4 The Rise of Federal Employees as an Interest Group: The Early Years

4.1 Introduction

We are interested in the evolution of the civil service system as an institution for governing the employment and administration of the federal civilian labor force. In chapters 2 and 3, we emphasized the incentives that federal politicians had to change the process by which government employees were hired from purely patronage to a merit system. The process of institutional change, initiated by the president and the Congress in the creation of the classified service in 1883, however, changed relative prices in ways that affected the subsequent development of the civil service system.[1] In particular, the establishment of the merit service raised the benefits and lowered the costs to federal employees of organizing into labor unions. As such, federal employee unions and related lobby groups became a third party with an important stake in the further development of the civil service system. The classified service became a well-defined, distinct group among federal employees. These employees were hired and promoted on the basis of merit, and, as their positions became more permanent than they had been under patronage, they had a greater interest in organizing to ensure that the terms of the federal labor contract were to their benefit. Under the civil service system, it became easier for federal employees to organize. Where under patronage federal workers had identified with their political mentors and hence were fragmented, under the classified service they began to identify themselves as a distinct and more unified group. This facilitated the successful formation of federal employee unions, which could lobby Congress for legislative adjustments to the civil service system.

The rise of federal workers as a party interested in the institutional development of the civil service system suggests that the system would gradually assume attributes other than those strictly desired by the president and the Congress.[2] This element is overlooked in much of the current literature concerning

the development of the civil service system. The role played by federal workers in the design of their own compensation systems and personnel rules is either ignored or, if acknowledged, portrayed as having had force only after President Kennedy signed Executive Order 10988 in 1962, which allowed unions limited collective-bargaining rights (see Levitan and Noden 1983; Freeman 1986). We believe, however, that federal employees were critical in the earlier development of the civil service system and that, without incorporating them as a third bargaining party in institutional change, the evolution of the system cannot adequately be explained. These issues are examined in this and the next chapter.

4.2 The Rise of Federal Employee Labor Unions

Prior to the 1880s, the federal labor movement was splintered and limited. With civilian employment based on patronage appointments, job tenure was short, and federal workers owed allegiance to their mentors. As a consequence, there was little shared sense of collective interests among federal workers. Under these conditions, there was no significant organized labor movement among the federal government's employees, and federal labor unions were virtually nonexistent (Nesbitt 1976, 3–80). Conditions began to change with the growth of the classified civil service after 1883. The growing interest among federal workers in forming labor unions after the Pendleton Act was passed was commented on by Sterling Spero, an early student of federal labor unions: "Gradually, as the patronage of these lower positions disappeared, Congressmen and politicians generally began to lose interest in the post office clerks and carriers, and these workers, thus thrown to their resources, soon found it necessary to unite among themselves in order to protect their interests and improve their lot. Besides, with their positions now made 'permanent', postal employees saw that they had a stake in the service and in good working conditions which they had not had before. Previously a man was in a government job one year and out of it the next, and it did not make very much difference if working conditions did leave much to be desired. But now these men began to feel that they were in the service to stay. . . . The organized movement among postal workers was the natural outcome of this changed situation" (1927, 61).

Indeed, one of the earliest efforts of organized civil service employees was to strengthen and expand their newly acquired independence through the merit system. The National Association of All Civil Service Employees was formed in 1896 to promote the extension of the classified service and additional civil service reform, such as the adoption of grievance procedures and the granting of greater job security (Spero 1927, 61).[3] At the association's first convention, a resolution was passed emphasizing that "the employees of the Classified Civil Service . . . do not . . . owe any duty to any political party, nor to any political leader. They are in no sense the private employees of any officer of the Government" (Spero 1948, 171). The association's lobbying efforts for additional

changes in civil service rules after 1896 led to tension between the organization and the U.S. Civil Service Commission. The Civil Service Commission was appointed by the president under the provisions of the Pendleton Act to develop and administer civil service rules. The emerging differences between the commission and the association reflected the newly separate interests of the president and the Congress, on the one hand, who were responsible for the creation of the merit system, and the recently organized group of classified employees, on the other.

With the assistance of private-sector labor unions, such as the Knights of Labor in the late nineteenth century and the American Federation of Labor in the twentieth, classified employees began to form more traditional unions that also lobbied Congress for legislation regarding job classification and security, salaries, hours of work, workers' compensation, and retirement benefits. As the civil service share of federal employees grew and union membership expanded, federal unions, with the assistance of organized labor, became influential in obtaining new laws setting salaries and in designing administrative rules affecting working conditions.[4] Federal unions opened their headquarters in Washington, D.C.: they drafted laws for the classified service, carefully followed legislation that affected them, and appeared at committee hearings to advocate or oppose bills; they gave testimonial dinners for congressional supporters, issued honorary union memberships, and had influential members of Congress, especially the chair of the Civil Service Committee, address their national conventions. Federal unions also became active in political campaigns to promote their supporters and oppose their adversaries.

As the classified service grew in the twentieth century, the unions that formed were general ones, such as the National Federation of Federal Employees (NFFE), organized in 1917, and the American Federation of Government Employees (AFGE), organized in 1932, both affiliated with the American Federation of Labor (AFL). Most of the early unions, however, were more narrowly focused, involving postal workers, the largest group of federal employees. For example, in 1891, 63 percent of all executive branch civilian employees worked for the Post Office Department.[5] Local assemblies of letter carriers were established through the Knights of Labor in New York, Chicago, and other cities in the late 1880s. In 1890, the National Association of Letter Carriers and the National Association of Post Office Clerks were formed (Perlman and Taft 1935, 163–65). Railway postal clerks organized nationally in 1891 as the Railway Mail Association. Other federal unions included the National Federation of Post Office Clerks, organized and chartered by the AFL in 1906, and the more radical Brotherhood of Railway Postal Clerks that was formed in 1911. Union membership grew after 1912 and the enactment of the Lloyd-LaFollette Act, which removed potential penalties for belonging to labor unions. Spero (1927, 45) estimated that by 1920 there were some fifty federal employee unions affiliated with the AFL and that between 50 and 60 percent of the federal civilian labor force belonged to those unions.

The Lloyd-LaFollette Act (37 Stat. 539) was passed during conflict between the Post Office Department and federal postal unions over pay legislation that was under consideration in Congress. The conflict between the Post Office Department and the postal unions, as well as related efforts of the unions to influence other legislation in the early twentieth century, illustrates the growing role of federal employees in defining the structure of the civil service system.

After 1900, a variety of issues, ranging from salaries, hours of work, and pension provisions to actions for improving productivity, were raised by the postal unions and the Post Office Department. In general, the department was hostile to the new employee unions, and it often took a strong stand in opposing their lobbying efforts. The official view was that government workers were to be like soldiers and be independent of unions. As early as 1895, the Post Office Department attempted to limit the activities of postal employees to influence legislation. Postmaster General William L. Wilson issued the order "that hereafter no Postmaster, Post-office Clerk, Letter Carrier, Railway Postal Clerk, or other postal employee, shall visit Washington, whether on leave with or without pay, for the purpose of influencing legislation before Congress" (quoted in Spero 1927, 85–86). The penalty for violation was dismissal.

By the turn of the century, postal salaries had declined in real terms, and various bills were under consideration in Congress for reclassifying positions and raising salaries. The legislation was, however, opposed by the Post Office Department and the chair of the House Post Office Committee, Representative Eugene Loud of California. Following intensive lobbying efforts by postal unions for the legislation, President Roosevelt issued the first of his gag orders on 31 January 1902, forbidding lobbying activity on pay or related issues, again with penalty of dismissal (Spero 1927, 97). The postal unions opposed the gag order, and the president's intervention offended Congress. Additionally, the unions organized an election campaign against Congressman Loud, whose committee position gave him virtual veto authority over any postal legislation. The postal unions, along with help from the AFL, were successful in contributing to Loud's defeat in the 1902 election (Spero 1927, 99). This demonstration of political muscle could not have been overlooked by other members of Congress. The role of federal employees in the election was investigated by the U.S. Civil Service Committee, which found that they had overstepped civil service rules, but no disciplinary action was taken (Spero 1927, 100).

The Post Office Department continued to resist the formation of postal unions and the influence that they attempted to exert on civil service work rules and salaries. In 1905, Postmaster General Cortelyou stated that labor organizations would have the sanction of the department only if they had as their object "improvements in the service or [were] of a purely fraternal or beneficial character. With any other purpose in view they are detrimental to the service, their members and the public" (quoted in Spero 1927, 110). Faced with opposition from the department and the president, the unions began to agitate against the gag orders to facilitate their access to Congress. President Roosevelt reacted

by changing the tenure rule put into place by McKinley in 1897 in order to permit the removal of employees without notice. Under McKinley's earlier executive order, removals had required justification, notice, and an opportunity for employee response (U.S. Civil Service Commission, *Annual Report,* 1904, 69–70). President Roosevelt then reissued the gag order in January 1906 to reemphasize the restrictions on federal employee's access to members of Congress. Under the presidential directive, all communication with Congress was to be through executive branch department or agency heads.

With declining relative pay, labor turnover in the Post Office Department rose in 1906 and 1907. The department responded with a reclassification bill, creating six salary grades for clerks and carriers with automatic promotions within the lower grades to raise salaries (Spero 1927, 114–15).[6] The National Association of Letter Carriers demanded more, and the organization's president, James Holland, traveled to Washington, D.C., to convince Congress to amend the bill with more favorable promotion and pay provisions. The lobbying by the carriers' association was successful, and the Reclassification Act of 2 March 1907 (34 Stat. 1205) contained the promotion and salary schedule desired by the union. Nevertheless, for ignoring the gag order, Holland was fired by President Roosevelt as head of the Association of Letter Carriers (Spero 1927, 115).

Discontent with the gag orders and their restrictions on appeals to Congress continued to grow. On 26 November 1909, President Taft issued a new order as part of an efficiency and economy drive. The prohibition against responding to congressional requests for information was to be more strictly enforced, as evidenced by the dismissal of Chief Forester Gifford Pinchot for violation of the gag order. In 1911, the Brotherhood of Railway Postal Clerks was formed to carry the demands of postal workers to Congress more aggressively. As relations deteriorated between the department and its unions, members were demoted or dismissed. The AFL presented the legislation to Congress to limit the power of removal over civil service employees and to guarantee their right to organize labor unions that became the Lloyd-LaFollette Act (Spero 1927, 146, 158–68). President Taft and executive branch department heads intensely opposed the legislation, and Taft modified the gag orders to make them more palatable. Even so, Congress overwhelmingly passed the Lloyd-LaFollette bill as an amendment to the Post Office Appropriations Act on 24 August 1912. The law prohibited removal of civil service employees, except for efficiency reasons, and required written notices and an opportunity for rebuttal. Under the new law, membership in labor unions was not to be a reason for reduction in pay or removal.[7]

In 1913, the new postmaster general Albert S. Burleson continued to oppose unions and union interference in the administration of the Post Office Department. Cost-cutting measures were adopted, including a merit-demerit system, a reduction in the number of postal clerks, and adjustments in the way in which salaries were calculated, leading to some reductions. Burleson also unsuccess-

fully attempted to contract out the rural mail service, a move that he argued would save the government $13 million a year. Postal unions were quick to respond by lobbying Congress to thwart the measure (Spero 1927, 201). Additionally, when Postmaster General Burleson attempted to have the Lloyd-LaFollette Act repealed in 1917, intense lobbying efforts by federal unions and the AFL led to the defeat of the repeal effort (Spero 1927, 213–28).

Postal unions continued to pressure Congress for salary legislation despite opposition from the Post Office Department. The Postal Reclassification Act (41 Stat. 1045) was passed on 5 June 1920, and it defined a new series of salary grades (Spero 1927, 206–7).[8] Later in 1924, to show its gratitude to Senator LaFollette, the National Federation of Post Office Clerks vigorously supported his presidential candidacy (Spero 1948, 47). The political actions of federal unions in mobilizing their members and furthering their interests were exemplified by the letter sent by W. M. Collins, president of the Railway Mail Association, to association members in 1932. The letter described how candidates had voted on issues affecting postal clerks and declared that it was "entirely proper" that "you should remember your friends on election day" (Spero 1927, 47–48).

4.3 Changes in the Civil Service System in Response to Actions Taken by Federal Employee Groups

4.3.1 Salaries

As noted earlier, by 1900 federal employee salaries were declining in real terms relative to those earned by private-sector workers. Given the provisions of the Pendleton Act and the expanded coverage of federal workers under the merit system, this decline in salaries could be expected. Federal workers were becoming less valuable assets for members of Congress.

Patronage workers had been an important source of campaign contributions for members of Congress, and, even after the enactment of the Pendleton Act, they could still make voluntary contributions. That act, however, forbade the levying of assessments on classified federal employees by politicians, and the Civil Service Commission investigated allegations of extortion and enforced this provision of the law. Since classified workers could no longer effectively be coerced into paying assessments, both the president and members of Congress had little incentive to maintain the relatively high salaries that had previously compensated workers for making these contributions.

Under nineteenth-century compensation arrangements for federal employees, agency heads had considerable discretion in deciding where a particular worker would be placed.[9] The Pendleton Act did not distinguish between classified and unclassified employees in terms of pay, and the basic compensation schedules remained unaltered by the law. There is no evidence that patronage or merit workers in similar positions received different pay. Recall that entire

facilities were made eligible for merit coverage whenever employment reached the prescribed limit (initially fifty, later twenty). This procedure meant that individuals in comparable jobs but at different size facilities would be under patronage in one case and merit in another. When the share of patronage workers (those available for direct partisan manipulation and assessments for campaign contributions) was large, Congress would desire to maintain relatively high pay for federal workers; hence, average salaries would be high. As the share of patronage employees dropped, however, the desire within Congress to maintain those salaries would dissipate. Accordingly, as the share of classified workers increased, relative pay for federal employees would be expected to fall.[10] In this section, we examine the available evidence regarding the pattern of federal salaries from the late nineteenth century through 1926. We also investigate attempts by federal employee unions to raise pay levels.

Available quantitative and qualitative evidence from various sources indicates that, from 1883 through 1917 and the advent of World War I, the relative salary level of federal employees fell. John R. Commons, (1935, 70) argued that the position of federal employees deteriorated in the late nineteenth and early twentieth centuries as nominal salaries remained generally constant but consumer prices rose, especially after 1910. He noted that nominal wages for postal employees were almost unchanged from 1895 to 1907 and that their purchasing power dropped by 26 percent during that period. Similarly, Spero (1927, 33, 96) discussed the lack of change in federal pay schedules and the fall in real incomes for postal employees after the turn of the century.[11]

It is possible to compare the patterns of federal and private pay, using data compiled by Paul Douglas (1930). Douglas provided average wages for various private-sector industries and the federal government as well as the relative weights used for computing an all-industry average wage that includes federal government wages.[12] Using these weights and individual industry data, we can calculate the average salaries for the private and government sectors. Table 4.1 provides the relevant average wage data for the private sector and the federal government from 1900 through 1926 and the ratios between the two.

The data in table 4.1 indicate that, between 1900 and 1917, nominal regular federal salaries rose by 25 percent, postal salaries by 30 percent, but private salaries by 63 percent. At the same time, however, the all-item CPI index rose by 54 percent (U.S. Department of Commerce, 1975, 211). Hence, government employees lost ground in real terms. The decline in their relative position is revealed by the ratios of federal to private pay. The comparatively better average weekly salary position of federal employees compared with those in manufacturing, coal mining, railroads, farming, and the building trades (the components of the private index) in 1900 is shown by the ratios of federal to private salaries in columns 4 and 5. Moving toward 1920, however, there is a noticeable fall in the size of the ratios. Federal employee salaries, in general, did not keep pace with increases in salaries elsewhere in the economy, particularly in the building trades, railways, coal mining, and manufacturing.[13] There was a

Table 4.1 **Federal Government/Private-Sector Average Weekly Salaries, 1900–1926**

Year	Federal ($)[a]		Private Sector ($)[a]	Ratio Federal to Private	
	Regular	Postal		Regular	Postal
1900	19.87	17.79	11.57	1.72	1.54
1901	20.13	18.00	11.75	1.71	1.54
1902	20.40	17.96	12.18	1.67	1.47
1903	20.52	17.85	12.66	1.62	1.41
1904	20.50	17.90	12.79	1.60	1.40
1905	20.62	17.98	12.97	1.59	1.39
1906	20.85	17.71	13.47	1.55	1.31
1907	21.04	18.15	13.89	1.51	1.31
1908	21.19	18.98	13.70	1.55	1.39
1909	21.27	19.63	13.88	1.53	1.41
1910	21.31	20.17	14.22	1.50	1.42
1911	21.46	20.60	14.39	1.49	1.43
1912	21.69	20.98	14.85	1.46	1.41
1913	21.85	21.62	15.21	1.44	1.42
1914	21.92	22.25	15.28	1.43	1.46
1915	22.15	22.35	15.39	1.44	1.45
1916	23.29	22.60	16.69	1.39	1.35
1917	24.90	23.21	18.91	1.32	1.23
1918	26.54	25.75	23.66	1.12	1.09
1919	29.23	31.12	26.94	1.08	1.16
1920	31.69	35.46	33.19	.95	1.07
1921	30.63	35.96	30.72	1.00	1.17
1922	31.25	35.46	29.40	1.06	1.21
1923	31.88	35.96	31.49	1.01	1.14
1924	32.85	37.19	32.75	1.00	1.14
1925	34.15	39.44	33.27	1.03	1.19
1926	34.79	40.92	33.88	1.03	1.21

Source: For the private industry salary averages, data were assembled from the "all manufacturing" data provided in Douglas (1930, 130); building trades (p. 137); coal mining (pp. 143, 162) (because combined anthracite and bituminous data begin with 1902, 1900 and 1901 include average wages from only bituminous coal mining); railway workers (p. 168); and farm labor (p. 186). The relative weights used to calculate the private-sector average are provided on p. 204.

[a]Current dollars.

rebound, beginning approximately in 1920, and postal employees did comparatively better than other federal employees. Federal postal unions organized earlier and were able to secure separate legislation for salaries and work rules as the twentieth century progressed.[14]

There are other indications of the deterioration in the salary position of federal employees. In 1916, the secretary of commerce reported a relative decline in the wages of government clerks that was making it increasingly difficult to fill government positions (see Johnson 1940, 25). Data compiled by Mary Conyngton on separation rates for federal workers reveal a similar pattern. Vol-

untary separation rates rose from 6.6 percent in 1909, to 12.5 percent in 1913, to 19.4 percent by 1917 (Conynton 1920, 15–20). Conyngton claimed that the documented rise in voluntary separations from the federal government labor force was due primarily to the deterioration in relative salaries of federal employees.

Given the comparative decline in federal salaries in the early twentieth century, federal unions had incentives to lobby for legislation to increase their salaries. The National Association of Letter Carriers, the National Federation of Federal Employees, and other federal unions actively promoted legislation, such as that in 1907, 1920, and 1923 for position reclassifications and opportunities for higher salaries.[15] These laws, especially the Classification Act of 1923, set the stage for gradual wage improvement, and by 1926, Spero could claim, most federal employees were paid more than their private-sector counterparts (Spero 1927, 31).

In lobbying for salary legislation, federal unions favored automatic salary increases and opposed efficiency ratings as a basis for pay adjustments. The president and the Congress, with interests in the effective provision of federal services, wanted salaries to reflect productivity, but such payment schemes could be divisive, and they relied on the discretionary actions of agency officials. As a result, federal employee unions had much less incentive to support those arrangements. Their generally successful efforts in opposing the widespread use of production ratings and supporting more automatic salary increases again reveal differences in the motivation of employee unions and that of the president and the Congress in the development of civil service rules.[16]

The Post Office Department, for example, attempted various standards of performance and demerit systems, beginning in 1910, which were opposed by federal unions. An example is one initiated in 1916: "Comparative ratings shall be given, on a scale of one hundred on the quantity of work the employees turn out. Such ratings shall be based on observations of the employee's work. . . . Clerks and carriers who set the standard for the office with relation to the work performed shall be rated one hundred. No employee shall be promoted to the $1,200 grade if his rating is less than 90 percent" (Spero 1927, 136–37, 190–91, 194). Similarly in 1914, the department attempted to drop the mileage basis for compensation for rural mail carriers and to replace it with a productivity measure that considered the number of pieces carried, the time required, and the weight of mail. The National Rural Letter Carriers' Association appealed to Congress with a bill defining mandatory salaries on twenty-four-mile routes (Spero 1927, 200–201). Across-the-board salary raises of $200 per grade were granted by Congress in 1918 (40 Stat. 742), with political pressure exerted by the postal unions to overcome opposition by Postmaster General Burleson (Spero 1927, 203).

In 1919, the Joint Commission on the Reclassification of Salaries was established to investigate possible salary structures and position classifications for the general classified service. One of the advisory groups consulted by the

Reclassified Commission was the National Federation of Federal Employees. The direct involvement of federal unions in setting federal employee salaries through legislation, as illustrated by the consultation with the NFFE, became an established part of the civil service system. The Reclassification Commission, with input from federal labor unions, issued its report in March 1920 (see U.S. House of Representatives 1920) calling for major reclassifications of all federal positions (Baruch 1941, 45–50). This report was criticized by the Bureau of Efficiency in the executive branch as an infringement on that agency's efforts to promote greater productivity and to lower costs in the federal government. The commission's recommendations were also opposed in the Senate for encouraging higher federal salaries (Spero 1927, 202–7; Spero 1948, 182–85; Van Riper 1958, 278–79, 296–97).[17]

The most important law regarding position classification and salaries for the general federal labor force was the Classification Act of 1923 (42 Stat. 1488).[18] The law created a Personnel Classification Board with three members, one each from the Civil Service Commission, the Bureau of Efficiency, and the Bureau of the Budget. This specific arrangement was opposed by the NFFE because it placed too much power in the hands of the Bureau of Efficiency and the Bureau of the Budget and assisted their efforts to reduce costs. Federal unions, however, endorsed the new classification of federal employee positions in Washington, D.C., as established by the law. These were gradually extended to the field service after 1923 (Baruch 1941, 58–59). The new position classifications included the professional and scientific service, the subprofessional service, the clerical, administrative, and fiscal service, and the custodial service. Each service was subdivided into between seven and fourteen grades, with a fixed salary range for each. The use of efficiency ratings was authorized by the law, but subject to review by the Personnel Classification Board. This was the first major legislation for uniform job positions, salaries, and promotions in the federal government, goals increasingly desired by federal unions because they reduced the discretion available to agency heads and supervisors.[19]

Prior to the passage of the 1923 law, many of the pay increases, especially for nonpostal positions, were under either lump-sums appropriations, where salary changes would be determined by department heads, or statutory appropriations, where Congress assigned salary levels to particular positions. But department heads determined the duties and qualifications for each position. Ismar Baruch notes, "Congress would appropriate a certain lump sum for a particular bureau or activity. The administrative official in charge of that bureau or activity could then create as many positions as he thought were necessary at the salaries he considered were necessary. . . . The salaries of positions paid from a lump-sum appropriation could be changed at the will of the executive" (1941, 34). Under the Classification Act of 1923, salaries were to be fixed by Congress according to uniform definitions of position duties and responsibilities as outlined by the Personnel Classification Board (Baruch 1941, 34).

With the uniform position structure defined by statute, unions could better lobby Congress for general salary increases that would apply broadly to federal employees without intervention by the agencies involved.

4.3.2 Hours of Work

Not only were federal employees able to raise their salaries by lobbying for pay legislation, but they were also able to obtain workplace benefits generally ahead of those in the private sector. Indeed, the federal government became a model for many of these benefits, and the precedents set at the federal level assisted in the spread of these benefits elsewhere in the economy. This joint effect explains the close collaboration between federal and private-sector unions in lobbying Congress for workplace benefits for federal workers. One benefit was the eight-hour day. A shorter workday was one of the initial demands of federal employee unions. Since in the late nineteenth century most federal employees were in the Post Office Department, and since postal unions were the first to organize, the earliest legislation regarding hours of work affected classified post office employees (Nesbitt 1976, 36–37).

Among postal workers, letter carriers were particularly well organized, and they lobbied Congress for maximum-hours legislation. Letter carriers were not covered by the 1868 federal law that limited hours of work for certain laborers, workmen, and mechanics, a law that also was not enforced. In their lobbying, the letter carriers turned to the Knights of Labor to assist them in pressuring Congress. A bill was drafted by the Knights of Labor for an eight-hour workday and sent to Congress in 1886. It was opposed by the Post Office Department, and, although it passed the Senate in June 1886, the bill was not voted on in the House (Spero 1927, 64–68). The letter carriers remained active in pushing for an eight-hour law, and one was reintroduced in Congress in 1888. Both the Knights of Labor and the newly organized National Association of Letter Carriers arranged demonstrations in support of the legislation outside the Capitol Building in Washington, D.C.

These lobbying efforts were successful. Two laws were passed, the first hours-of-work legislation enacted since 1868, one on 30 March 1888 for government printers (25 Stat. 57), the other on 24 May 1888 for the letter carriers (25 Stat. 157).[20] Once the legislation was enacted, the National Association of Letter Carriers monitored the actions of the Post Office Department in order to ensure its compliance. When the department attempted to evade the law, the union sued for overtime payment in an action that led to the Supreme Court ruling in 1893 in *United States v. Post* (148 U.S. 124) that overtime must be paid (Spero 1927, 73). These actions enhanced the prestige of the union and demonstrated to other federal employees the benefits of membership.

Congress enacted additional hours-of-work legislation for laborers and mechanics in the government service in 1892 (27 Stat. 340) and 1912 (37 Stat. 137).[21] Broader coverage and more complete restrictions on maximum hours for postal employees also were enacted in 1912 as the Reilly Eight-Hour-Day

Law (37 Stat. 539) for postal clerks and carriers.[22] The legislation was in section 5 of the post office appropriations bill for fiscal year 1913. The law was drafted by the National Association of Post Office Clerks and the National Carriers Association and opposed by the Post Office Department (Spero 1927, 84). Although the letter carriers had been covered by the 1888 eight-hour law, efforts of the Postal Department to evade the law led to action by the carriers' union to obtain clearer legislation that would also provide overtime pay and automatic promotions. The 1912 law, also for the first time, gave postal clerks, who organized unions later than the letter carriers, eight-hour-day benefits (Spero 1927, 177–80).

These 1912 laws covering federal employees played an important role in advancing the eight-hour-day movement elsewhere in the economy in a number of ways. First, the laws applied to men and were broader than state legislation, which tended to focus either on women and children or on men only in specific industries.[23] Early state laws, such as those passed in Colorado in 1899 or in Utah in 1895, for example, applied only to mines and smelters and were often declared unconstitutional by state courts.[24] State governments did not pass broad hours-of-work legislation for government employees until the 1930s, and general hours legislation from the federal government to cover most private employees did not come until the 1938 Fair Labor Standards Act.[25]

Second, federal legislation set precedents for the private sector and helped create a more favorable environment for hours-of-work restrictions, which were strongly opposed by the National Association of Manufacturers and other business groups.[26] Indeed, the AFL backed legislation for an eight-hour day for federal employees, even though it preferred to negotiate such benefits for its members in the private sector rather than relying on legislation. As noted by Commons, "Special protections for this group was sought, not because of any special hazard either for the public or for the workers involved, but because of the belief that where the government was the employer, its establishment of maximum hours would be more readily approved by the public and by the courts than would laws for other groups. These public works laws, it was believed, would then serve as an entering wedge for more legislation and as an example to private employers" (1935, 542).[27] For these two reasons, the eight-hour day for federal workers was a major aim of the AFL, and its Legislative Committee prepared bills and lobbied national political parties and candidates for it, beginning in 1902 (Perlman and Taft 1935, 152–57).

After the federal eight-hour laws were enacted in 1912, there were attempts to weaken their provisions. These efforts were strongly resisted by federal unions. The opposition of the National Federation of Federal Employees, the Stenographers and Typists Union, and other unions to amendments to appropriations bills to increase the minimum daily hours of work of government employees in Washington, D.C., sponsored by Representative Borland of Missouri between 1916 and 1918, illustrates the tactics taken by the unions. Borland argued that the amendments would "put government employees on the

same workday basis as workers outside" (Spero 1948, 177). The amendments were successfully blocked in 1916 in committee after an "outpouring" of union opposition to the measures in Congress. The amendments were reintroduced in 1918 by Borland, who was running for reelection. Federal unions, assisted by the AFL, campaigned against Borland in his Kansas City district by sending members and funds to support his opponent. Borland lost, and "for years afterward, in the official magazine and in organizational leaflets, the union waved Borland's political scalp as its prize trophy" (Johnson 1940, 48).[28]

4.3.3 Workers' Compensation Provisions

Another benefit obtained by federal employees through active political lobbying of Congress for legislation was compulsory workers' compensation for injuries or death due to workplace accidents. As with the eight-hour day, federal workers' compensation provisions came earlier and were more generous than those authorized by state governments for their employees or those found in the private sector. Federal workers' compensation legislation also became a model for the states, most of which adopted such legislation after 1910 (see Lubove 1967, 263). By setting the precedent for compulsory compensation legislation, the federal government helped demonstrate that such laws were workable. This point was made during 1914 hearings in the House of Representatives: "There is no doubt but that the people of this country are completely converted to a belief in reasonable compensation legislation and look to the federal government to furnish a model system in its relations with its employees."[29]

Indeed, the link between the enactment of workers' compensation legislation by the federal government and its adoption in the private sector was seen as a direct one. President Theodore Roosevelt emphasized the leadership role of the federal government during congressional debate on the 1908 federal compensation law: "This same broad principle which should apply to the Government should ultimately be made applicable to all private employers (quoted in Nordlund 1991, 5). Further, as extensions to the 1908 law were being considered in 1912, Leonard Howland, member of Congress from Ohio, asserted that "the Federal Government should be willing to treat its own employees as well at least as it proposes to compel industrial enterprises to treat their employees" (U.S. House of Representatives 1912b, 10).

The key federal workers' compensation laws were enacted in 1908 and 1916. The 1908 federal law for compulsory compensation for injury or death, along with the 1916 extension for broader coverage, provided models for the states that enacted similar legislation between 1911 and 1930 (Paradis 1972, 212). The 1908 law (35 Stat. 556) provided compensation to artisans or laborers in manufacturing, arsenals, navy yards, rivers and arid lands construction projects, and employees of the Panama Canal Commission for injuries or death occurring in the course of employment. Under the law, an employee or his survivors received 100 percent of his salary for one year. The law was amended in 1912 (37 Stat. 74) to extend its provisions to any civilian employee in haz-

ardous work in forestry and mines. The 1916 federal workers' compensation law—the Kern-McGillicuddy bill (39 Stat. 742)—applied to all civilian employees of the federal government, and it provided benefits for total disability of two-thirds salary, with no time limit, for a maximum of $66.67 per month and a minimum of $33.33 per month; for partial disability of two-thirds of the employee's loss in earning power due to an accident with no time limit on payments; and death benefits, depending on the number of beneficiaries, of up to two-thirds salary until the children reached age eighteen. Immediate medical assistance was also provided, and the waiting period to receive benefits was three days. A U.S. Employee's Compensation Commission was created to administer the law (see also Lubove 1967, 263).

These benefits were considerably more generous than those provided in state legislation. Roy Lubove (1967, 269–70) summarized state compensation laws and pointed out that they had limited benefits and low dollar payments to the injured or to their survivors. For example, the New Jersey workers' compensation statute of 1911 required a two-week waiting period, authorized a maximum payment for total disability of 50 percent of weekly wages up to $10.00 per week for 400 weeks, provided up to $10.00 per week for 300 weeks for partial disability, and outlined death benefits of 60 percent of wages up to $10.00 per week for 300 weeks.

Federal employee unions were active in lobbying Congress for workers' compensation legislation. An examination of the records of congressional hearings on proposed federal legislation between 1908 and 1916 reveals the role of federal unions and related groups, such as the National League of Employees of Navy Yards and Arsenals, the National Association of Letter Carriers, the Federal Civil Service Society, the National Association of Bureau of Animal Industry Employees, and others, in promoting the legislation.[30]

After enactment of federal legislation in 1908 and 1916, numerous state workers' compensation laws followed. In 1921, the U.S. Department of Labor described the adoption of workers' compensation laws and pointed out that the federal government led in the enactment of broad legislation. The first state law was adopted in Maryland in 1902, followed by one in Montana in 1909; but these laws were for mining only, and the Maryland law was declared unconstitutional.[31] Table 4.2 outlines the adoption of workers' compensation legislation between 1908 and 1919. It reveals that most of the state legislation came between 1911 and 1916, with only six states having no compensation law by 1921.

4.3.4 Pensions and Retirement Benefits

Another benefit obtained by federal employees generally in advance of their counterparts in the private sector and in state and local governments was pension coverage. Pensions for classified employees were provided by the retirement law of 22 May 1920, the Sterling-Lehlbach Act (41 Stat. 614). The law was enacted after considerable lobbying by federal unions and was considered model legislation for adoption by the states. Retirement provisions became an

Table 4.2 Enactment of General Workers' Compensation Legislation

Government Unit	Year	Government Unit	Year
Federal	1908	Maryland	1914
Washington	1911	Louisiana	1914
Kansas	1911	Wyoming	1915
Nevada	1911	Indiana	1915
New Jersey	1911	Montana	1915
California	1911	Oklahoma	1915
New Hampshire	1911	Vermont	1915
Wisconsin	1911	Maine	1915
Illinois	1911	Colorado	1915
Ohio	1911	Pennsylvania	1915
Massachusetts	1911	Federal	1916
Michigan	1912	Kentucky	1916
Rhode Island	1912	South Dakota	1917
Arizona	1912	New Mexico	1917
West Virginia	1913	Utah	1917
Oregon	1913	Idaho	1917
Texas	1913	Delaware	1917
Iowa	1913	Virginia	1918
Nebraska	1913	North Dakota	1919
Minnesota	1913	Tennessee	1919
Connecticut	1913	Missouri	1919
New York	1913	Alabama	1920

Source: U.S. Department of Commerce and Labor (1921, 13).

aim of federal employees after 1890, and, beginning in 1900, every session of Congress considered at least one bill to provide for pensions for the federal civilian labor force. Postal unions were active in campaigning for retirement provisions, and they periodically worked to defeat those members of Congress who opposed the legislation (Spero 1927, 270–83). Additionally, the U.S. Civil Service Retirement Association and the National Association of Civil Service Employees were formed, in part, to lobby for federal retirement legislation.[32] Congressional debate between 1900 and 1920 over federal pension provisions centered on the government's share of pension contributions and whether the federal government should assume new financial commitments of this scale.[33] Federal unions maintained pressure on Congress. By 1912, the Republican party platform endorsed pensions for civil service employees, and the Democratic party followed suit in its 1916 presidential platform (see U.S. Senate 1918, 5). The U.S. Civil Service Retirement Association, the National Association of Civil Service Employees, and the Letter Carriers Association joined forces to organize the Joint Conference on Retirement, which successfully lobbied Congress for passage of the 1920 retirement law. Other organizations supporting the legislation included the Railway Mail Association, the National Federation of Federal Employees, and the National Federation of Postal Employees.[34]

Part of the support of Congress for federal pension legislation was based on an efficiency drive following World War I. With tenure for civil servants, the federal government had accumulated a large number of older employees who were perceived to be less productive than younger workers. Pension benefits were viewed as a means of encouraging their retirement (see U.S. Senate 1918, 5; U.S. Senate 1919a, 3). Under the law, all classified civil service employees qualified for a pension after reaching age seventy and rendering at least fifteen years of service. Mechanics, letter carriers, and post office clerks (the most organized employees) were eligible for a pension after reaching age sixty-five, and railway mail clerks were eligible at age sixty-two. The ages at which employees qualified were also mandatory retirement ages, although an employee could be retained for two years beyond the mandatory age if the department head and the head of the Civil Service Commission approved. All eligible employees were required to contribute 2.5 percent of their salaries toward the payment of pensions. Pension benefits were determined by the number of years of service. Those who had served thirty or more years (class A employees) could receive 60 percent of their average annual salary during the last ten years of service. On the other hand, those who had more than fifteen years of service but fewer than eighteen years of service (class F employees) could receive 30 percent of their average annual salary during the last ten years of service.[35]

The 1920 Federal Retirement Act was considerably more generous than either state government or private pension provisions at the time. When the act was passed, only Massachusetts had a civil service retirement plan, which had been adopted in 1911.[36] The Massachusetts plan required all employees to contribute up to 5 percent of their salaries to a pension trust. Retirement was possible at age sixty and mandatory at age seventy. At retirement, the state purchased an annuity in the retiree's name equal to twice the value of the employee's accumulated contribution.[37] This amounted to 50 percent of each employee's pension. The federal government's contribution under the 1920 law, however, was approximately 67 percent.[38] Similarly, there were fewer than 300 nonfarm, private-sector pension plans in the United States in 1920. These plans covered around 10 percent of the civilian labor force, but the lack of funding and tight vesting restrictions meant that only a small portion of those workers ever received a retirement benefit.[39] Few private-sector plans matched the federal government's minimum pensions of from $180 (class F employees) to $360 (class A employees) for comparable years of service.[40]

4.4 Summary

In chapters 2 and 3, we emphasized the roles of the president and the Congress in the establishment and subsequent modification of the federal civil service system. Even so, there are other important attributes of the civil service system that are not so clearly in the interest of the president or the Congress. Relatively high salaries for lower-level employees, a compressed salary distribution compared with the private sector, near automatic promotions, and strict

tenure rules are attributes of the current federal civil service system. Understanding why they were added requires going beyond the president and the Congress to an investigation of the role played by federal employee unions in lobbying for legislation in their interest. Indeed, automatic promotions, rather than those based on efficiency ratings, were at first opposed by the president and the Congress. As we point out early in this chapter, the creation of the merit system helped unite an otherwise fragmented federal civilian labor force. As the classified share of federal employees increased, more and more of these federal workers began to view themselves as distinct groups with a long-term interest in their jobs and labor contracts. The outcome was the rise of federal employee unions after 1883.

Federal employees became active in lobbying Congress for legislation recognizing the right to join unions and to lobby Congress without penalty of dismissal (Lloyd-LaFollette Act). They worked to raise their salaries, which had declined compared to those in the private sector after 1883. After 1920, the relative deterioration of federal salaries was reversed. Through other legislation, federal employees obtained additional workplace benefits before their private-sector counterparts, including the eight-hour day, comparatively liberal workers' compensation coverage, and more extensive pension provisions.

We have emphasized that, in their lobbying efforts, federal employee unions received important support, first, from the Knights of Labor and, later, from the AFL and other organized labor groups because the benefits received by federal workers could set useful precedents for other labor markets. Some federal unions were part of the AFL, such as the National Federation of Federal Employees and the National Federation of Post Office Clerks, so that coordination was natural. In addition, after 1905, the AFL began to look to legislation as a means, along with traditional contract negotiations, to advance the general goals of organized labor (Weinstein 1967, 159–65). Lobbying for legislation affecting federal employees became part of a broader legislative initiative of the AFL.

In the following chapters, we examine the further modification of the federal civil service system after 1930 by the president, the Congress, *and* federal unions. We conjecture as to why the lobbying efforts of federal employees appear to have been so successful, directing the development of the civil service system in ways beneficial to their interests.

Notes

1. Indeed, an understanding of the process of institutional change requires a recognition that, as relative prices change, new parties will be attracted to and seek to mold an institution to suit their needs. For an interesting study of how sugar import controls induced new interest groups (corn growers) and technology (corn sweeteners) with as

much at stake in the regulation as the original parties (domestic sugar growers and processors), see Krueger (1991).

2. The president and members of Congress, as well as some voters, may have foreseen the short-term effects of the civil service system as it was being assembled. But we are examining institutional development over a 100-year period, and politicians concerned with reelection necessarily focused their attention on short-term factors that affected critical constituents. These politicians had little incentive to follow the much longer-term development of the civil service system.

3. Johnson comments, "No motivation of civil service unions is stronger than the desire to maintain and extend the merit system. In some cases, where jobs are unstable and unclassified, union activity takes the form of maneuvering for new projects, transfers, or reemployment lists, all for the purpose of preserving employment. But in most cases union efforts are directed toward maintenance of the merit system where it now applies and extension of it to practically all exempted areas. . . . Relative to spoils, unorganized employees have to some extent taken over the watch-dog functions performed by the civil service reform groups" (1940, 38).

4. Johnson (1940, 23–26) argues that federal unions played a critical role in the development of civil service legislation and practices. In a more contemporary setting, Freeman (1986, 42) argues that public unions rely more on political influence than do private unions. They are both employees and voters and, hence, can influence the demand for government services.

5. U.S. Department of Commerce (1975, 1103). For discussion of the political activity of federal employee unions, see Johnson (1940, 27–37).

6. The salary grades were $600, $800, $900, $1,000, $1,100, and $1,200. Automatic promotions were authorized through $900 at second-class post offices and through $1,000 at first-class post offices.

7. During debate on the legislation in the second session of the Sixty-second Congress, the Senate did insert an antistrike provision because of its concern that union membership might lead to strikes by government employees.

8. Clerks and carriers were divided into five grades from $1,400 to $1,800 annually with $100 increments between them. This act is discussed in more detail later in the text.

9. For a detailed discussion of the pay schedules in effect during the period both before and after the passage of the Pendleton Act, see Baruch (1941).

10. An observed pattern of deterioration in the relative salary position of federal workers in the early period of the merit system is inconsistent with Horn's (1988) discussion of the motivation for civil service rules. Although Horn briefly examines the origins of the civil service system, he argues that the relatively high salaries and tenure protection currently observed for federal employees are reflections of an efficiency wage. According to Horn's agency explanation for civil service rules, Congress would provide high salaries in order to maintain and motivate the federal labor force. This, however, does not appear to have been the case during the initial forty years of the civil service system, when federal salaries seem to have declined compared to the private sector. Further, as we outline here and in subsequent chapters, the subsequent rise in federal salaries owes more to the lobbying activities of federal unions than to a desire of Congress to provide an efficiency wage.

11. For discussion of the decline in the relative wage of federal employees and associated problems of retention, see also Van Riper (1958, 243).

12. Unskilled labor is not included in the averages for either the private sector of the government. Although Douglas provides wage day information for unskilled workers in various industry groups, there are no comparable data for the federal government sector.

13. Only farm laborers did not outpace federal employees (see Douglas 1930, 130, 137, 162, 168, 186, 193).

14. Spero (1927) describes the actions of postal unions and specific classification and wage legislation obtained by them. Van Riper (1958, 273–74) points to the success of federal postal unions in obtaining special legislation to address their demands. On the other hand, general federal employee unions organized later and were not as aggressive.

15. For a summary of pay legislation, see U.S. House of Representatives (1931). Johnson (1940, 44) discusses the role of the NFFE in the enactment of the Classification Act of 1923. The actions of postal unions in particular are discussed in the text.

16. Van Riper (1958, 247) notes that the use of service ratings as a basis for promotion was very limited. He claims that this was because such ratings were difficult to implement and does not mention the opposition of federal unions to the use of efficiency ratings.

17. In the Senate, Senator Reed Smoot of Utah led the criticism of the Reclassification Committee's report. For discussion of the Bureau of Efficiency, see Baruch (1941, 38–44).

18. For discussion, see Baruch (1941, 50–59).

19. Already department heads were beginning to complain about their inability to implement new work rules and pay for productivity. See statements by James Davis, secretary of labor, and Attorney General Harry Daugherty in Davis, Daugherty, and Work (1923).

20. Dankert, Mann, and Northrup state that "agitatation for enforcement of legislation covering federal employees led to the 1888 eight-hour day law for workers in the Government Printing Office and the Post Office Department" (1965, 45).

21. The latter required that contracts between the U.S. government and laborers or mechanics be limited to eight hours. Penalties were outlined.

22. Section 5 provided that, after 4 March 1913, letter carriers in the city delivery service and clerks at first- and second-class post offices would work a maximum of eight hours a day.

23. In testimony regarding the proposed Fair Labor Standards Act, Lucy Mason, general secretary of National Consumers League, stated that only eleven states had eight-hour-day legislation and that most laws applied only to women (see U.S. Senate 1937, 403). Goldin (1988, 1990) argues that state legislation enacted after 1914 defining the maximum hours of work for women generally had a minimal effect on the actual hours worked and that it also tended to apply equally to men.

24. For a summary of state efforts prior to 1912, see U.S. House of Representatives (1912a, 8–10). Commons (1935, 542) ends a summary of state legislation with the conclusion that it was fragmentary and generally not effective.

25. Dankert, Mann, and Northrup (1965, 6) claim that hours of work per week in the private, nonagricultural sector did not decline to around forty hours until 1940. They also assert (p. 45) that there was little action by state governments to provide general hours legislation until 1933. For discussion of the lag by the states in passing hours limits for men in public works between 1914 and 1932, see also Commons (1935, 547, 558).

26. As evidence of a more favorable environment, state legislation setting hours of work was sustained by the Supreme Court in 1917 (243 U.S. 426, Bunting decision; Dankert, Mann, and Northrup 1965, 47). More boldly, Paradis (1972, 64) claims that the eight-hour day gathered momentum after the federal government's 1912 laws. For discussion of the important role of federal legislation in the hours-of-work movement, see also Cahill (1968, 82) and Commons and Andrews (1936, 119).

27. For similar comments, see Dankert, Mann, and Northrup (1965, 51).

28. For discussion, see Spero (1948, 176–81).

29. Testimony by Henry R. Seager, president of the American Association for Labor Legislation (see U.S. House of Representatives 1914, 10). Also, Lubove argues that

"considerable impetus to the compensation movement came from the enactment of the federal law in 1908, which had been strongly endorsed by President Theodore Roosevelt" (1967, 263). See also U.S. House of Representatives (1914, 10).

30. For example, during the 1914 hearings in the House of Representatives (U.S. House of Representatives 1914) on a workers' compensation bill, testimony was given by William E. Russell, president of the Federal Civil Service Society; S. J. Walkley, secretary of the National Association of Bureau of Animal Industry Employees; Edward J. Cantwell, national secretary of the National Association of Letter Carriers; Edward J. Gainer, president of the National Association of Letter Carriers; Frank J. Rogers, president of the United National Association of Post Office Clerks; and Arthur Holder, legislative committeeman of the AFL. All testified in favor of legislation to provide automatic compensation for civilian employees of the federal government for death or serious accident. This ultimately was provided in 1916. Additional discussion of the role that employee groups and unions played in the workers' compensation movement is provided in Weinstein (1967).

31. For additional discussion of early state legislation and the role played by federal laws, see Weinstein (1967), Lubove (1967), and Paradis (1972, 212).

32. One of the reasons that it took until 1920 for legislation to be passed was that the lobbyists promoted different kinds of retirement provisions. The U.S. Civil Service Retirement Association favored a contributory system, while the National Association of Civil Service Employees promoted pension legislation with more significant government contributions.

33. Numerous hearings were held between 1900 and 1920 on federal pensions (see, e.g., U.S. House of Representatives 1912c; and U.S. Senate 1919a).

34. For testimony, political support, and a history of federal retirement legislation, see U.S. Senate (1918, 1919a).

35. The coverage of the law, including payments by class of worker and contribution schemes, is outlined in U.S. Senate (1918, 1919a).

36. For a summary of city retirement plans in the United States, most of which were either disability plans or entirely funded by the workers, see "Civil Service Retirement" (1916).

37. The Massachusetts plan was considered by Congress for possible adoption in 1912 (see U.S. House of Representatives 1912c, 66–76).

38. This is estimated by Epstein (1928, 168).

39. For discussions of private-sector pension conditions, see Epstein (1928, 160), Epstein (1933, 148), and Craig (1992).

40. For a review of contemporary private-sector pension plans, see Conyngton (1926, 21–56). See also Brooks (1971, 305), who argues that pensions and vacations were established in government employment long before becoming commonplace in private employment.