Date: January 18, 1978

FOR ACTION:
Secretary Vance
Secretary Blumenthal
Secretary Brown
Attorney General Bell
Secretary Andrus
Secretary Bergland

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: McIntyre/Campbell memo dated 1/18/78 re Reform and Reorganization of the Federal Personnel System

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:
TIME: 4:00 PM
DAY: Friday
DATE: January 20, 1978

ACTION REQUESTED:
X Your comments
Other:

STAFF RESPONSE:
I concur.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.
If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)
January 20, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Secretary of Energy

SUBJECT: January 18, 1978, Memorandum Regarding Reform and Reorganization of the Federal Personnel System

Various staff members of the Department of Energy have been involved in reviews and comments on several of the products of the Federal Personnel Management Project and I have been supportive of the initiative to make needed changes in the system. From this perspective we are in basic agreement with the recommendations made to you in the subject memorandum. However, we believe that the statement made under II.B. of the memorandum that periodic step increases for longevity "are appropriate for the vast majority of Federal employees" is not consistent with the principle of comparability in that periodic step increases could provide many employees with pay in excess of comparability.

We are especially interested in the recommendation in II.A. concerning the Senior Executive Service, because the Department of Energy has operated since October 1, 1977, a similar system for some 511 executives. These ungraded executives serve in assignments as directed by an Executive Personnel Board which also authorizes pay increases based upon a performance evaluation. If removed from this executive service, a career employee has return rights to a GS-15 position. Experience with this system has been favorable to date.

James R. Schlesinger
January 20, 1978

NOTE TO RICK HUTCHESON

Attached is Jim Schlesinger's comments with regard to the Jim McIntyre and Alan Campbell Memorandum "Reform and Reorganization of the Federal Personnel System."

Frank R. Pagnotta

Attachments
Date: January 18, 1978

FOR ACTION:
Secretary Vance
Secretary Blumenthal
Secretary Brown
Attorney General Bell
Secretary Andrus
Secretary Bergland

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: McIntyre/Campbell memo dated 1/18/78 re Reform and Reorganization of the Federal Personnel System

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:
TIME: 4:00 PM
DAY: Friday
DATE: January 20, 1978

ACTION REQUESTED:
X Your comments
Other:

STAFF RESPONSE:
I concur.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)
FOR ACTION:
Secretary Vance
Secretary Blumenthal
Secretary Brown
Attorney General Bell
Secretary Andrus
Secretary Bergland

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: McIntyre/Campbell memo dated 1/18/78 re Reform and Reorganization of the Federal Personnel System

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:
TIME: 4:00 PM
DAY: Friday
DATE: January 20, 1978

ACTION REQUESTED:
X Your comments
Other:

STAFF RESPONSE:
I concur. No comment.

Please note other comments below:

I recommend that you reject any incentive pay or bonus systems. Companies in the private sector have great difficulties in administering such programs, and I believe that the problems are so substantial that we should avoid this approach.

JAY SOLOMON

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.
If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)
MEMORANDUM FOR RICK HUTCHESON
FROM: WAYNE GRANQUIST AND HARRISON WELLFORD
SUBJECT: Campbell Memorandum on Inclusion of Federal Pay Changes in Proposed Civil Service Reform Act

OMB's reasons for recommending that the Federal pay proposals be deleted from the joint memorandum to the President on civil service reform are really not those listed by Chairman Campbell. Our reasons are set forth below:

- The pay changes are extremely controversial and will arouse violent opposition among a broad range of constituencies and interest groups. For example, both the splitting of the general schedule and the setting of clerical-technical pay on a locality basis will inevitably depress clerical-technical wages at some levels and in some areas. The proposed clerical-technical schedule is most heavily populated by women and minorities, and there is a very real likelihood that either of the two related proposals will provoke these groups to oppose the civil service reform legislation if it includes such pay changes. These and other recommendations contained in the pay proposals (e.g., blue-collar pay and premium pay reforms) will likewise precipitate tremendous Federal union and employee opposition. Deletion of these controversial pay matters now, for sponsorship and action at some later time, will surely reduce opposition to the overall civil service reforms. Deletion also vastly enhances the chances of reaching an agreement for labor support of the reform legislation (in the event that it is decided to pursue recent discussions with the unions).

- The total compensation recommendations include proposals which would substantially diminish the very large role played by the Congress in determining the size of Federal employee benefits. The Congressional Committees whose support we need for the reform
legislation are the same Committees which have long guarded and enjoyed their responsibility and control over most matters dealing with employee benefits. Thus, deleting these particular total compensation proposals will surely help to minimize opposition of Congressional Committee members.

While we may agree with CSC that adoption of total compensation is the most important of these pay proposals, we cannot agree that legislation should be sought at this time—whether or not as a part of overall civil service reform. Both CSC and the Congressional Budget Office are in the process of studying the feasibility of measuring total compensation. Models are still in the developmental stages. There are many difficult problems to be worked out in collecting and comparing data. Some distinguished compensation authorities believe the Government will never be able to obtain the necessary reliable, comparable data. California, the only state to attempt total compensation comparability, found the effort so difficult that it has given up that effort and gone to a different system of setting pay and benefits. We do not know enough at this time about the extent to which comparison of current benefits will lower or raise costs, and it is difficult to predict what adjustments would result. The sums involved in total compensation are enormous and Congress is certain to ask about the impact of our proposals on compensation costs, but we simply don't yet have an answer. For these reasons, it seems only prudent to wait until we know more before going forward with a legislative proposal that would commit this Administration to total compensation.

It really is not the official OMB view that the principle of comparability should be abandoned for "competitiveness." Some in OMB, but by no means all, feel that "competitiveness" should be included if the Administration goes forward with a package of pay proposals. But OMB as an institution has not taken a position on this issue. More importantly, since "competitiveness" is not advocated in the Project recommendations or in the proposed legislation, the issue is not being presented to the President for a decision at this time.
While OMB advocates deleting the pay proposals from the proposed legislation, we nevertheless share many of Chairman Campbell's concerns, for example, on the public view of Federal compensation. Most of us certainly would agree that we need legislative pay reforms, and OMB is committed to proposing these at a later time. However, we strongly recommend against doing so as part of civil service reform.
MEMORANDUM FOR THE PRESIDENT

SUBJECT: Reform and Reorganization of the Federal Personnel System

I heartily endorse the memorandum sent to you on January 18 by Jim McIntyre and Scotty Campbell recommending changes in the Federal Personnel System. As I indicated in my January 10 memorandum on the same subject, I believe these proposals are as important as anything you will do to revitalize the Federal Bureaucracy.

I want to endorse, particularly, two of the proposals. First, the establishment of an Office of Personnel Management in the Executive Office of the President is vital if we are to give our personnel programs the visibility and clout needed. The advantages of increased productivity, responsiveness and timeliness of the Federal Personnel System clearly outweigh any of the disadvantages outlined in the proposal. The designation of the Director of that office as a member of the Cabinet is not only consistent with the current corporate role of the personnel manager, but is consistent with the importance of the human equation to the success of this Administration's programs. I have recently created a parallel in this Department by establishing an Assistant Secretary for Personnel Administration on an equal footing with our Management and Budget function.

Second, I want to reinforce my support for the establishment of the Senior Executive Service. Our ability to change and to revitalize our programs is directly proportional to our ability to acquire, develop, move, and reward responsive, high quality executives.

I was deeply disappointed to note that the personnel package does not include the recommendation we had agreed to on pay comparability. In my trips around the country,
I hear constant criticism that Federal employees are paid too much and, the truth is, in some cases they are. To ignore those criticisms in what purports to be a comprehensive civil service reform act would be a serious mistake. Let me be clear that I think the principle of comparability is the best approach that Government has yet devised, but we greatly need to improve the system for determining what comparability is. The original recommendations, in my judgment, did just that.

I also note that the January 18 memorandum does not include recommendations to develop new and improved ways to control staff without resorting to ceilings. Improved control measures will reduce the burden and expense of multiple control systems and allow managers to make more economical manpower utilization decisions. In my judgment, this issue needs to be addressed as soon as possible.

Joseph A. Califano, Jr.
MEMORANDUM FOR THE PRESIDENT

Subject: Proposed Reform and Reorganization of the Federal Personnel System

We have reviewed the memorandum which Jim McIntyre and Scotty Campbell sent you on January 18, dealing with reform and reorganization of the Federal personnel system. I concur with the findings and recommendations they set forth, which Treasury representatives helped to develop during the course of the Personnel Management Project.

There is, however, one subject which was treated by the Personnel Management Project, but which was apparently omitted from the memorandum. This is the question of systematically computing and adjusting Federal pay based on comparability with the private sector. This, in my opinion, is a key component in revising the Federal personnel system, if we are to have meaningful flexibility in establishing salary ranges and differentials within a Senior Executive Service or other proposed personnel reforms. Therefore, I feel that the conclusions reached by the Project on this subject should be addressed in the reorganization proposal.

You can count on my continued support in this effort.

W. Michael Blumenthal
January 20, 1978

MEMORANDUM FOR RICK HUTCHESON
Staff Secretary
President's Reorganization Project

FROM: RAY MARSHALL

SUBJECT: Response to McIntyre/Campbell Memo Dated 1/18/78 re Labor-Management Relations in the Federal Sector

While in principle I feel I could support the proposed language, I do want to suggest several changes:

1) There is no reference to the pay setting process. If the decision is to change the pay setting process (area rates, total compensation), then unions will want substantive involvement. In this case, I would suggest adding the phrase "and pay and compensation" after the word "policy" in the second paragraph, line seven of page one. If the decision is to keep it separate, that fact should be made explicit in the memorandum.

2) In general, I feel many of the "cons" are not factual or relevant. There are a number of "scare phrases" that should, in my judgment, be removed. This can be accomplished at the staff level. However, I do suggest omitting the first entire "con" on page three. The inferences that can be drawn from that argument could embroil us in unneeded controversy, i.e., the reference to New York City.

3) It is absolutely critical to convey to the President that a "limited package" will not be acceptable to the unions. On page four, first paragraph, I strongly recommend that we be more emphatic on the consequences of a limited package. I suggest inserting the word "very" or the phrase "almost certain" in line five and underlining it. If this idea escapes the President, this exercise may be futile.

4) The arbitration issue must be clarified. The reference on page one relates to major policy decisions related to
pay and compensation and personnel matters. Clearly, arbitration is not appropriate in that context. Elsewhere, we support arbitration in a different context, i.e., the terminal step in a grievance resolution process. We are prepared to provide clarifying language at the staff level.

5) To suggest that there is significant movement toward collective bargaining is misleading. The proposed "advisory board" is constrained by explicit delegation of scope of activities and overall authority; we are limiting the scope of bargaining to the provisions of the Executive Order; and pay and compensation has been omitted. Therefore, to construe the proposed Administration's position as significant movement toward collective bargaining does not, in my judgment, ring true. We are simply inserting the provisions of the Executive Order into legislation.
January 20, 1978

MEMORANDUM FOR RICK HUTCHESON
Staff Secretary
President's Reorganization Project

FROM: RAY MARSHALL


I concur with the draft Memorandum for the President and provide the following comments:

1) Insert phrase "and employee rights" after the phrase "The Merit System" on page 2, line 2.

2) I plan to comment on Part IV in a separate memorandum.
1/23/78

Bill Simon:
Attached is another copy of the material on Civil Service reform with Secretary Marshall's note to Scotty Campbell indicated.

Bob Brown
Date: January 19, 1978

FOR ACTION:
Secretary Brown
Secretary Marshall

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Campbell memo dated 1/19/78 re Inclusion of Changes in Federal Pay Comparability in Proposed Civil Service Reform Act

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:
TIME: 12:00 Noon
DAY: Saturday
DATE: January 21, 1978

ACTION REQUESTED:

x Your comments

Other:

STAFF RESPONSE:

I concur. No comment.

Please note other comments below:

* See Secretary Marshall's note to Chairman Campbell (photo attached).

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.
If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)
MEMORANDUM FOR THE PRESIDENT

FROM: Alan K. Campbell

SUBJECT: Inclusion of Changes in Federal Pay Comparability in Proposed Civil Service Reform Act

On the basis of a recommendation by OMB staff, a section of the memorandum from Jim McIntyre and me on civil service reform concerning Federal pay comparability was deleted with the understanding that I would write you a separate memorandum on this subject. I believe the matter is of great importance and should be included in your overall civil service reform package.

The four suggested changes in the currently used comparability system are:

1. To divide the general schedule into a clerical-technical schedule and a professional-administrative schedule.

2. To compare fringe benefits as well as basic salaries in setting Federal pay (total compensation comparability).

3. To include data on state and local employees' salaries in our comparisons.

4. To place clerical-technical jobs on a locality wage rate basis.

These four proposals directly respond to a growing chorus of criticisms from business leaders and the public which, if not attended to, could bring down the entire comparability system. The proposals are not new, having been
recommended by the President's Panel on Federal Compensation chaired by Vice President Rockefeller in 1976 and again by our own Reorganization Task Force under the leadership of William Conley, Director of Compensation of Minneapolis Honeywell, and by Comptroller General Elmer Staats. The proposals had also been agreed to by the Assistant Secretaries for Administration. We have received the endorsement of corporate officials from General Motors, IBM, DuPont and several other major corporations for these recommendations.

As I understand OMB's staff reservations, they believe (a) that the proposed changes might conceivably lead to higher rather than lower costs and (b) that comparability as a system for setting Federal pay should be abandoned in favor of something called "competitiveness."

With respect to their first concern, I respectfully suggest that:

1. State and local salaries are clearly lower on the average than Federal salaries and including them in the data will lower Federal salaries.

2. The General Schedule covers so many different types of occupations that the rates paid for a particular occupation are often badly distorted. Clerical and technical staff are often overpaid while entrance level professionals, managers and scientists are generally underpaid. The problem for clerical and technical staff is exacerbated by the wide range in rates paid in different localities. The overall impact of these factors is to raise Federal salaries higher than they should be.

3. The best available data, although not wholly satisfactory, indicates that Federal fringe benefits are 2-5 percent higher than private sector benefits. Therefore, their inclusion would hold down Federal pay increases.

With respect to the belief that a "competitiveness" system would be better, let me simply say that no one, to my knowledge, has devised such a system. At this point it is nothing more than a theoretical abstraction without any evidence that it could really work.
From a political point of view, I believe you must consider that expectations are already very high that corrective measures will be recommended to meet criticisms of the comparability system; and these criticisms could bring down the present system in favor of Congressional determination of salary levels. That route, if it parallels prior experience, would be disastrous. Our grade escalation problems of the 1960s, the refusal of people to retire, and the severe drop in the Government's ability to compete for able personnel all can be traced directly to the pressures which exist when Congress sets pay.

I strongly recommend that some or all of these improvements be included in your proposed Civil Service Reform Act. Most important is adoption of the use of total compensation (i.e., the inclusion of fringe benefits) in determining comparability and the splitting of the General Schedule in order to make secretarial, clerical, and technical pay more like that paid in the private sector. The inclusion of state and local pay and the adoption of locality rates would be useful changes but are not as essential as the other two. Further, locality rates are likely to have difficulty in obtaining Congressional approval. Our Reorganization Task Force suggests that clerical-technical rates might be set halfway between local and national rates.

Presidential Decision:

1. Include pay comparability in civil service reorganization proposals.
   Yes _________
   No _________
   If Yes,

2. Include fringe benefits in comparability.
   Approve _________
   Disapprove _________
   Other _________

   Approve _________
   Disapprove _________
   Other _________
4. Include state and local data in comparability.
   
   Approve ________
   Disapprove ______
   Other ________

5. Set clerical and technical compensation on the basis of:

<table>
<thead>
<tr>
<th>Local Rates</th>
<th>One Half Difference Between Local and National Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approve</td>
<td>________</td>
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<tr>
<td>Disapprove</td>
<td>________</td>
</tr>
<tr>
<td>Other</td>
<td>________</td>
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January 23, 1978

MEMORANDUM FOR RICK HUTCHENSON
THE WHITE HOUSE

Subject: Reform and Reorganization of the Federal Personnel System

In response to instructions from the Civil Service Commission regarding the format for commenting on this subject, the Department's comments were forwarded to the Chairman of the Civil Service Commission by the Acting Secretary.

A copy of that submission is attached.

Peter Tarnoff
Executive Secretary
Dear Mr. Campbell:

We have carefully reviewed the proposals being made as a result of the Federal Personnel Management project (FPMP). We have participated in the development of these recommendations and had the opportunity to contribute extensively. We fully agree with the analysis and identification of problems by the FPMP and support the recommendations without exception.

In adding our support to these recommendations, it is worthwhile to note our reaction to this entire effort toward reform and reorganization. From the beginning the project managers were both candid and open. They have actively solicited our best thinking on the subject and have carefully considered it. For this we are grateful. The Department of State will cooperate fully with the Office of Management and Budget and the Civil Service Commission in implementing the program as it is finally approved.

Sincerely,

[Signature]

Warren Christopher
Acting Secretary

The Honorable
Alan K. Campbell,
Chairman, U.S. Civil Service Commission
Dear Mr. President:

The Reorganization Project staff submitted to you on January 18, 1978, a memorandum seeking your specific guidance on certain significant issues emerging in the course of drafting a Reorganization Plan to restructure Federal personnel management in the Executive Branch and a legislative proposal for comprehensive civil service reform.

This is to urge your favorable decision on the recommendations in the memorandum.

The creation of an Office of Personnel Management in the Executive Office of the President, with its Director as a member of the Cabinet, and the creation of an independent Merit Systems Protection Board will eliminate current structural weaknesses and strengthen the effectiveness of those agencies charged with administering the Federal personnel system.

Managers at all levels need the greater incentives, which will be provided by creation of a Senior Executive Service and a better incentive pay system for lower level managers and supervisors.

Your decisions to continue the development of the specifics of a speedier disciplinary system, as well as legislative proposals to permit greater decentralization of authorities and to bring reasonable balance to the recognition of veterans preference will facilitate major improvements in the Federal civil service system.

These recommendations have my fullest support.

Respectfully,

Juanita M. Kreps

The President
The White House
Washington, D.C. 20500
MEMORANDUM FOR: Rick Hutcheson  
Staff Secretary  
The White House  

Subject: Reform and Reorganization of the Federal Personnel System

I have reviewed the memorandum for the President dated January 18, 1978 prepared by Jim McIntyre and Scotty Campbell on the Reform and Reorganization of the Federal Personnel System.

I agree with and endorse the proposed personnel revisions.

I also note that prior reform suggestions I have seen that would have this Administration endorse the principle of pay comparability for Federal employees with that of private industry and have not been included in the memo. I support this principle and would like to see it included.

I must add my personal admiration for the work done in such a short time to provide this far-ranging and important series of much needed personnel reforms.

Patricia Roberts Harris
Mr. Rick Hutcheson  
Staff Secretary to the  
President  
The White House  
Washington, D.C. 20500

Dear Mr. Hutcheson:

I endorse the objectives of the efforts to reform and reorganize the Federal personnel system. The changes called for in the proposed legislation and reorganization plan will, I believe, contribute to a significant increase in the efficiency and effectiveness of the government's management of its human resources. Once the President approves a particular course of action we are prepared to give all necessary assistance and support in the legislative process. In the course of such action we would hope to have additional information and an opportunity to comment on matters of significant interest to this Department which did not receive comprehensive treatment in the memorandum to the President, e.g.,

- Provisions for determining pay comparability,

- the allocation of resources associated with any substantial decentralization of authority,

- the impact of decentralization and other proposals as they relate to forthcoming changes in the framework for labor-management relations,

- the nature of performance agreements between the Office of Personnel Management and the Departments,
the impact of decisions on the recommendations of the Reorganization Task Force on Civil Rights in regard to the Department's equal employment opportunity programs.

Sincerely,

[Signature]

for Brock Adams
MEMORANDUM FOR:

The Honorable
Rick Hutcheson
Staff Secretary
The White House

Pursuant to your request of January 18, 1978, there is transmitted herewith our comments on the memo for the President entitled "Reform and Reorganization of the Federal Personnel System."

We appreciate the opportunity to comment on this important issue.

MAX CLELAND
Administrator

Attachment
PROPOSED REORGANIZATION OF THE FEDERAL PERSONNEL SYSTEM

This paper seeks to review and comment on proposals made to President Carter in a 1/18/78 memorandum on Reorganization of the Federal Personnel System. A number of these proposals have been considered in the context of options presented for agency review by the Personnel Management Project Task Force.

STRUCTURAL CHANGES

The proposal presented to the President would abolish the Civil Service Commission and create an Office of Personnel Management (OPM). The OPM, which would be headed by an Executive Level II Director appointed by the President, would be responsible for personnel policy and administration but would have no prosecutorial or adjudicative powers. These powers would be placed in a Merit Systems Protection Board, composed of three bipartisan board members appointed for seven-year terms, and removable only for cause, and would be completely independent of the OPM. The President would appoint a special counsel to the board, who would be confirmed by the Senate and would serve
for a fixed term. This individual would have responsibility for investigating violations of merit system laws.

The President is being advised that this proposal would correct the first of the following four deficiencies of the present system: (1) a conflict within the Civil Service Commission between its adjudicative authority and its management authority; (2) the inability of the President to provide appropriate leadership in personnel management due to the lack of staff capability within the Executive Office; (3) the failure of the practice of appointing a minority commissioner as one of three commissioners of the Civil Service Commission (CSC) to protect the system from abuse; and (4) the overcentralization of personnel authority in the CSC resulting in delays, rigidity, and untimely delivery of personnel services.

In an effort to address deficiency 2, above, the recommendation is made that consideration be given to locating OPM in the Executive Office of the President. The memorandum acknowledges that the President's intention to reduce the size of the Executive Office staff, and the concern of the public that locating the OPM in the Executive Office may result in "politicizing" the Federal civil service are factors which mitigate against this proposal.
The final proposal is consistent with our prior comments on this subject insofar as we favored splitting management authority from adjudicative responsibility. The proposal differs insofar as we favored keeping management authority in the CSC, or locating it in a newly created independent agency which would operate as the present CSC only without adjudicative responsibility. As for the adjudicative responsibility, the final proposal differs insofar as it would be located in a three-member board whose members would serve six-year nonrenewable terms. The board concept was proposed in an Option Paper but only in the context of a citizen panel (no civil service experience) composed of three members serving at the pleasure of the President without designated terms. While we did not reject this concept, we did not select it as the best option. We concluded that such a board would not protect the integrity of the personnel system to any degree greater than the present system, and might actually result in some inefficiency of operation due to board members' lack of experience in personnel matters. We favored the proposed creation of an Office of Special Counsel which would have
independent authority for staff appointments and would exist solely for the purpose of handling appeals and arbitrations of individual personnel disputes.

In summary, this final proposal represents a combination of factors from each of the five options previously considered. Its elements are not perceived to be seriously objectionable, provided the OPM is not placed in the Executive Office.
PROVIDING MANAGERS WITH GREATER INCENTIVES

We concur with the goal of providing managers with greater incentives to improve the efficiency and responsiveness of the Federal Government. A major target directed at achieving this goal is the proposed creation of a Senior Executive Service. We believe certain aspects of this proposal, as described in the Memorandum for the President, warrant comment.

From our reading of the proposal, it appears that the measure by which to determine inclusion in the Executive Service is to be that of grade level. We would agree that positions in grades 15 and below are not suitable for inclusion in the service. As to those positions in grades 16 and above, we believe that it would be inappropriate to use grade level as the sole criterion for inclusion in the Senior Executive Service as this would result in the inclusion of many positions which do not have managerial responsibilities. It is our belief that consideration should be given to a variety of factors which take into account the nature of the duties performed by the individual holding a given position as well as the
scope of the position's responsibilities. For example, attorneys holding positions in the grades contemplated for inclusion perform primarily advisory duties and not managerial functions. Similarly, persons holding positions in personnel departments are responsible for developing guidance and instructions and for carrying out necessary personnel actions designed to ensure efficient, effective Government service. These persons are not responsible for developing or managing program items. We believe, therefore, that a better approach would be to make a distinction between line and staff positions with the former being included in the Service.

It has also been proposed to continue the distinction between "career" and "non-career" positions within the Executive Service. In our judgment, the maintenance of that distinction in positions within the Executive Service would run counter to many of its desired goals. One of these aims, for example, is to ensure that policy directives are carried out and put into effect by competent and skillful individuals. Compatibility with policy goals between management and policy makers may be achieved through the various mechanisms made available by this new system. The elimination of the distinction between career
and noncareer positions would enhance the possibility of the best qualified individual being selected for a position, would tend to diminish political influence as a factor in the selection of employees to fill high level managerial positions, and would provide greater flexibility in assignments.

We do believe, however, that to protect against politicization of the Service itself, a limitation on the number of noncareer employees permitted to enter the Service should be imposed. Such a numerical or percentage limitation of noncareer employees would serve to blunt criticism regarding possible politicization of the Service. Moreover, it would ensure the infusion of new approaches and ideas while retaining essential continuity provided by career employees. The maintenance of the present ratio of 85% career and 15% noncareer employees would accomplish these desired goals and would be acceptable to us.

Concerning the proposed authority of an agency head to transfer persons in the Executive service among positions based upon the needs of the Government, we favor the adoption of this managerial tool. The flexibility this would provide
an agency head would permit the agency to utilize the talent available to it in a manner most advantageous to the needs of the agency. We also support the concept of a variable pay scale that takes into account the skill and abilities of the individual employee and permits financial reward for superior work performance.

Safeguards should be instituted, however, that would protect an individual from abuse of these two managerial tools. For example, transfer of an employee must be accomplished solely for the good of the service and cannot be done for disciplinary reasons without utilizing the procedures established for disciplinary actions. Also, a review mechanism should be devised to ensure that the wage awarded to an individual employee is truly reflective of the skills and talents of the individual and not a reward for political association.

The proposal under consideration would also provide a guarantee of reemployment rights and salary retention for those career employees who are removed from the service. Clear safeguards should be established to provide that such removals would be accomplished only on the basis of inadequate
performance and to preclude arbitrary removal actions. We believe that the job security proposed in the option paper and clear safeguards would tend to diminish the possibility of removal actions being undertaken on a large scale basis for political reasons. It would also tend to encourage, to an extent that we believe would be manageable, independent thought and critical analysis of proposed policy changes.

Regarding the proposed incentive pay system for Federal managers, this would apparently apply to all individuals in managerial positions in grades 9 to 15 (excluding the Senior Executive Service Personnel). We agree that there is a need for revision of the present step increase system to make it more a reward for superior performance than for longevity. We are troubled, however, by the suggestion of guaranteeing managers only 50 percent of their annual comparability increase. The purpose of the comparability increase is not to reward meritorious performance but rather to help prevent a diminution of an employee's purchasing power relative to the private sector. This proposal would have the effect of changing the comparability
increase into a disciplinary device without, apparently, providing any type of safeguards against abuse (such as a right to appeal from a decision denying the full comparability increase).

SPEEDIER DISCIPLINARY SYSTEM AND DECENTRALIZATION OF PERSONNEL AUTHORITIES

The proposal states that a significant problem exists in removing unsatisfactory or unproductive employees in that the lengthy and elaborate appeals process currently in existence discourages managers from taking action. The option paper does not set out specific proposals for simplifying the procedure but states the goal of reforming the disciplinary system while maintaining adequate substantive and procedural safeguards for employees.

The recommendation of the option paper is to create separate disciplinary systems for union and nonunion employees. Union employees would be provided a negotiated grievance procedure with final stage arbitration. Nonunion employees would be subject to a simplified system of appeals within the Federal agency and finally to the merit system protection board.
While we are in agreement with the lofty goal of the option paper in this regard, we have reservations on the recommendation to provide separate procedures for union and nonunion employees. We believe that different procedures could produce opposite results in similar cases, could result in unequal justice, and could provide either an incentive or disincentive to union membership, depending on the differences between the procedures and results under arbitration and those under the Federal appeals system. Moreover, we have reservations about the proposal to submit questions of Federal employment to private arbitrators. We believe this would be counterproductive to the goal of creating a climate in which managers will attempt to discharge nonproductive employees.

We believe the goal of speedier and less complicated action in disciplinary cases could be accomplished within the Federal system by simplifying current procedures and appeal routes.

As regards decentralization of control of personnel policy, the final proposal is consistent with recommendations made in response to options previously considered. The
The proposal made to the President is, in general, to seek legislation authorizing delegation of personnel policy-making to various agency heads, and, in particular, to seek legislation for agency heads to conduct their own examinations for the purpose of filling jobs in the career service. Such delegations, it is argued, would eliminate the rigid procedure presently in existence, which results in long delays, and enable agencies to meet their own highly varied needs. Under this proposal, abuse of the system would be minimized by allowing the central management authority—the Office of Personnel Management—to issue standards, establish reporting requirements, and conduct followup evaluations.

Previously considered options addressed the matter of decentralization in greater detail; each agency was to comment on which of approximately 14 currently centralized personnel functions should be decentralized to the various agencies. Aside from the decentralization of examination authority, the final proposal discusses only three of these, and then only by way of example. Those mentioned were the
extension of temporary appointments beyond one year, payment of travel and transportation expenses to an employee's first duty post, and payment of an additional weekly allowance to an employee serving in a remote location.

In our comments we addressed each one of these and, in addition, recommended that the potential for abuse created by decentralization be minimized through the establishment of standards by the central personnel authority. As a result, we do not believe this final proposal differs materially from our own recommendations.

VETERANS PREFERENCE

The proposed positions on veterans preference have been discussed with the Civil Service Commission and represent a compromise of positions. While we are still not convinced that the operation of the veterans preference law results in inefficiency in the Federal personnel system, we are aware of the pressure to make several modifications to accommodate the goal of Equal Employment Opportunity. Accordingly, we can reluctantly accept the proposed changes.
PROPOSED REORGANIZATION OF THE FEDERAL PERSONNEL SYSTEM

This paper seeks to review and comment on proposals made to President Carter in a 1/18/78 memorandum on Reorganization of the Federal Personnel System. A number of these proposals have been considered in the context of options presented for agency review by the Personnel Management Project Task Force.

STRUCTURAL CHANGES

The proposal presented to the President would abolish the Civil Service Commission and create an Office of Personnel Management (OPM). The OPM, which would be headed by an Executive Level II Director appointed by the President, would be responsible for personnel policy and administration but would have no prosecutorial or adjudicative powers. These powers would be placed in a Merit Systems Protection Board, composed of three bipartisan board members appointed for seven-year terms, and removable only for cause, and would be completely independent of the OPM. The President would appoint a special counsel to the board, who would be confirmed by the Senate and would serve
for a fixed term. This individual would have responsibility for investigating violations of merit system laws.

The President is being advised that this proposal would correct the first of the following four deficiencies of the present system: (1) a conflict within the Civil Service Commission between its adjudicative authority and its management authority; (2) the inability of the President to provide appropriate leadership in personnel management due to the lack of staff capability within the Executive Office; (3) the failure of the practice of appointing a minority commissioner as one of three commissioners of the Civil Service Commission (CSC) to protect the system from abuse; and (4) the overcentralization of personnel authority in the CSC resulting in delays, rigidity, and untimely delivery of personnel services.

In an effort to address deficiency 2, above, the recommendation is made that consideration be given to locating OPM in the Executive Office of the President. The memorandum acknowledges that the President's intention to reduce the size of the Executive Office staff, and the concern of the public that locating the OPM in the Executive Office may result in " politicizing" the Federal civil service are factors which mitigate against this proposal.
The final proposal is consistent with our prior comments on this subject insofar as we favored splitting management authority from adjudicative responsibility. The proposal differs insofar as we favored keeping management authority in the CSC, or locating it in a newly created independent agency which would operate as the present CSC only without adjudicative responsibility. As for the adjudicative responsibility, the final proposal differs insofar as it would be located in a three-member board whose members would serve six-year nonrenewable terms. The board concept was proposed in an Option Paper but only in the context of a citizen panel (no civil service experience) composed of three members serving at the pleasure of the President without designated terms. While we did not reject this concept, we did not select it as the best option. We concluded that such a board would not protect the integrity of the personnel system to any degree greater than the present system, and might actually result in some inefficiency of operation due to board members' lack of experience in personnel matters. We favored the proposed creation of an Office of Special Counsel which would have
independent authority for staff appointments and would exist solely for the purpose of handling appeals and arbitrations of individual personnel disputes.

In summary, this final proposal represents a combination of factors from each of the five options previously considered. Its elements are not perceived to be seriously objectionable, provided the OPM is not placed in the Executive Office.
PROVIDING MANAGERS WITH GREATER INCENTIVES

We concur with the goal of providing managers with greater incentives to improve the efficiency and responsiveness of the Federal Government. A major target directed at achieving this goal is the proposed creation of a Senior Executive Service. We believe certain aspects of this proposal, as described in the Memorandum for the President, warrant comment.

From our reading of the proposal, it appears that the measure by which to determine inclusion in the Executive Service is to be that of grade level. We would agree that positions in grades 15 and below are not suitable for inclusion in the service. As to those positions in grades 16 and above, we believe that it would be inappropriate to use grade level as the sole criterion for inclusion in the Senior Executive Service as this would result in the inclusion of many positions which do not have managerial responsibilities. It is our belief that consideration should be given to a variety of factors which take into account the nature of the duties performed by the individual holding a given position as well as the
scope of the position's responsibilities. For example, attorneys holding positions in the grades contemplated for inclusion perform primarily advisory duties and not managerial functions. Similarly, persons holding positions in personnel departments are responsible for developing guidance and instructions and for carrying out necessary personnel actions designed to ensure efficient, effective Government service. These persons are not responsible for developing or managing program items. We believe, therefore, that a better approach would be to make a distinction between line and staff positions with the former being included in the Service.

It has also been proposed to continue the distinction between "career" and "non-career" positions within the Executive Service. In our judgment, the maintenance of that distinction in positions within the Executive Service would run counter to many of its desired goals. One of these aims, for example, is to ensure that policy directives are carried out and put into effect by competent and skillful individuals. Compatibility with policy goals between management and policy makers may be achieved through the various mechanisms made available by this new system. The elimination of the distinction between career
and noncareer positions would enhance the possibility of the best qualified individual being selected for a position, would tend to diminish political influence as a factor in the selection of employees to fill high level managerial positions, and would provide greater flexibility in assignments.

We do believe, however, that to protect against politicization of the Service itself, a limitation on the number of noncareer employees permitted to enter the Service should be imposed. Such a numerical or percentage limitation of noncareer employees would serve to blunt criticism regarding possible politicization of the Service. Moreover, it would ensure the infusion of new approaches and ideas while retaining essential continuity provided by career employees. The maintenance of the present ratio of 85% career and 15% noncareer employees would accomplish these desired goals and would be acceptable to us.

Concerning the proposed authority of an agency head to transfer persons in the Executive service among positions based upon the needs of the Government, we favor the adoption of this managerial tool. The flexibility this would provide
an agency head would permit the agency to utilize the talent available to it in a manner most advantageous to the needs of the agency. We also support the concept of a variable pay scale that takes into account the skill and abilities of the individual employee and permits financial reward for superior work performance.

Safeguards should be instituted, however, that would protect an individual from abuse of these two managerial tools. For example, transfer of an employee must be accomplished solely for the good of the service and cannot be done for disciplinary reasons without utilizing the procedures established for disciplinary actions. Also, a review mechanism should be devised to ensure that the wage awarded to an individual employee is truly reflective of the skills and talents of the individual and not a reward for political association.

The proposal under consideration would also provide a guarantee of reemployment rights and salary retention for those career employees who are removed from the service. Clear safeguards should be established to provide that such removals would be accomplished only on the basis of inadequate
performance and to preclude arbitrary removal actions. We believe that the job security proposed in the option paper and clear safeguards would tend to diminish the possibility of removal actions being undertaken on a large scale basis for political reasons. It would also tend to encourage, to an extent that we believe would be manageable, independent thought and critical analysis of proposed policy changes.

Regarding the proposed incentive pay system for Federal managers, this would apparently apply to all individuals in managerial positions in grades 12 to 15 (excluding the Senior Executive Service Personnel). We agree that there is a need for revision of the present step increase system to make it more a reward for superior performance than for longevity. We are troubled, however, by the suggestion of guaranteeing managers only 50 percent of their annual comparability increase. The purpose of the comparability increase is not to reward meritorious performance but rather to help prevent a diminution of an employee's purchasing power relative to the private sector. This proposal would have the effect of changing the comparability
increase into a disciplinary device without, apparently, providing any type of safeguards against abuse (such as a right to appeal from a decision denying the full comparability increase).

SPEEDIER DISCIPLINARY SYSTEM AND DECENTRALIZATION OF PERSONNEL AUTHORITIES

The proposal states that a significant problem exists in removing unsatisfactory or unproductive employees in that the lengthy and elaborate appeals process currently in existence discourages managers from taking action. The option paper does not set out specific proposals for simplifying the procedure but states the goal of reforming the disciplinary system while maintaining adequate substantive and procedural safeguards for employees.

The recommendation of the option paper is to create separate disciplinary systems for union and nonunion employees. Union employees would be provided a negotiated grievance procedure with final stage arbitration. Nonunion employees would be subject to a simplified system of appeals within the Federal agency and finally to the merit system protection board.
While we are in agreement with the lofty goal of the option paper in this regard, we have reservations on the recommendation to provide separate procedures for union and nonunion employees. We believe that different procedures could produce opposite results in similar cases, could result in unequal justice, and could provide either an incentive or disincentive to union membership, depending on the differences between the procedures and results under arbitration and those under the Federal appeals system. Moreover, we have reservations about the proposal to submit questions of Federal employment to private arbitrators. We believe this would be counterproductive to the goal of creating a climate in which managers will attempt to discharge nonproductive employees.

We believe the goal of speedier and less complicated action in disciplinary cases could be accomplished within the Federal system by simplifying current procedures and appeal routes.

As regards decentralization of control of personnel policy, the final proposal is consistent with recommendations made in response to options previously considered. The
proposal made to the President is, in general, to seek legislation authorizing delegation of personnel policy-making to various agency heads, and, in particular, to seek legislation for agency heads to conduct their own examinations for the purpose of filling jobs in the career service. Such delegations, it is argued, would eliminate the rigid procedure presently in existence, which results in long delays, and enable agencies to meet their own highly varied needs. Under this proposal, abuse of the system would be minimized by allowing the central management authority--the Office of Personnel Management--to issue standards, establish reporting requirements, and conduct followup evaluations.

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The proposed positions on veterans preference have been discussed with the Civil Service Commission and represent a compromise of positions. While we are still not convinced that the operation of the veterans preference law results in inefficiency in the Federal personnel system, we are aware of the pressure to make several modifications to accommodate the goal of Equal Employment Opportunity. Accordingly, we can reluctantly accept the proposed changes.
MEMORANDUM TO THE PRESIDENT

THROUGH:  Rick Hutcheson
Staff Secretary

SUBJECT:  McIntyre/Campbell memo dated 1/18/78 re Reform and Reorganization of the Federal Personnel System

I am pleased with the plan to reform and reorganize the federal personnel system. My comments follow the outline of the plan.

I. STRUCTURAL CHANGES TO ASSURE GREATER PROTECTION OF THE MERIT SYSTEM AND A STRONGER ROLE FOR MANAGEMENT IN THE FEDERAL PERSONNEL SYSTEM.

A. Replacing the Civil Service Commission with an Office of Personnel Management and a Merit Systems Protection Board.

1. Reorganization Plan to abolish the Civil Service Commission and create an Office of Personnel Management and an independent Merit Systems Protection Board.

   Approve

2. Location of the Office of Personnel Management.

   Independent Executive Agency ____________

   Within the Executive Office of the President ____________

   Other ____________

   The management of manpower being a major element in the total management system needs a level of visibility at least equal to that given to other segments of the
Executive Office. As a part of that Office there would be greater assurance that budget and personnel policies would be consistent and avoid some of the incongruous relations that have existed in the past. Charges of politicization of the merit system have no more credence in the Office of The President than would be leveled at an independent agency.

3. Designate Director of OPM as Member of Cabinet.

Yes

II. PROVIDING MANAGERS WITH GREATER INCENTIVES.

A. Establish a Senior Executive Service.

Propose legislation to establish Senior Executive Service.

Approve

B. An Incentive Pay System For Lower Level Federal Managers and Supervisors.

Seek legislation to authorize incentive pay to managers and supervisors instead of automatic increases.

Disapprove

The recommendation to go forward with this aspect of federal pay reform may well be premature. It is our belief that it would be better to develop and experience a system of establishing goals and objectives and methods of evaluating performance as basis for awarding bonuses. If successful methodologies are developed then it would be appropriate to expand the incentive pay system that is recommended.

We disagree that the audit capacity of the Office of Personnel Board and the GAO will afford the necessary audit protection required to monitor the system. The numbers of employees involved, the diversity of bonus plans and agency missions will make it most difficult to monitor effectively.
III. B. **Decentralization of Personnel Authorities.**

Seek legislation (where necessary) to authorize the decentralization of authorities.

Approve.

This will be a more costly process at the Agency level. While we can anticipate more timely processing and selection of job candidates it will require that larger resources be made available to the personnel operation. Also to better serve the public, there must be a major effort to publicize federal job information on a current and timely basis.

V. **STEPS TOWARD MORE EFFECTIVE AFFIRMATIVE ACTION AND EQUAL OPPORTUNITY.**

A. **Changes in the Veterans Preference Law.**

We concur most favorably with the decision to go forward with this effort to limit veterans preference. Any further extension of efforts to limit veterans preference would undoubtedly encounter massive veterans group opposition. This proposal seems most reasonable.

---

_Carl Tucker Foreman_

*Acting Secretary*
The President  
The White House  
Washington, D.C.  20500  

Dear Mr. President:  

I have reviewed the McIntyre/Campbell memorandum dated January 18, 1978 for the Reform and Reorganization of the Federal Personnel system. I fully support any and all efforts to provide for more delegation to the agencies and more flexibility for managers to manage. Enclosed are my specific recommendations regarding the Presidential Decisions requested on each of the issues in the January 18 memorandum.

Sincerely,  

[Signature]  

James A. Joseph  
ACTING SECRETARY  

Enclosure
January 20, 1978

MEMORANDUM FOR STUART EIZENSTAT

SUBJECT: McIntyre/Campbell Memo Dated 1/18/78 re Labor-Management Relations in the Federal Government

The proposed memorandum to the President on Labor-Management Relations in the Federal Government does not adequately reflect my views and does not contain some information which I believe the President needs to make informed judgments.

Therefore, I request: (a) that the first sentence of the second paragraph on page 2 be changed to read: "Secretary Brown opposes points one and two; his views are presented at the end of the memorandum. Chairman Schultze has reservations on point two," and (b) that the attached statement of my views be added to the memorandum before the "Presidential Decision" section and the President offered additional options. (Enclosure 1)

In addition, the second paragraph on page 1, which describes discussions with union leaders leaves out a number of important facts concerning the limitations which AFL-CIO representatives have placed on their support for the reform legislation, the views of unions not affiliated with the AFL-CIO, and other points relevant to the advantages and disadvantages of making major concessions to AFL-CIO leaders in order to obtain their support.

In this connection, the AFL-CIO representatives have indicated that they cannot support important parts of the reform legislation in any case, including the blue collar pay reforms, restrictions on automatic within grade pay increases for their members, and standards for deciding appeals of removals that will make it easier to sustain the discharge of employees.

A revised second paragraph, page 1, is attached as Enclosure 2 to reflect more fully the discussions held with AFL-CIO and other union leaders.

Harold Brown

Enclosures

cc: Honorable James T. McIntyre
    Honorable Alan Campbell
Secretary Brown, whose Department has over 60 percent of the employees represented by unions, is opposed to items 1 and 3 above, and believes his views reflect those of other agencies that are major employers. Secretary Brown's views follow:

1. Labor Law Legislation. The Executive Order on Federal labor relations should be retained. Establishment of an independent labor board is a major concession to critics of the program; further concessions to unions will undermine the management flexibility which the reform legislation seeks to attain. Enactment of the Executive Order into law will not satisfy the unions and a legislative proposal to place the Executive Order into law will run a heavy risk of being amended in the Congress to substantially expand the scope of bargaining and to narrow management rights.

2. Federal Labor Relations Board. Establishment of an independent board has merit. The Board, however, should be created by reorganization plan rather than by legislation as proposed. Using the reorganization plan avoids the risk of substantial legislative amendments in the Congress and preserves the right of the President to remove Board members.

3. Union/Management Advisory Committee. A procedure for consulting with unions on Government-wide personnel policies that is purely advisory is necessary and desirable, but the proposed mechanism goes much farther. Union consultation can be accomplished by providing that the OPM will extend national consultation rights to unions on Government-wide personnel policy matters in the same manner agencies now extend these rights to unions on policies within their authority. The proposed advisory committee on 7 union/7 management members, plus a chairman, is not just a "...mechanism for exchange of views" or "...purely advisory"; it is a major step toward collective bargaining of Government-wide personnel policies.

The proposed committee would be established by a statutory requirement that most Government-wide policies be considered by this body before they can be adopted, changed or implemented. Failure to bring the policies before the committee would be a violation of law. Once before the committee, given its structure, these policies will be the subject of continuous bargaining, mediation, compromise and extensive delays. This has been the experience of the Department of Defense with the Prevailing Rate Advisory Committee (PRAC) on which this proposal is modeled. With the broader charter being proposed for this committee, the problems and delays for management will be even more extensive than those management has encountered at the PRAC.
The result will be a significant loss of management flexibility and ability to act with dispatch, the exact opposite of what is being sought in reform legislation. In fact, implementing the key reforms through such a board may well assure their failure.

4. Presidential Decision. Proceed with discussions within the parameters outlined above on:

   Legislation to place E.O. 11491 into law

   FLR Board established by legislation

   FLR Board established by reorganization plan

   Mechanism for union involvement in Government-wide personnel formulation through:

   ______ A system of national consultation rights

   ______ A statutory 7 union/7 management committee chaired by the Director, OPM.

   Discontinue discussions
Our discussions with AFL-CIO leaders lead us to the conclusion that they are primarily interested in (1) a labor law with an expanded scope of bargaining (rather than the existing Executive Order on labor-management relations); (2) an independent Federal Labor Relations Board modeled after the National Labor Relations Board; and (3) a mechanism for union involvement in implementing Government-wide personnel policy (including those policies which would grow out of the Civil Service Reform Act). They want this mechanism to include a process for binding arbitration of any differences between the unions and the Administration. In return for a labor law with expanded bargaining rights and arbitration of disputes, we believe they are prepared to support many of the legislative reforms (with some major exceptions), as well as the Reorganization Plan. It is quite possible that aggressive union opposition could substantially delay, modify, or perhaps defeat some of our reform goals. On the other hand, we agree there is no possibility they can achieve union goals without Administration support. In evaluating the advantages of making concessions to AFL-CIO union leaders, it is necessary to recognize that while influential, the AFL-CIO does not speak for all unions nor is there any assurance that employees, including union members, will not pressure their Congressional representatives to oppose those features of the reform legislation they consider adverse to their interests. Our discussions with the independent unions have made it plain that they will oppose the omnibus reform legislation regardless of what agreements are reached with the AFL-CIO leadership.
January 20, 1978

MEMORANDUM FOR STUART EIZENSTAT

SUBJECT: McIntyre/Campbell Memorandum on Reform and Reorganization of the Federal Personnel System

As requested, I have reviewed the subject memorandum, although the time provided for doing so was insufficient. My comments are these:

I.A. Structural Changes in CSC. I agree with replacement of the Civil Service Commission with an Office of Personnel Management and an independent Merit Systems Protection Board. I favor the establishment of OPM as an independent agency, but do not believe that the Director should serve as a member of the Cabinet; it might well be helpful for him or her to attend Cabinet meetings.

II.A. Senior Executive Service. I support establishing the SES, but object to limiting the Service to so-called managerial personnel. Splitting the top level of the career service into two personnel systems is undesirable. Senior professional non-managerial personnel should be combined with managerial personnel into one service with like treatment for tenure, compensation, developmental and transfer rights. All the concerns expressed about managerial positions and the need to establish a different system of assignment, removal and rewards apply with equal measure to professional, scientific and other non-managerial positions. In addition, serious problems may be anticipated in defining the difference between "managerial" and "non-managerial" positions.

I oppose the proposal that OMB and OPM designate the number of positions in the SES (third indented paragraph on page 6). Identification of executive resource needs and the proportion to be devoted to non-career assignments is a responsibility that should be shared equally among the Cabinet Department, Office of Personnel Management, and Office of Management and Budget with each Department to retain a nucleus of positions for disposition solely by the Department Head. In DoD, it is imperative that we retain the 407 executive positions that are presently assigned to the Department by statute. The remaining resources and non-career mix should be determined by the three parties mentioned above. In addition, the
ratio of non-career to career positions proposed for the Executive Service is far too low. More non-career positions are needed in order to provide management with the necessary flexibility, and assure responsiveness to Presidential direction.

Also, I recommend that the provision on removal (top of page 6) be revised to provide for reemployment rights to a position at the GS-15 level or early retirement "at their option." This may increase the proposal's acceptability with career employees. As the proposal is now drafted, career executives could be required to retire after 25 years of service, which, for many career employees, would be in the middle 40's at a sharply reduced annuity.

I recommend that the second sentence, page 7, be revised to substitute the words "the concept," for the word "it," since there is not overwhelming endorsement for some of the major features of the SES.

III.A. A Speedier Disciplinary System. This section does not offer the President reasonably defined issues on which to make decisions. It appears from the discussion that in fact the President is being asked to approve or disapprove: (1) use of a negotiated procedure terminating in arbitration as a speedier disciplinary appeals system for employees in bargaining units (not "in unions" as is written), and (2) development of an undefined, reformed, disciplinary removal and appeals process for other employees that will be simpler and will strengthen the authority of management. The discussion and "Presidential Decision" section should be revised to reflect these two issues.

We support the approach outlined for employees within bargaining units as well as further efforts to design a fair, streamlined system for the remaining employees.

III.B. Decentralization of Personnel Authorities. I agree with the proposal to seek legislation, where necessary, to authorize the delegation of examining authorities to agency heads through performance agreement, provided adequate resources are made available to agencies assuming any substantial portion of the work now performed by the CSC.

Regarding the delegation of personnel authorities, other than examining, the statement of the problem should discuss the limitation in making delegations imposed by the need for uniform and equitable treatment of employees.

Delegation of authority to agencies can mean, for example, that in the currently existing 3,500 bargaining units different arrangements will be negotiated. Over time this could result in restricting management's flexibility rather than expanding it.
V.A. Changes in the Veterans Preference Law. I support limitations on veterans preference, but with these changes:

--- In Item 3, p. 15, expand the first phrase to read: "Eliminating veterans preference for retired military officers of field grade or above for those who receive a regular annuity upon retirement";

--- Preference for disabled veterans should be granted only where the disability is 30% or more.

V.B. Equal Employment Opportunities. As previously indicated, I do not agree with the assignment of the enforcement responsibility of equal employment opportunity for Federal employees to the EEOC at this time or in the near future.

The EEOC is experiencing severe organizational difficulties and caseload backlog. While the Chairman of the EEOC is attempting to make major improvements, it would be unwise to assign an additional major function to the EEOC while it is facing serious difficulties with its current assignments. The history of the CSC is that it was established, among other reasons, to separate career civil service positions from political pressure from the Executive Branch. The purpose of the Merit Systems Protection Board is similar. Thus, as the EEOC is an executive branch agency, there is some question as to whether Congress' original and, we presume, continuing intent would best be served by granting the EEOC this authority.

[Signature]

cc: Honorable James T. McIntyre, Jr.
    Honorable Alan K. Campbell
MEMORANDUM FOR THE PRESIDENT

SUBJECT: Inclusion of Changes in Federal Pay Comparability in Proposed Civil Service Reform Act

REFERENCE: Scotty Campbell's January 19 Memorandum to You

I strongly agree with Scotty Campbell that the significant issues of Federal pay comparability need to be included in the Civil Service reform package.

Pay comparability is a key element in the Government's personnel management structure. To retain it, we must make every effort to assure that the process of determining comparability is as accurate and defensible as possible. Chairman Campbell's proposals respond to valid criticisms of the system and should be incorporated into the Civil Service reform legislation.

My views on the four changes discussed in Chairman Campbell's memorandum are:

1. Professional and Administrative Service (PAS) and the Clerical and Technical Service (CTS)

This restructuring, with PAS salaries established on a national basis and CTS salaries established on a locality basis, would significantly improve pay comparability for both categories of positions. There are discrete pay practices for these two categories in the private sector, yet the current federal pay system ignores that reality and lumps them together. For that reason, the present federal system distorts both categories. In addition, separating these schedules will make it more likely that we can build pay incentive features into the PAS structure that will create a climate for productivity improvements in the federal sector.

2. Total Compensation Comparability

Fringe benefits have become a major part of the total compensation of both federal and non-federal employees, yet
the current system does not count or compare them. In addition, the proportion of total compensation represented by fringes is different in different sectors. Consequently, comparability should be determined on the basis of total compensation, including fringe benefits. A comparability system that ignores fringes, as is at present the case, is clearly deficient, unnecessarily costly, and open to serious, valid criticism.

3. **Inclusion of Data on State and Local Salaries**

As of December 1976 there were about 12.5 million people employed by state and local governments. Many of them are white-collar employees. Yet all these workers, although they are probably the most comparable to federal workers of any group one could hope to find, are at present excluded in computing comparability. Unless this sizeable and relevant segment of the work force is included in the survey sample, our comparability measurements simply are inaccurate. Moreover, it is very likely that the pay costs of operating the federal government are again made unjustifiably higher than they should be.

4. **Locality Rates for Clerical and Technical Jobs**

There are wide differences in rates paid in different localities throughout the country for clerical and technical jobs. Ideally, in terms of the comparability principle, Government rates for these jobs should be established on a locality rate basis. If for political reasons this is not feasible, the alternative advanced by Chairman Campbell of keying pay adjustments to one-half the difference between local and national rates is a second-best alternative.

5. **Additional Recommendation**

In addition to the above four recommendations of Scotty Campbell, which I support, I recommend you include in the Civil Service reform package the Federal Wage System reforms contained in the legislation you already have submitted to the Congress, but on which no action has been taken. The need for these reforms has been stressed by a variety of sources—including the General Accounting Office, the Congressional Budget Office and several Presidential Commissions. These proposals have been extensively analyzed.
Independent cost analyses by the Civil Service Commission, Department of Defense, Veterans Administration and the Office of Management and Budget all indicate that these reforms will result in substantial savings.

cc:
Honorable James T. McIntyre, Jr.
Honorable Alan K. Campbell
THE WHITE HOUSE
WASHINGTON

Do I cancel on
McI/Campbell menu
- per Phil friends.
LDX MESSAGE NO. 000444

CLASSIFICATION: Unclassified

FROM: L.F. Favray

S/S # 5/5-S

MESSAGE DESCRIPTION: State response to proposals re Federal Personnel

LDX TO: White House

DELIVER TO: Mr. Bill Simmons

Extension 456-7052

REMARKS: CLEARANCE ☐ INFORMATION ☐ PER REQUEST ☐ CONFIDENTIAL ☐

S/S Officer: [Signature]
January 21, 1978

Dear Mr. Campbell:

We have carefully reviewed the proposals being made as a result of the Federal Personnel Management project (FPMP). We have participated in the development of these recommendations and had the opportunity to contribute extensively. We fully agree with the analysis and identification of problems by the FPMP and support the recommendations without exception.

In adding our support to these recommendations, it is worthwhile to note our reaction to this entire effort toward reform and reorganization. From the beginning the project managers were both candid and open. They have actively solicited our best thinking on the subject and have carefully considered it. For this we are grateful. The Department of State will cooperate fully with the Office of Management and Budget and the Civil Service Commission in implementing the program as it is finally approved.

Sincerely,

Warren Christopher
Acting Secretary

The Honorable
Alan K. Campbell,
Chairman, U.S. Civil Service Commission
DATE: JAN 11 78
FOR ACTION: STU EIZENSTAT

INFO ONLY: THE VICE PRESIDENT

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052
SUBJECT BLUM LETTER DATED 1/9/78 RE VETERANS PREFERENCE LAWS -- CIVIL SERVICE COMMISSION

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY
BY 1200 AM FRIDAY JAN 13 78

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD; DO NOT FORWARD. PLEASE NOTE OTHER COMMENTS BELOW:
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The White House
Washington

1/11/78

To: Rick Hutchinson

For Your Information: __________________

For Appropriate Handling: __________________

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______________________________

______________________________

Robert D. Linder
The President  
The White House  
Washington, D.C.  20500

Dear Mr. President:

EPA's Personnel Office has done a thorough review of the status of Veterans in the career Civil Service system. Doug Costle and I have taken a special interest in their reports to the Civil Service Commission and wanted to share our position on Veterans preference laws with you.

Although we believe that veterans should receive special consideration, we also believe that this special consideration should not be extended for an indefinite period or become so embracing that they unduly deprive non-veterans of equal employment opportunities.

We believe that veterans preference for employment should be time-limited to five years after discharge from the service. This should be sufficient time for veterans to adjust to civilian life. We believe that veteran's preference should not be given to individuals who retire from the armed forces after twenty years service. A precedent already exists for this in the law which precludes the granting of veterans preference in reduction-in-force for retired military except in very narrow circumstances, e.g., disability. It really doesn't make sense to grant preference to retired military who have already completed their careers when doing so deprives so many others of employment. (The Federal Personnel Management Project unearthed many examples of retired military blocking the Civil Service Commission registers of eligibles and thereby preventing women and others from being hired.)

We believe veterans preference should not be a factor in reduction-in-force. The history of reductions-in-force in the Federal service is rife with examples of veterans with just a few years of seniority "bumping" non-veterans, especially women, with many years of tenure. Extending preference throughout a veteran's entire career gives him/her a tremendous advantage over non-veterans which is not fair and does not contribute to the efficiency of the service. This phenomenon often leads to junior employees, who are veterans, bumping senior employees whose skills may be hard to replace.
The definition of seriously disabled should be changed from 10% to 30%. The Federal Personnel Management Project found that 10% disability was granted for minor disabilities, such as a broken arm, that were in no way disabling to the point where a veteran's job opportunities or career advancement could be adversely affected. However, 30% disability, which involves the loss of a limb or a comparable disability, was the first level at which it could be shown that the disability could have an adverse affect on employment opportunity and job retention. Consequently, we think it is fair to limit the special consideration given disabled veterans only to those whose disabilities are of the type that would unduly hamper their employment opportunities.

The "rule of three" should be abolished as unnecessarily restrictive. The chief objection to the "rule of three" is that, when combined with veterans preference, "no passover", and "float to the top", it constricts management's flexibility to the point where the efficiency of the service suffers. The system also discriminates against women because only a few are veterans. We prefer a qualifications ranking system which differentiates between candidates on the basis of gross qualifications criteria only, with management given the right to select from among a group of the best qualified.

The merit system should be designed to help us attract the best candidates for the jobs, with due consideration being given to establishing a representative workforce and providing some special consideration for veterans. However, the system should be a balanced one that is not overly protective of one group over another. EPA's proposed revisions to the veteran's preference provisions of the law are philosophically in agreement with the findings of the Federal Personnel Management Project. We hope that you and your staff will agree that our proposals are a well-balanced approach to the problem.

Thank you for the opportunity to discuss our findings with you.

Respectfully,

Barbara Blum
Deputy Administrator
FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT BLUM LETTER DATED 1/9/78 RE VETERANS PREFERENCE LAWS -- CIVIL SERVICE COMMISSION

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY
BY 1200 AM FRIDAY JAN 13 78

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

ESC-OM is developing with Max Cleland a position that responds to the concerns stated. While the position may not go quite as far as Ms. Blum proposes, it is essential that civil service reform include major steps in the direction to which she points.
DATE: JAN 11 78
FOR ACTION: STU EIZENSTAT

INFO ONLY: THE VICE PRESIDENT

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT BLUM LETTER DATED 1/9/78 RE VETERANS PREFERENCE LAWS -- CIVIL SERVICE COMMISSION

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY 1200 AM FRIDAY JAN 13 78

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

We think EPA will not expect a reply. The Federal Personnel Management Project recommended a number of changes in veterans preference similar to those urged by Ms. Blum. Meetings have been held with the VA Administrator to determine what changes VA will not oppose. The legislative recommendations for civil service reform may include changes in veterans preference which are determined to be politically feasible. EPA knows all this and is putting its views into the consideration process.

[Signature]
Dear Barbara:

Thank you for your letter to the President of November 28 concerning women in the SBA 8(a) program.

It is my understanding that women who demonstrate that they are socially or economically disadvantaged may participate in the 8(a) program. However, I have asked my staff to look into this matter further.

Sincerely,

Stuart E. Eizenstat
Assistant to the President for Domestic Affairs and Policy

Ms. Barbara Blum
Deputy Administrator
United States Environmental Protection Agency
Washington, D.C. 20460
RICK --

Attached is a copy of Stu's response to the Barbara Blum letter. It is being mailed today.

Joanne

14 Dec 77
MEMORANDUM

THE WHITE HOUSE
WASHINGTON

ACTION

15 December 1977

TO:

STU EIZENSTAT

FROM:

RICK HUTCHESON

SUBJECT:

Barbara Blum Letter dated 11/28/77 re Expanding SBA's 8(a) Program to Include Women

Attached are staff comments received on Barbara's letter to the President -- for your information, in case you decide to bring this issue to the attention of the President.
THE WHITE HOUSE
WASHINGTON

December 6, 1977

MEMORANDUM FOR: RICK HUTCHESON
FROM: BUNNY MITCHELL
SUBJECT: Blum Letter Dated November 28
        re: Expanding SBA's 8(a)
        Program to Include Women.

I do not recommend modification of SBA's 8 (A) program
to include women at this time.

SBA currently has an 8(A) Review Board that is scheduled
to make its recommendations for revamping the program by
January 1978. The President should not make any decisions
until we have ample time to review the 8(A) Review Board's
recommendations.

Because of the potential explosiveness of this situation,
serious consultation between 8(A) program administrators
and minority program participants should be held prior
to initiating any program modifications.

Further, Secretary Kreps' Task Force on Women in Business
is currently making a comprehensive assessment of problems
women business owners face and is scheduled to present a
full report and recommendations by March 1978.

The Inter-Agency Council on Minority Business Enterprise
will review this Task Force's work and make possible
recommendations on federal program changes following that
review.

Because of these activities in progress, it would be
precipitous to initiate a singular program activity at
SBA at this time.
The President
The White House
Washington, D. C. 20500

Dear Mr. President:

In September, when you appeared before the Interagency Council on Minority Business Enterprise, I was pleased to hear you stress that the Council should concern itself with helping women as well as ethnic or racial minorities. The major Federal programs to assist minority business enterprises -- the Small Business Administration's 8(a) program and the various agency programs carried out under Executive Order 11625 -- have been widely interpreted as not covering women.

I believe it must be clear that Federal programs are intended to benefit women in business as well as ethnic or racial minorities. There are two basic options available:

1. Expand SBA's 8(a) program to include women.

2. Issue a new Executive Order to create an auxiliary program to benefit women.

The second option would be duplicating mechanisms which currently exist. It also would tend to isolate women-owned businesses even if, in fact, they did not need such consideration.

I would recommend that the first option be adopted with careful attention to prevent causing undue resentment among minorities. The current references to minorities in business can be amended to cite "women". It should be stipulated, however, that women's statistics are not to be lumped in with minority statistics. Minorities are threatened if their benefits are reduced to make room for women. (One way to avoid resentment is by allocating separate funding for women.)
It makes good organizational sense to expand the existing mechanisms to service women-owned businesses. This could be achieved without having adverse impacts on minorities.

Respectfully,

Barbara Blum
Deputy Administrator
Date: December 2, 1977

FOR ACTION:
Midge Costanza
Stu Eizenstat
Bob Lipshutz
Jack Watson
Jim McIntyre
Bunny Mitchell

FOR INFORMATION:

The Vice President

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Blum letter dated 11/28/77 re Expanding SBA's 8(a) Program to Include Women

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:
TIME: 11:00 AM
DAY: Monday
DATE: December 5, 1977

ACTION REQUESTED:
X Your comments
Other:

STAFF RESPONSE:
_____ I concur.
_____ No comment.

Please note other comments below:

We suggest that no decision be made until the President receives the International Women's Year Plan of Action which includes the recommendation that women be included in the definition of socially or economically disadvantaged in considering eligibility for 8-A programs.

It should be noted that the President has appointed the Interagency Task Force on Women Business Owners to study this and other questions regarding women in business. The Task Force will be reporting its findings in May. The Small Business Administration is also doing a study which is to be completed by the end of the year. Secretary Kreps coordinating the Interagency Task Force on Women Business Owners.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.
If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)
Date: December 2, 1977

FOR ACTION:
Midge Costanza
Stu Eizenstat
Bob Lipshutz
Jack Watson
Jim McIntyre
Bunny Mitchell

FROM: Rick Hutcherson, Staff Secretary

SUBJECT: Blum letter dated 11/28/77 re Expanding SBA's 8(a) Program to Include Women

FOR INFORMATION:
The Vice President

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:
TIME: 11:00 AM
DAY: Monday
DATE: December 5, 1977

ACTION REQUESTED:
X Your comments
Other:

STAFF RESPONSE:
I concur.
No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.
If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)
MEMORANDUM FOR: RICK HUTCHESON
THRU: W. BOWMAWFER
FROM: DENNIS O. GREEN
SUBJECT: Expansion of SBA's 8(a) Program

The attached letter to the President from Deputy EPA Administrator Blum indicates that SBA's 8(a) program has been widely interpreted as not covering women.

SBA informs us that women business owners are eligible to enter the 8(a) program on the same terms as other disadvantaged persons. These owners must demonstrate, however, as do the other firms that enter the 8(a) program, that they have not been able to develop or maintain a competitive position because of social or economic disadvantage. If, for instance, it could be shown that a woman business owner had been unable to obtain working capital or credit because of discrimination, this could mean that she might be eligible to enter the 8(a) program.

SBA indicates that currently about 45 firms out a portfolio of 1550 firms in the 8(a) program are owned or controlled by women, and that three-quarters of these owners are non-white.

We have every reason to believe that the new Deputy SBA Administrator, Patricia Cloherty, will be working to publicize the fact that the 8(a) program is open to disadvantaged women business owners. In addition, the newly established Task Force on Women Business Owners can be expected to aid in promoting awareness of situations where women may be eligible to participate in the 8(a) program. We think these efforts will be adequate to meet the concerns raised by Ms. Blum.

We do not recommend that the President announce a special initiative at this time to encourage women business owners to apply for entry into SBA's 8(a) program. The 8(a) program, as you probably know, was placed under a moratorium from July-November, 1977 after abuses were disclosed in hearings before Senator Chiles, and efforts are
still underway to prevent such abuses from recurring in the future. We believe SBA should be given an opportunity to correct these abuses before any major new initiative is undertaken.

[Signature]

Dennis O. Green
Associate Director for Economics and Government
MEMORANDUM FOR RICK HUTCHESON

SUBJECT: Comments on Expanding the Small Business Administration's 8(a) Program to Include Women

In response to your request for comments on the Deputy Administrator of the Environmental Protection Agency's suggestion of expanding the Small Business Administration's 8(a) program to include women, I offer the following.

President Carter has appointed an Interagency Task Force on Women Business Owners, which the Department of Commerce is chairing. (I have attached the Presidential memorandum establishing the Task Force as well as a press release outlining its interagency membership for your further information). The Task Force's report to the President is due May 9, 1978. In this report, recommendations for new legislation, regulations and practices will be included.

The Task Force recently got its study underway. One of the issues it must address is how to increase the business opportunities for women business owners. As such, it will be studying what mechanism offers the best option for not only increasing the participation of women in federal procurement but also for meeting their other needs, such as management and technical assistance. The goal of the Task Force is to recommend those vehicles the Federal Government could use that would aid in integrating women into the economy.

Therefore, I believe that, in light of the mission and work of the Task Force, it is premature to make specific recommendations on including women with minorities. I would suggest, instead, that the President await the Task Force report on Women Business Owners which will include specific recommendations as to the appropriate treatment of women with regard to their status as a socially or economically disadvantaged group and with regard to programs relating thereto.

Juanita M. Kreps
THE WHITE HOUSE
WASHINGTON

Memorandum

Date: December 2, 1977

For Action: For Information:
Midge Costanza - Attached
Stu Eizenstat - Attached - do not submit
Bob Lipshutz - Concurs
Jack Watson - Send by Wexler, Commerce 1134
Jim McIntyre - Attached
Bunny Mitchell - Attached

From: Rick Hutcheson, Staff Secretary

Subject: Blum letter dated 11/28/77 re Expanding SBA's 8(a) Program to Include Women

Your response must be delivered to the staff secretary by:
Time: 11:00 AM
Day: Monday
Date: December 5, 1977

Action requested:
X Your comments
Other:

Staff response:
___ I concur.
___ No comment.

Please note other comments below:

Please attach this copy to material submitted.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)
Date: December 6, 1977

FOR ACTION:
Secretary Kreps
Administrator Cleland

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Blum letter dated 11/28/77 re Expanding SBA's 8(a) Program to Include Women

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:
TIME: 12:00 AM
DAY: Thursday
DATE: December 8, 1977

ACTION REQUESTED:
X Your comments
Other:

STAFF RESPONSE:
I concur.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.
If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7062)
Date: December 12, 1977

SUBJECT: Blum letter dated 11/28/77 re Expanding SBA's 8(a) Program to Include Women

FOR ACTION:
Administrator Weaver

TO: Administrator Weaver

FROM: Rick Hutcheson, Staff Secretary

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME:

DAY: IMMEDIATE TURNAROUND

DATE:

ACTION REQUESTED:

X Your comments

Other:

STAFF RESPONSE:

___ I concur.

___ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)
THE WHITE HOUSE
WASHINGTON

August 4, 1977

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE SECRETARY OF LABOR
THE SECRETARY OF COMMERCE
THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
THE ADMINISTRATOR OF GENERAL SERVICES ADMINISTRATION
THE ADMINISTRATOR OF SMALL BUSINESS ADMINISTRATION

SUBJECT: Task Force on Women Business Owners

As consumers, investors, and workers, women play a vital role in the nation's economy. But the number and size of women-owned businesses remain remarkably small. According to the 1972 Census statistics -- the most recent available -- the receipts generated by firms owned by women entrepreneurs represented only three-tenths of one percent of the total for all business firms.

In small business especially, women business owners face the traditional problems of lack of adequate capital, lack of marketing and procurement opportunities, and lack of management and technical assistance.

And in addition to these problems, they face the barriers created by negative attitudes toward women.

This Administration wants to encourage women to become business owners, to mitigate conditions and practices that place women at a competitive disadvantage, and to enhance Federal assistance to women entrepreneurs. However, there is a serious lack of current and accurate information on which to base actions in support of these commitments.

To provide this kind of information, I am establishing a Task Force on Women Business Owners. The Task Force shall:
1. Identify existing data on women entrepreneurs, assess its adequacy, identify needs for additional data and propose methods of collecting it;

2. Identify the primary practices or conditions
   a) which discourage women from becoming entrepreneurs; or
   b) which have the effect of discriminating against women entrepreneurs or placing them at a competitive disadvantage;

3. Assess current federal programs and practices
   a) which have the effect of discriminating against women entrepreneurs or placing them at a competitive disadvantage; or
   b) which are designed to mitigate the conditions and practices which place women entrepreneurs at a competitive disadvantage;

4. Based on these assessments, propose changes in federal law, regulation and practice for carrying out the commitment of the Administration, and advise as to the impact, if any, of such changes on the federal budget.

I request that the addressees of this memorandum designate a person to serve on this Task Force. Members from executive departments shall be of a rank of not less than Deputy Assistant Secretary, and members from other agencies should be of a comparable rank. The designee of the Commerce Department shall chair the Task Force. A member of the White House Domestic Policy staff shall serve as an ex officio member of the Task Force.

Executive departments and agencies not represented by membership on the Task Force may participate on committees established by the Task Force to carry out its work. In addition, I request that all heads of executive departments and agencies, upon request, furnish to the Task Force such information and assistance as is relevant to the purpose of the Task Force.
The Task Force is authorized to take such additional actions, not inconsistent with this Memorandum, as it determines to be necessary and appropriate in fulfilling its purpose. The Secretary of Commerce may appoint or designate staff to carry out the functions of the Task Force.

Unless an extension is granted, the Task Force shall report its findings and recommendations to me, conclude its work, and dissolve itself within 120 days of its first meeting.

cc: Heads of Executive Departments and Agencies
Secretary of Commerce Juanita M. Kreps announced today the membership of an Interagency Task Force on Women Business Owners, charged by President Carter with identifying obstacles that discourage women from entering business, including discriminatory Federal practices.

The Task Force, established by the President on August 4, is comprised of representatives of the Federal departments and agencies with a special interest in business and procurement issues. The appointees are: Anne Wexler, Deputy Under Secretary of Commerce for Regional Affairs, who will chair the Task Force; Patricia Mathis Harvey, Deputy Assistant Secretary for Administration, U.S. Department of the Treasury; Dale W. Church, Deputy Director of Defense Research and Engineering (Acquisition Policy), U.S. Department of Defense;

Also, Alexis Herman, Director of the Women's Bureau, U.S. Department of Labor; Arabella Martinez, Assistant Secretary for Human Development, U.S. Department of Health, Education and Welfare; Robert P. Graham, Commissioner of the Federal Supply Service, General Services Administration; and Patricia M. Cloherty, Deputy Administrator, U.S. Small Business Administration.

The Task Force will report to the president within 120 working days of its first meeting, scheduled for early October, with its findings and recommendations for ways to ease the conditions that place women business owners at a competitive disadvantage. These may include proposing changes in Federal law and regulations designed to encourage entrepreneurship among women and to enhance the Federal Government's ability to assist women.
"Within its limited time frame, the Task Force will strive to develop an action plan for addressing the problems of women business owners that can be used for future Administration initiatives. It will do this by working closely with women entrepreneurs and other interested parties," Secretary Kreos said.

"A significant number of women have evidenced a strong desire to become entrepreneurs and to take their chances in the free enterprise system," she added. "But their chances are not good. Presently, women own less than five percent of American business, and these businesses generate only three-tenths of one percent of the total for all firms."

Specifically, the Task Force is charged with:

- Identifying and assessing the adequacy of existing data on women entrepreneurs, identifying needs for additional information, and proposing methods of collecting it;

- Identifying the primary practices or conditions which discourage women from becoming entrepreneurs, which discriminate against them or place them at a competitive disadvantage.

- Assessing current Federal programs and practices which discriminate or are designed to mitigate these conditions and practices, and proposing changes in Federal law, regulation and practice, including impact on the Federal budget.

The backgrounds of the Task Force members are:

Deputy Commerce Under Secretary Wexler was associate publisher of Rolling Stone Magazine and has participated in a number of capacities on the Democratic National Committee. She has also served on the Board of Directors of the Connecticut National Mental Health Association. Deputy Treasury Assistant Secretary Harvey was formerly vice president for personnel, Boston University, and executive assistant to the president and acting vice president for administration of the Urban Institute, Washington, D.C. Deputy Director Church was corporate counsel, assistant secretary and director of contracts of ESL, Inc., of Sunnyvale, California, before joining the Defense Department.

Director Herman was previously national director of women's programs for the Minority Women Employment Program of the Recruitment and Training Program Inc. (RTP). She is the youngest director in the 57-year history of the Labor Department's Women's Bureau. Assistant HEW Secretary Martinez has directed a community action agency in Southern Alameda County (California) and helped found the Spanish-Speaking Unity Council in Oakland, a community-based organization, with a Ford Foundation grant. GSA Commissioner Graham is a 22-year employee of Citibank, N.A., of New York City, the last eight of them serving as a senior vice president and senior credit officer. Deputy Administrator Cloherty was a partner

-more-
in Alan Patricof Associates, Inc., a venture capital firm, and holds the highest post in SBA ever occupied by a woman.

Beth Abramowitz, Assistant Director of Education and Women's Issues on the White House Domestic Policy Staff, has been named an ex-officio member of the Task Force.

Charlotte Taylor, formerly a Washington, D. C. management consultant, will serve as Executive Director.

Full biographies of Task Force members are available by telephoning 377-2804.

###
Date: December 2, 1977

FOR ACTION:
Midge Costanza
Stu Eizenstat
Bob Lipshutz
Jack Watson
Jim McIntyre
Bunny Mitchell

FOR INFORMATION:
The Vice President

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Blum letter dated 11/28/77 re Expanding SBA's 8(a) Program to Include Women

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:
TIME: 11:00 AM
DAY: Monday
DATE: December 5, 1977

ACTION REQUESTED:
X Your comments
Other:

STAFF RESPONSE:
I concur.

Please note other comments below:

No comment.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.
If you have any questions or if you anticipate a delay in submitting the required
THE WHITE HOUSE
WASHINGTON

Pitt - also
staff to

Keefe (attn: Anne
Winter)

SBA
THE WHITE HOUSE  
WASHINGTON

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FOR INFORMATION FROM PRESIDENT'S OUTBOX LOG IN/TO PRESIDENT TODAY

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<thead>
<tr>
<th>ACTION</th>
<th>FYI</th>
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<tr>
<td>MONDALE</td>
<td>ENROLLED BILL</td>
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<tr>
<td>COSTANZA</td>
<td>AGENCY REPORT</td>
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<tr>
<td>EIZENSTAT</td>
<td>CAB DECISION</td>
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<tr>
<td>JORDAN</td>
<td>EXECUTIVE ORDER</td>
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<tr>
<td>LIPSHUTZ</td>
<td>Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day</td>
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<td>MOORE</td>
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<td>POWELL</td>
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<td>CARP</td>
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<td>H. CARTER</td>
<td>PETTIGREW</td>
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<td>CLOUGH</td>
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<td>FALLOWS</td>
<td>PRESS</td>
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<td>FIRST LADY</td>
<td>SCHLESINGER</td>
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<td>STRAUSS</td>
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<td>JAGODA</td>
<td>VOORDE</td>
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<td>KING</td>
<td>WARREN</td>
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THE WHITE HOUSE
WASHINGTON

Date: December 2, 1977

FOR ACTION:
Midge Costanza
Stu Eizenstat
Bob Lipshutz
Jack Watson
Jim McIntyre
Bunny Mitchell

FOR INFORMATION:
The Vice President

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Blum letter dated 11/28/77 re Expanding SBA's 8(a) Program to Include Women

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:
TIME: 11:00 AM
DAY: Monday
DATE: December 5, 1977

ACTION REQUESTED:
X Your comments
Other:

STAFF RESPONSE:
I concur.
No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.
If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)