

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, March 11, 1953. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Szymczak
 Mr. Evans
 Mr. Vardaman
 Mr. Mills
 Mr. Robertson

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Allen, Director, Division of
 Personnel Administration

The following requests for travel authorization were presented:

<u>Name and Title</u>	<u>Duration of Travel</u>
Kenneth A. Kenyon, Assistant Secretary of the Board	March 16, 1953
Frederic Solomon, Assistant General Counsel, Legal Division	March 16, 1953
Arthur W. Marget, Director, Division of International Finance	March 15-16, 1953
Lewis N. Dembitz, Assistant Director, Division of International Finance	March 16, 1953
Frank M. Tamagna, Chief, Financial Operations and Policy Section, Division of International Finance	March 16, 1953

To travel to New York for the purpose of attending a meeting of the Staff Group on Foreign Interests.

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<u>Name and Title</u>	<u>Duration of Travel</u>
Lorman C. Trueblood, Economist, Division of Research and Statistics	March 17-20, 1953

To travel to St. Louis for the purpose of talking on the Board's current index of industrial production and the revision before the research staff of the St. Louis Reserve Bank and the local chapter of the American Statistical Association.

Lowell Myrick, Assistant Director, Division of Bank Operations	March 16-18, 1953
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To travel to Chicago and Columbus for the purpose of attending meetings of the Subcommittee on Electronics with Armour Research Foundation (Chicago) and Battelle Memorial Institute (Columbus, Ohio).

John R. Farrell, Chief, Reserve Bank Budget and Expense Section, Division of Bank Operations	March 28 - April 19, 1953
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To travel to Denver, Salt Lake City, Los Angeles, and San Francisco for the purpose of reviewing and discussing matters pertaining to functional expense reports.

Approved unanimously.

Before this meeting there had been sent to each member of the Board a memorandum from the Division of Personnel Administration, dated March 4, 1953, with respect to suggestions made on several occasions during the past few years, and discussed most recently at the meeting on February 9, 1953, of wage rates of certain non-professional employees in the Board's offices. The memorandum read as follows:

"On several occasions during the last few years the Division of Personnel Administration has been asked by the Board to investigate wage rates of certain non-professional employees in the Board's offices, and their relationship to community pay scales for similar work. In each of these instances we have found that wages paid at the Board for these jobs compare

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"favorably with those paid by other Government agencies. Some facts on the most recent of these surveys are attached for your information.

"One of the basic tenets of sound job classification and salary administration is that jobs within an organization be consistent in their relationship with each other, and that the salary structure as a whole be related to the current community wage market. Salary structures should be set in relation to the level of salaries paid by the community and not in relation to the individual needs of the employees involved.

"The above principles are used by the Federal Reserve Banks in administering their salary programs and have been recommended by the Hoover Commission for employees under the Civil Service Classification Act.

"It is true that the blue-collar workers in the Washington area are generally paid less than their counterparts in other sections of the country because there has been no strong unionization movement in Washington. Nevertheless, to ignore internal consistency and external comparability by arbitrarily increasing the salaries of certain groups of employees while ignoring others violates the basic concepts of salary administration and would cause a morale problem among Board employees. Such action would inevitably lead to other groups of employees seeking audiences with individual Board members to plead their case for a similar salary increase.

"For these reasons, if the Board desires to make some adjustment in its salaries, the entire salary structure should be increased and not just a selected part of it.

"In the past it has been our practice to keep the salary structure in line with Government, since our competition for manpower is almost exclusively with other Government agencies. It is possible, of course, to adopt a more liberal relationship which would place our salaries above those in Government. Such a move, however, could not be justified on the grounds of meeting the markets since we are already paying community rates.

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"The relationship of our salaries to those of other Government agencies is a matter of Board policy. The question for the Board to decide is whether or not it desires to adopt a program of paying higher wages than our competitors for manpower and, if so, the reasons which make such action justifiable."

Mr. Bethea, Director, Division of Administrative Services, joined the meeting at this point.

At Chairman Martin's request, Mr. Allen commented on the memorandum, reviewing its content and emphasizing that (1) he felt it would be undesirable to depart materially from the current community wage market in setting the Board's general salary levels for classified employees and (2) if any adjustment of the nature proposed were to be made, the adjustment should apply to the salaries for all classified Board employees and should not be applicable only to certain groups of employees.

Governor Evans stated that he had raised this question on a number of occasions, that in his opinion there was only one reason why the Board should increase the general salary levels for lower paid employees in the Board's organization and that was because the persons employed in those groups were superior to people doing comparable work in other Government buildings in Washington. He felt that the Board would get better results in maintaining its building and carrying on similar service operations if it had a

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somewhat higher salary scale for such work than was paid in the Government generally. Governor Evans went on to say that he was firmly of the opinion that the individuals who serviced the Board's building should be given additional recognition through an increase in pay, and that he would be opposed to making an adjustment in the entire salary structure for all classified employees.

Thereupon, Governor Evans moved that the Board act to increase the salary scales of employees responsible for the servicing of the Board's building, including guards, by five per cent.

Governor Vardaman stated that he would support Governor Evans' motion.

Mr. Solomon, Assistant General Counsel, joined the meeting at this point.

Chairman Martin then called upon Mr. Bethea, who stated that he was of the opinion that employees in the category mentioned by Governor Evans were adequately paid, that there was little difficulty in obtaining a sufficient number of workers in these classifications to carry on necessary work, and that he would subscribe generally to the statements made by Mr. Allen although he felt an increase in

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salaries of Board employees above the levels of other Government agencies would no doubt place the Board in a somewhat better competitive position for obtaining personnel.

Governor Szymczak inquired as to just how an adjustment of the type suggested by Governor Evans would be placed in operation, that is, whether it would be an across-the-board adjustment in certain classification groups or whether it would apply only to certain positions in some classifications. He also asked how the Division of Personnel Administration would determine how far up in the salary scale such an adjustment should be made.

Mr. Allen responded that this was one of the difficulties of trying to adjust salaries in the manner suggested, that there was just as much reason to increase salaries of file clerks, stenographers, and other workers as there was to increase salaries of those servicing the building or acting as guards, and that no matter where the line was drawn, if an adjustment were to be made on a blanket basis for certain groups or classifications of employees, it would create a morale problem within the staff generally.

Governor Vardaman said that he agreed with this statement and that he was inclined to think that the salaries of file clerks

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and other employees mentioned by Mr. Allen also should be increased, but that he would suggest that the Board start in with a proposal such as that made by Governor Evans and then proceed to make a further study to see what other groups of Board employees should be given a blanket increase.

Chairman Martin stated that he had given a great deal of thought to this question and had discussed it with other Government officials, that he felt the approach taken by Governor Evans was wrong from the standpoint of good salary administration and, if followed, would cause additional difficulty in a difficult field where you had a scale and attempted to apply equitable and uniform treatment to employees within that scale. He said that he had great pride in the way the Board's building was maintained and its other service operations carried on but that the question of superior care had to be balanced with other factors, such as superior working conditions, fringe benefits not generally available to other Government employees such as group life insurance, and in other ways. He added that he had discussed working conditions with some of the Board's employees in the groups mentioned by Governor Evans and that they had volunteered the comment that working conditions

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in the Board's organization were very much better than in other Government departments where they had worked before.

There followed a general discussion of the matter during which Mr. Bethea stated that more difficulty was being experienced in the Division of Administrative Services in obtaining stenographers than was the case with employees in the categories under discussion.

The view was also expressed that since Government departments and agencies constituted the principal competition for the Board in obtaining employees, it was desirable for the Board to adhere as far as possible to salary scales comparable to Government.

At the conclusion of the discussion Governor Evans' motion was put by the chair and lost, Governors Evans and Vardaman voting "aye", and Chairman Martin and Governors Szymczak, Mills, and Robertson voting "no".

Mr. Bethea withdrew from the meeting at this point.

Governor Robertson stated that in the memorandum relating to the examination department of the Federal Reserve Bank of Atlanta which was prepared in connection with the most recent examination of that Bank, reference was made to salary scales paid examiners and to difficulties being experienced in bringing about increases in salaries of senior examiners because further increases would place them at levels above salaries being paid junior officers. He stated that at the present

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time the salary scales for experienced and senior examiners at the Atlanta Bank were among the lowest in the Federal Reserve System, and were materially below those being paid for comparable work by the Office of the Comptroller of the Currency. He thought it might be desirable to offer the Federal Reserve Bank of Atlanta the assistance of the Board's Division of Personnel Administration in connection with the difficulties being experienced by the Atlanta Bank in bringing examiners' salaries up to levels comparable with those being paid to examiners of other supervisory agencies in the area.

It was understood that a letter would be sent to the Atlanta Bank in accordance with Governor Robertson's suggestion.

In connection with the foregoing discussion, Governor Evans raised the question whether responsibility for the examination of member banks should be assumed directly by the Board rather than indirectly through the Federal Reserve Banks. There was a general discussion of this question during which Governor Robertson stated that he would greatly prefer to continue to try to develop the examination function on a decentralized basis. He stated, however, that he felt salary scales at several of the Federal Reserve Banks were too low for experienced examiners and that he would like to send to the

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President of each Reserve Bank a tabulation showing comparable salaries paid to Federal Reserve Bank examiners and examiners employed by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. This information, Governor Robertson said, would help the Reserve Bank presidents in knowing how much their salary scales were out of line with those being paid by other supervisory agencies.

It was agreed that there would be no objection to furnishing the Reserve Banks with statistical information as to salary scales along the lines discussed by Governor Robertson.

Mr. Allen withdrew from the meeting at this point.

Chairman Martin then called upon Mr. Solomon who reported on a meeting he had attended in the office of Mr. Kendall, General Counsel for the Office of Defense Mobilization, yesterday morning regarding proposed legislation on standby controls.

Mr. Solomon stated that the various agencies represented had been requested to report on two bills which had been introduced by Senator Capehart, one providing for standby authority for various economic controls and the other for a 90-day "freeze" on wages, prices, and rents in the event of a national emergency. Insofar as the bills related to matters in which the Board had an interest, Mr. Solomon

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said that the views of the group were substantially in accord with those contained in the Board's letter to Mr. Kendall dated February 24, 1953. There was a discussion of certain of the questions raised by the two bills and of the position which the Board might take on the "freeze" bill but no decisions were reached.

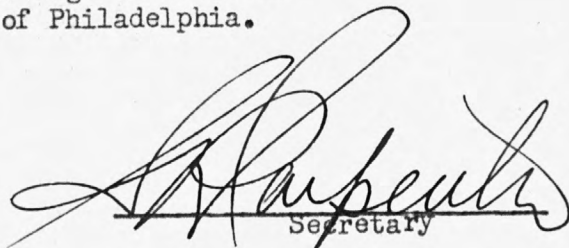
The meeting then adjourned. During the day the following additional actions were taken by the Board, with all of the members present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 10, 1953, were approved unanimously.

Letter to the Board of Directors, Fidelity-Philadelphia Trust Company, 135 South Broad Street, Philadelphia, Pennsylvania, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment and operation of a branch in a portion of Boulevard Center at the southeast corner of Roosevelt Boulevard and Magee Street, Philadelphia, Pennsylvania, by the Fidelity-Philadelphia Trust Company, provided formal approval is obtained from the appropriate State authorities and the branch is established within twelve months after the date of this letter."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Philadelphia.



Secretary