

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, June 9, 1955. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
 Mr. Szymczak  
 Mr. Mills  
 Mr. Robertson  
 Mr. Shepardson

Mr. Carpenter, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Sprecher, Assistant Director, Division of Personnel Administration

The following matters, which had been circulated to the members of the Board, were presented for consideration and the action taken in each instance was as indicated:

Telegram to Mr. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

Reurlet June 3, 1955, Board approves appointment of Emmett H. Dunaway as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise as to the date upon which the appointment is made effective and as to salary rate.

Approved unanimously.

Letter to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

In accordance with the request contained in your letter of June 2, 1955, the Board approves the appointment of David Lewis McKee as an assistant examiner for the Federal Reserve Bank of Richmond, effective July 1, 1955.

In this connection your attention is called to the Board's letter of June 26, 1953, and the policy mentioned therein with respect to the retention of shares of stock owned by Mr. McKee in member banks not located in the fifth Federal Reserve district.

Approved unanimously.

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Letter to Mr. Perrin, Federal Reserve Agent, Federal Reserve Bank of Minneapolis, reading as follows:

In accordance with the request contained in your letter of May 26, 1955, the Board of Governors approves the appointment of Mr. Earl C. Benson as Alternate Assistant Federal Reserve Agent to succeed Mr. Christopher E. Bjork.

This approval is given with the understanding that Mr. Benson will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Federal Reserve Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of his duties. When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent or, during a vacancy in the office of the Federal Reserve Agent, of the Assistant Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

Mr. Benson should execute the usual oath of office which should be forwarded to the Board of Governors, together with advice as to the effective date of his appointment.

Approved unanimously.

Letter to the Board of Directors, Security Trust & Savings Bank of San Diego, San Diego, California, reading as follows:

The Board of Governors approves the establishment of a branch by Security Trust & Savings Bank of San Diego, San Diego, California, in the vicinity of the intersection of 12th Street and Highland Avenue, National City, California, provided the branch is established within one year from the date of this letter.

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

Letter to Mr. Millard, Vice President, Federal Reserve Bank of San Francisco, reading as follows:

This refers to your letter of April 18, 1955, requesting the views of the Board concerning the formation in 1954 by First Security Corporation, Salt Lake City, Utah, of two

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subsidiary corporations, namely, First Security Life Insurance Company of Texas and First Security Savings and Loan Association.

Inasmuch as First Security Corporation did not advise the Board of its acquisitions of control of these organizations as required by Paragraph 12 of the Corporation's application for a voting permit, it is suggested that this oversight be called to the attention of the Corporation in order that advice to the Board will not be overlooked in any future cases of this kind.

It is noted that while the Corporation prior to these transactions controlled a building and loan association, it had no subsidiaries engaged in the insurance business other than as agent and, accordingly, as indicated in your letter, there is a question whether the Corporation's acquisition of ownership and control of First Security Life Insurance Company of Texas resulted in a change in the general character of the business and investments of the Corporation without the prior permission of the Board as required by Paragraph 3 of the agreement executed by the Corporation when it obtained its voting permit. In view of the relatively small amount invested in ownership of that company, the Board interposes no objection to this transaction. However, in order to avoid any questions of noncompliance with the agreement, it is requested that the Corporation be informed that it should in the future submit to the Board in advance any proposal to acquire control of an organization engaged in activities not already engaged in by the Corporation or its subsidiaries.

Approved unanimously.

In accordance with the understanding at the meeting of the Board yesterday, further consideration was given to the request of the Federal Reserve Bank of Chicago for approval of the payment of salary to painters and a plumber according to rates established by the most recently effected contracts between the Building Managers' Association of Chicago and the respective building trades unions in that city.

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Mr. Sprecher said that he had talked by telephone with officers of the Federal Reserve Bank of Chicago, who stated that the jobs in question were quite comparable to the jobs covered by the recent agreements. He went on to say that apparently the pressure from the unions in Chicago was strong, probably greater than in New York City, and that the Chicago Reserve Bank was concerned over the possibility that it would be forced to employ union labor if the prescribed rates were not met. Mr. Sprecher then commented on the procedure followed in the past which involved approval of the Board in each individual case when the salary rate resulted in an excess over the maximum established by the Bank's salary schedule and which culminated in the Board's letter of June 2, 1954, approving a plan whereby the payment of salary to various classes of maintenance employees would be considered each time that a contract was negotiated between employers and employees in the Chicago "loop" area. Mr. Sprecher also commented that the Chicago Reserve Bank had been considering the establishment of a separate salary structure for non-clerical employees along the lines of the structure recently approved by the Board for the Federal Reserve Bank of New York. He indicated that as a practical matter there might be little, if any, change in the rates paid by the Reserve Bank as a result of establishing the separate structure, but that there might be certain advantages derived from the opportunity to recognize meritorious service. With regard to a question raised at yesterday's meeting growing

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out of the fact that the Chicago Reserve Bank paid at a rate of 90 per cent of that called for by the contracts between the unions and the Building Managers' Association, because of the fringe benefits accruing to Bank employees, Mr. Sprecher said that estimates by the Board's staff, which were checked by telephone with the Reserve Bank, indicated that the fringe benefits at the Chicago Bank might amount to about 16 per cent of the basic salary rate. On the other hand, he said, union workers enjoyed certain welfare benefits which would partially offset the fringe benefits of Reserve Bank personnel.

In an ensuing discussion, Governor Balderston commented that as a practical matter it seemed necessary for a Reserve Bank like Chicago to pay various maintenance employees at the union rates even though it was recognized that this was a departure from the objective of an internal salary alignment which would conform to the relative difficulty of the various positions on the Bank's staff. He went on to suggest that it seemed questionable whether the establishment of a separate salary structure, with ranges for the various grades therein, would represent an improvement because payment to the employees in question at union rates might mean in effect that the employees would always be paid at the maximum of the respective grades. Such a situation, he pointed out, would tend to preclude the use of steps within grades to recognize meritorious performance.

There was agreement among the members of the Board with Governor

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Balderston's view concerning the practical necessity of meeting the union rates. It was also indicated that the members of the Board would like to give further study to the advantages and disadvantages of establishing salary structures for non-clerical workers before reaching a decision as to the wisdom of such a move. In the circumstances, it was suggested that the Board's letter to the Chicago Reserve Bank should be so worded as not to discourage the Reserve Bank from studying the possibilities of a separate structure but at the same time make it clear that the Board had not decided to approve such a proposal.

At the conclusion of the discussion, unanimous approval was given to a letter to Mr. Newman, Assistant Vice President of the Federal Reserve Bank of Chicago, in the following form, with the understanding that Mr. Sprecher would advise the Reserve Bank by telephone of the Board's action, as stated in the letter, and discuss with the Bank more fully the Board's general views with regard to a separate salary structure for non-clerical workers:

In reference to your letter of May 27, 1955, the Board approves the payment of salary to painters and a plumber at rates up to \$6,500 and \$6,656 per annum, respectively, these being the rates established by the most recently effected contracts between the Building Managers' Association of Chicago and the respective building trades unions in that city, effective May 30, 1955.

This approval is made in accordance with the Board's letter of June 2, 1954, which stated that after Board review of new contracts between the Building Managers' Association and certain specified unions, approval would be given your Bank to pay salaries up to those rates without further reference to the Board.

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The Board understands that it is the intention of your Bank to review this entire question of non-clerical salary rates later this year with a view toward creating a separate salary structure for such positions. Although the Board has reached no final conclusion as to the wisdom of such a move, it believes a review of this kind would be worth while.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 8, 1955, were approved unanimously.

The meeting then adjourned.

  
Secretary