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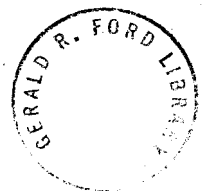
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ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE MEETING

AGENDA  
8:30 a.m.  
Roosevelt Room

May 28, 1976

- |   |           |
|---|-----------|
| 1. Emergency Jobs Program Extension Act of 1976         | Labor/OMB |
| 2. Minimum wage indexing                                | OMB/CEA   |
| 3. Report on Task Forces to Reduce Waste and Regulation | MacAvoy   |
| 4. Report on Jobs Bill                                  | Gorog     |



THE WHITE HOUSE

WASHINGTON

May 26, 1976

MEMORANDUM FOR ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE MEMBERS

FROM:

WILLIAM F. GOROG *WFG*

SUBJECT:

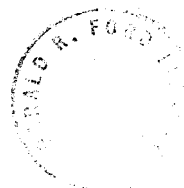
Comprehensive Job Creation and Non-Inflationary  
Growth Act of 1976

Attached for your review are the following materials scheduled for EPB consideration this Friday:

- o Summary of the bill
- o Draft text of the bill

The purpose of the bill is to pull together existing Administration initiatives related to job creation to serve as a rallying point for Congressional opponents of the Humphrey-Hawkins bill. Although we plan no formal introduction of the bill, we will want to give it high priority in future speeches, press releases, testimony, etc.

Attachments



The Comprehensive Job Creation and Non-Inflationary  
Growth Act of 1976

Summary of Provisions

- Sec. 1. Title
- Sec. 2. General Findings

Title 1: General Economic Policy

Sec. 100: Purpose

It is the purpose of this title to ensure sustained growth in the aggregate economy and provide for the continued expansion of productive jobs by the establishment of macroeconomic policies to strengthen consumer demand and encourage business investment. It is recognized by the Congress that overall economic conditions conducive to the creation of jobs are dependent on three primary factors: the sustained confidence in the economy by the consumer, the favorable outlook for reasonable returns for the investor and the adoption of prudent fiscal and monetary policies by the government.

Sec. 101-110: To provide for individual income tax reductions and the simplification of the Federal tax law to ensure continued growth in consumer demand:

- A. Amend the Internal Revenue Code to increase the personal exemption from \$750 to \$1000.
- B. Amend the Internal Revenue Code to substitute a single standard deduction of \$2,500 for married couples filing jointly and \$1,800 for single tax payers replacing the existing low income allowance and percentage standard deduction.
- C. Amend the Internal Revenue Code to provide for a reduction in individual income tax rates.

Sec. 111-128: To ensure the continued growth in capital formation necessary to provide good jobs and increased productivity so as to ensure increased standards of living for U.S. citizens:

- A. Amend the Internal Revenue Code to provide for a permanent 10% investment tax credit.
- B. Amend the Internal Revenue Code to provide for a reduction in maximum corporate income tax rates from 48% to 46%, and to make permanent the current temporary tax cuts on the first \$50,000 of corporate income.



- C. Amend the Internal Revenue Code to provide for a permanent 12% investment tax credit for electric utilities, permit immediate tax credits on progress payments for construction, and extend the five year amortization provision for pollution control facilities.
- D. Amend the Internal Revenue Code to encourage broadened stock ownership by low and middle income working Americans by allowing deferral of taxes on certain funds invested in common stocks.
- E. Direct the Secretary of the Treasury to prepare a legislative proposal for amending the Internal Revenue Act to provide for the integration of the corporate and individual income tax.

Sec. : (12 sections) To provide for expanded investment in small businesses so as to insure continued growth and creation of additional jobs.

- A. (Sections 1-3)  
Amend the Small Business Act and the Small Business Investment Act to raise the ceiling on certain SBA loan programs.
- B. (Section 4)  
Amend the Small Business Investment Act to provide additional loan authority and an extension of loan term for State and Local Development Companies.
- C. (Sections 5-7)  
Amend the Small Business Investment Act to provide increased opportunity and SBA financial assistance for small business through privately owned small business investment companies.
- D. (Sections 7-12)  
Amend the Small Business Act and the Small Business Investment Act to provide increased authorization ceilings for the Business Loan and Investment Fund and selected agency programs.

Sec. 129-133: To make it easier to continue the family ownership of a small business or farm:

- A. Amend the Internal Revenue Code to stretch out the estate tax payment period, allowing a five year moratorium and 20 years for full payment at a 4 percent interest rate.



- B. Amend the Internal Revenue Code to increase the personal exemption allowance for estate tax purposes from \$60,000 to \$150,000.
- C. Amend the Internal Revenue Code to permit unlimited marital deductions.

Sec. 134: To ensure continuation of prudent fiscal policies conducive to noninflationary growth and the attainment of a balanced budget by fiscal year 1979, adopt a spending ceiling on Federal outlays of \$395 billion for fiscal year 1977.



Title 2: Countercyclical Policy

It is the purpose of this title to provide for the mitigation of short-run cyclical unemployment. This title recognizes the need to continue to deal with the immediate problem of cyclical unemployment and to develop and strengthen the mechanism to deal with the possibility of such unemployment in the event of future economic cycles.

Section 1: In addition to the emergency measures undertaken to combat hardships caused by the 1974-1975 recession, this section seeks to reform and strengthen certain aspects of the unemployment insurance system. Primarily these reforms are intended to strengthen the financial integrity of the system which has been severely undermined by the combination of an unrealistically low wage base and tax rate and the severity of the recession.

- A. Amend the Employment Security Act to strengthen the financing of the unemployment insurance system.
- B. Amend the Employment Security Act to expand the coverage of the unemployment insurance system to farm workers, certain public employees and others.
- C. Establish a national study commission to examine thoroughly the unemployment insurance system and its impact on the economy and make recommendations to the President and the Congress on further reforms.

Section 2: Amend the Internal Revenue Code to provide for accelerated depreciation for plant construction and equipment in areas with unemployment in excess of 7%. Buildings will be amortized over a period equal to one-half their useful life while capital equipment put in place in such new or expanded facilities would be amortized over five years.

Section 3: Direct the Secretary of Labor to develop a series of evaluations of existing counter-cyclical programs to assess their effectiveness, cost and speed of implementation so as to provide for a more effective response to cyclical fluctuations in the future. Such experiments should include, but not be limited to, the effectiveness of public service employment, public works programs, training and retraining programs and employment tax credit measures.



### Title 3: Long Term and Structural Unemployment Remedies

It is the purpose of this title to develop a concentrated policy response to those individuals suffering long term or structural unemployment. This title also seeks to ensure that present policies directed at achieving a smooth transition from school to work are meeting their objectives.

Little progress can be made in achieving a better trade off between unemployment and inflation without attacking the specific causes underlying long term or structural unemployment. It is recognized that attempts to use aggregate economic policy measures to deal with such problems only leads to overstimulation of the economy resulting in inflation and disruptive business cycles.

Section 1: Direct the Secretary of Labor to ensure that Labor Department programs more effectively address the problems of long term unemployment and of structural unemployment stemming from the transition from school to work.

- A. Direct the Secretary of Labor to ensure that Title 1 CETA assistance to State and local governments for institutional and on the job training, work experience, vocational education, job placement services and transitional public service employment for the economically disadvantaged unemployed and underemployed persons is addressing the problem of long term unemployment and the transition from school to work.
- B. Direct the Secretary of Labor to ensure that the CETA national training programs for criminal offenders, Indians, migrants and the severely disadvantaged youths through Job Corps is addressing the problems of long term unemployment and the transition from school to work.
- C. Provide for the continuation of CETA Title 2, State and local public service employment programs in areas of high unemployment.
- D. Provide for continuation of CETA summer youth programs providing jobs for the economically disadvantaged youth population.
- E. Redirect temporary employment assistance for public jobs in areas of substantial unemployment to primarily assist those persons suffering long term unemployment or who have exhausted their unemployment insurance benefits.





Section 2: Authorize through the Supplemental Community Development Act block grants to States and cities and counties with unemployment above 8% earmarking 75% for metropolitan cities and urban counties.

Section 3: Direct the Secretary of Commerce to ensure that the Department's programs are aimed at expanding job opportunities in areas suffering industrial blight or persistent unemployment.

- A. Ensure the effective targetting of EDA public works programs providing grants and loans to build or rebuild and expand public facilities in economically depressed areas to attract private business.
- B. Ensure that the EDA business loan program providing for direct loans for plant and equipment, working capital loan guarantees and direct working capital loans effectively supports efforts at revitalizing economically depressed areas or areas suffering industrial blight.
- C. Ensure a continuation of EDA technical assistance for funding, training, planning and management assistance activities in the support of programs directed at revitalizing economically depressed areas or areas suffering industrial blight.

Title 4: Efficiency of Labor Markets

It is the purpose of this title to promote increased efficiency in labor markets by providing improved information and assistance in developing job opportunities. This will serve to reduce frictional unemployment in the labor force and provide for a smoother transition from school to work or from inactive to active participation in the labor force.

Section 1: Direct the Secretary of Labor to improve the computer job matching system in order to focus its operation more effectively on local job markets and to provide information for those seeking employment opportunities in non-local labor markets.

Section 2: Provide for continued experimentation in relocation assistance and develop programs for implementing such assistance on a larger scale where appropriate.



Section 3: Direct the Secretary of Labor to improve the dissemination of information on projected labor market demand and job opportunities particularly for new entrants into the labor market and those retraining for alternative employment opportunities.

A. Seek through CETA programs and other mechanisms greater communication and cooperation among employer groups and training activities to provide improved information on shifting demand patterns in labor markets, both geographically and in industry sectors.

Title 5: Reform of Government Regulatory Functions (omitted from earlier drafts)

Title 6: Policy Coordination (involving role of EPB; omitted from earlier drafts)



U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

MEMORANDUM FOR THE EPB EXECUTIVE COMMITTEE

FROM: W. J. USERY, JR. *WJU*

Subject: Public Service Employment

Background

On Friday, May 14, the Senate Labor Committee reported the Emergency Job Program Extension Act of 1976 (H.R. 12987). This authorization bill would extend the Emergency Public Service Employment (PSE) program under Title VI of the Comprehensive Employment and Training Act (CETA) through the end of FY 1977. The bill contains no specific funding figure. The report specifies a jobs level of 520,000 (double the present program) and \$3.5 billion over the \$1 billion already scheduled to be spent in FY 1977. This sum, \$4.5 billion, is the full amount of the budget resolution. To prevent an abrupt layoff of present participants on January 31, 1977, the Administration will have to request an FY 1977 budget amendment of about \$700 million for phase out. The net outlay increase of the Senate bill is therefore about \$2.8 billion if all of the money in the budget resolution is utilized. The bill as passed by the House also expands the PSE program but lacks provisions limiting the new positions to the long term unemployed.

The current Administration posture is one of opposition. The Senate bill limits PSE to the chronically unemployed and thus may be more attractive theoretically and close to what the Administration itself proposed in October 1974. The Administration will be pressed to take a position when the bill goes to the floor. Senate floor action has not yet been scheduled; the bill could come to the floor the week of June 1-4, but action may not occur until the week of June 7-11. Conference action could be completed by June 25. The purpose of this memorandum is to review options available to the President.



## Senate Provisions

The Senate provisions extend funding of the 260,000 existing public service employment jobs and add funding for specific projects (limited to one year in duration). Any turnover in existing (260,000) PSE slots could not be refilled, except in project-related activities. Enrollment would generally be restricted to the following groups: UI exhaustees, those unemployed more than 15 weeks, and those benefiting from AFDC programs, and those in low income (\$6,700/year) families. In addition, the Secretary of Labor would be given greater flexibility to engage in demonstrations and to reallocate funds geographically.

The eligibility requirements for the additional, project-related slots in the Senate bill will encourage employment of those who are apparently without private sector opportunities and will minimize substitution of federally subsidized slots for existing State and local positions.

The House almost certainly will insist on some increase in the number of PSE jobs from the present 260,000 and is also likely to oppose the Senate restrictions. Senate staff believe that the magnitude of the increase is negotiable, and that the prospect of Administration support can bring the House to support the restrictions. A veto, even if sustained, would probably result in legislation to continue the program at present levels, which would be more difficult to veto.

## Other Likely Congressional Job Creation Initiatives

Any review of Administration policy with respect to public service employment should also consider other possible Congressional job-creation initiatives that may come this year.

The new Congressional budget procedures permit a more certain assessment of possible initiatives through the balance of the year than has been possible in earlier years. Under the new rules, (barring a waiver) authorization bills must be reported by May 15 in order to be considered for the upcoming fiscal year. Besides PSE, one other job creation authorization bill which would have major budget impact was reported by the deadline: public works.



The Public Works legislation is scheduled to go to conference committee on June 8. The House version (H.R. 12972) contains accelerated public works authorizations for FY 1977 of \$2.5 billion over the budget. Like H.R. 5247, which the President successfully vetoed in February of this year, the Senate bill (S. 3201) also contains a provision on countercyclical revenue sharing of \$1.4 billion and \$3.9 billion in various public works activities. Ambiguous language in the budget resolution and conflicting opinions among staff members make it difficult to estimate with precision the intended size of the public works program. However, it appears that the budget resolution contains sufficient flexibility to fund either the House or Senate version.

Public works and public service employment have differing short and long term advantages and disadvantages as job creation initiatives and impact on different groups in the labor force. Public works programs are traditionally associated with "pork barrel" politics and there is growing awareness of the long delays involved in actually putting people to work. On the other hand, public works programs rely on the private sector to do the work and tangible capital (dams, water treatment plants) result. Employment effects of such projects are concentrated in the construction industry, which is still very hard hit by the recession, but which is also served by a work force that is largely high wage and highly skilled. In contrast, public service employment programs can be implemented with less delay, and their benefits can be targetted on particular disadvantaged groups within the labor force. On the other hand, the social productivity of most subsidized PSE jobs is likely to be low. The risk of substitution remains, regardless of the stringency of the statutory language.

#### OPTIONS

Option 1: Consistently oppose and signal veto on any extension of PSE authority or funding increase beyond levels required to phase out the current program.

- Pros:
- o Consistent with the need to keep the budget in bounds.
  - o Keeps options open on tax cut alternatives and permits relating them to outlay ceilings.



- o Consistent with current Administration position on the merits of PSE.
- o Consistent with the President's current public projection on recovery.

- Cons:
- o Closes off options to affect the design of a PSE bill.
  - o Makes it difficult to subsequently support or propose other direct job creation measures, should that be desirable.
  - o Likely to be confronted with the choice of a veto or signing a bad bill.

Option 2: Oppose both the House and Senate bills but begin to negotiate and support a lesser increase of perhaps up to 100,000 jobs in exchange for maintenance of Senate limitations on eligibility.

- Pros:
- o Minimizes outlay increase over \$395 billion.
  - o Support is likely to ensure inclusion of Senate limitations.

- Cons:
- o Breaches outlay ceiling.
  - o Represents a major change in President's position, which would be read as reduced confidence in the economy.
  - o May be premature to address this issue at this time.
  - o The Senate limitations may not materially improve the program.



Option 3: Continue quiet negotiations to shape the form of the bill along the lines of the Senate version; make no commitment on funding levels, deferring the budgetary discussions until appropriations actions are underway.

- Pros:
- o Preserves stand on \$395 billion ceiling.
  - o Preserves flexibility--Administration is not on public record until time of Conference Committee action.
  - o Leaves budgetary discussions to appropriations process and delays budgetary debates--neither version of HR 12987 contains an authorization level per se ("such sums" are authorized).

- Cons:
- o May be interpreted as a softening of Administration position, yet provides no guidance to the minority members of the Senate for floor action.
  - o Does not establish a public Administration or Presidential position on either PSE or the more costly alternative bills.
  - o Has the public appearance of a "do nothing" policy toward individuals still impacted by unemployment.
  - o Would be extremely difficult to avoid taking a position on the size of the increase when the bill goes to conference.
  - o Not logical to negotiate on the shape of a bill that both maintains present enrollments and adds a new program without some commitment that the new program will be implemented.



Option 4: Defer taking a position as long as possible and address PSE in the broader context of tax reduction policy and alternative job creation proposals.

- Pros:
- o A comprehensive review is likelier to produce a sound result.
  - o Preserves President's options on both expenditure ceiling and job creation policy.
  - o \$395 billion may be breached later on for other reasons. The public perception of the outlay ceiling would be softened; this might make support less difficult.

- Cons:
- o Refusing to take a position now can give rise to criticism for indecisiveness or the conclusion that we have softened up on new federal attempts to create jobs in the public sector.
  - o The link between PSE and tax cuts is not obvious. It would not be a major factor in Congressional desire for the program.

RECOMMENDATIONS:

The Department of Labor recommends the adoption of Option 3.





*Cannon*

FYI

THE WHITE HOUSE

WASHINGTON

May 27, 1976

MEMORANDUM FOR ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE

The paper on the "Emergency Jobs Program Extension Act of 1976" for the Friday, May 28 EPB Executive Committee meeting will be distributed later today.

The paper on "Report on Jobs Bill" for discussion tomorrow will also be distributed later today.



COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

ALAN GREENSPAN, CHAIRMAN  
PAUL W. MACAVOY  
BURTON G. MALKIEL

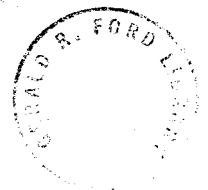
May 26, 1976

MEMORANDUM TO: EXECUTIVE COMMITTEE, ECONOMIC POLICY BOARD  
FROM: Paul W. MacAvoy *PM*  
SUBJECT: Presidential Task Forces to Reduce Waste  
in Regulation: Progress Report #1

In his speech before the Small Business Administration Conference of May 13, the President announced the creation of Task Forces to reduce the costs and delays from regulation by the Federal Energy Administration (FEA) and the Occupational Safety and Health Administration (OSHA). This memorandum reports on the follow-on efforts to put these and other Task Forces in operation.

1. Steps Taken to Date on OSHA and FEA Task Forces

The work plans for these two Task Forces have been prepared and approved by both CEA-OMB staff involved and by those in the agencies concerned with this effort (attached Tabs A and B). The plans focus on operations of the two agencies that (a) would likely benefit from reduced or simplified regulations (b) are now the subject of a limited reform effort from within the agencies, and (c) can be affected by a reform effort within this Calendar Year. The FEA plan expects some results by late August, while the OSHA plan calls for dissemination of simplified regulations on Parts D and L of the mandatory standards by the autumn, and announcement of proposed changes in Parts P and O before the end of the Calendar Year. There is a substantial probability, however, that the work will not be far enough along to make an announcement of results this Calendar Year.



The staffing of the Task Forces has begun. Individuals will be detailed from other agencies to the object agency, usually to the Office of the Secretary of the object agency for a period of six months. A number of candidates have been interviewed both to determine whether they are knowledgeable in the current problems of the object agency and whether they are interested in taking part in the Task Force effort. Requests for detailing individuals will be made next week. Requests have already been made for detailing Philip Harter (Administrative Conference), Douglas Harlan (HEW), and Jonathan Rose (Justice) to work with me in setting up and chairing task forces.

2. Next Steps

Additional Task Forces should be put together in other dependent regulatory commissions or agencies. Work is underway to evaluate the prospects for successful Task Force operations in HEW, HUD, and Commerce. Those in HUD and Commerce now do not look promising on the three criteria outlined above. Further "opportunities" are needed.

Attachments



TAB A

FEA PRESIDENTIAL TASK FORCE  
ON  
REGULATORY REFORM

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I. INTRODUCTION:

On May 7, 1976, the President formally approved an Economic Policy Board (EPB) proposal to establish several high-level Task Forces, under the overall supervision of Paul MacAvoy, a member of his Council of Economic Advisors. The purpose of these Task Forces is to work with a number of Executive branch agencies where some regulations may impose excessive costs compared to benefits, and to focus on the improvements in the administration of affected programs. The goals of the Task Force parallel the frequently stated objective of FEA's management to minimize the burden of FEA's regulations on all segments of the economy.

One of the Task Forces will concentrate exclusively on FEA, and will be composed of high-level government specialists detailed to this assignment by both FEA and by other agencies for a period of six months. The Task Force will, in close consultation with senior FEA officials, study and make recommendations to the FEA Administrator concerning:

- ° simplifications in FEA's "post-decontrol" price and allocation regulations for any product not decontrolled, and in the procedures and regulations associated with FEA's Mandatory Oil Imports Program
- ° improvements in the development process by which FEA brings new regulations on-stream, or modifies existing regulations

FEA is currently systematically phasing out many of the price and allocation regulations which have been in force since the embargo of 1973-74. The Task Force will consider the regulations for those products still under control by FEA, to determine how these regulations can be simplified in the current mode. It will also suggest improvements in the regulatory "promulgation process" by which FEA develops



new regulations or modifies existing ones. The recommendations and options developed by the Task Force will be presented directly to the Administrator for implementation at his discretion.

II. MISSION:

- ° To recommend simplifications in on-going "post decontrol" FEA allocation and price regulations, and to recommend similar changes in the regulations and procedures for FEA's Mandatory Oil Imports Program.
- ° To recommend improvements in FEA procedures for developing and promulgating regulations.

III. FUNCTIONS:

A. Regulation Simplification

1. In consultation with senior FEA officials, identify which existing regulations are to be reviewed, specifying:
  - ° paragraph number and act which apply,
  - ° the objective of each regulation, that is, what it is attempting to accomplish.
2. Identify the problems (i.e.; subparts having significant impact) or other characteristics associated with each regulation, such as:
  - ° the workload necessary to comply (this includes the costs for reporting and record-keeping),
  - ° the impact of the regulation on various-size firms,
  - ° benefits accruing to those regulated, or to other sectors (i.e. consumers, other businesses, etc.) - relate the benefits to the underlying objectives of the regulation,
  - ° regulations which overlap, contradict, etc.,
  - ° those sections of the regulation where costs are not warranted with respect to benefits to the Nation,
  - ° regulations where individual or industry compliance is very difficult, and where the costs of enforcing the regulations do not warrant their continuation.



3. Develop, in consultation with senior FEA officials, and propose to the Administrator, specific simplified regulations to accomplish FEA's basic statutory requirements, including:
  - the possibility of proposing that regulations be fashioned to encompass more than one objective (merging related programs),
  - a method of achieving a higher level of self-enforcement,
  - prepare option papers on alternative proposals,
  - the Administrator, at his discretion, selects preferred options.

B. Procedural Process Improvements

1. Determine, in consultation with senior FEA officials the basic requirements in developing and promulgating regulations, specifying legal constraints, the need for public comments, and outside agency oversight authority.
2. Delineate the current FEA system of regulations development, specifying:
  - responsibilities of all participants,
  - time-sequence of work flow,
  - tasks performed by all participants.
3. Cite specific historical cases for subsequent study.
4. Identify operational problems (e.g., bottlenecks) in the current system, specifying underlying causes. Specify difficulties such as:
  - insufficient input from groups both inside and outside the agency,
  - problems in the relationship of different FEA components involved in the process (specifically, the relationship and respective responsibilities of the Offices of Regulatory Programs, Policy and Analysis, and the General Counsel),
  - delays due to outside agency oversight and review practices,
  - delays due to insufficient manpower.
5. Propose to the Administrator improvements in procedures, including:



- changes in management control and responsibilities,
  - changes in review powers of internal and external offices,
  - improvements in access to supporting information.
6. Recommend improvements in FEA's regulations development process. Includes preparation of option papers on alternate proposals, and selection of preferred option, if any, by the Administrator.

#### IV. PLANNING AND MANAGEMENT CONTROL:

The general mission and functions of the Task Force are outlined in the preceding paragraphs. However, the following administrative practices will be in force to insure that the Task Force satisfies our overall objectives; conducts a comprehensive, yet balanced and fair evaluation of FEA's regulatory practices; provides the FEA Administrator with various options and courses of action from which the Administrator can choose to change or modify specific existing regulations or FEA's internal regulation development procedures:

A. Prior to beginning the Task Force's effort, a detailed workplan will be developed jointly by the Co-Directors and by senior FEA officials. This workplan will be transmitted to the Administrator for his review and approval. The workplan will be used by the Task Force as a management tool to insure that the effort stays "on track" and to insure that all areas of significant interest are covered. In addition, the workplan will be part of an overall "progress monitoring system" to be used by FEA's senior officials in evaluating the Task Force's progress. The detailed workplan will include:

1. A comprehensive statement of objectives and areas of coverage.
2. A step-by-step outline of review tasks in time sequence, keyed to critical pre-determined milestone dates. (This would serve as an audit or review "trail".)
3. A proposed outline specifying report content requirements and format.
4. A detailed statement of the Task Force's anticipated administrative requirements, such as:
  - the management control system (includes providing senior FEA officials with regular progress reports),

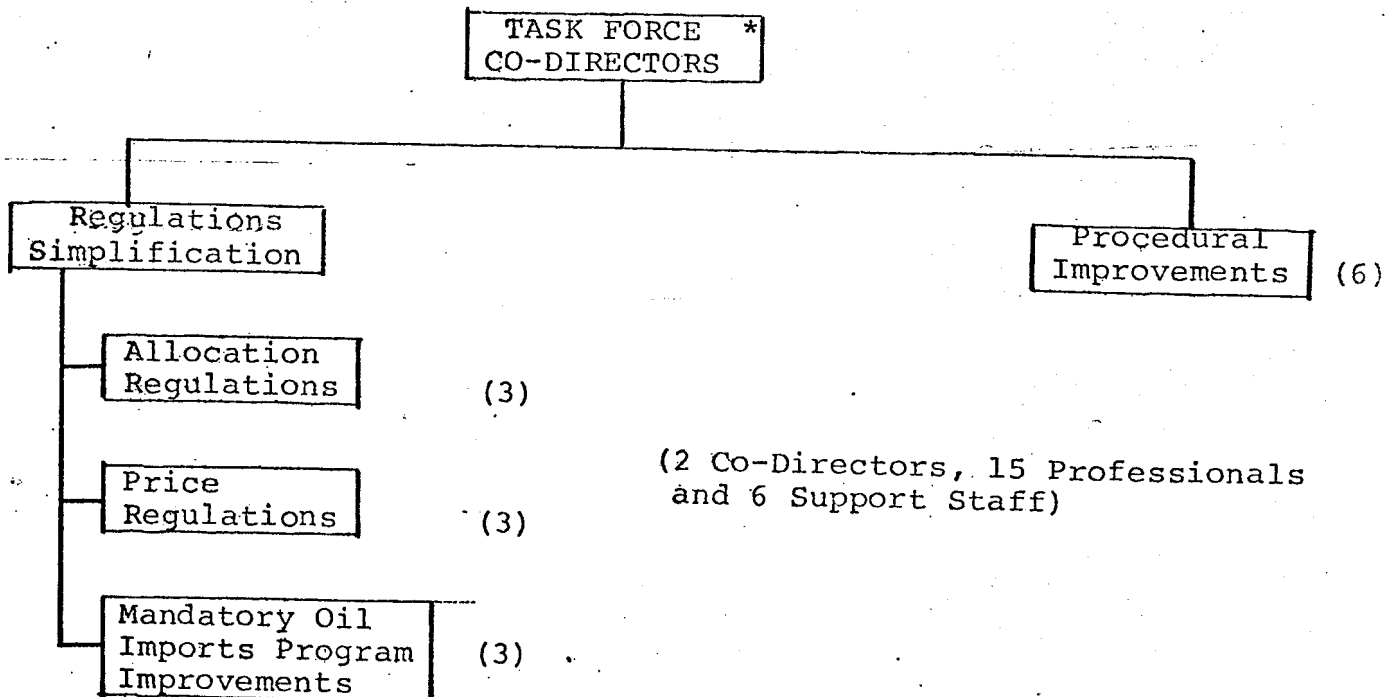


- staffing assignments,
- space requirement,
- a designated liaison official within each FEA office with which the Task Force is likely to be in contact.

B. A very specific system of management controls will be developed. This system, when used in conjunction with the workplan, will provide the Task Force's Co-Directors with critical information to manage the project (i.e. progress by task; major unanticipated problems in a specific review area; review areas requiring additional manpower; etc.,) and to evaluate overall progress in meeting the project's goals. Also, the management control system will enable FEA's senior staff to closely monitor and evaluate the progress of the Task Force and to take appropriate corrective action, if necessary.

C. All recommendations and/or proposed options will be addressed directly to the Administrator for his review and evaluation. This will give the Administrator the opportunity to personally consider for implementation any recommendations he feels have merit.

V. ORGANIZATION:



\* The Co-Directors will have dual "day-to-day" operating control over the project. However, it may be appropriate to have one Co-Director concentrate more heavily on the technical aspects, while the primary responsibility of the other would then be resource allocation, management and reporting.





VI. PERSONNEL REQUIREMENTS:

As depicted above, the Task Force will be under the "day-to-day" management of Co-Directors. If FEA senior management concurs, the external Co-Director is likely to be Don Flexner, a senior attorney in the Justice Department's Anti-Trust Division. The other Co-Director has not yet been named, but FEA is seeking a GS-15 or 16 individual with broad and in-depth knowledge of the existing price and allocation regulations.

The remaining professional members of the Task Force will be made up as follows:

<u>Number of Personnel</u>	<u>Source</u>
1	Headquarters, Office of Regulatory Programs
1	Headquarters, Office of General Counsel
1	Headquarters, Office of Management & Administration
3	FEA Regional Personnel
9	Detailees from Agencies outside of FEA

The names of five regional regulatory personnel, all of whom have worked closely with FEA Headquarters in the past on special projects, have been proposed as candidates for the Task Force; only three will eventually be selected. The five candidates are:

- Frank Conforti - Region IX
- Dwain Skelton - Region VII
- Larry Dirrico - Region IX
- Robert Rowland - Region VII
- Otis Phillips - Region III

A breakout of anticipated personnel requirements by function follows:

A. Regulations Simplification

° Allocation Regulations - Three senior professionals (GS-14 or above) familiar with the concepts of allocation of



petroleum or scarce commodities. Should be familiar with petroleum production; refining and distribution systems.

	<u>Possible Source</u>
1 - Lawyer	FEA
1 - Enforcement Specialist or Systems Analyst	IRS or OMB
1 - Petroleum/Industrial Engineer	Department of Interior

° Price Regulations - Three senior professionals (GS-14 or above) familiar with the petroleum industry and price control mechanisms.

	<u>Possible Source</u>
1 - Lawyer	Justice, FTC, etc.
1 - Enforcement Specialist or Systems Analyst	FEA
1 - Economist	Department of Treasury

° Mandatory Oil Imports Program Improvements - Three senior professionals (GS-14 or above) familiar with the petroleum industry, with particular emphasis on refinery economics.

	<u>Possible Source</u>
1 - Lawyer	Department of Justice
1 - Economist	FEA
1 - Refinery Engineer	Department of Interior

B. Procedural Improvements - Six senior professionals (GS-14 or above) familiar with organizational and management practices in government, with particular emphasis on the development of regulations.

	<u>Possible Source</u>
1 - Lawyer	FPC, ICC
1 - Operations Analyst	FEA
2 - Management Analysts	FEA
1 - Program Analyst	Department of Transportation, etc.
1 - Systems Analyst	OMB



Task Force on Improving OSHA Regulation

The OSHA Task Force will center its attention on revising the national consensus safety standards that apply to general industry. These 50,000 standards have been the subject of much criticism as being confusing, complex, unrelated to safety conditions, and difficult to understand. The Task Force will attempt to clarify and simplify and, where redundant, to eliminate standards. In addition, where there are gaps in coverage, new standards will be added.

For some months the Department of Labor has had in operation an extensive program to revise two major subparts of the general industry safety standards (Subpart D - Walking and Working Surfaces, and Subpart L - Fire Protection) and a standard for anhydrous ammonia, together representing about one-seventh of the consensus standards. This effort was undertaken in order to update and simplify those in effect since OSHA adopted as mandatory the national voluntary consensus in 1971. The Department of Labor is carrying out an extensive solicitation of written public comments as a first step in revising these standards. In addition to the request for comments, a series of public meetings has been announced for various locations in the United States, to provide direct input from the public. Following the meetings and a full consideration of all comments received, OSHA will propose as soon as possible any necessary revision of these standards.

The Presidential Task Force will accelerate and extend this initiative to revise consensus standards. It is estimated that without additional staff resources, the OSHA effort to revise all of the consensus safety standards would take two or more years to be completed. The Task Force effort will add lawyers and technicians to complete preparation of standards for comment and assist in analyzing the public responses. The target for the Task Force effort is to initiate public review of Subpart O (Machine and Machinery Guarding) and Subpart P (Hand and Portable Power Tools) by early fall. In addition the Task Force will address general issues concerning OSHA's standards such as specification of design versus performance standards, and the problems of incorporating rapidly changing external standards by reference.



## Organization of the Task Force

The membership in the Task Force will be made up of individuals both from within the Department of Labor and from other agencies. It is necessary to have DOL personnel in order to obtain the expertise to complete the work accurately and quickly. It is also necessary to add individuals from other agencies to enable DOL to carry on this expanded work. Therefore the Task Force will have as co-chairmen Joseph Kirk of OSHA, and Philip Harter of The Administrative Conference of the United States. The operating Director of the Task Force will be Anson Keller from OSHA. There will be three additional members from within DOL, two from the OSHA Safety staff and one from the DOL Solicitor's office. The remaining members of the Task Force will be composed of six attorneys and six engineers familiar with health and safety regulation. Mr. Francis Lunnie will handle the administrative details for the Task Force. In addition, the Task Force will require four secretaries.

The selected personnel would be detailed from government agencies for six months to the Committee on Regulation in the Office of the Secretary of DOL. They would be under the direction of the co-chairmen of the Task Force and would be given office space in the Department of Labor.

## Work Plan

Work will begin immediately on preparation of the two additional subparts of the consensus standards. This work would put into place the process of review that is now being undertaken for Subparts D and L. The subparts would be prepared for publication in the Federal Register, request for comments and information would be made to business and trade organizations, meetings would be scheduled and written comments processed when received.

The preparation for publication in the Federal Register is the most important detailed step. Previous comments have to be compiled, whether received from individuals or national standards organizations. The enforcement experience to date has to be reviewed, including relevant commission decisions and cases. At this point, staff



analysis of basic issues is also critical, including issues as to whether more could be done to simplify the standards by referring to certified equipment rather than specifying the exact detail of each item as a piece of that equipment. The final product of the review is the preparation of a paragraph-by-paragraph presentation of existing standards and comments received for the Federal Register.

Meetings on the additional subparts will be scheduled, and comments will be received for sixty days after publication in the Federal Register. After the comments have been considered, OSHA technical experts will prepare the proposed revised and simplified standards with the members of the Task Force.





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

May 27, 1976

MEMORANDUM TO: EXECUTIVE COMMITTEE OF THE ECONOMIC POLICY BOARD

From : Burton Malkiel/Paul O'Neill

Subject : Minimum Wage Indexing

Several weeks ago, the EPB asked OMB and CEA to examine various approaches to minimum wage indexing. In particular, it was suggested that an index might be devised which included the unemployment rate as a means of drawing public attention to the probable link between the minimum wage level and the level of unemployment.

I. General Comments on Indexing

- Proponents of indexing argue that an indexed minimum wage would rise smoothly, thus dampening the shocks now administered by periodic large legislated increases such as those occurring in 1968 (\$1.40 to \$1.60) and 1974 (\$1.60 to \$2.00).
- Those favoring a minimum wage indexed to prices or average wages suggest that a linkage mechanism could be developed that would result in a minimum wage that would, in the long run, closely approximate the changes which actually occurred as the result of discretionary congressional action. Consequently, indexing would eliminate the need for the legislative effort invested by all sides whenever a discretionary change is contemplated and would reduce the frequency of confrontations between the labor movement and subsequent Administrations.
- Opponents argue that it would not be desirable for the Administration to initiate a proposal to index the minimum wage to prices or average wages. Most economists agree that a relatively high minimum wage is a serious impediment to employment for some groups of potential workers. By requiring periodic legislative changes, the minimum wage becomes a public policy issue and its proponents must respond to the economists' arguments. With such a system of discretionary changes, it can be hoped that at some future time the proponents will realize the flaws in this device and agree to more moderate increases.



If, however, indexation is proposed and enacted, it is quite likely that the indexation mechanism will be just as "generous" as the extant system of discretionary increases. But, under a system of automatic increases, the minimum wage would cease to be an ongoing public policy issue and the Administration would have to forgo any hope of moderating such future changes because doing so would require an explicit reduction in potential increases in the minimum wage. This would be more difficult to accomplish than simply trying to prevent extravagant increases whenever a new minimum wage is proposed.

- Another problem with an indexed minimum wage is that we would lose the flexibility to recommend a wage that would be consistent with short-run stabilization objectives.

- Opponents of indexing also worry that it would not eliminate the desire of Congress to take additional actions periodically to raise the minimum wage at a faster rate than is dictated by an index. The end result would be a minimum wage that rises faster than it has under the current system.

- Any system of indexing is difficult to justify in economic theory. There is no reason to expect the productivity of those specific workers affected by the minimum wage to rise at the same rate as an index which reflects developments in the economy as a whole. In particular, it is doubtful that the skills of teenagers will rise at the same rate as the average skill level in the entire labor force and therefore, an index based on average wages might gradually further reduce job opportunities for the teenage population.

## II. Administration Response to Congressional Proposals for Indexing

The Congress is now contemplating indexing the minimum wage to some measure of average hourly earnings. It has been suggested that the Administration propose some alternative index that would rise more slowly than average hourly earnings over the long run.

### Advantage of alternative proposal

- o If successful, the rate of increase of the minimum wage would be dampened below that resulting from an index based solely on average wages.



Disadvantages

- To the extent that the minimum wage fell behind average wages, periodic discretionary increases by the Congress would become more likely and not much may be gained.
- The Administration would be giving its approval to the concept of indexing and this may make the adoption of an average wage index more likely than if we fight the concept without offering an alternative.

See Attachment A describing specific indexing proposals.

## Attachments

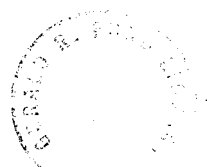




## Attachment A

### Specific Indexes

- A. Average hourly earnings - Various measures of hourly earnings could be used, but it would be best to use an index that is adjusted for changes in the composition of employment and for overtime. An adjusted hourly earnings index for the private, non-farm sector has been available only since 1964. If indexing had been initiated in 1967, the 1976 minimum wage would be \$2.57 as opposed to the current \$2.30. (See Table A.) However, comparisons of time series data are highly sensitive to the base year chosen. If, for example, the base year was 1968, then a minimum wage indexed directly to changes in adjusted hourly earnings would be \$2.79 in 1976. Over the long run, the ratio of the minimum wage to unadjusted gross average hourly earnings has moved up and down for significant periods and now stands at 49 percent, only slightly above its 1947-75 average of 48.2 percent. It reached a high of 56 percent in 1950 and 1968, immediately following legislated increases, and a low of 31 percent in 1949.
- B. Average hourly wages modified by the unemployment rate -- The indexing formula could be modified to reduce minimum wage increases when unemployment is high. This not only would slow the rate of increase of the minimum wage, but it would also implicitly make the point that a higher minimum wage creates higher unemployment. We experimented with an index that resulted from multiplying the rate of increase of average hourly earnings by the ratio of the "full employment" unemployment rate (4.0%) and the actual unemployment rate whenever the unemployment rate equalled or exceeded 4.0 percent. Under this mechanism, the minimum wage would increase at a rate less than the increase in average hourly earnings whenever the economy is at less than full employment. If instituted in 1967, this would have resulted in a 1976 minimum wage of \$2.22 compared to the current \$2.30 and a "pure" wage indexed level of \$2.57. (See Table A.)
- C. Consumer price index plus one-half real wage growth - Compared to pure wage indexing, this approach would dampen the rate of growth of the minimum wage when money wage growth exceeds inflation, which is usually the case, but the minimum wage would increase faster than money wages whenever real wages were falling. If instituted in 1967, this approach would have led to a 1977 minimum



wage of \$2.46, less than the \$2.57 resulting from pure wage indexing, but more than the actual minimum wage of \$2.30. (See Table A.)

- D. Consumer price index - Indexation of the minimum wage directly to the CPI would establish for the minimum wage earner a standard of living in terms of purchasing power over goods and services that would remain unchanged over time. Because the CPI can be expected to rise more slowly than average money wages over the long run, a CPI index would have led to a 1976 minimum wage of \$2.36 - far less than the \$2.57 resulting from a pure wage index, but a little more than the actual level of \$2.30. This relationship, however, is quite sensitive to the base year. If the base year was 1938 or 1950, a minimum wage linked to the CPI would result in 1976 minimum wages of \$1.03 and \$1.76, respectively.



Table A

The Minimum Wage Rate,  
Actual and Under Alternative  
Assumptions as to Indexing

Year	Actual (1)	Indexed			
		A	B	C	D
	(1)	(2)	(3)	(4)	(5)
1967	\$1.40	1.40	1.40	1.40	1.40
1968	1.60	1.47	1.47	1.46	1.44
1969	1.60	1.57	1.57	1.54	1.51
1970	1.60	1.68	1.68	1.64	1.60
1971	1.60	1.79	1.75	1.74	1.69
1972	1.60	1.92	1.84	1.83	1.75
1973	1.60	2.04	1.92	1.92	1.81
1974	2.00	2.17	2.03	2.07	1.97
1975	2.10	2.38	2.14	2.29	2.21
1976	2.30	2.57	2.22	2.46	2.36

PANEL B:

Indexed Minimum Wage in 1976 under  
Alternative Base Years

Base Year	Minimum Wage in 1976			
	A	B	C	D
1967	2.57	2.22	2.46	2.36
1968	2.79	2.42	2.70	2.62
1973	2.02	1.84	2.06	2.09
1974	2.36	2.19	2.38	2.40

(1) Applicable during middle of year.

## Notes:

(A) Full wage indexing -- the rate of change of the adjusted hourly earnings index from December to December (% $\Delta$ W).

(B) Wage indexing modified by the extent to which the seasonally adjusted unemployment rate in the last quarter of the previous year (U) exceeds 4.0 percent.

(C) A combination of full cost of living indexing (% $\Delta$ CPI) and partial real wage indexing ((.5)% $\Delta$ RW).

(D) Full cost of living indexing -- the rate of change in the CPI from December to December (% $\Delta$ CPI).



THE WHITE HOUSE  
WASHINGTON

May 26, 1976

MEMORANDUM FOR THE ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE

FROM:

L. WILLIAM SEIDMAN



SUBJECT:

New York Emergency Financial Control  
Board May 18, 1976 Resolutions

Two resolutions adopted by the Emergency Financial Control Board at its meeting on May 18, 1976 are attached for your information. The resolutions concern: (1) general wage and salary policies applicable to collective bargaining agreements of the City and covered organizations during the emergency period; (2) the conditions and limitations of the Board's approval of the collective bargaining agreement between the New York City Transit Authority and the Transport Workers Union of America and the Amalgamated Transit Union.

Attachment



RESOLVED, that the Board adopts the following general wage and salary policies which shall be applicable, during the emergency period or until such earlier time as the Board shall determine, to collective bargaining agreements of the City or covered organizations:

- 1.) No agreement shall provide for general wage or salary increases or increases in fringe benefits.
- 2.) No agreement shall provide for increases or adjustments to salaries or wages, including those based upon increases in the cost of living, unless such increases or adjustments are funded by independently measured savings realized, without reduction in services, through gains in productivity, reductions of fringe benefits or through other savings or other revenues approved by the Board, all of which savings shall be in addition to those provided for in the financial plan.
- 3.) Each agreement shall provide for a mechanism to permit savings in pension costs or other fringe benefits during the term of agreement.

FURTHER RESOLVED, that to the extent that the collective bargaining agreement recently negotiated by the Transit Authority does not give effect to the general wage and salary policies herein adopted, the Board will establish such conditions and limitations on the performance of such agreement as shall be necessary to insure that such agreement does give effect to the wage and salary policies herein adopted.



WHEREAS, the Emergency Financial Control Board on April 30, 1976 received and took under consideration proposed collective bargaining agreements (hereinafter the "contracts") between the New York City Transit Authority as employer and the Transport Workers Union of America and the Amalgamated Transit Union representing the hourly rated employees of the Transit Authority and the hourly rated and clerical employees of the Manhattan and Bronx Surface Operating Authority; and

WHEREAS, after due consideration the Board decided that it could not approve the contracts as submitted, requested the Authority to submit revised contracts that would guarantee the City no adverse impact on its financial plan and no new cost to the State, and assigned Stephen Berger, Executive Director of the Board and John Zuccotti, First Deputy Mayor of the City of New York to observe and report on the Authority's meetings with the Unions; and

WHEREAS, the observers report that no contract revisions have been made, the Unions contending that joint good faith implementation of the productivity provisions of the contracts will generate savings in operating costs at least sufficient to meet any reasonably foreseeable increase in the cost of living allowances provided by the contracts and that the contracts as submitted satisfy the requirements fixed by this Board in its April 30 resolution; and



WHEREAS this Board, without reflection on the good faith of the Transit Authority and Unions, may not under its statutory responsibilities and in view of the serious financial crisis faced by the City and the Transit Authority, approve collective bargaining agreements which will increase the take home pay and the cost of fringe benefits of the employees, without ensuring that the payment of such increases has no adverse impact on the City's financial plan or on the financial plan submitted by the Authority; it is therefore

RESOLVED, that the proposed contracts are hereby approved and returned to the parties for execution and performance subject to the following conditions and limitations:

1. The cost-of-living adjustments ("COLA") provided by the proposed contracts shall be calculated and paid at a rate of one cent per pay hour for each full four-tenths (0.4) of a point increase in the consumer price index, rather than at the rate specified in the proposed contracts. The difference between the rate so approved and the rate specified in the contracts is deferred.

2. Payments of COLA made under the proposed contracts and these conditions and limitations, shall not be deemed part of wages or compensation for the purpose of computing pension contributions of either an employee or the Transit Authority or in fixing any rights, benefits or allowances of an employee or his beneficiaries under the retirement systems or plan to which he belongs, but shall be included for all other purposes covered by the contracts.



3. No COLA shall be paid for increases in the cost-of-living index during the 1976 calendar year which exceed 6 per cent of the CPI for December 1975 (i.e. a maximum increase of 25¢ per hour over the 22¢ paid as of March 31, 1976), or for increases during the 1977 calendar year which exceed 6 per cent of the index for November 1976. Any difference between the COLA paid pursuant to this paragraph and the COLA calculated pursuant to the provisions of the contracts is deferred.

4. Payments of COLA during any period specified in the proposed contracts may be made only from funds available from actual accrued productivity savings, exclusive of reductions in service. However, payment of the COLA due July 1976 may be made upon certification by the Transit Authority that the Steering Committee and the Joint Productivity Working Committees designated in the contracts are cooperating constructively in developing more effective, more efficient and more economical utilization of the Authority's employees and facilities, and that productivity savings are definitively scheduled to provide sufficient funds to pay said COLA.

For each subsequent period designated for COLA payments in the contracts, the Transit Authority shall determine prior to the beginning of each month whether or not the productivity savings are sufficient to make the COLA payments during such month; and if the Transit Authority so finds, it shall certify this fact to the Board and make the required COLA payments. If the Transit





Authority determines that the savings are not sufficient, the Unions may contest this determination before the Impartial Arbitrator provided for in the contract. If the Impartial Arbitrator determines that productivity savings are sufficient, the Authority shall make the required COLA payments.

The Transit Authority may, in its discretion, subject to review by the Impartial Arbitrator, make COLA payments subject to productivity savings in the various represented entities, namely, in the Manhattan and Bronx Surface Transit Operating Authority, in the TWU represented unit in the Transit Authority, in the ATU unit in Staten Island, and in the ATU unit in Queens.

However, the Board reserves to itself the right to make the final determination as to whether or not the savings pursuant to the productivity provisions of the contracts are adequate to warrant COLA payments. The Board shall monitor the productivity agreements through its duly designated representative, the Special Deputy Comptroller for the City of New York. The Board may, at any time, suspend all or part of the payment of the COLA if it has reason to believe that the productivity savings cannot sustain the payments.

5. The retroactive and prospective payment by the Transit Authority of annual and semi-annual wage increments as provided in the proposed contracts is hereby approved. Payment by the Transit Authority of the COLA under its prior contracts with the unions is hereby approved and continued payment of the COLA, under



the conditions of its prior contracts, in an amount equal to 22 cents per pay hour, during the term of the proposed contract is hereby approved.

6. As to the deferred items, the Board provides that if on March 31, 1977, the monies accumulated by productivity savings are in excess of the amounts needed to defray the cost of the 0.4 cost-of-living adjustment, the TA may, consistent with its then existing overall financial condition, recommend to this Board the use of a portion of these surplus productivity savings (a) to pay the difference between the rate of the COLA as herein limited and the rate provided in the proposed contracts (either retroactively or prospectively or both) and or (b) any COLA deferred by reason of the 6% limitation imposed in #2 above. For the contract period subsequent to March 31, 1977, a similar review may be made on or after January 1, 1978. The Board reserves the right to determine whether the portion of the surplus recommended to be allocated to these payments is consistent with the Transit Authority's overall financial condition as well as what payments may be made.



7. The Transit Authority, under the productivity agreement, will seek to maximize those savings which will eliminate as far as possible, the inclusion in pension costs of other than the basic wage rate of retiring employees. To this end the Transit Authority shall exercise close administrative control as to overtime and overtime distribution; sick leave, sick leave pay and related costs and the distribution of vacation periods over a calendar year.

8. The Transit Authority is directed to insure that payments for salaries and wages, including payments of cost-of-living adjustments as hereby limited, do not exceed the amount budgeted for such purpose in the financial plan submitted to this Board.

RESOLVED FURTHER, that the suspension of salary or wage increases and other payments imposed by Section 10 of the Financial Emergency Act and extended by action of this Board is hereby terminated to the extent necessary to permit the Transit Authority to make payments under the proposed contracts in accordance with the conditions and limitations specified above.

