

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, July 2, 1945, at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Hammond, Assistant Secretary
Mr. Connell, General Assistant,
Office of the Secretary
Mr. Morrill, Special Adviser to the Board
Mr. Thurston, Assistant to the Chairman
Mr. Leonard, Director of the Division of
Personnel Administration
Mr. Bethea, Director of the Division of
Administrative Services
Mr. Vest, General Attorney
Mr. Wyatt, General Counsel

Mr. Szymczak reported that recently Mr. Sproul, President, and Mr. Rounds, First Vice President, of the Federal Reserve Bank of New York, again discussed with him the desirability of increasing from 10 to 15% the limit on the amount of supplemental compensation which the New York Reserve Bank is authorized to pay its officers and employees. Mr. Sproul felt, Mr. Szymczak said, that it would be unwise to make permanent increases in basic annual salaries and that, with the large number of Federal employees now located in New York City, the new Federal Employees Pay Act of 1945 might result in some discontent among the lower salaried employees of the Reserve Bank and have an adverse effect upon the bank from a competitive standpoint as an employer. Mr. Szymczak said that Mr. Leonard had had an informal discussion of the matter with a representative of the War Labor Board for the purpose

7/2/45

-2-

of ascertaining if there would be any present objection to the suggested increase and was told, informally, that there would be none.

Mr. Leonard commented that it would be necessary, also, to get the informal reaction of the Bureau of Internal Revenue and that, if that were favorable, it would be his recommendation that steps be taken to obtain formal approval from the two organizations and that when such approval was received each Federal Reserve Bank be advised that, upon the submission of evidence of need, the Board would authorize the Bank to increase the supplemental compensation paid to its officers and employees from 10 to 15 per cent on the first \$3,000 of annual salary, provided such supplemental compensation did not increase total annual compensation beyond \$6,000. It was pointed out that the maximum increase that could be given under this authority would be \$150.

There was a brief discussion of the question whether the letter to the Reserve Banks should require submission of proposed action by the Banks to the Board for approval and it was agreed that that would not be necessary.

Thereupon, Mr. Szymczak moved that, if informal approval were given by the Internal Revenue Bureau, necessary steps be taken to get formal clearance from the Bureau and the War Labor Board, and that the letter sent to the Federal Reserve Banks (1) authorize the increase whenever, in the discretion of the directors, such action was desirable, and, (2) request that the Board be advised of any increase made effective under the authority.

7/2/45

-3-

This motion was put by the chair and carried unanimously.

Mr. Leonard then referred to the Federal Employees Pay Act of 1945 which was signed by the President yesterday and which contained the following major provisions:

"1. Provides for increases in basic annual salary in accordance with the following formula: 20 per cent of salary up to and including \$1200, plus 10 per cent of the salary from \$1201 to \$4600 inclusive, plus 5 per cent of the salary in excess of \$4600, subject to the overall limitation that no increase in basic salary or other compensation provided by the Act shall increase the aggregate compensation to a rate in excess of \$10,000.

"(The increases are effected through increasing the existing rates of basic compensation under the Classification Act of 1923, and certain other Acts, and by increasing basic salaries of officers and employees in the legislative and judicial branches.)

"2. Provides for overtime at the rate of time and one-half for employees whose basic compensation is \$2980 or less, and thereafter at a diminishing rate until the present maximum of \$628.33 on the basis of a 48 hour workweek is reached. This rate of overtime remains constant for salaries from \$6440 to \$9275, inclusive, after which it diminishes under the same limitation of \$10,000 as mentioned above.

"3. Provides for payment of night differential of 10 per cent for time worked between 6 p.m. and 6 a.m. as part of a regularly scheduled tour of duty.

"4. Provides for payment at the rate of time and one-half instead of regular time to officers and employees assigned to duty on a holiday designated by Federal statute or Executive order. (This provision, however, does not take effect until cessation of hostilities or earlier action by Congress or the President.)

"5. Directs the heads of the departments and independent establishments and agencies to establish, effective July 1, 1945, a basic administrative workweek of 40 hours which shall be 'within a period of not more than six of any seven consecutive days'. (This contemplates that administrative workweek starting at different times

7/2/45

-4-

"may be established for classes or groups of employees as the work may require.)

"6. Changes the basis for computing and paying overtime.

"Heretofore overtime payments on a regularly established 48 hour workweek have been prorated over the year and for pay roll and leave purposes have been treated just as if they were regular salary payments. Under the new procedure it is apparently contemplated that the first five 8-hour days will constitute the regular workweek and that unless an employee actually works on the sixth day, Saturday for example, no overtime is paid. On the other hand, neither annual nor sick leave will be charged for absence on Saturday or any other day not included in the basic workweek.

"7. Directs that beginning not later than October 1, 1945, pay days shall be biweekly instead of semimonthly. This means 26 pay days a year instead of 24.

"8. Provides for the granting of compensatory time off in lieu of overtime compensation for irregular or occasional overtime in excess of 48 hours in any regularly scheduled administrative workweek to those per annum employees requesting such compensatory time off. (Heretofore the grant of compensatory time off instead of payment for overtime has been discretionary with the agency.)

"9. Provides that, under the rates of compensation established by the Act, the aggregate annual rate of compensation for any full-time employee who was a full-time employee on June 30, 1945, whose basic annual salary as of that date did not exceed \$1800, and whose salary is fixed under the Classification Act of 1923 shall not for any pay period be less than his annual basic rate of compensation on June 30, 1945, plus the rate of \$300 per year or 25 per cent of such annual basic salary, whichever is the smaller amount, so long as he continues to occupy the position held on June 30, 1945.

"10. Specifically provides that any officer or employee whose aggregate rate of compensation on June 30, 1945, was in excess of \$10,000 may continue to receive overtime compensation at such rate as will not cause his aggregate rate of compensation for any pay period to exceed the aggregate he was receiving on June 30, 1945 'until he ceases to occupy the office or position he occupied on such date.' The Act further provides that when the overtime hours of work in the administrative workweek are reduced, his rate of overtime compensation shall be reduced proportionately.

7/2/45

-5-

Following an explanatory statement with respect to the changes made by the Pay Act, Mr. Leonard said that Counsel for the Board had advised that, although the question as to certain provisions of the new Act was debatable, it was believed that the Act was not applicable to the Board of Governors, but that as a matter of policy it would seem advisable to follow it as closely as practicable. He also said that due to the delay in the passage of the Act there were numerous questions of interpretation which would have to be answered by the Civil Service Commission and the General Accounting Office. He made the further comment that it was expected that the President would issue a statement today which would authorize the departments and agencies of the Government that were in a position to do so to adopt an administrative workweek of 44 hours.

In a discussion of the provisions of the Act relating to irregular and occasional overtime (paragraph numbered "8" above) Mr. Leonard pointed out that if the new law were followed the Board would be required to pay for all irregular or occasional overtime in excess of 48 hours, and, that in the interest of flexibility, it would be preferable to give the employees an option of taking compensatory leave in lieu of compensation for overtime over 44 hours so that employees who were required to work overtime on a rush job could be granted time off in lax periods. He added that irregular or occasional overtime should be expressly authorized by the Division Chief or Assistant Chief or someone designated by the Division Chief for that

7/2/45

-6-

purpose, and that every effort should be made to adhere to the 44 hour workweek as it was not believed that there would be many occasions requiring any appreciable amount of such overtime.

In this connection, Chairman Eccles suggested that the Board be informed periodically as to the amount of irregular or occasional overtime worked by the Board's employees.

Mr. Leonard commented at this point that it was expected that the cash payment for such overtime would be made on the pay day for the pay period following the period in which the overtime was worked.

With reference to the basis for computing and paying overtime (paragraph numbered "6" above) Mr. Bethea pointed out that the field force of the Board's Division of Examinations and the Board Members' Section would have to be continued on the present basis. It was suggested that, in view of the small size of the Board's organization, there were decided administrative advantages in continuing to include overtime with basic salary and spread it over the entire administrative workweek with the understanding that appropriate leave would be charged for any absence during the administrative workweek.

There was a discussion of the change made by the new law to provide that salaries would be paid biweekly instead of semimonthly and, in that connection, Mr. Bethea suggested that if that procedure were followed by the Board it would be desirable to authorize a three day lag in the pay day and that to that end the first pay day should be July 16 for the period July 1-14, the second on July 31, and the

7/2/45

-7-

third on August 15 and every alternate Wednesday thereafter.

Discussion was also had of the question whether there should be any change in the time allowed employees for luncheon, but no conclusions were reached. It was contemplated that, with the closing on Saturday afternoons, the cafeteria and the dining rooms would be closed, and that the cafeteria staff would be divided for work on alternate Saturdays for the purpose of servicing the snack bar. There was also some discussion of the hours the snack bar should remain open.

At the conclusion of the discussion, Mr. Leonard read a memorandum of recommendations with respect to the policy to be adopted by the Board on all of the matters referred to above, after which, upon motion by Mr. Draper, it was voted unanimously, effective July 1, 1945, to:

1. Discontinue the payment of overtime or additional compensation heretofore paid in accordance with the provisions of the War Overtime Pay Act of 1943, which expired June 30, 1945.

2. Increase basic salaries and pay overtime, night differential for regularly scheduled tours of duty between 6 p.m. and 6 a.m., and compensation for work on holidays, all in conformity with the provisions of the Federal Employees Pay Act of 1945, except as hereinafter provided.

The increase in basic annual salaries shall be 20 per cent of the amount not in excess of \$1,200, plus 10 per cent of the amount in excess of \$1,200 but not in excess of \$4,600, plus 5 per cent of the amount in excess of \$4,600, subject, however, to the limitation that the increase plus overtime shall not increase aggregate compensation to a rate in excess of \$10,000 per annum. This increase applies to (1) the salary as of June 30, 1945, plus any individual increase approved prior to July 1, 1945, to become effective as of that date, and (2) to the salary of any employee whose appointment was approved prior to July 1, 1945, but which does not become effective before that date.

7/2/45

-8-

Overtime on basic annual salaries up to and including \$2,980 shall be computed at one and one-half times the basic hourly rate, determined by dividing the annual salary by 2080. Overtime on salaries over \$2,980 shall be computed in accordance with the declining scale set forth in the Federal Employees Pay Act of 1945, subject to the limitation that the overtime, plus increase in basic salary, shall not increase aggregate compensation to a rate in excess of \$10,000 per annum.

(Attached is an exhibit from House Committee Report No. 726 showing the increases in basic salaries and the scale of overtime payments as established by the Federal Employees Pay Act of 1945.)

3. Establish a basic workweek of 40 hours, consisting of five 8-hour days running from Monday through Friday, the official hours being from 8:45 a.m. to 5:15 p.m. with 30 minutes for lunch.

4. (a) Establish an administrative workweek consisting of 44 hours--the basic workweek and four hours, from 8:45 a.m. to 12:45 p.m. on Saturday.

(b) Authorize heads of offices or divisions to fix for the groups or classes of full time employees whose duties require working other than the official hours, different administrative workweeks of 40 hours of duty plus such overtime as will be regularly required to be performed in a period of not more than six of any seven consecutive days.

5. Authorize the granting of compensatory time off, in lieu of overtime compensation, for irregular or occasional duty in excess of the regularly scheduled administrative workweek to employees requesting such compensatory time off.

6. Authorize payment, on the basis of the computation referred to in item numbered 2 above, for irregular or occasional overtime duty in excess of the regular workday for a full time employee, but only for overtime specifically authorized or approved by the head or the assistant head of the office or division or by one whose delegation to act in such matters has been approved by the Personnel Committee. The heads of the offices or divisions are requested to keep such overtime at a minimum and the Division of Administrative Services is requested to report monthly to the Personnel Committee as to the amount of such overtime payments, distributed as to divisions.

7/2/45

-9-

7. Authorize payment of salaries on a biweekly basis with the first payment to be made on Monday, July 16, 1945, covering the pay period July 1-14, inclusive; the next pay day to be Tuesday, July 31, covering the pay period July 15-28; the following pay day to be Wednesday, August 15, covering the pay period July 29-August 11; pay days thereafter being every other Wednesday covering the 14-day pay period ending with the preceding Saturday. For pay purposes the biweekly rate of basic compensation shall be derived by dividing the annual rate by 26, and the daily rate of basic compensation for full time employees shall be derived, while on the basis of a 44-hour workweek, by dividing the annual rate by 286, ($52 \times 5\frac{1}{2}$ days = 286). The daily rate used as the basis for computing night differential, irregular or occasional overtime duty, and holiday compensation shall be derived by dividing the annual salary by 260 ($52 \times 5 = 260$).

8. Authorize for administrative convenience the continuation of the present procedure whereby regular overtime included in the administrative workweek is computed on an annual basis and paid in the same manner as the basic salary and leave is charged for absences on any day during the administrative workweek.

9. Authorize payment for irregular or occasional overtime duty, night differential and holiday compensation, earned in one biweekly pay period either by subsequent supplemental pay roll or by combination with the regular payment for the following pay period, in the discretion of the Division of Administrative Services.

10. Authorize the accounting office to disregard fractions of a cent in computing the charges to employees for Group Life Insurance and for the death benefit under the Board Plan, which are established on a monthly basis.

11. Authorize a proportionate reduction in charges for meals of cafeteria employees to take account of the conversion from a semimonthly pay period to a biweekly pay period and the reduction of hours in the workweek. In lieu of the charge at the rate of \$5 heretofore made each semimonthly pay period, deductions hereafter may be made at the rate of \$4.24 each biweekly pay period for employees working a 44-hour week and at the rate of \$3.85 for employees working a 40-hour week. Deductions for meals of part-time cafeteria employees may be made proportionally according to the number of meals in the work period.

7/2/45

-10-

12. Authorize the Division of Administrative Services and the Division of Personnel Administration to use as guides the Government rulings and interpretations with respect to the provisions of the Federal Employees Pay Act of 1945 insofar as such rulings and interpretations may be pertinent to practices at the Board.

13. Authorize, upon approval of the Personnel Committee, such adjustment as may be appropriate to conform to the principle that a full time employee in service on July 1, 1945, whose basic annual salary on June 30, 1945, did not exceed \$1,800, shall, with respect to any pay period, receive aggregate compensation at a rate of not less than his basic annual salary on June 30, 1945, plus \$300 or 25 per cent of such annual basic salary, whichever is the smaller, so long as he continues to occupy the same position he occupied on June 30, 1945.

14. Authorize the incorporation in the minutes, upon the approval of the Personnel Committee, of a more detailed statement of the general policy hereby established.

Mr. Draper stated that the following members of the staff with basic salaries of \$10,000 per annum had been receiving, in addition, overtime at the rate of \$628.32 per annum on the basis of a 48 hour workweek, but that, under the action taken by the Board with respect to a 44 hour workweek, overtime paid to these employees would be reduced to \$314.16:

<u>Name</u>	<u>Title</u>
L. P. Bethea	Director, Division of Administrative Services
J. Leonard Townsend	Assistant General Attorney
John R. Van Fossen	Assistant Director, Division of Bank Operations
C. E. Cagle	Assistant Director, Division of Examinations
Howard S. Ellis	Assistant Director, Division of Research and Statistics

7/2/45

-11-

In the circumstances, he recommended that the basic annual salary of each of the above members of the staff be increased from \$10,000 to \$10,500, effective July 1, 1945, with the understanding that they would not thereafter be entitled to any compensation for overtime.

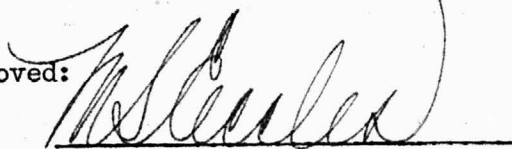
Approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on June 30, 1945, were approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.

EXHIBIT

Basic rates and annual overtime rates proposed in the bill

Present basic rates under the Classification Act of 1923, as amended	Proposed basic rates under sec. 405	Proposed annual rates of overtime pay		Present basic rates under the Classification Act of 1923, as amended	Proposed basic rates under sec. 405	Proposed annual rates of overtime pay	
		48-hour week (416 overtime hours)	44-hour week (208 overtime hours)			48-hour week (416 overtime hours)	44-hour week (208 overtime hours)
\$720	\$864.00	\$259.20	\$129.60	\$3,100	3,530.00	851.77	425.89
\$780	936.00	280.80	140.40	3,200	3,640.00	843.32	421.66
\$840	1,008.00	302.40	151.20	3,300	3,750.00	834.88	417.44
\$900	1,080.00	324.00	162.00	3,400	3,860.00	826.43	413.22
\$960	1,152.00	345.60	172.80	3,500	3,970.00	817.99	409.00
\$1,200	1,440.00	432.00	216.00	3,600	4,080.00	809.54	404.77
\$1,260	1,506.00	451.80	225.90	3,700	4,190.00	801.09	400.55
\$1,320	1,572.00	471.60	235.80	3,800	4,300.00	792.65	396.33
\$1,380	1,638.00	491.40	245.70	3,900	4,410.00	784.20	392.10
\$1,440	1,704.00	511.20	255.60	4,000	4,520.00	775.76	387.88
\$1,500	1,770.00	531.00	265.50	4,100	4,630.00	767.31	383.66
\$1,560	1,836.00	550.80	275.40	4,200	4,740.00	758.86	379.43
\$1,620	1,902.00	570.60	285.30	4,300	4,860.00	741.97	370.99
\$1,680	1,968.00	590.40	295.20	4,400	5,180.00	725.08	362.54
\$1,740	2,034.00	610.20	305.10	4,500	5,390.00	708.96	354.48
\$1,800	2,100.00	630.00	315.00	4,600	5,600.00	692.83	346.42
\$1,860	2,166.00	649.80	324.90	4,700	5,810.00	676.71	338.36
\$1,920	2,232.00	669.60	334.80	4,800	6,020.00	660.58	330.29
\$1,980	2,298.00	689.40	344.70	4,900	6,230.00	644.46	322.23
\$2,000	2,320.00	696.00	348.00	5,000	6,440.00	628.33	314.17
\$2,040	2,364.00	709.20	354.60	5,100	6,650.00	628.33	314.17
\$2,100	2,430.00	729.00	364.50	5,200	6,860.00	628.33	314.17
\$2,160	2,496.00	748.80	374.40	5,300	7,070.00	628.33	314.17
\$2,200	2,540.00	762.00	381.00	5,400	7,175.00	628.33	314.17
\$2,220	2,562.00	768.60	384.30	5,500	7,437.50	628.33	314.17
\$2,300	2,760.00	828.00	397.50	5,600	7,700.00	628.33	314.17
\$2,400	2,880.00	891.00	414.00	5,700	7,962.50	628.33	314.17
\$2,500	3,000.00	954.00	430.50	5,800	8,225.00	628.33	314.17
\$2,600	3,120.00	1,017.00	447.00	5,900	8,487.50	628.33	314.17
\$2,700	3,240.00	1,080.00	463.50	6,000	8,750.00	628.33	314.17
\$2,800	3,360.00	1,143.00	480.00	6,100	9,012.50	628.33	314.17
\$2,900	3,480.00	1,206.00	496.50	6,200	9,275.00	628.33	314.17
\$3,000	3,600.00	1,269.00	513.00	6,300	9,537.50	628.33	314.17
				6,400	9,800.00	1,200.00	1,200.00

1 Section 603 (b) establishes a \$10,000 ceiling governing the application of all pay provisions of the bill.