

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, January 13, 1943, at 12:00 noon.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. McKee  
Mr. Draper  
Mr. Evans

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Leonard, Director of the Division  
of Personnel Administration  
Mr. Cherry, Assistant Attorney

Mr. Szymczak stated that the Federal Reserve Bank of Richmond had submitted for approval by the Board a revision of the personnel classification plan of the Bank and its branches which involved increases in the maximum salaries of certain positions provided in the plan, and that the increases would have to be certified to the Joint Committee under the procedure worked out with the War Labor Board and the Commissioner of Internal Revenue. He also said that, inasmuch as action by the Board in this case would in effect establish a policy which would be followed in connection with similar changes in the personnel classification plans at other Federal Reserve Banks, it was felt the Board should have a full discussion of the matter for the purpose of determining what its policy would be in connection with such cases. Mr. Szymczak added that if the changes submitted by the Richmond Bank were handled in the manner proposed by Mr. Leonard it would be his (Mr. Szymczak's) suggestion that the Presidents' Conference

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Committee on Personnel Selection and Training be requested to appoint representatives from two or three of the Federal Reserve Banks to discuss the procedure established by the Board's action so that the Federal Reserve Banks would be familiar with it in connection with future cases. No objection was offered by the other members of the Board to this suggestion.

Thereupon, at the request of Mr. Szymczak, Mr. Leonard, after reviewing the discussions which he and Mr. Cherry had had with representatives of the War Labor Board and the Commissioner of Internal Revenue with respect to the basis upon which increases in salary would be approved, made a statement substantially as set forth in a memorandum addressed by him to the Board of Governors under date of January 12, 1943, reading as follows:

"CAUSE FOR MEMORANDUM: Attached is a letter dated January 5, 1943, from the Federal Reserve Bank of Richmond, submitting for approval numerous revisions of the Personnel Classification Plan of the Head Office and Branches. Most of these changes are increases in maximum annual salaries which, if approved by the Board, must be certified to the Joint Committee under the procedure worked out with the War Labor Board and the Commissioner of Internal Revenue for handling this type of wage and salary increases under the regulations of the Director of Economic Stabilization.

"These are the first certificates submitted by a Federal Reserve Bank.

"RECOMMENDATION: The various changes have been reviewed and it is recommended that they be approved, with one exception, and that for the position of Manager, Printing and Supplies Department, at the Head Office (Certificate No. 2), a basic maximum annual salary of \$3,600 instead of \$3,900 be approved. Attached are drafts of a letter to the Federal Reserve Bank and to the Joint Committee.

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"COMMENTS: The proposed salary increases and new positions are listed on the attached sheets. In most cases the present basic maximum annual salaries were established in 1936. The proposed maximum salaries appear reasonable with the exception of the position of Manager, Printing and Supplies Department, at the Head Office. This seems to be somewhat out of line for the position. In discussing the case with Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond, he stressed the volume of work, the overtime put in, and the ability of the present incumbent of the position, and said that they proposed to increase his salary to \$3,600 and wished to have some margin for an increase next year, if one seemed to be in order. After discussion, he concurred in the suggestion that, in view of all of the circumstances, it might be preferable to establish a maximum of \$3,600 for the position at this time, and in a year, if they wished to make an increase in recognition of outstanding work of the Manager, they could ask for a salary in excess of the maximum established for the position.

"Frequent reference has been made in the press and otherwise to the Little Steel formula of the War Labor Board whereby increases of 15% over wages of January 1, 1941, were allowed. As stated in the respective certificates attached, none of the proposed increases in basic maximum annual salaries would be in excess of 15% of the maximum annual salary as of January 1, 1941, except in the cases listed on the following page.

"Positions where increase in basic maximum annual salary is in excess of 15%.

Position	Basic Maximum Annual Salary			Per cent of Total Increase #
	1-1-41	Proposed	% of Increase	
<u>Head Office</u>				
Building Mechanic	\$1,500	\$1,800	20	32
Engineer	1,440	1,680	16 2/3	28.3
Cleaner	1,020	1,320	29.4	42.4
Elevator Operator	900	1,200	33 1/3	46.7
Chief Audit Clerk	3,600	4,200	16 2/3	21.7
Manager, Money Dept.	3,300	3,900	18.2	23.6
Coin Teller	1,800	2,100	16 2/3	26.7
Coin Counter	1,500	1,740	16	27.6
Porter, Money Dept.	1,020*	1,320	29.4	42.4
Manager, Printing and Supplies Department				
As proposed:	3,240	3,900	20.4	25.9
As recommended:	3,240	3,600	11.1	14.9
Registered Mail Clerk	1,800	2,100	16 2/3	26.7
<u>Baltimore Branch</u>				
Cleaner	1,140	1,380	21	33.2

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\* Position established 2-5-42, maximum salary same as for cleaner, which was \$1,020 on 1-1-41.

# This column shows the increase in basic maximum annual salary plus supplemental compensation over the basic maximum annual salaries of January 1, 1941.

"Supplemental compensation was not being paid on January 1, 1941 and is now being paid at the rate of 10% on the first \$1,800. Taking into consideration supplemental compensation, the increases in basic maximum annual salary plus supplemental compensation over the basic maximum annual salary as of January 1, 1941, for positions other than those in the foregoing list would range from 15% to 26%. In all cases, however, the resultant maximum salaries after allowance for supplemental compensation appear reasonable and are within the range of prevailing rates for similar or comparable positions in the area or within the Reserve Bank itself, as reported by the Reserve Bank. It will be noted from the above list that the greatest percentage of increases are in the lowest salary brackets, such as cleaner or elevator operator.

"One of the principal factors in making the adjustments is the increased number of Government employees in the areas with salaries under the Civil Service scale, and the proposed salaries, where comparable, come within that scale.

"The Reserve Bank proposes to create the new position of Officer's Secretary, with a maximum annual salary of \$2,100, and in the letter dated January 5, 1943, expressed the opinion that this is the creation of a new position which need not be referred to the Joint Committee under the certification procedure. This was discussed with Mr. Walden and Mr. Guthrie during their visit ten days ago when they came up to discuss the general procedure. It is a close question, but in view of the fact that the new position will permit higher salaries to the individuals who will continue to do the same work they have been doing for past months simply by changing the title, Mr. Cherry, of the Legal Division, and I felt that the question of doubt should be resolved in favor of certifying the change."

During Mr. Leonard's statement, Mr. Dreibelbis, General Attorney, joined the meeting.

In the ensuing discussion, it was pointed out that under the existing arrangement the Federal Reserve Banks could increase salaries as the result of (1) individual promotions or reclassifications, (2) individual merit increases within the existing personnel classification plans, (3) the operation of an established plan of salary increases based

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on length of service, (4) increased productivity under incentive plans, or (5) the operation of an in-training program, but that they could not increase salaries beyond the maximums specified in the personnel classification plans or increase the rate of supplemental compensation being paid at the present time without certification of the increases in accordance with the procedure established by the War Labor Board and the Commissioner of Internal Revenue. It was also stated that the War Labor Board and the Commissioner of Internal Revenue had authority to approve increases in salaries being paid on September 15, 1942, in order to correct maladjustments and inequalities, to eliminate substandards of living, to correct gross inequities, or to aid in the effective prosecution of the war, so that, in effect, the latitude for increasing salaries under the President's Executive Order was still very broad.

In response to an inquiry from Mr. Ramsom, Messrs. Dreibelbis and Cherry stated that in their opinion there was nothing in the procedure recommended by Mr. Leonard that would be contrary to law, but Mr. Cherry pointed out that the certification of increases in the manner proposed did not mean that the increases necessarily would be approved by the Joint Committee.

At the conclusion of the discussion, Mr. Szymczak moved that the Board approve the procedure proposed by Mr. Leonard, with the understanding that the question whether adjustments in maximum annual salaries proposed by a Federal Reserve Bank in the future would be approved by the Board would depend on the circumstances in each individual case.

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Mr. Szymczak's motion was put by the chair and carried unanimously.

Mr. Szymczak then moved that the Board approve the following letter to the Joint Committee on Salaries and Wages:

"Under the procedure established by General Order No. 19, of the War Labor Board and the authority granted by the Commissioner of Internal Revenue, transmitted herewith are the originals and four copies of certificates Nos. 1 to 6 of the Federal Reserve Bank of Richmond with respect to adjustments, under the personnel classification plan, in the maximum annual salaries for certain positions at the Head Office and the Charlotte and Baltimore Branches.

"These increases have been approved by the Board of Governors of the Federal Reserve System as submitted, with the exception of the proposed increase for the position of Manager, Printing and Supplies Department, at the Head Office (Certificate No. 2), for which the Board has approved a basic maximum annual salary of \$3,600 instead of \$3,900, as proposed.

"In transmitting these certificates, attention is called to the fact, which has been discussed with representatives of the War Labor Board and of the Commissioner of Internal Revenue, that the maximum annual salaries approved under the personnel classification plan are not, in general, established rates paid for all employees coming within the respective groups. They represent instead maximums within which adjustments, including increases due to individual merit and earned through long service, may be made by the Reserve Bank without further reference to the Board of Governors.

Mr. Szymczak's motion was put by the chair and carried unanimously.

Unanimous approval was also given to the following letter to Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond:

"The Board has approved, with one modification, the revisions in the Personnel Classification Plan submitted with your letter of January 5, 1943.

"For the position of Manager, Printing and Supplies Department, page 63 of the Personnel Classification Plan for the Head Office, the Board approves a maximum annual salary of \$3,600 instead of \$3,900 as submitted by your Bank. The appropriate change will be made on page 63 of the Board's copy of the Personnel Classification Plan. It is understood that this change has been discussed with you by Mr. Leonard."

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At this point, Messrs. Dreibelbis, Leonard, and Cherry withdrew from the meeting, and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on January 12, 1943, were approved unanimously.

Memorandum dated January 11, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending, with the concurrence of the Secretary's Office, that Miss Joan E. Conlen, a page in the Secretary's Office, be transferred to the Division of Research and Statistics as a clerk, with no change in her present salary at the rate of \$1,260 per annum, effective as of the date upon which she enters upon the performance of her new duties.

Approved unanimously.

Letter to Mr. Neely, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

"On December 12, 1942 you wrote to us stating that your Board had set aside \$25,000 as a special fund for work on the program for regional economic studies and that Mr. George W. Simons, Jr. had been employed to work on this project at a per diem salary at the rate of \$7,500 a year. Approval for these actions was requested. Mr. Goldenweiser replied on December 21 expressing interest in the work that Mr. Simons would do and requesting a more detailed statement of the project. This was acknowledged by a letter from Mr. Bryan on December 23 in which it was stated that you would send us as soon as possible a more detailed outline of Mr. Simon's work.

"As you know, the Board is greatly interested in having the work in connection with the program for regional economic studies actively prosecuted. At the time this program was set up it was contemplated that the work would be done by the research department of each Bank in collaboration with the Board's

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"Division of Research and Statistics and that, where necessary, additional members would be added as quickly as possible to the department's staff. Before giving approval to the somewhat different arrangement that you suggest, the Board would, therefore, like to have for its consideration a detailed statement of the work planned, the manner in which it would be done, and its relationship to the Bank's research department. In the meantime, however, in order to clear the record on this subject, the appointment of Mr. Simons at a per diem salary at the rate of \$7,500 a year is approved provisionally, pending receipt by the Board of more detailed information about the work and approval of the arrangement."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrey  
Secretary

Approved:

W. S. ...  
Chairman.