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WHITE HOUSE STAFFING MEMORANDUMDATE: May 23, 1983 ACTION/CONCURRENCE/COMMENT DUE BY: _____SUBJECT: Cabinet Time - Tuesday, May 24, 1983, 3:30 p.m. in the Cabinet Room
(60 Minutes)

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☐	GERGEN	☐	☐
MEESE	☐	☐	HARPER	☒	☐
<u>BAKER</u>	☒	☐	JENKINS	☐	☐
DEAVER	☒	☐	MURPHY	☐	☒
STOCKMAN	☐	☐	ROLLINS	☒	☐
CLARK	☒	☐	WHITTLESEY	☐	☒
DARMAN	☐ P	☒ SS	WILLIAMSON	☒	☐
DUBERSTEIN	☒	☐	VON DAMM	☒	☐
FELDSTEIN	☐	☐	BRADY/SPEAKES	☒	☐
FIELDING	☐	☐	ROGERS	☐	☐
FULLER	☐	☐	<u>Baroody</u>	☒	☐
			<u>Small</u>		☒

Remarks:

The President will chair a meeting of the Cabinet today at 3:30 p.m.
The tentative agenda and additional background papers are attached.

Richard G. Darman
Assistant to the President
(x2702)

Response:

THE WHITE HOUSE

WASHINGTON

CABINET TIME

May 24, 1983

AGENDA

- | | | |
|----|--|----------------------------------|
| 1. | Update on Women's Concerns | Faith
Whittlesey
Ed Harper |
| 2. | Overview of Issues | |
| 3. | Economic Equity for Women: Equal Pay | |
| | a. Occupational Opportunities for Women
in the federal government/CM361 | Ed Harper |
| | b. Job Sharing/CM372 | Ed Harper |
| | c. Flex-time/CM360 | Ed Harper |
| | d. DOT Initiatives | Elizabeth
Dole |
| 4. | Economic Equity for Women: Day Care | |
| | a. Dependent Care Tax Credit/CM180 | Tim McNamar |
| | b. Private Sector Child Care/CM370 | Jim Coyne |
| 5. | Economic Equity for Women: Child Support | |
| | a. Child Support Enforcement/CM288 | Margaret
Heckler |
| | b. Update on IRS Assistance in Child
Support Enforcement/CM288 | Tim McNamar |
| 6. | Economic Equity: Pension Equity | |
| | a. Pension Equity/CM297 | Ray Donovan |
| | b. IRA: Spousal Contributions/CM362 | Tim McNamar |
| 7. | Legal Equity for Women | |
| | a. Gender Based Insurance Rates/CM373 | Ed Harper |
| 8. | Reagan Appointments of Women | John
Herrington |
| 9. | Concerns of Members of Congress | Nancy Risque |

WOMEN'S ISSUES

OCCUPATIONAL OPPORTUNITIES FOR WOMEN IN GOVERNMENT

ISSUE: Should OPM's plan for improving occupational opportunities for women in government be approved?

RECOMMENDATION: Yes, with the following modifications: (1) increase the President's Management Intern Program to bring in more women at the GS-9/11 level; and (2) develop an "immediate job offer" program for women at senior levels to overcome months of delay now encountered by qualified applicants.

BACKGROUND: This issue is carried over from the CCMA meeting with the President of April 28 at the request of Secretary Dole who had to leave early.

At that meeting, Don Devine presented historical data on women in the workforce and women in executive positions in the Federal government. Under this administration, 14.2% of the appointments to non-career SES professionals have gone to women, while only 5.5% of career SES appointments have gone to women. Mr. Devine also pointed out that the percentage of women separated during a RIF of supervisory and management positions is higher than the percentage of women employed. This was attributed to the fact that women have less seniority, the current basis for separation.

OPM proposed five recommendations for enhancing the movement of women into supervisory and executive positions:

- 1) recruit more executives from outside the government;
- 2) make a long term shift to general knowledge examinations;
- 3) limit over-credentialing in job standards;
- 4) require Executive Resource Boards to consider upward mobility for women; and
- 5) base RIFs on performance rather than seniority.

DECISION:

_____ APPROVED

_____ APPROVED
AS AMENDED

_____ DISAPPROVED

WOMEN'S ISSUES

FEDERAL GOVERNMENT PART-TIME EMPLOYMENT INITIATIVE

ISSUE: Should an effort be made to increase use of part-time employment in the Federal government, to provide better opportunities for women entering or re-entering the job market.

RECOMMENDATION: Yes. Direct OPM and Federal agencies to provide all managers with information on how to set up and use part-time employment programs.

BACKGROUND: Of particular interest to women entering or re-entering the job market are opportunities for part-time work or "job-sharing" (which is defined as two people sharing the responsibility of one full-time position).

Proponents of this recommendation would argue that:

- o The use of part-time employment is fully supported by current law. There is currently flexibility for agencies to split the work of a full-time position into two part-time positions.
- o No change results in counting FTE (Full-time Equivalent) employment levels and employee benefits are proportionate to time worked.
- o The only impediment to its being used more fully is a lack of knowledge on the part of managers.
- o To implement job-sharing in the Federal government similar to the model used by the private sector would require major changes in laws and regulations relating to the selection, pay, appraisal, and removal of employees.
- o The initiative helps the employment of women without creating a "reverse discrimination" situation.

Opponents of this recommendation would argue that:

- o This is nothing really new other than making managers more aware of existing tools.
- o Special initiatives designed to accomodate employment of women could raise questions about why special programs are not being developed to help minorities.

DECISION:

_____ APPROVED

_____ APPROVED
AS AMENDED

_____ DISAPPROVED

WOMEN'S ISSUES

FLEXTIME FOR FEDERAL CONTRACTORS

ISSUE: Should the Administration actively support the Armstrong Bill (S. 870) permitting Federal contractors to adopt flexible workweek schedules? *we suppt.*

RECOMMENDATION: The CCHR unanimously recommends yes.

BACKGROUND: Federal government and private sector employers are free to adopt flexible workweek schedules for their employees. However, present law effectively prohibits private companies with federal contracts from operating on any weekly schedule other than the standard five-day, forty-hour workweek.

Senator Armstrong has introduced legislation to provide employers under federal contracts the ability to adopt flexible workweeks. This initiative enjoys substantial support in the business community, and last Congress the Administration formally endorsed this proposal. The AFL-CIO opposes this bill.

Proponents of this recommendation would argue that:

- o Increased time at home with family, especially helpful to working mothers.
- o Reduced commuting time and expenses, as well as reduced child-care expenses.
- o There is some evidence (though not conclusive) that employee satisfaction with flexible work schedules has manifested itself in increased productivity, lower absenteeism, and reduced turnover.
- o More effective utilization of capital equipment; reduced start-up/shut-down time; reduced energy requirements.
- o Cost savings could result in reductions in the costs of federal procurements. However, we have found no reliable data on possible cost savings.

Opponents of this recommendation would argue that:

- o Opposition comes from the national labor organizations, who would view this issue as a "test vote" for labor.
- o Union contractors with collective bargaining agreements that still required overtime would be underbid by non-union contractors.

DECISION:

____ APPROVED

____ APPROVED
AS AMENDED

____ DISAPPROVED

WOMEN'S ISSUES

DEPENDENT CARE TAX CREDITS

ISSUE: Should the Administration support provisions of the Economic Equity Act of 1983 to increase the tax credit allowed for dependent care expenditures?

RECOMMENDATION: No. The Administration should stress its positive record in this policy area.

BACKGROUND: The Economic Recovery Tax Act of 1981 (ERTA) changed the way tax credits for dependent care expenditures are calculated, raising the expenditure ceiling and introducing a sliding scale based on income that increases the credit for low income taxpayers. Section 201 of the Economic Equity Act and the Conable Bill would further increase the tax credit for low income taxpayers by altering the sliding scale but without making the credit refundable. OMB estimates that the legislation as drafted would cost the Treasury approximately \$700 million in foregone revenue each year compared to the ERTA changes.

In reviewing this issue the Cabinet Council on Economic Affairs noted that the Administration has already adopted policies in this area to improve program coverage and availability, although the Administration's record on the issue is not very well known either in the Congress or by the public. Second, the proposal is expensive, increasing the deficit by over \$.7 billion each year.

DECISION: APPROVED APPROVED
 AS DISAPPROVED

Office of Policy Development
May 18, 1983

Proposed Increase in the Child and Dependent Care Credit

Present law allows a nonrefundable 30 percent tax credit for certain employment related expenses incurred for child or dependent care to enable a taxpayer to be gainfully employed.

The credit phases down on a sliding scale. The rate is reduced by one percentage point for each \$2,000 of income above \$10,000, until the credit reaches its lowest rate of 20 percent for taxpayers with incomes above \$28,000. The maximum amount of the credit is \$720 for one dependent and \$1,440 for two or more. Taxpayers in the highest bracket could receive a credit of \$480 for one dependent and \$960 for two or more. This sliding scale came into the law in the 1981 tax act. Prior to 1982, eligible taxpayers could receive a maximum credit of \$400 for one dependent, \$800 for two or more.

The proposal would increase the rate of credit for taxpayers with incomes of less than \$40,000, with a maximum rate of 50 percent for taxpayers with incomes of less than \$11,000 sliding down to 20 percent for incomes of \$40,000 or over. No changes are proposed in the maximum amount of credit (\$720 for one dependent, \$1,440 for two or more). The proposal leaves the credit nonrefundable.

The proposal would cost at least \$0.7 billion in 1985, \$0.8 billion in 1986, \$0.9 billion in 1987, and \$1.0 billion in 1988. If the more generous credit encourages more people to incur eligible expenses, the costs could be even greater.

While it appears as if the bulk of the benefits would go to those with AGI's under \$10,000, such individuals cannot afford to pay large amounts for child care; thus, their potential benefits are limited.

More importantly, taxpayers, especially families, at lower income levels do not pay enough income tax to benefit from the extra credit, since the credit is nonrefundable. For example, a three-person family with income of \$12,000 will have a 1983 tax of \$718. If they spend the \$2,400 maximum for child care of one child, their child care credit is \$672. Under the proposal the gross credit seems to rise to \$1,128, but actually it is limited to the tax of \$718. So, the credit only rises by \$46. Moreover, the credit could not exceed \$720, the maximum credit under current law and the proposal. Thus the only way to make the credit more meaningful to these families would be to increase the maximum amount of credit and make the credit refundable, both of which would increase the cost significantly.

Attachment

The Effect on Fiscal Year Receipts of Increasing the
 Child Care Credit to 50 Percent of Eligible Expenses:
 The Rate of the Credit is Reduced from 50 Percent to
 20 Percent as Adjusted Gross Income Increases
 from \$10,000 to \$40,000

	(\$ billions)				
	: 1984	: 1985	: 1986	: 1987	: 1988
Fiscal year	-0.1	-0.6	-0.7	-0.8	-1.0

Office of the Secretary of the Treasury
 Office of Tax Analysis

May 23, 1983

WOMEN'S ISSUES

CHILD SUPPORT ENFORCEMENT

ISSUE: Should the Administration's Child Support Enforcement legislation be modified to place additional emphasis on non-AFDC child support enforcement efforts?

RECOMMENDATION: The CCHR recommends that proposed legislation be modified to require States which receive Federal funds for child support enforcement to charge a fee of at least \$25.00 from all non-AFDC applicants and a 3% to 10% collection surcharge from absent parents with delinquent support obligations. The fees collected could be used only to finance non-AFDC child support enforcement efforts at the State or local level.

BACKGROUND: The Administration's 1984 Budget includes proposed legislation to strengthen incentives to States to be more cost effective in child support collections from parents of AFDC families. Some women believe that these changes will cause States to place more emphasis on AFDC collections at the expense of collection efforts for non-AFDC cases. Collection of the fees in the recommended modification will produce an estimated additional \$50 million to the States which can be used only for non-AFDC collection efforts.

Proponents will argue that:

- o The "user" fees will provide additional funds for State non-AFDC collection efforts.
- o The collection fees will act as a deterrent to delinquent child support obligations.
- o The modification will provide more support for the legislation from women.

Opponents will argue that:

- o This modification will require fees which are now optional on the States, violating a Federalism principle.
- o This modification serves as a precedent for federal involvement in collection of other private debts.

DECISION:

APPROVED

APPROVED
AS AMENDED

DISAPPROVED

IRS Assistance in Child Support Enforcement

The Internal Revenue Service today provides two kinds of assistance to State and local AFDC agencies. First, the IRS collects past due child support, both by offsetting such obligations against tax refunds and by applying the full range of procedures available for collection of employment taxes to such debts. Second, the IRS provides confidential tax return information for use in collecting past due support and locating absent parents.

AFDC agencies made 547,000 requests for offset of tax refunds in 1982. These requests resulted in collection of \$169 million from 278,000 taxpayers. IRS was reimbursed \$17 for each collection by the State involved. Total reimbursements in 1982 were \$4.7 million.

The IRS has been sued approximately 35 times with respect to this program. Many of these suits were class actions. The principal grounds for these suits are that (i) the program is unconstitutional or, (ii) when the obligated parent has remarried, the offset illegally takes tax refunds belonging to the new spouse.

The refund offset program is the principal means used to collect AFDC-related child support obligations through the tax system. In addition, the IRS collects such debts of obligated parents whose known assets are beyond the collection ability of a State. As of June 1982, 274 collection cases involving \$2.5 million were pending.

In addition to the debt collection procedures described above, the IRS provides confidential tax information for use in collecting child support obligations, many of which are AFDC-related. The Federal Parent Locator Service at HHS received approximately 1 million records from the IRS in 1982. Additionally, State and local agencies received approximately 12,000 records in 1982. The IRS collected reimbursements for such disclosures ranging from 8 cents to \$2.65 a record (depending on the nature and source of the record).

WOMEN'S ISSUES

PENSION EQUITY

ISSUE: Should the Administration submit legislation requiring equal annuity benefits for men and women, even though most women live longer than most men?

RECOMMENDATION: CCHR recommends that no decisions be made until after the Supreme Court rules in June. Preliminary steps should be taken so that a Commission can be created quickly in late June with its mission to be decided after Supreme Court action.

BACKGROUND: The overwhelming majority of working women now receive pension benefits equivalent to those received by men. In certain kinds of pension plans, however, the monthly payment to women is less than that for men. Conversely, under some benefit forms, women get larger payments than men. The Supreme Court has ruled that equal employee contributions are required by Title VII of the Civil Rights Act of 1964. It is expected to rule on the question of equal benefits by June of this year.

Legislation pending on the Hill would mandate the abolition of gender-based actuarial tables in all forms of insurance, including pensions. The Administration has so far remained neutral on the legislation, but did file a brief in the Supreme Court supporting the idea of equal pension benefits in employer-based plans. The President's State of the Union Address in January made clear the Administration planned to introduce legislation to remedy sex discrimination in pension systems.

A prospective-only proposal:

- o Would be attacked by feminist groups as providing less than what they believe they are now entitled to under Title VII.
- o Would cost approximately \$90 million per year. By contrast, retroactive application of an equal-benefits rule would cost \$1.2-1.7 billion per year.
- o Would not jeopardize the financial solvency of pension plans. Retroactive application could have such an effect, especially on smaller plans and those covering state and local employees.

DECISION:

APPROVED

APPROVED
AS AMENDED

DISAPPROVED

WOMEN'S ISSUES

INDEPENDENT RETIREMENT ACCOUNTS: LIMIT ON SPOUSAL CONTRIBUTIONS

ISSUE: Should the Administration support a provision of the Economic Equity Act of 1983 to increase the limit on Individual Retirement Account (IRA) investment from \$2250 to \$4000 for taxpayers filing a joint return even if only one had earnings?

RECOMMENDATION: No. The Administration should stress its positive record in this policy area.

BACKGROUND: Currently, taxpayers filing a joint return may invest a maximum of \$2250 of their earnings in an IRA, even if only one taxpayer had earnings, reflecting a liberalization of IRA regulations implemented by this Administration to stimulate private saving. Section 101 of the Economic Equity Act would raise this limit to \$4000 in an effort to recognize the productive contribution of a joint return taxpayer who may not have market earnings by making the joint IRA limit double that of the individual limit. The Treasury Department estimates that the provision would cost approximately \$500 million in foregone revenue each year.

In reviewing this issue the Cabinet Council on Economic Affairs noted that the Administration has already adopted policies in this area to improve program coverage and availability, although the Administration's record on the issue is not very well known either in the Congress or by the public. Second, this proposal is expensive, increasing the deficit by \$.5 billion each year.

DECISION:

_____ APPROVED

_____ APPROVED
AS AMENDED

_____ DISAPPROVED

Office of Policy Development
May 18, 1983

Proposed Expansion of Spousal IRAs

Single individuals currently can invest in an IRA up to the maximum of the lesser of \$2,000 or their annual compensation. A taxpayer filing a joint return and whose spouse has no compensation may invest in a "Spousal IRA" up to the maximum of the lesser of \$2,250 or annual compensation. The two spouses can divide this amount between them as desired (though not more than \$2,000 can go to either spouse). Where each spouse earns at least \$2,000, a married couple can invest annually in two IRA accounts which total \$4,000.

The proposal would keep the filing status requirement, but would raise the \$2,250 limit to \$4,000. Thus, for any family in which the breadwinner earns \$4,000 or more, the amount which could be invested in an IRA would not be affected by whether or not the other spouse worked. The main beneficiaries of this new provision would be spouses not employed outside the home and other spouses with (part time) earnings of between \$250 and \$2,000.

This change would cost half a billion dollars per year in revenue. In addition, as the attached table shows, the income distribution concentrates roughly 76 percent of the benefits in AGI classes over \$30,000.

From an economic standpoint, the proposal would be another step toward relieving the taxation of savings. As with any increase in IRA limits, it would, however, add to the potential for tax arbitrage whereby taxpayers can increase their borrowing and, thus, increase the amount of deductible interest while earning a tax-exempt yield on the proceeds. To the extent that this occurs, additional net savings is not encouraged.

Attachment

Revenue Effect of the Spousal IRA Provision of S. 888

	(\$ billions)					
	Fiscal Years					
	1983	1984	1985	1986	1987	1988
Increase spousal IRA limit to that applicable to higher paid spouse	--	-0.1	-0.4	-0.4	-0.5	-0.5

Office of the Secretary of the Treasury
Office of Tax Analysis

May 11, 1983

Income Distribution of the Effects of a \$4,000 Spousal IRA

(percent)			
Adjusted gross income (000)	:	Percentage distribution	
		Returns	Tax
		affected	change
Less than 5		*	*
5 - 10		*	*
10 - 15		4.4%	1.4%
15 - 20		5.0	2.8
20 - 30		28.9	20.8
30 - 50		35.8	38.0
50 - 100		21.2	31.2
100 - 200		2.7	5.3
200 and over		*	1.1
Total		100.0%	100.0%

Office of the Secretary of the Treasury
Office of Tax Analysis

April 25, 1983

*Less than .05

Note: Details may not add to totals due to rounding.

WOMEN'S ISSUES

GENDER-BASED ACTUARIAL TABLES IN ALL FORMS OF INSURANCE

ISSUE: What should the Administration's posture be regarding legislation to ban gender-based actuarial tables in all forms of insurance?

RECOMMENDATION: CCHR believes such legislation is at best of mixed benefit to women as a whole and, at worst, positively harmful to some classes of women.

BACKGROUND: Feminists have long argued that sex should be eliminated as a criterion in all laws and regulations, and that private practices which rely on distinctions between the sexes should be forbidden as unlawful "discrimination". The elimination of gender-based actuarial tables in insurance has long been a major goal.

Legislation is now moving on the Hill to do just that. It is advanced by its supporters as a "civil rights" measure and attacked by its opponents as uninformed and, in fact, harmful to many women.

The legislation is supported by feminist groups and their traditional congressional allies. It is opposed strongly by conservatives, and has even been criticized in major part by the Washington Post and N.Y. Times. Insurance industry reactions run the gamut from outright opposition to conditional acceptance under terms unlikely to be agreed to by the legislation's sponsors.

Arguments for:

- o Strong feminist support.
- o Modest gains for some women in some forms of insurance.

Arguments against:

- o Would increase automobile and life insurance rates for women, in some cases substantially so.
- o As written, the bill would mandate abortion coverage in health insurance.
- o Would require extensive federal regulation of insurance, a field now left to the states.

DECISION:

- _____ o Support legislation to prohibit gender-based actuarial tables.
- _____ o Oppose legislation.
- _____ o Create a commission to study the use of sex as an actuarial criterion in insurance.

Office of Policy Development
May 24, 1983