



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

167

R-817

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 8, 1941

Dear Sir:

There is enclosed for your information a copy of a letter, dated March 24, 1941, to Mr. J. S. Sinclair, Chairman, Conference of Presidents, regarding the methods used by the Federal Reserve Banks in calculating overtime payments for employees subject to the provisions of the Fair Labor Standards Act of 1938.

Very truly yours,

A handwritten signature in cursive script, appearing to read "L. P. Bethea".

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

March 24, 1941

Mr. J. S. Sinclair, Chairman,
Conference of Presidents,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania.

Dear Mr. Sinclair:

We wish to bring to your attention the matter of the methods used by the Federal Reserve Banks in calculating overtime payments for employees subject to the provisions of the Fair Labor Standards Act of 1938.

As you know, the methods now being employed by the Federal Reserve Banks for this purpose are not uniform. The Board is advised that at six of the banks at least the method used in calculating overtime payments is based upon the assumption that the employee works a regular number of hours and accordingly the payment is at a fixed hourly rate based on the employee's salary. Although the Board's information as to the operation of this method is not specific, it is understood that in such cases, where the regular number of hours worked is 40, for example, the hourly rate is determined by dividing the weekly salary by 40, and one and one-half times the hourly rate thus arrived at is paid for each hour of overtime. At another Federal Reserve Bank, however, in accordance with Interpretative Bulletin No. 4 of the Wage and Hour Division of the Department of Labor with regard to the calculation of overtime where there is a variable workweek, the hourly rate is computed by dividing the weekly wage by the total number of hours worked during the week. One Federal Reserve Bank determines the hourly rate by dividing the weekly wage by 40, even though the number of hours actually worked exceeds 40, and one-half of the resulting sum is paid for each hour of overtime. It is obvious that the last two methods described are less favorable to the employees than the one first mentioned above.

You will recall that this matter was considered at the Presidents' Conference held on September 27-28, 1940. The tentative draft of the minutes of the meeting indicated that the Conference was of the opinion that all Federal Reserve Banks should have a uniform basis for determining the rate at which overtime payments are made, that a ruling as to the use of a "variable workweek" basis by the Federal Reserve Banks should be obtained from the office of the Administrator of the Wage and Hour Division, and that all Federal Reserve Banks should be guided by such ruling. Under date of October 24, 1940, however, the

Chairman of the Conference of Presidents addressed a letter to all other Reserve Bank Presidents with regard to this matter, in which he indicated the improbability of obtaining a ruling more favorable than that already in effect, and stated, among other things, that several of the banks had questioned the desirability of a uniform policy in respect to the matter and that it seemed preferable not to ask for a ruling that might impel uniformity. As a result of a suggestion in this letter, it was apparently agreed by the Presidents to change the minutes of the meeting so as to state an understanding that copies of a ruling of the New York Regional Director of the Wage and Hour Division on this subject would be sent to the members of the Conference so that each bank might determine whether or not it would use a variable workweek as the basis for computing overtime payments under the Fair Labor Standards Act of 1938.

In all the circumstances it is felt that the subject is one which deserves further consideration by the President's Conference, and it is suggested that on the occasion of the next meeting of the Conference it include on the agenda as one of the topics for consideration the desirability of a uniform practice with respect to the computation of overtime by the Federal Reserve Banks under the Fair Labor Standards Act of 1938, together with such other problems, if any, as may have arisen under the Act and appear to warrant consideration by the Conference.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.