

C O P Y
FEDERAL RESERVE BANK
OF DALLAS

ORIGINAL OF THIS LETTER SENT BY AIR MAIL.

DALLAS, TEXAS

December 14, 1946

Mr. M. S. Eccles, Chairman
Board of Governors of the
Federal Reserve System
Washington, D. C.

Dear Governor Eccles:

As you were advised by Chairman Parten in his telephone conversation with you last Thursday, the Board of Directors of this bank, at its meeting on December 12, 1946, acting upon the recommendation of its Committee on Personnel, approved an adjustment in the salaries of all employees of the bank and its branches below the officer level to compensate for the increase which has occurred in the cost of living since April 15, this year. That decision was reached after thorough consideration of the problem by the officers of this bank, the Committee on Personnel of the Board of Directors, and the entire Board.

Several factors were taken into consideration by the Committee on Personnel in its recommendation to the Board of Directors. From the fall of 1941 to date, salary adjustments amounting in the aggregate to approximately 23 per cent of annual base salary have been made by this bank. Those adjustments, which included the folding into base salary on January 1, 1946 of the supplemental compensation authorized in the fall of 1941 and amounting to 10 per cent of the first \$1,800 of annual salary and 6 per cent of the next \$1,200 of annual salary (averaging approximately 8 per cent of employees' base salaries), and the flat increase of 15 per cent of base salary made as of May 1, 1946, reflected, at least to some extent, the increase in the cost of living which had occurred during that entire period. Since April 15, or approximately the date of the last general salary adjustment made by this bank, our estimates indicate that the cost of living has increased by approximately 18 per cent.

Our Committee on Personnel and our Board of Directors also gave consideration to the general wage situation as it prevails currently in the labor market. Recognition was given to the fact not only that the cost of living has increased during the past several months but also that additional wage demands will almost certainly be pressed vigorously in various sectors of the labor market during the coming months. It was not believed that this bank could disassociate itself completely from the influence of the events which are taking place in the general labor market in which it must consider itself competitive. In line with that thought, consideration was given to the fact that numerous other large employers of white-collar workers in this area either have made or are contemplating salary adjustments in one form or another. In some instances, those adjustments have taken the form

of increases in base salary. In other instances they have been made in a lump sum payment, while in other cases a policy of making a series of temporary monthly adjustments has been followed.

In view of the above, therefore, consideration was given to three lines of approach. The first of these and the one preferred by our Board would involve the payment of a single lump sum to each employee. The second would involve a monthly adjustment for a predetermined period of time, and the third would involve an adjustment in base salaries. It was recognized that each of these approaches possessed certain advantages and disadvantages.

After thorough consideration the Board of Directors of this bank approved the payment of a lump sum cost-of-living salary adjustment according to the following plan, provided that appropriate reimbursement could be obtained for the payments made to those employees whose salaries are recoverable in whole or in part from the Treasury and other Governmental agencies:

The payment of a lump sum equal to $8\frac{1}{3}$ per cent of annual base salary as of December 31, 1946 to all employees having one or more years of service as of that date. To all employees having less than one year of service as of December 31, 1946, the payment of a lump sum equal to $8\frac{1}{3}$ per cent of the base salary received by each such employee during the calendar year 1946. Payment of such a lump sum amount to be made as of January 2, 1947 in order to disassociate the purpose of the payment from the concept underlying Christmas bonuses and to give to the employees any benefit which might result from possible income tax reductions during 1947. This percentage adjustment, equal to one month's salary and payable in a lump sum, is the amount and type of adjustment being announced by many other large competitive employers in this area. The aggregate cost of the salary adjustment under this plan would approximate \$190,000, of which approximately 55 per cent would be reimbursable from Governmental agencies.

In the event that reimbursement could not be obtained from the Treasury and other Governmental agencies for lump sum payments made to adjust the salaries of Fiscal Agency and other employees whose salaries are reimbursable in whole or in part, then the following plan which provides for the adjustment to be paid over a period of months was approved as an alternative. It was assumed that under this plan no question would arise with regard to reimbursement.

A series of six equal monthly payments beginning in January, 1947 and extending through June, 1947, amounting in the aggregate to 8 per cent of annual base salary as of December 31, 1946, to all employees having one or more years of service as of December 31, 1946. To all employees having less than one year of service as of December 31, 1946, the payment of six equal monthly sums beginning with the month of January, 1947 and extending through June, 1947, amounting

in the aggregate to 8 per cent of the base salary received by each employee during the calendar year 1946. The aggregate cost under this plan would approximate \$184,000, of which approximately 35 per cent would be reimbursable from Governmental agencies.

Considerable discussion was given to the desirability of an adjustment in base salaries. Our most recent survey of the salary situation in our labor market indicates that at the present time, with the exception of some of our higher salaried positions for which our compensation appears to be below the market, our basic salary structure, generally speaking, seems to be approximately in line with the basic salary structure in the market. It should be noted, however, that that statement refers to basic salary relationships only and does not give consideration to the supplementary cost-of-living adjustments and bonuses which a number of employers in this area are making or contemplating, and which have the effect of raising the level of the salary structures with which this bank is competitive. Moreover, the possibility was recognized that a temporary adjustment might, through the force of circumstances, ultimately become an adjustment in basic salaries. Whether that event will occur would appear to depend upon the course of salary developments in the labor market during the months ahead. If a high or increasing wage rate structure is to prevail in the period ahead, it is probably only being realistic to recognize that this bank's salary structure will be influenced in the same general direction as the salary structure of the general labor market.

Our Board of Directors feels strongly that an adjustment of salaries should be made at this time. Therefore, we shall appreciate it very much if the Board of Governors will give prompt consideration to this matter and advise us as promptly as possible of its reaction.

With kindest personal regards, I am,

Sincerely yours,

R. R. Gilbert
President

RECEIVED FEDERAL RESERVE BANK
OF ST. LOUIS
BOARD OF GOVERNORS

DEC 18 1946

COMMUNICATIONS OFFICE
FEDERAL RESERVE BANK