees are 62 years of age or over, and following that about 150 to 200 each year for the next 5 years would be involved.

Due to their age these workers are often found not to have the agility and physical stamina necessary to meet the demands of the job. Many of them are in blue-collar positions as, for example, seamen, stevedoring, or handling the heavy mooring lines, or much of their work required climbing Jacob's ladders on ships which is difficult work for people their age.

We believe that mandatory retirement at age 62 would increase the efficiency of the work force of the Canal organizations because it would permit replacement of the older employees with younger workers who are physically agile and more capable of performing heavy manual labor in the unskilled and semiskilled categories.

We feel, also, that an earlier mandatory retirement age would provide increased employment opportunities for younger Panamanians whose primary hope for employment in the Canal Zone lies with the Panama Canal Company or the Canal Zone Government, since we employ approximately 75 percent of all the work force in the Canal Zone.

We recommend one substantive change in this bill which we felt would help. The initial sum of the initial 500 who would retire would be living in the Canal Zone in quarters provided by the Panama Canal Company. If the effective date of this bill were delayed 1 year we think this would permit the employees to adjust themselves to their retirement in the Republic of Panama across the border and find suitable housing. So we do feel that the 1-year delay in the effective date would be appropriate.

I appreciate very much this opportunity to appear before this subcommittee, and I shall be pleased to answer any questions.

Mr. WHITE. Thank you very much. In this sense, I wonder how this would be received by the 500 persons affected if we changed the law.

Are they going to be pleased with it, or is this going to be a further source of agitation?

Mr. CONSTANT. I feel that any such action involving the non-U.S. citizens would not be too favorably received by those 500. Their chances of employment in Panama would be very slim at that age, and they probably would object to it. But from our point of view it would be a more efficient operation.

Mr. WHITE. How would the Government of Panama feel about this?

Mr. CONSTANT. I would have to refer you to the State Department about this, sir. I have no idea how the Panama Government would feel. As far as equality of treatment between U.S. and non-U.S. citizens, this furthers the equality of treatment by bringing the retirement of the non-U.S. citizen up to the standard for the U.S. citizen.

Mr. WHITE. You have no indication whatever from the State Department on this?

Mr. CONSTANT. No, sir, we do not. They have voiced no objection to the bill, but I don't know what their feeling toward the Panamanian Government would be.

Mr. WHITE. Mr. Harris, do you have any questions?

Mr. HARRIS. I have no questions.

Mr. WHITE. Mr. Constant, I understand that presently employees may retire at the age of 62 with 5 years of service at the option of the employee.

Mr. CONSTANT. They may; yes, sir.

Mr. WHITE. How many employees have taken this particular option on your work force?

Mr. CONSTANT. As I recall, this last year we had about 100 take advantage of this retirement; however, to be sure, sir, I'd like to provide that for the record, the exact number.

Mr. WHITE. Would this bill be more desired by the management or by the work force?

Mr. CONSTANT. I think, probably, it would be preferred more by management than the work force.

Mr. WHITE. I'm very interested in how this would affect the present state of negotiations with Panama. I stand as one of those not interested in relinquishing any of our essential rights down there. But at the same time I don't want to throw a match on the gasoline cache, and this could lead to some such results. I think the committee should know this before we go forward on this bill.

Mr. CONSTANT. We have had no indication from the Ambassador in Panama that there is any problem. To my knowledge the State Department has not voiced any objection to this bill.

Mr. WHITE. Has there been any indication from the general populace, those who desire to work, how they would regard this bill, or is this a guess on your part?

Mr. CONSTANT. I would say it was a guess on my part, sir. This bill has been submitted each year for the past 5 years, 5 to 6 years.

Mr. WHITE. To the Congress?

Mr. CONSTANT. To Congress, yes, sir, by Congressman Murphy; and I feel that the employees are familiar with it then. It's being proposed each year, and I think they would hesitate to give up their positions. That's just a general feeling from my point of view.

Mr. WHITE. Thank you very much, we appreciate your coming before us.

Mr. CONSTANT. Thank you very much, sir. I appreciate the opportunity.

Mr. WHITE. There being no further business, the subcommittee is adjourned.

[Whereupon, at 9:40 p.m., the hearing was adjourned.]

[The statements which follow were received for inclusion in the record.]

PREPARED STATEMENT OF HON. JOHN M. MURPHY, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEW YORK

Mr. Chairman, and members of the committee, I appreciate the opportunity to appear before the subcommittee and convey to you my views on H.R. 11495, a bill which would lower the mandatory retirement age of non-U.S. employees of the Panama Canal Organization from 70 to 62 years of age. Although H.R. 11495 affects fewer employees than many pieces of legislation before this subcommittee, it is legislation which is very important to the Panama Canal Organization, and both U.S. and non-U.S. employees of the Canal.

In March 1972, as Chairman of the Subcommittee on the Panama Canal, I led a Congressional inspection visit to the Panama Canal Zone. That tour involved a number of meetings with governmental and citizen representatives, as well as an enormous amount of discussion as to the best political posture for the United States to assume during these volatile political times in the Republic of Panama.

The summary report of the inspecting Congressional Delegation, published on March 9, 1972, proposed several changes in U.S. policy in the Canal Zone. One of the changes advocated was a reduction of the mandatory retirement age for non-U.S. employees from 70 to 62 years, a matter that had been raised by the Canal Organization on several occasions, both for the purposes of equity to the U.S. employees of the Canal, and for the improvement of the unemployment situation in the Canal Zone. Mr. Chairman, the basic conditions which stimulated the 1972 report and my co-sponsorship of this legislation several years ago still exists today.

First, there is a basic question as to whether a U.S.-owned and U.S.-operated facility built on territory acquired by the United States should engage in treatment that is unnecessarily preferential for non-U.S. citizens. In my view it should not. Furthermore, the continued disparity in mandatory retirement ages is the kind of rule which could discourage U.S. citizens who might otherwise be attracted to employment in the Zone, thus weakening U.S. control of the Canal in the long run.

In the last two years there has been in the Panama Canal Zone a major drive toward equality and parity of benefits for U.S. and non-U.S. employees. Many of the issues joined over the last two years are ones that my colleagues and I pushed in 1972. In 1975, for example, non-U.S. employees of the Canal Organization were granted a leave system which gives them parity with U.S. citizen employees on the Canal, except home travel benefits. Another recent example of this drive toward parity occurred when the Governor of the Canal Zone implemented proposals to consolidate school systems in the Zone, as well as the separate housing communities existing there. All three of the moves I have cited respond to long-time aspirations of the Latin American community in the Canal Zone. Now that they have been accomplished, I cannot see how anyone could attack the concept of retirement parity as it is contained in this bill.

Unemployment problems still exist in the Canal Zone and the Republic of Panama. A 1974 survey (the GAO report on personnel policies, May 28, 1975) indicated that just over one-third of the recent graduates of the Latin American High Schools in the Canal Zone were unemployed. As long as the Canal is the major factor in employment on the Isthmus of Panama, I think we can do better in hiring graduates from a U.S. run school system within the Zone. I am not suggesting that we should remove senior citizens from their jobs as if they were some kind of gross encumbrance. They are dedicated and loyal employees of the Canal regardless of the political situation in Panama and regardless of any problems that may have arisen from Canal treaty negotiations. But while recognizing

the achievements of these men and women, we should also give their children an opportunity for employment in what is a very limited labor market.

Undoubtedly, Mr. Chairman, when any group of employees becomes subject to mandatory retirement, they are not going to like it. Before we address ourselves to those objections that will inevitably be raised, I think we ought to analyze the effects of this particular legislation. First, I believe we have provided a reasonable transition period in the second section of H.R. 11495. If the legislation is unduly delayed in the Congress, the effective date could be amended. Second our data shows the great majority of the positions occupied by non-U.S. employees over 62 are positions which require considerable physical dexterity and strength. Younger employees are generally more able to perform duties as laborers, line-handlers, guards, and messengers. In addition, these jobs generally do not require the lengthy training periods which might jeopardize the continuous and efficient operations of the Canal if a large number of employees retired simultaneously.

Finally, the available data also indicates that the great mass of non-U.S. employees already retire prior to the age of 70. A clue that shows this legislation may not be so devastating after all. I believe this Subcommittee is in a position to do something both proper and practical—proper for all employees of the Canal particularly the young unemployed Panamanians and practical for the greater efficiency of the Canal Organization and its financial improvement. I hope that the Subcommittee will favorably consider the bill.

Thank you.

PREPARED STATEMENT OF CLYDE M. WEBBER, NATIONAL PRESIDENT, AMERICAN
FEDERATION OF GOVERNMENT EMPLOYEES

We thank you, Mr. Chairman, and the other members of the subcommittee for the opportunity to appear before you this morning and testify on this rather important legislation seeking to extend the concept of equity.

Under Executive Order 11491, Labor-Management Relations in the Federal Service, the American Federation of Government Employees represents over 700,000 Federal employees, men and women of all nationalities, races, creeds and occupations.

Since equity is the purpose of the Bill before you, I should like to state at the outset that all Federal employees in the Canal Zone are the subject of unfair treatment by the Secretary of the Army who has arbitrarily excluded them from the provisions of E.O. 11491. There is no warrant, under that Executive Order, for such an exclusion. And I should like to register before you also our grievance over that circumstance.

Even though the Federal employees and our union have been denied basic rights to representation, I am pleased to say that we have the confidence of Canal Zone employees so much that they are our active members. On their behalf I should like to comment on H.R. 11495.

We are pleased that Congressman John M. Murphy of New York has raised the important subject of equity by placing all employees on the Isthmus of Panama (employed by either the Panama Canal Company or the Canal Zone Government) into the same category regardless of their nationality, race, creed, color or sex. Our union has regularly and consistently supported such efforts. However, we question, in this specific instance, whether the real goal of his Bill is best served by the specific modifications which it incorporates.

As you know, all employees in the Federal service are entitled to remain employed until age 70 and 15 years of service. Then they can be retired mandatorily. On September 6, 1966 Public Law 89-554 was enacted by Congress and signed by the President. It amended Section 8335 of Title 5 (Mandatory Retirement), United States Code by adding paragraph (e) which reads as follows:

"This section applies to an employee of The Alaska Railroad in Alaska, and to an employee who is a citizen of the United States employed on the Isthmus of Panama by the Panama Canal Company or the Canal Zone Government, who becomes 62 years of age and completes 15 years of service in Alaska or on the Isthmus of Panama."

It is our view that this was in fact a discriminatory action and not in the best interests of these affected employees. Among other things, we note that employees of the Panama Canal Company working in the United States (and not on the Isthmus of Panama) are treated in the same way as any other Federal em-

ployees, who are mandatorily retired at age 70 after 15 years of service while those serving on the Isthmus suffer discrimination.

U.S. citizen employees in the Canal Zone therefore are now unfairly deprived of 8 years potential service compared to U.S. citizens working elsewhere. But they have lesser rights even than non-citizens in the Canal Zone. Moreover, only U.S. citizens in the Isthmus suffer this discrimination while non-citizens can work till age 70. We believe that both of these circumstances are improper and should not be allowed.

Congressman Murphy has seen, of course, the inequity of the treatment as to citizens and non-citizens in the Zone, and we appreciate his insight and initiative to remove it. But there still remains the inequity of employees in the Isthmus compared with Federal employees in the United States.

We feel that there is a better way to achieve his goal by removing all discriminations against Federal employees solely because they work on the Isthmus either for the Panama Canal Company or the Canal Zone Government.

Consequently, our organization recommends that Public Law 89-554 be repealed.

We have a further reason for recommending a different route to equity than the one chosen in H.R. 11495.

All of us are aware of the serious tensions that currently exist in Panama and the Canal Zone now over the issue of sovereignty. H.R. 11495 might well contribute to increasing those tensions by affording an opportunity to those in Panama who argue that the only way to protect the fate and security of Panamanian employees in the Canal Zone is to officially and permanently transfer sovereignty over the Canal Zone from the United States government to the Panamanian government. They might cite the change in status of non-citizens, depriving them of eight potential years of service as evidence of the indifference by U.S. authorities to their needs.

We would request you, therefore, to weigh the advisability of the Congress taking such legislative action at this time which might provoke hostile reaction from Panamanian nationals, especially since there is a basic issue of equity at stake. Besides this issue of basic equity, we fear that it might become politically and diplomatically embarrassing to the United States to allow such a change in status to exacerbate conditions on the Isthmus.

We, therefore, respectfully urge this subcommittee to substitute for this Bill a simple revision which would have as its sole purpose the repeal of Public Law 89-554.

We thank the subcommittee for this opportunity to make our views known on this legislation, and we wish particularly to reemphasize our high regard for Congressman Murphy who has done all of us a favor by raising the fundamental issue of equity in H.R. 11495.

UNITED STATES CIVIL SERVICE COMMISSION,
Washington, D.C., February 18, 1976.

HON. DAVID N. HENDERSON,
Chairman, Committee on Post Office and Civil Service, House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in further response to your request for the Commission's views on H.R. 723, a bill "To amend section 8335 of title 5, United States Code, to reduce the mandatory retirement age for non-United States citizen employees of the Panama Canal Company or Canal Zone Government employed on the Isthmus of Panama to sixty-two years of age", and on H.R. 11395, a similar bill.

The effect of either bill would be to establish the same age requirement for mandatory retirement under the Civil Service Retirement law for non-U.S. citizen employees of the Panama Canal Company and the Canal Zone Government employed on the Isthmus of Panama as that which has been in effect for most of the U.S. citizen employees of the Canal enterprise since July 1926 and for all such workers since July 1931. The only difference is that H.R. 723 would be effective on enactment, while H.R. 11495 would be effective on October 1, 1976 or enactment, whichever is later. We understand the Panama Canal Company is recommending a deferred effective date provision to give employees sufficient time to prepare for retirement.

The Canal Zone Government has advised us that, altogether, there are approximately 11,000 non-U.S. citizen employees of whom 500, or about 4.5%, are age 62 and over.

These 500 non-U.S. citizen employees would be mandatorily retired at the time the law takes effect, and it is estimated that for five years thereafter there would be from 150 to 200 mandatory retirements annually in excess of the normal rate of voluntary retirements.

The Commission does not have any objection in principle to enactment of the bill which would put non-U.S. citizen employees on the Isthmus on the same mandatory retirement footing as U.S. citizen employees.

Enactment of H.R. 723 or H.R. 11495 would not increase the normal cost of the Civil Service Retirement System. It would, however, increase the unfunded liability of the Civil Service Retirement and Disability Fund by about \$7.4 million. This amount would be amortized in 30 equal annual installments of approximately \$459,000.

The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is no objection to the submission of this report.

By direction of the Commission:

Sincerely yours,

ROBERT HAMPTON, *Chairman.*

94TH CONGRESS
2D SESSION

H. R. 11495

IN THE HOUSE OF REPRESENTATIVES

JANUARY 26, 1976

Mr. MURPHY of New York introduced the following bill; which was referred to the Committee on Post Office and Civil Service

A BILL

To amend section 8335 of title 5, United States Code, to reduce the mandatory retirement age for non-United States citizen employees of the Panama Canal Company or the Canal Zone Government employed on the Isthmus of Panama to sixty-two years of age.

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 8335 (e) of title 5, United States Code, is
4 amended to read as follows:

5 “(e) This section applies to an employee of the Alaska
6 Railroad in Alaska and to an employee of the Panama Canal
7 Company or the Canal Zone Government on the Isthmus of
8 Panama, who becomes sixty-two years of age and completes

1 fifteen years of service in Alaska or on the Isthmus of
2 Panama.”

3 SEC. 2. The amendments made by the first section of this
4 Act shall apply with respect to the pay periods beginning
5 after—

6 (1) the date of enactment of this Act, or

7 (2) October 1, 1976,

8 whichever is later.

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