

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

REC'D IN RECORDS SECTION
APR 13 1970
321-224(9)

Office Correspondence

Date March 25, 1970

To Board of Governors
Via: Governor Mitchell
From Division of Personnel Administration

Subject: Employee salary structure adjust-
ments - Federal Reserve Bank of Minneapolis

3/25/70

In the attached letter dated March 12, 1970, the Federal Reserve Bank of Minneapolis requests the Board's approval of a 7.6 per cent average increase at midpoint in the employee salary structure applicable to both the Head Office and Helena Branch, effective April 1, 1970.

Recommendation

Approval, consonant with the recommendation contained in the memorandum to the Board from the Committee on Organization, Compensation, and Building Plans dated March 17, 1970.

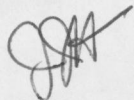
Comments

The present salary structure, currently the oldest in the System, was increased 6 per cent on April 1, 1969, and at the time was considered to be a conservative adjustment in that little or no provision was made, on average, for a market rise at the Head Office between the survey date (November 1968) and the effective date (April 1, 1969). However, in the more heavily populated grades, i.e. 5, 6, and 7, structure midpoints were estimated to be on the market as of April 1, 1969.

The Minneapolis Reserve Bank's analysis of salary information as of November 1969, provided for the most part, by Stanton Associates, Inc., a private consulting firm, indicated that salaries in the Minneapolis area had advanced, on average, 6.7 per cent between November 1968 and November 1969. As was the case in 1969, the current market increase is rather large, but in light of current wage settlements and the market movement in the previous survey period (6.3 per cent), it appears reasonable. As a result of this market increase the current structure midpoints have, on the average, fallen behind the market by 6.2 per cent at the Head Office.

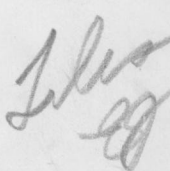
The proposed average structure increase of 7.6 per cent is again, as was the case last year, less than what could have been reasonably requested in that a full "lag adjustment" (see "Proposed Structure" under Additional Comments) was not provided for in the increase. However, this Division feels that the "lag adjustment" provided should enable the Bank to adequately administer salaries throughout the coming year.

Further details regarding the market surveys, market trend lines, and proposed structure are covered in the attached comments and tables.

 Gary P. Cochran

Attachments.

see note attached



ADDITIONAL COMMENTS

I. Market Survey

Since 1948 the Reserve Bank has obtained the majority of its survey data from the Twin City Survey which is conducted by Stanton Associates, Inc. Salary data on 25 of the 32 jobs used in the market line came from this source and data on the remaining 7 jobs were obtained from a supplemental survey conducted by the Reserve Bank.

The Reserve Bank has made several changes in this year's survey in an effort to improve its quality. Seven fewer jobs were surveyed than last year. Rates for four of these jobs (Electrician, Engineer, Painter, and Carpenter) had been obtained from an independent survey by Associated Industries of Minneapolis and were nearly always at least a year old. In addition, recent union wage settlements in the community required that the Bank upgrade all of these jobs. Because of this upgrading, the year-old survey information became completely invalid.

Two other maintenance jobs, Senior Equipment Mechanic and Equipment Mechanic, were removed from the survey because the Bank found it increasingly difficult to obtain valid rates due to the reluctance of many respondents to furnish this data. The job, Switchboard Operator, was also removed because it was determined that more experience was required for this job at the Bank than in a corresponding job in the community.

The reliability of the salary data collected by the Helena Branch survey is very questionable mainly due to the small statistical sample available in Helena. The survey represents 17 Branch employees out of 66 (26 per cent) and collects rates for only 295 employees in the total salary market in 11 jobs comparable to those at the Branch. The latest survey indicated a 10.8 per cent increase in the Helena market between January 1969 and February 1970 compared to a 4.8 per cent increase during the previous survey period. The current structure is behind the February 1, 1970, Helena market by 8 per cent compared to the previous structure being 3 per cent below the January 1, 1969 market. In 1968 the Helena salary market was approximately 1.4 per cent, on average, behind the Head Office market and is currently 2.2 per cent ahead of the Minneapolis market based on the latest survey results. Such a large variation in salary market data between the last two surveys and between the Head Office and Branch markets gives further reason to doubt the reliability of the Helena survey.

II. Market Trend Line

The Bank continued to use the first degree equation to derive its market trend line (straight). Survey data (edited by Stanton Associates, Inc.) obtained in Grades 2 through 12 was used in the computation of the market line; however, rates reported by the Minneapolis Reserve Bank were excluded to avoid

any influence on the line. The market line for Grades 13 through 16 was derived by using a constant percentage increase (7.6 calculated by the first degree least squares equation for grade 12). This method of extrapolation resulted in somewhat lower percentage increases than those obtained by substituting grade difficulty points in the least squares equation.

Because the period covered by the BLS Survey lags approximately one year behind the surveys used by the Bank to determine its structure adjustments, comparison of current Bank survey results to the most recent BLS Survey results is not very meaningful. However, a comparison of previous (1969) Bank survey results to the most recent BLS Survey can be used to determine generally how accurate the Bank's previous survey results were.

<u>Latest BLS Surveys*</u>				<u>Most Recent</u>	
<u>Period</u>	<u>Office</u>	<u>Previous Bank Survey</u>		<u>Bank Survey</u>	
	<u>Clerical</u>	<u>Period</u>	<u>Increase</u>	<u>Period</u>	<u>Increase</u>
	<u>Increase</u>				
1/68-1/69	5.7%	11/67-11/68	6.3%	11/68-11/69	6.7%

* All Industries.

The above table indicates that the market increase upon which the current structure was based is higher than that obtained in the BLS Survey.

III. Proposed Structure

As noted in the following table, the proposed average increase of 7.6 per cent includes only a portion of the lag adjustment that is allowed under the Board's present policy.

	<u>Minneapolis</u>	<u>Helena</u>
A. To raise present structure to most recent market level:		
November 1969 - Minneapolis	6.2%	
February 1970 - Helena		8.0%
B. <u>Lag adjustment</u> . Allowance for increase in market between date of survey (Minn.-Nov. 1969 & Helena-Feb. 1970) and effective date of proposed structure (April 1).	<u>1.4</u> (<u>2.2</u>)*	<u>-.4</u> (<u>.7</u>)*
C. Proposed average structure increase	<u>7.6%</u>	<u>7.6%</u>

* On the basis of the average market increase during the respective survey periods (Minn.-November 1968 to November 1969 and Helena-January 1969 to February 1970) the Bank could have provided the amount in parenthesis as lag.

Mr. Mitchell:

No Because of the last sentence in Mr. Strothman's letter (attached) it would appear that this needs prompt attention.

It was sent to the Secretary's office for copies to be run off for distribution to the Board; they called me to see if you had seen the original memo, as it did not have your initial on it; I told them "no" so they sent it up here for you to see. Copies are all run and ready to be distributed whenever you say the word.

OK.

Gov. Mitchell } Do you have *ajm*
Gov. Brainerd } any objection to this recommendation?
OK.
Ann Tyler