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THE WHITE HOUSE

WASHINGTON

DATE: 09 AUG 79

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT

STU EIZENSTAT

JACK WATSON

ANNE WEXLER

JIM MCINTYRE

JERRY RAFSHOON

SUBJECT: CAMPBELL MEMO RE FEDERAL COMPENSATION REFORM

~~SUMMARY~~ 

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+ RESPONSE DUE TO RICK HUTCHESON. STAFF SECRETARY (456-7052) +

+ BY: +

+++++

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

United States of America
**Office of
Personnel Management**

Washington, D.C. 20415

AUG 9 1979

In Reply Refer To:

Your Reference:

MEMORANDUM FOR THE PRESIDENT

FROM: Alan K. Campbell
Director

SUBJECT: Federal Compensation Reform

Attached is a letter from two Columbia University Graduate Business School scholars commenting on your proposed Federal Compensation legislation initiative. Since they have done extensive research in the field of public sector pay, I believe you will find the letter and the accompanying data of interest.

For your information, the following newspapers have endorsed your compensation proposal:

San Juan Star
Arizona Republic
Los Angeles Times
San Francisco Chronicle
San Francisco Examiner
Rocky Mountain News (Denver, CO)
Washington Post
Atlanta Journal
Daily Herald (Arlington Heights, IL)
Chicago Tribune
Louisville Courier-Journal
Minneapolis Tribune
Seattle Post Intelligencer
State Journal (Lansing, MI)

Kansas City Star
St. Louis Post Dispatch
New York Times
Syracuse Post-Standard
Cincinnati Enquirer
Cincinnati Post
Cleveland Press
Dayton Daily News
Oklahoma City Times
Charleston Daily Mail
Memphis Press-Scimitar
Dallas Times Herald
San Antonio Light
Deseret News (Salt Lake City, UT)

In addition, we have received supportive statements from:

Council of State Governments
National Conference of State Legislatures
Common Cause
National Civil Service League
National Federation of Independent Business
International Personnel Management Association
National Association of State Personnel Executives

Although formal endorsements have not yet been made, we anticipate support from the following organizations:

National Academy of Public Administration
National Governors Association
American Society for Personnel Administration
Chief Administrative Officers of the Local Jurisdictions in the Washington
Metropolitan Area
National Association of Counties

Attachment

Columbia University in the City of New York | New York, N.Y. 10027

GRADUATE SCHOOL OF BUSINESS

URIS HALL

July 18, 1979

Dr. Alan K. Campbell
Director
United States of America
Office of Personnel Management
Washington, D.C. 20415

Dear Dr. Campbell:

We wish to thank you for the information on the President's proposed changes in the comparability standards for federal employees' pay. We approve of the changes, believing that they will produce more effective and efficient pay system.

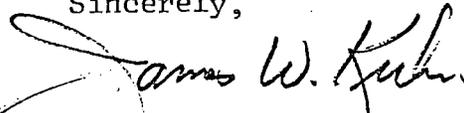
The omission of data on state and local pay has been a serious gap in the existing comparability standard. According to the 1970 census data government employed over a fifth of all white-collar workers, 6% in the federal ranks and over 15% in state and local government; almost 40% of all professional & technical workers were employed by government, 6% in federal and 33% in state and local. It is obvious that in areas where government occupations account for a large proportion of all jobs, the pay practices of state and local government need to be considered, if the comparability data are to reflect the economic realities of the labor market.

Further, in some states and localities government workers make up especially large portion of the area labor force; federal pay practices can significantly affect compensation in such situations, magnifying its effects. In a study made some years ago with 1964 data we found that in 10 states, with the highest share of government employees, the shares varied from 44 percent for Alaska to 22 percent in Arizona. The average was 25% for all ten! For the Federal government to ignore so large a portion of the labor force hardly makes economic sense. We enclose 3 tables with these data.

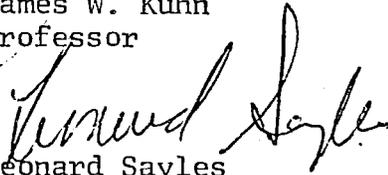
Very likely the federal pay system as it has operated since 1962, and particularly in the late sixties, helped transmit inflationary wage pressures, offsetting many of the national policies designed to reduce them. The changes now proposed should help the government avoid that kind of inflationary contribution in the future.

We congratulate the President upon his proposals and certainly support his and your efforts to secure Congressional approval of them.

Sincerely,



James W. Kuhn
Professor



Leonard Sayles
Professor

Enc.
JWK: 1b
LS: 1b

Table One

Wage and Salary Workers in Government
and
Government Workers as Share of All Wage and Salary Workers
in Non Agricultural Establishments
Selected Years, 1929 - 1975
(in thousands)

<u>Year</u>	<u>Federal</u>	<u>State & Local</u>	<u>Total</u>	<u>% of All</u>
1929	533	2,532	3,065	9.8
1939	905	3,090	3,995	13.0
1949	1,908	3,948	5,856	13.4
1959	2,233	5,850	8,083	15.2
1969	2,758	9,444	12,202	17.3
1974	2,724	11,560	14,284	18.2
1975*	2,733	12,032	14,765	19.3

* First third of year.

Source: Economic Report of the President, 1975, Table C-29, p.282.

Rank Order of States With Highest and Lowest Share
of
Total Nonagricultural Employees In Government, January, 1974
(in thousands)

Ten States With Highest Share

<u>State</u>	<u>Govt. Employ.</u>	<u>Total Employ.</u>	<u>Share in %</u>
Alaska	40.3	102.2	39
New Mexico	100.5	348.3	29
South Dakota	58.0	203.2	29
North Dakota	50.9	180.5	28
Utah	108.3	417.2	26
Wyoming	30.6	119.1	26
Montana	54.6	219.8	25
Hawaii	76.4	313.7	24
Kansas	173.4	747.5	23
Oklahoma	198.6	854.6	23
Total of the Ten	891.6	3506.1	25

Ten States With Lowest Share

<u>State</u>	<u>Govt. Employ.</u>	<u>Total Employ.</u>	<u>Share in %</u>
Wisconsin	275.4	1,643.7	17
New Jersey	434.8	2,730.5	16
Indiana	305.6	2,000.5	15
New Hampshire	43.9	291.3	15
Ohio	604.5	4,117.3	15
Massachusetts	342.8	2,326.9	15
Rhode Island	51.5	349.9	15
North Carolina	291.7	1,984.9	15
Pennsylvania	645.5	4,439.4	15
Connecticut	170.2	1,250.8	14
Total of the Ten	316.59	21,135.2	15

Source: Employment and Earning, Vol. 20, April, 1974, Table B-7, p. 80.

Table 5A

GOVERNMENT AND TOTAL EMPLOYMENT IN SELECTED OCCUPATIONS

1970

<u>Occupation</u>	<u>Govt. Employ.</u>	<u>Total Employ.</u>	<u>Share in %</u>
All Technicians*	64.3	155.5	41
Typists	309.5	978.0	32
Cleaning Service Workers	511.4	1,861.5	28
Health Service Workers	313.5	1,180.5	26
Health Technicians	68.5	260.0	26
Secretaries	532.7	2,702.0	20
Engineering and Science Technicians	152.4	802.0	19
Accountant	128.3	703.5	18
Engineers	201.1	1,207.5	16
Food Service Workers	380.0	2,773.6	14

*Except Health and Engineering and Science Technicians.

Sources: Government Employment - 1970 Census of the Population, Subject Reports: Government Workers, Table 1, PC(2) - 7D.
Total Employment - 1970 Census of the Population, Characteristics of the Population, Vol. 1, Part 1, U.S. Summary, Section 2, Table 222.

Table Four

SHARE OF SELECTED OCCUPATIONS IN PRIVATE SECTOR^a AND GOVERNMENT^b
1970

	<u>Private Sector</u>	<u>All Govt.</u>	<u>(Federal)</u>	<u>(State)</u>	<u>(Local)</u>	<u>Total</u>
White Collar	78.4%	21.6%	6.3%	5.4%	9.9%	100%
Prof., Tech.	60.9	39.1	6.1	10.5	22.5	100
Clerical	78.3	21.7	10.2	4.9	6.6	100
Blue Collar	93.2	6.8	2.3	1.4	3.1	100
Service*	73.2	26.8	2.9	7.0	16.8	100

Table Four^BDISTRIBUTION OF SELECTED OCCUPATIONS WITHIN PRIVATE SECTOR^a AND GOVERNMENT^b
1970

	<u>Private Sector</u>	<u>All Govt.</u>	<u>(Federal)</u>	<u>(State)</u>	<u>(Local)</u>
White Collar	44.9%	66.6%	72.6%	67.8%	62.7%
Prof., Tech..	10.2	35.3	20.8	38.7	41.5
Clerical	16.2	24.2	42.7	22.3	15.0
Blue Collar	39.0	15.5	19.9	12.9	14.3
Service*	9.0	17.7	7.3	19.0	22.8
Total of All Occupations, unlisted as well as listed	100	100	100	100	100

*Except for private household workers.

Source: ^a Manpower Report of the President, 1975, Table A-15, p. 225, with subtraction made of government occupations as measured in the 1970 census.

^b Government Workers, Subject Reports, PC(2)-70, 1970 Census of Population, June, 1973, U.S. Department of Commerce.