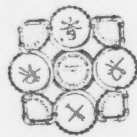


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[June 1976]



Wm. C. Ziegler

WILLIAM C. ZIEGLER
Business Manager
PLUMBERS AND GAS FITTERS LOCAL 59



200 Brotherhood Bldg.
1015 Vine Street

Cincinnati, Ohio 45202
Phone 721-7227



OPTION 6: Favor indexation.

This option probably would be considered the most "positive" by those favoring an increase in the minimum wage. Historical comparisons show that after allowing for the irregular pattern of legislated increases, the minimum wage has, on average, followed the rate of increase for average wages. In particular, the minimum wage has averaged 48 percent of average hourly earnings. Indexing the minimum wage to the historically observed increases in average hourly earnings would have resulted in a minimum wage very close to the current level. Indexing to prices--such as the CPI--would have resulted in a much lower minimum wage level.

In taking this option, there is some risk of future legislated increases on top of the indexed minimum, particularly if it is indexed to the CPI. Wage indexation, however, probably would undercut political support for such increases.

If the Administration adopted this option, it could propose a particular procedure or try to work with Congress to assure a mutually satisfactory method.

RECOMMENDATIONS:



Labor Min Wage
[June 1976]

DRAFT

MEMORANDUM FOR THE PRESIDENT

FROM: W. J. USERY, JR.

SUBJECT: Administration Policy on
Minimum Wage Legislation

Last October, Congressman Dent introduced legislation which would increase the basic minimum wage (now \$2.30) to \$2.65 on July 1, 1976 and \$3.00 on January 1, 1977. Thereafter the bill would index the minimum wage upward twice yearly by percentage increases in the CPI plus a 1 percent add-on at each adjustment.

Currently, however, Congressman Dent and the AFL-CIO are giving greater attention to an informal proposal which would increase the minimum wage to \$2.65 on January 1, 1977 with annual increases thereafter so as to maintain the minimum as a fixed percentage of gross average hourly earnings of non-agricultural workers. This method would "index" the minimum wage to average wages. A number of other wage indexing models have also been discussed informally.

As you know, Congressman Dent delayed action on minimum wage legislation during May so that the Administration could come forward with a "positive" proposal in June. "Positive" was not defined. There was no commitment to present a positive proposal, but if the Administration opposes any increase Congressman Dent may feel that an understanding was broken.

Proposals to increase the minimum wage and especially proposals to index it will be controversial. The minimum wage has always been an emotional issue and is supported by rank and file workers. On the other hand, the economics profession, by-and-large, believes that increases in the minimum wage tend to decrease employment opportunities, especially for certain groups like the elderly, the handicapped, youth, and those seeking part-time employment.* Generally, the business community accepts periodic increases reluctantly and would prefer no increase.

* The Council of Economic Advisers estimates that an increase in the minimum wage to \$2.65 would increase the unemployment rate by ____%.



I am scheduled to meet with Congressman Dent and Andrew Biemiller of the AFL-CIO on June 16 to sound them out on various approaches. It would be desirable to have general guidance from you before that meeting, but you do not need to select a specific proposal yet.

The following are a set of options for minimum wage policy.

OPTION 1: Oppose an increase in the minimum wage at the present time.

This option represents the most conservative approach and is likely to anger Congressman Dent who is expecting a positive proposal in June. An increase could be opposed on the grounds that another increase so soon would hamper the recovery, by reducing employment opportunities and stimulating inflation. On the other hand the most recent increase to \$2.30 on January 1 of this year has already been eaten up by inflation. (The CPI had increased 15.4% since the effective date of the 1974 amendments but the \$2.30 figure represents an increase of only 15 percent in the minimum wage since that time. Increases in the CPI since January have resulted in further erosion.) Opposing any increase will put the Administration in a position to be attacked as opposing the interests of the rank-and-file worker.

OPTION 2: Take no position at this time.

Under this option the Administration would "wait and see" what develops in Congress. It is possible that those in Congress seeking to raise the minimum wage would find relatively little support for major initiatives in this area now. More likely is the possibility of a full-fledged debate on the issue with a fair probability of the passage of legislation both increasing the minimum wage and indexing it to the growth in average wages. While the Administration will come under increasing pressure to take a position it probably will be two or three months before we must comment ourselves.

OPTION 3: Propose a study of the minimum wage including its effects on inflation and unemployment.

This option would pose the dilemma between desirable increases in the minimum wage to compensate for inflation and employment effects of such increases. The study would seek to address this problem and propose solutions.



OPTION 4: Favor a legislated increase but oppose indexing.

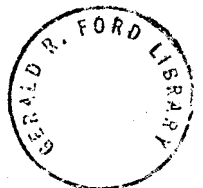
This would permit the President to recognize the erosion of the minimum wage due to inflation while avoiding the relatively controversial step of endorsing indexation. However, a somewhat larger increase is likely if indexation is not adopted.

The most frequent figure mentioned in discussions on raising the minimum wage is \$2.65 from the current \$2.30--a 15% increase. It would appear that the "minimum" increase that could be offered for January, 1977 under this option would be \$.15, raising the level to \$2.45. This would just make up for the expected 6% increase in consumer prices between January, 1976 and January, 1977.

The impact of such an increase on inflation and employment opportunities would of course depend on the size of the increase.

OPTION 5: Propose a modest increase in January, 1977, and statutorily mandate for a study to determine the best method for increasing the minimum wage in January 1978. The study might result in a proposal for another simple increase, or some method of indexation.

This option would permit the President to favor an increase in the minimum wage without committing himself on the subject of indexation. It recognizes the complexity of designing a satisfactory indexation formula and provides a method whereby the issue must be addressed in roughly the same time frame as the Dent proposal would address it. While the indexing concept is relatively simple, previous experience with indexing in the case of social security has demonstrated the importance of correct technical design. The two stage approach permits both the Congress and the President flexibility to monitor events, to do further analysis on the appropriateness of indexing, and the effect of various indexing methods, and to exercise judgment in early 1977 as to the best course of action in 1978.



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 4, 1976

Time:

FOR ACTION:

cc (for information):

Phil Buchen

Alan Greenspan

Jim Cannon

Jack Marsh

Max Friedersdorf

Brent Scowcroft

Bob Hartmann

Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date:

QUICK TURNAROUND PLS.

Time:

SUBJECT:

W. J. Usery, Jr's letter of June 3, 1976

re: International Labor Organization

ACTION REQUESTED:

☐ For Necessary Action☒ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

Since the ILO World Employment Conference
begins today - your comments are request immediately.

*OK
Concur with Usery*

*6/9
Concur with Usery*

[Signature]



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.

Jim Connor
For the President

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

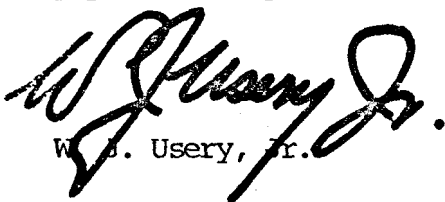
JUN 3 1976

MEMORANDUM TO THE PRESIDENT

SUBJECT: International Labor Organization

- The ILO Annual Conference is considering whether to admit the Palestine Liberation Organization (PLO) as observer to the ILO World Employment Conference (WEC) which starts tomorrow.
- If the Annual Conference does admit the PLO, the U. S. worker, employer, and government delegates have agreed to temporarily walk out of the Annual Conference. In that event, I recommend that you make a public statement supporting their response and expressing your pleasure at the unity of the U. S. delegation. Current plans are for the entire U. S. delegation to walk out of the WEC whenever the PLO has the floor.
- If the Annual Conference does not admit the PLO, the issue will be raised again at the WEC itself, perhaps tomorrow. If the WEC admits the PLO, again I think a public statement would be appropriate.
- If neither the Annual Conference nor the WEC admits the PLO, a statement from you is less desirable, but might still be considered. You should be aware that denial of admittance could trigger severe protests by the Arab countries and sympathizers.

Attached are examples of the statement you might make and a background paper on our problems with the ILO.


W. J. Usery, Jr.

Attachments



Possible Presidential Statements

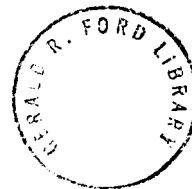
1. If the PLO is given observer status at the WEC:

"In November 1975 the United States notified the International Labor Organization of its intention to withdraw from the Organization in two years if the ILO did not resume its basic mission: improving the welfare of workers. In that notification, the United States cited increasing politicization of the ILO as one of the chief concerns of the U. S.

"I regret that the ILO Conference [or the WEC] now in session in Geneva has admitted the Palestine Liberation Organization to observer status in the World Employment Conference, a technical conference concerned with employment creation. This action was taken in violation of ILO established procedures, is in contradiction to recent rulings of the ILO's Governing Body, and is yet another demonstration of the increasing politicization of the ILO. I support the entire U. S. delegation -- government, worker, and employer -- in their emphatic response to this unfortunate decision. Such concerted action demonstrates the basic unity within the United States in our approach to the ILO. We are not, however, walking out of the ILO. We are staying on -- for the duration of the two-year period -- in the hope that we can yet restore the ILO to its fundamental work."

2. If the PLO is not given observer status:

"Recently, successive attempts to have the Palestine Liberation Organization admitted to the World Employment Conference as an observer were rejected in the Governing Body of the ILO, its Annual Conference, and its World Employment Conference. I welcome this decision, which had the unanimous support of the U. S. worker, employer, and government delegates, as evidence that the PLO is reversing some of the unfortunate trends we pointed out in our letter of intent to withdraw sent to the ILO last November. I am especially pleased at the unity of the U. S. delegation and their effectiveness in working together on this issue."



BACKGROUND

Up-date on the International Labor Organization

Last November the United States filed notice with the ILO of our intent to withdraw from the Organization. We stated in that letter that we did not desire to leave the ILO and would use the two-year period prior to our notice taking effect to try to remedy those trends which were destroying the effectiveness of the ILO. We cited four key problems:

- (1) Increasing efforts to limit the ability of independent employer and worker groups in the ILO to represent their own interests;
- (2) The failure of the ILO to insist on universal application of standards and the failure to condemn certain countries (e.g. USSR) for violations of those standards;
- (3) The increasing use of resolutions to condemn individual countries, such as Israel, without giving those countries benefit of due process under the ILO's existing investigative procedures; and
- (4) The increasing preoccupation of ILO conferences with political issues more properly handled in the United Nations General Assembly or Security Council.

Since filing this letter, we have been vigorously seeking ways to bring the ILO back to its fundamental principles. At your request we established a Cabinet-level committee which has developed a unified plan of action. Both the AFL-CIO and the Chamber of Commerce of the United States are actively participating in and supporting these efforts. Recently, we arranged for Ambassador Laurence Silberman, serving as a Presidential Envoy, to visit key government officials in industrialized countries in Europe and Asia. His efforts were designed to explain our positions and seek their support. On balance, we feel this effort was successful.

Our current concern is to counter efforts to grant the Palestine Liberation Organization (PLO) observer status at the ILO World Employment Conference (WEC). The ILO is holding two conferences this month: the regular Annual Conference plus the WEC on employment creation and economic development. While the PLO was granted observer status, over our opposition, during the Annual Conference, we have successfully resisted efforts to date to grant it observer status during the WEC.

On May 29, this issue came to a vote in the ILO's Governing Body, which establishes the rules and procedures for the WEC. This effort was defeated



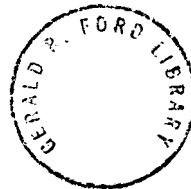
by only one vote in a secret ballot. While the ILO's Director-General has advised that both the Annual Conference and the WEC lack authority to override the decision made by the Governing Body, the supporters of the PLO are ignoring this advice and seeking to seat the PLO anyway.

Several Arab states yesterday made a high-level approach to the President of the Annual Conference (Labor Minister Michael O'Leary of Ireland), demanding that he allow the Annual Conference to consider a motion to seat the PLO in the employment conference. Minister O'Leary agreed to consider their request and make a decision today (June 3). We have previously had assurances from Minister O'Leary that he would stand firm, but the pressures being brought to bear on him are tremendous.

If the PLO is granted observer status at the WEC by the Annual Conference, the U.S. Government, worker, and employer delegates will walk out of that sitting of the conference as a sign of protest and a demonstration of the unity of the U.S. delegation. The U.S. delegation will continue to participate in other sittings of the Annual Conference, and in the WEC, but will absent itself from both conferences whenever the PLO has the floor.

Should Minister O'Leary reject the motion to seat the PLO, the Arab states will make a similar attempt to get the President of the WEC to allow such a motion. Mohamed Ennaceur, Minister of Social Affairs of Tunisia, is President of the WEC, and while he has assured us of his desire to maintain order in the WEC and adhere to the rules, we are not able to predict how he will rule. If the PLO is granted observer status by the WEC itself, the U.S. delegation plans to follow the same instructions as are outlined above for the Annual Conference—to withdraw from the sitting in which the decision is made, and any other time when the PLO is given the floor.

Efforts to seat the PLO in the WEC may, however, be successfully blocked in both the Annual Conference and the WEC. This would constitute a major victory for the U.S. position. It may also trigger a noisy and angry protest by the Arab states, supported by the Communist Bloc and other sympathetic developing countries, which could disrupt both the Annual Conference and the WEC.



Zabor [June 1976]

Republican Congressional Alternatives to the Humphrey-Hawkins Bill

QUESTION - What is the Administration's view of the legislative alternatives to the Humphrey-Hawkins bill which have been developed by Congressional Republicans?

ANSWER - Currently two bills have been prominently mentioned. One is a substitute for Humphrey-Hawkins developed by Congressmen Esch and Kemp and several of their colleagues. The other is S. 3543 introduced by Senators Dole and Scott with the support of other members.

Both bills properly recognize that the private sector, and not the government, is the primary source of enduring, satisfying job opportunities. Both bills reject the costly, inflationary and temporary "make work" philosophy of Humphrey-Hawkins.

The approach taken by Congressmen Esch and Kemp embodies initiatives which the Administration has advanced over a period of many months and upon which Congress has taken little or no action. Their bill also contains some new items which will have to be studied in relation to the overall economic policies and budget priorities of the Administration.



The Dole-Scott bill provides an important focus on the shortcomings of the Humphrey-Hawkins bill and has many attractive features. In particular, it addresses the issue of the long-range policy objectives of Congress and establishes high employment, reduced inflation, and budgetary responsibility as interrelated and complementary goals.

In summary, both bills are definitely superior to Humphrey-Hawkins and merit careful consideration by the Congress.



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The Washington Post

MONDAY, JUNE 7, 1976

Jobs and the Jobless

THE UNEMPLOYMENT rate fell a bit last month, another welcome sign that things are moving in the right direction. But they are moving slowly. There are still 6.9 million people out of work. Nothing has happened to change basically the expectation that unemployment will remain over 6 per cent for the next couple of years. Unemployment is bad for people. What's the remedy?

A good many Democrats in Congress argue that the remedy is the Humphrey-Hawkins bill, which is intended to pull the adult rate down to 3 per cent within four years. If "adult" means everybody over 16, as it does in the version reported in the House, that means a lower rate than the country has ever had except in wartime. All of the Democratic presidential candidates have blessed the bill, although with varying degrees of enthusiasm. It is very likely

this bill is more disquieting than the nature of the defense that the bill's architects offer. What if it turns out to cost a great deal more than they estimate? They reply that Congress could simply refuse to appropriate further funds. That escape does not sit square with the unqualified promise that the bill itself makes. In the House version, it declares the right of all Americans over 16 to opportunities for useful paid employment, and states that the President shall provide those opportunities if the private economy does not.

This country had a good deal of unhappy experience in the 1960s under the Johnson administration with ambitious social legislation that never kept its promises. There was the promise that poverty would be eliminated in 10 years. The 10 years are gone, but poverty is not the Model City.

Charles L. Schultze

THE WASHINGTON POST, MONDAY, JUNE 7, 1976

Employment and Inflation

The Full Employment and Balanced Growth Act of 1976, S.50, addresses the most important domestic problem of this decade—high and persistent unemployment. The chief obstacle to overcoming that problem, both politically and economically, is inflation. I believe that S.50 does not sufficiently recognize that fact, and hence needs to be changed in a number of important respects. Moreover, the combination of the "employer-of-last-resort" provisions in this bill and the wage standards that go with it threatens to make the inflation problem worse. These sections, particularly, need extensive reworking.

The emphasis that S.50 puts upon the goal of full employment is, in my view,

graduates of the 1950s and whose grandchildren will shortly begin to enter college in droves.

The importance that S.50 attaches to high employment, therefore, is not misplaced. The nation cannot afford over the next decade to settle for a relatively sluggish economy and a high unemployment rate.

What stands in the way of full employment?

The basic problem with achieving and maintaining full employment is not that we lack the economic tools to generate increased employment. The traditional weapons for stimulating economic activity—easy money, tax cuts, and government spending for worth-

THE WHITE HOUSE
WASHINGTON

June 8, 1976

MEMORANDUM FOR: JIM CANNON
FROM: DAVID LISSY *DL*
SUBJECT: O'Neill Memorandum: Status Report
on Public Works Jobs Bill, H.R. 12972
and S. 3201

This issue needs to be considered in conjunction with the other "jobs" issues. I believe we should try to be forthcoming on one of the bills, in part, so that we and the Republicans on the Hill avoid an anti-jobs label. That, it seems to me, is the policy issue which needs to be addressed first. The second step would then be to ask which bill is the best vehicle for action on our part -- this one, or some other.

With the short turn-around time I cannot offer anything much more profound than the above.

Attachment

cc: Paul Myer with attachment



Date: June 7, 1976

Time:

FOR ACTION:

cc (for information):

Jim Cannon

Jack Marsh

Max Friedersdorf

Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, June 8, 1976

Time: 10 A.M.

SUBJECT:

Paul H. O'Neill memo 6/7/76 re Status Report
on Public Works Jobs Bills, H.R. 12972 and
S. 3201

ACTION REQUESTED:

☐ For Necessary Action☒ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

oppose this Bill
Jan.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate
delay in submitting the required material, please
telephone the Staff Secretary immediately.

Jim Connor
For the President





EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUN 7 - 1976

INFORMATION

MEMORANDUM FOR: THE PRESIDENT
FROM: Paul H. O'Neill *O'Neill*
SUBJECT: Status Report on Public Works
Jobs Bills, H.R. 12972 and
S. 3201

Current Status

Conference on these bills has been scheduled for June 8, with floor action likely the following day.

Comparison of House and Senate Bills

The House bill would authorize \$2.5 billion through 1977 for public works projects. The Senate bill would authorize \$5.3 billion in total: \$2 billion for public works, \$1.4 billion for countercyclical revenue sharing, \$1.4 billion for EPA waste water treatment grants, \$375 million for the Job Opportunities program, and \$125 million for interest subsidies on loans to businesses. The Senate bill provides for phase-down of the maximum amount which could be obligated, under the public works and job opportunities authorizations, based on the national unemployment rate (i.e., for each one-half percent that the unemployment rate is below 9%, the maximum obligation level would be reduced by one-fourth). Currently, about \$1.0 billion of the \$2.5 billion authorization could be obligated.

Key Votes

H.R. 12972 passed the House by a vote of 337 to 37. The Senate vote on final passage of S. 3201 was 54 to 28. The Senate voted 48 to 32 on the Muskie amendment, which added the \$1.4 billion countercyclical revenue sharing and \$1.4 billion waste water treatment grant provisions.

Your veto last February 13 of the public works jobs bill (H.R. 5247) was sustained by three votes in the Senate. Based on the vote on S. 3201, we have lost Senators Long, Johnson, Hathaway and Packwood but have gained Senators Buckley and Beall. Thus, if all others voted as they did on the veto of H.R. 5247, we would be one vote short of sustaining a veto. In large part, the actual vote will depend on who is present to vote since many Senators have heavy travel schedules.



Current Administration Position

We have had inquiries from the minority staff of the Senate Public Works Committee asking if there is any possibility of change in the Administration's position that any public works jobs bill will be vetoed. Specifically, they have asked if there are authorization and substantive limits which might be acceptable. To date, we have stated that there has been no change in the Administration's position.



THE WHITE HOUSE
WASHINGTON

1976 JUN 10 AM 8 18

June 9, 1976

MEMORANDUM FOR:

JIM CANNON
JIM CAVANAUGH
ART QUERN

FROM:

DAVID LISSY 

I thought you should be aware of the attached Bill Usery interview with U.S. News and World and Report.

In particular I would call your attention to the sections I have marked.

The section on Minimum Wage is relevant to the decision the President will be asked to make in the next few days.

Attachment



WILL BIG WAGE SETTLEMENTS DISRUPT ECONOMIC RECOVERY?

Interview With W. J. Usery, Jr., Secretary of Labor

A stretch of "tough bargaining" lies ahead in key labor contracts covering millions of workers. Mr. Usery came to the magazine's conference room to tell where showdowns are imminent, what's at stake for the nation.

Q Mr. Secretary, are we going to see more strikes for higher pay as the year goes on?

A I don't believe this is going to be a year of labor turmoil, though we will have some tough bargaining. We have not had as many strikes up to now as many had anticipated, and the size of wage settlements has been about in line with forecasts. I still believe that, for the year as a whole, wage settlements—including fringes—are going to average less than 10 per cent.

Q Didn't the year's first big settlement—the Teamsters early in April—set a pattern higher than that?

A The Teamsters' contract figures out to an increase of about 33 per cent over a three-year period—4 or 5 per cent larger than we had hoped—depending on the rate of inflation in the second and third years. But the first-year increase was less than 10 per cent, and if the inflation rate in the second and third years of the contract stays below 6 per cent, the total three-year cost could be less than 30 per cent. The Teamsters' settlement probably will be studied by more negotiators than any other wage agreement we will have this year, but in the past it hasn't set the pattern for other industries.

Q Can business live with the sort of wage settlements we've had so far this year, without fear that they'll bring on a new spurt of inflation?

A I don't think they will prove inflationary. Most economists have been forecasting 1976 wage increases in the range of 8 to 10 per cent. Some forecasts have gone as high as 12 per cent. I don't think they'll be that high. Even in the case of the Teamsters, it's a settlement we can live with.

Moreover, when you deal with the economic impact of a bargaining situation, you have to think of the alternatives if there's not a peaceful outcome. Suppose we'd had to go for a court injunction to halt a Teamsters' strike. That would have meant a delay of 80 days, which probably would have postponed the Teamsters' bargaining until two thirds of the construction negotiations had been completed. It would have put it beyond the negotiations in the rubber industry, and might even have put it later than the current negotiations between General Electric and the electrical workers. This could have led to much larger indirect effects of a Teamster-contract settlement, which might itself have been larger.

So you have to strike a balance between what an agreement costs in terms of a wage increase and what would have been the economic cost of a long strike or a long delay in getting a contract signed.

Q What other major industries are involved in bargaining the rest of this year?

A The principal ones are food handling and processing, meat packing, electrical manufacturing, autos and more than 3,000 separate construction units.

All told, somewhere around 9 million people will be covered by agreements negotiated this year. Many are in key industries that could affect the course of the economy not only the rest of this year, but for the next couple of years.

Q Is there a chance that we'll have enough labor unsettlement to slow the recovery in business?

A I don't think so. This is a matter of deep concern to me, because it's evident that we're in a fine period of expansion and we want to do everything we can to avoid disrupting it. I'm encouraged by two things: First, labor and management these days have a better understanding of each other's problems; and second, most bargainers at this time are really concerned about the state of the economy.

Q What accounts for that? The recession and a continuing high rate of unemployment?

A Unemployment certainly is one factor. In the construction business, for instance, a lot of people still are out of work. In some areas, the building trades unions have lowered their wage demands. There have been cases where unions have agreed to rehabilitate older buildings at a lower rate of pay in order to get more people employed. It all comes down to a better line of communication between the parties, and more concern on both sides.

Q Is there any sign that this new attitude you mention is holding down wage demands or limiting strike activity?

A Looked at from every angle, I think we'd have to say that wage demands this year have not been unreasonable. Because of the high inflation of the past two or three years, workers had fallen behind in real income. Some contracts—



Mr. Usery, 52, a native of Georgia, was a member of the staff of the Machinists Union from 1955 until 1969, when he was appointed Assistant Secretary of Labor. He became Director of the Federal Mediation and Conciliation Service in 1973, a job he held until President Ford moved him into his present post last February 10.

Labor

THE WHITE HOUSE
WASHINGTON

June 9, 1976

MEMORANDUM FOR:

JIM CANNON

FROM:

DAVID LISSY *[Signature]*

On item number one, there is no problem, only wisdom. Questions which should have been asked before -- such as what will the task force do and why do we need a press release are now being asked.

On item number two, the regulations in question pertain to safety equipment on tractors. OSHA had failed to develop the educational material it had promised to have available to explain the regulations. As a practical matter, it would have been impossible for either the farmers or OSHA to implement the regulations right away in any event.

Attachment



*David - is
out - what
community -
were they? Can
I get a copy?
Jim*

THE WHITE HOUSE

WASHINGTON

June 3, 1976

MEMORANDUM FOR: JIM CANNON
FROM: DAVID LISSY *DL*
SUBJECT: Weekly Report

- David what is the problem with this to what was letter?*
1. OSHA Presidential Task Force: The urgent press release announcing this task force which we stopped from going out two weeks ago has become considerably less urgent and there is now some sensible questioning of whether it should go at all. I am working on this with Paul MacAvoy and Mike Moskow.
 2. OSHA Regulations on Farm Equipment: OSHA has agreed to postpone implementation of certain rules from June 6 to October 25. This was in response to complaints from Agriculture and farmers organizations. OSHA's action was announced in the June 2 Federal Register.
 3. Education Block Grant: I will have to you shortly the final list of those who will testify on June 9 and 10. We have also ~~received~~ the first draft of Secretary Mathews' testimony.
- David what were proposed rules?*

cc: Jim Cavanaugh
Art Quern



8,870
David
Thatcher
Jim

THE WHITE HOUSE
WASHINGTON

Bill
Siddons
Cannon FYI
LABOR
Min. Wage

June 14, 1976

MEMORANDUM FOR: Jim Cannon
FROM: David Lissy
SUBJECT: Minimum Wage Decision Memorandum

The EPB decided Monday that the minimum wage issue should go to the President Tuesday afternoon in advance of Bill Usery's Wednesday meeting with Congressman Dent and Andrew Biemiller of the AFL-CIO.

The issues are increasing the minimum wage and indexing the system.

I would recommend that you oppose indexing. We have very little ability to control economic decisions now; indexing of the minimum wage would further limit our flexibility. Decisions such as increasing the minimum should, I believe, be subject to the political process on a regular basis. If we should go along with any study of the concept of indexing, the study should be broadened to include the question of youth differential and the impact of the minimum wage on inflation and unemployment.

I see no advantage to our coming out now in support of any increase in the minimum wage next January. Neither would I suggest that we launch any major opposition now. Let's see what the Congress is inclined to do. If Congress passes a very modest increase I suspect it would be difficult to sustain a veto. If Congress goes for a large increase it would be easier for us to oppose on the grounds of reasonableness.

The options in the draft are narrow. What I suggest above encompasses parts of options 1,2,and 3.



MEMORANDUM FOR THE PRESIDENT

Lissy
DRAFT

FROM: W. J. USERY, JR.

SUBJECT: Administration Policy on
Minimum Wage Legislation

Last October, Congressman Dent introduced legislation which would increase the basic minimum wage (now \$2.30) to \$2.65 on July 1, 1976 and \$3.00 on January 1, 1977. Thereafter the bill would index the minimum wage upward twice yearly by percentage increases in the CPI plus a 1 percent add-on at each adjustment.

Currently, however, Congressman Dent and the AFL-CIO are giving greater attention to an informal proposal which would increase the minimum wage to \$2.65 on January 1, 1977 with annual increases thereafter so as to maintain the minimum as a fixed percentage of gross average hourly earnings of non-agricultural workers. This method would "index" the minimum wage to average wages. A number of other wage indexing models have also been discussed informally.

As you know, Congressman Dent delayed action on minimum wage legislation during May so that the Administration could come forward with a "positive" proposal in June. "Positive" was not defined. There was no commitment to present a positive proposal, but if the Administration opposes any increase Congressman Dent may feel that an understanding was broken.

Proposals to increase the minimum wage and especially proposals to index it will be controversial. The minimum wage has always been an emotional issue and is supported by rank and file workers. On the other hand, the economics profession, by-and-large, believes that increases in the minimum wage tend to decrease employment opportunities, especially for certain groups like the elderly, the handicapped, youth, and those seeking part-time employment.* Generally, the business community accepts periodic increases reluctantly and would prefer no increase.

* The Council of Economic Advisers estimates that an increase in the minimum wage to \$2.65 would increase the unemployment rate by ____%.



I am scheduled to meet with Congressman Dent and Andrew Biemiller of the AFL-CIO on June 16 to sound them out on various approaches. It would be desirable to have general guidance from you before that meeting, but you do not need to select a specific proposal yet.

The following are a set of options for minimum wage policy.

OPTION 1: Oppose an increase in the minimum wage at the present time.

This option represents the most conservative approach and is likely to anger Congressman Dent who is expecting a positive proposal in June. An increase could be opposed on the grounds that another increase so soon would hamper the recovery, by reducing employment opportunities and stimulating inflation. On the other hand the most recent increase to \$2.30 on January 1 of this year has already been eaten up by inflation. (The CPI had increased 15.4% since the effective date of the 1974 amendments but the \$2.30 figure represents an increase of only 15 percent in the minimum wage since that time. Increases in the CPI since January have resulted in further erosion.) Opposing any increase will put the Administration in a position to be attacked as opposing the interests of the rank-and-file worker.

OPTION 2: Take no position at this time.

Under this option the Administration would "wait and see" what develops in Congress. It is possible that those in Congress seeking to raise the minimum wage would find relatively little support for major initiatives in this area now. More likely is the possibility of a full-fledged debate on the issue with a fair probability of the passage of legislation both increasing the minimum wage and indexing it to the growth in average wages. While the Administration will come under increasing pressure to take a position it probably will be two or three months before we must comment ourselves.

OPTION 3: Propose a study of the minimum wage including its effects on inflation and unemployment.

This option would pose the dilemma between desirable increases in the minimum wage to compensate for inflation and employment effects of such increases. The study would seek to address this problem and propose solutions.



OPTION 4: Favor a legislated increase but oppose indexing.

This would permit the President to recognize the erosion of the minimum wage due to inflation while avoiding the relatively controversial step of endorsing indexation. However, a somewhat larger increase is likely if indexation is not adopted.

The most frequent figure mentioned in discussions on raising the minimum wage is \$2.65 from the current \$2.30--a 15% increase. It would appear that the "minimum" increase that could be offered for January, 1977 under this option would be \$.15, raising the level to \$2.45. This would just make up for the expected 6% increase in consumer prices between January, 1976 and January, 1977.

The impact of such an increase on inflation and employment opportunities would of course depend on the size of the increase.

OPTION 5: Propose a modest increase in January, 1977, and statutorily mandate for a study to determine the best method for increasing the minimum wage in January 1978. The study might result in a proposal for another simple increase, or some method of indexation.

This option would permit the President to favor an increase in the minimum wage without committing himself on the subject of indexation. It recognizes the complexity of designing a satisfactory indexation formula and provides a method whereby the issue must be addressed in roughly the same time frame as the Dent proposal would address it. While the indexing concept is relatively simple, previous experience with indexing in the case of social security has demonstrated the importance of correct technical design. The two stage approach permits both the Congress and the President flexibility to monitor events, to do further analysis on the appropriateness of indexing, and the effect of various indexing methods, and to exercise judgment in early 1977 as to the best course of action in 1978.



OPTION 6: Favor indexation.

This option probably would be considered the most "positive" by those favoring an increase in the minimum wage. Historical comparisons show that after allowing for the irregular pattern of legislated increases, the minimum wage has, on average, followed the rate of increase for average wages. In particular, the minimum wage has averaged 48 percent of average hourly earnings. Indexing the minimum wage to the historically observed increases in average hourly earnings would have resulted in a minimum wage very close to the current level. Indexing to prices--such as the CPI--would have resulted in a much lower minimum wage level.

In taking this option, there is some risk of future legislated increases on top of the indexed minimum, particularly if it is indexed to the CPI. Wage indexation, however, probably would undercut political support for such increases.

If the Administration adopted this option, it could propose a particular procedure or try to work with Congress to assure a mutually satisfactory method.

RECOMMENDATIONS:



THE WHITE HOUSE
WASHINGTON

June 16, 1976

MEMORANDUM FOR: JAMES CANNON
FROM: BILL DIEFENDERFER
RE: Scott-Dole Alternative to H. R. 50

Labor
Bill
Thank
you

Senators Scott and Dole have introduced an alternative (S. 3543) to Humphrey-Hawkins.

This bill

- has no fixed unemployment target
- emphasizes private sector employment
- does not make public service jobs employment of last resort
- stresses anti-inflation goals
- establishes a Congressional Select Committee to determine long range economic goals
- mandates a balanced budget when full employment is achieved.



Sent 7/7

THE WHITE HOUSE

WASHINGTON

June 18, 1976

MEMORANDUM FOR: JIM CANNON
JIM CAVANAUGH

FROM: DAVID LISSY *DL*

Wanted to be sure you were aware of the attached.

[Handwritten signature and large checkmark]

Attachment



6-18-76

Top Teamsters Officials Are Subpoenaed To Testify in Pension Fund Investigation

By WALTER MOSSBERG

Staff Reporter of THE WALL STREET JOURNAL

LAS VEGAS—Teamsters union president Frank Fitzsimmons and other top Teamsters officials have been subpoenaed to testify in the federal investigation of the union's Central States Pension Fund.

The investigation, by the Labor and Justice departments and the Internal Revenue

The lengthy and intense discussion on the convention floor led to the enthusiastic endorsement by the delegates of resolutions condemning abuses by grand juries and judicial "distortions" of federal labor law.

Over the years, the Teamsters union, more than any other labor union, has been the target of grand jury, Federal Bureau of Investigation and congressional investigations. Mr. Fitzsimmons complained that

Re

THE WHITE HOUSE

WASHINGTON

June 21, 1976

MEMORANDUM FOR:

JAMES CANNON

FROM:

BILL DIEFENDERFER

RE:

Management/Labor Negotiations

Kansas City, Missouri

- (1) On July 1, 1976 the contract between the Kansas City Power and Light Co. and its 2,000 employees represented by the IBEW terminates. The last time these two parties negotiated a lengthy strike was involved.
- (2) On July 1, 1976 several small Kansas City trucking companies will have their contracts with the Teamsters and Machinists Unions terminated.
- (3) On July 1, 1976 the International Paper Co. will have its contract with members of the United Paper Workers terminate (UPW).
- (4) In early August the Kansas City Meat Packers are expected to strike.

Rubber Industry Strike

- (1) Tomorrow, June 22, 1976, James Searce, Director of the Federal Mediation and Conciliation Service will personally enter into the ongoing negotiations in Cleveland, Ohio.

Massachusetts

- (1) Presently, 50,000 public employees are conducting an illegal strike in Massachusetts. As this is a state matter the Federal Mediation and Conciliation Service does not have jurisdiction.



However, the public employees union involved, as well as the Governor, have made unofficial requests for Federal Mediators to assist in the negotiations. Presently two Federal Mediators are assisting in the negotiations.

cc: Art Quern
Jim Cavanaugh



THE WHITE HOUSE
WASHINGTON

June 21, 1976

MEMORANDUM FOR:

JIM CANNON
JIM CAVANAUGH
ART QUERN
STEVE McCONAHEY

FROM:

DAVID LISSY *DL*

SUBJECT:

Advance Alert -- CETA Year End
Evaluation

*Donk -
of "unsatisfactory"
why don't we
cut them
off?*

DOL will release tomorrow, as required by law, the year end evaluation of all CETA prime sponsors. It will show that 25 (of the approximately 450) of the prime sponsors have "unsatisfactory" ratings. The problems are in fiscal and general management.

All 25 have known for 2 weeks of their status but tomorrow will be the first public release. Although under the law an "unsatisfactory" status could lead to a fund cut-off, Bill Kolberg says that in reality that is not even a remote likelihood.

Among the 25 prime sponsors are some which may attract some attention:

Boston, Mass.
Massachusetts (Governor's program)
Rhode Island (Governor's program)
Newark, New Jersey
Trenton, New Jersey
Prince George's County, Maryland (described to me as the worst)
Detroit, Michigan

Also on the list is Mayaguez, Puerto Rico.

cc: Bill Diefenderfer



Unemployment
Insurance

THE WHITE HOUSE
WASHINGTON

June 24, 1976

MEMORANDUM FOR:

JAMES M. CANNON
JAMES H. CAVANAUGH
ARTHUR F. QUERN
STEVE McCONAHEY

FROM:

BILL DIEFENDERFER

RE:

National League of Cities vs. Usery

Today the Supreme Court handed down its decision in the above referenced case. A brief analysis of the holding prepared by DOL is attached. This decision may effect more than the Fair Labor Standards Act. Its rationale might be extended to Federal collective bargaining laws effecting State and local employees and parts of the Unemployment Insurance Program.

I expect to have a copy of the decision tomorrow morning.

Attachment.



U.S. DEPARTMENT OF LABOR
OFFICE OF THE SOLICITOR



JUN 24 1976

MEMORANDUM TO THE SECRETARY
UNDER SECRETARY
SOLICITOR OF LABOR
ASSISTANT SECRETARY FOR ESA
ADMINISTRATOR OF THE WAGE-HOUR
DIVISION

Re: National League of Cities vs. Usery

The Supreme Court held today that the Fair Labor Standards Act cannot constitutionally be applied to those State and local government activities which provide integral parts of the government services which the States and their political subdivisions have traditionally afforded. The Court expressly found that the following activities were among those to which the Act cannot validly apply: schools, hospitals, fire prevention, police protection, sanitation, public health, parks and recreation. It indicated, however, that the Act could apply to the State's operation of a railroad.

The Department of Labor is currently studying the Court's decision to determine what additional activities may still be subject to the minimum wage and overtime requirements of the Act. For example, the opinion does not specifically discuss such activities as State liquor stores and utility companies. In addition, the decision makes no express reference to the Age Discrimination in Employment Act (which was extended to State and local government employees by the 1974 Amendments to the Fair Labor Standards Act), the Equal Pay Act (which is part of the Fair Labor Standards Act) and the child labor provisions of the Fair Labor Standards Act. The Department is studying the decision to determine its implications with respect to these fields of federal regulation.



The Court's decision was written by Justice Rehnquist who was joined by Chief Justice Burger, and by Justices Stewart and Powell. Justice Blackmun provided the fifth vote necessary for a majority, His separate concurring opinion was based on his understanding that the Court's opinion "does not outlaw federal power in areas such as environmental protection" where the federal interest is demonstrably greater and where state compliance is essential to the protection of the federal interest.

Justice Brennan wrote a dissenting opinion in which Justices White and Marshall joined. Justice Stevens wrote a separate dissenting opinion.

Carin Ann Clauss

Carin Ann Clauss
Associate Solicitor

