

V-5 Granted  
IN THE MATTER OF:  
Inland Steel Company  
and  
United Steelworkers of America  
Local Union 1010, C.I.O.

7065  
Arbitration No. 65  
Grievance 15-D-2

April 14, 1953

Arbitrator's Report

and

Award

HEARING: Indiana Harbor, Ind.; February 23, 1953.

FOR THE COMPANY: W. T. Hensey, Jr. Asst. Supt., Labor Rel.  
H. C. Lieberum, Asst. Supt., Labor Rel.  
L. E. Davidson, Industrial Engineer  
R. P. Schuler, Asst. Supt., 44" Hot Strip Mill  
and others.

FOR THE UNION: J. B. Jeneske, Intl. Rep.  
Peter Calacci, Chm., Grievance Comm.  
Fred A. Gardner, V. Chm., Grievance Comm.  
William Brown, 44" Hot Strip Mill Rep.  
and  
principals and witnesses.

ARBITRATOR: Paul N. Lehoczky

ISSUE: Grievance 15-D-2; Adequacy of new incentive plan; 44" Hot Strip Mill.

GRIEVANCE. Grievance 15-D-2 dated September 10, 1952, reads:

"Aggrieved contend that the bonus plan presented to us under the #3 Furnace Operation is not equitable in relationship to the previous bonus rate and that the distribution of said bonus is inappropriate by reasons of changed conditions and increased production and performance."

The Company's first step answer, dated Sept. 16, 1952, reads:

"This grievance is filed in behalf of the 44" Hot Strip Mill crews, Roll Division, Mechanical and Electrical employees. It charges violation of Article V, Section 5 of the Collective Bargaining Agreement. The aggrieved employees contend that the bonus plan presented because of the addition of the 3rd furnace is not equitable in relationship to the previous bonus rate and that the distribution of said bonus is inappropriate by reason of changed conditions.

"Article V, Section 5, of the Collective Bargaining Agreement concerns incentive plans, their development and presentation to the union representatives. Management has fulfilled its obligation under this Article and Section in developing and presenting to the union representatives a new incentive plan based on expected performance due to the installation of a 3rd reheating furnace in February 1952. The following facts have been discussed with the union representatives.

"(1) The potential reheating capacity of this department has been increased 50% by the addition of a 3rd reheating furnace.

(2) With the additional furnace, Management is expecting 5.2% production increase through expected average slab weight in order to equal the previous earnings under a two furnace operation. This production increase is expected under normal operating conditions.

(3) The allusion to distribution of this bonus in the latter part of the statement of the grievance should properly fall under job descriptions and classifications treated in the Collective Bargaining Agreement under Article V, Section 6.

(4) The proper cooperation and coordination among the personnel in the various units concerned in this department, should, and in Management's opinion will, reveal a successful incentive earnings increase for the employees affected.

"Management is of the opinion that the new incentive rate for the 44" Hot Strip Mill last presented to the employees of this department (75-4112; 75-0506; 75-2017 and 76-0325) is fair and equitable in relation to other incentive earnings in the department or like department involved. The request of this grievance is, therefore, denied."

The Company's final reply dated November 11, 1952, reads, in part:

"During the Third Step presentation by the International Union's Representative, the departmental grievance committeeman and members of the 44" Hot Strip Mill crews, twelve (12) points were presented. These points covered the Union's and aggrieved employees' contention that the incentive plans now in effect in the 44" Hot Strip Mill are inappropriate. All of these points have been reviewed by the 44" Mill supervision and the Industrial Engineering Department. It is their considered judgment that these incentive plans are just and equitable rates and that the objections voiced by the Union representatives in the Third Step hearing are not of such a nature that they would render these incentive rates inappropriate.

"Management is of the opinion that the new incentive rates for the 44" Hot Strip Mill are fair and equitable in relation to other incentive earnings in the department or like departments involved and the previous job requirements and the previous incentive earnings. The request of this grievance is denied."

#### UNION POSITION:

"The Union contends that the new incentive rates File Numbers 75-4112, Hot Strip Mill, Heating and Auxiliary, 75-0506, and Maintenance Crews, File No. 75-2017 are not equitable in relation to the previous bonus rate that was in effect.

"The Company in its first step reply gives four (4) points they claim are facts:

"Point (1) - The potential reheating capacity of this department has been increased 50% by the addition of a 3rd reheating furnace.

The Union's answer to this point is that since the addition of this 3rd furnace, the delays have increased 50% due to increasing number of pile-ups in the furnace. The delays for the year of 1951 under two furnace operation: total net operating hours 6018.08; total hours delay 389.45; the percentage of delay time is 6.4% from March 1st, 1952, to January 31st, 1953. Under three furnace

operation the total net operating hours were 4183.14; total hours delay 400.23; the percentage of delay time is 9.6% which is an increase of 50% over the two furnace operation.

"Point (2) - With the additional furnace, Management is expecting 5.2% production increase through expected average slab weight in order to equal the previous earnings under a two furnace operation. This production increase is expected under normal operating conditions.

The Union's answer to this point is that the aggrieved employees have increased their average tons per hour from 177.5 for the 90-day period prior to when incentive was installed to 193.6 tons per hour for January 1953 which is an increase of over 9%, and they have not yet reached their average earnings on all occupations. Furthermore, the Company did all in its power to set up ideal conditions for the 90 day period in question.

"Point (3) - The allusion to distribution of this bonus in the latter part of the statement of the grievance should properly fall under job descriptions and classifications treated in the Collective Bargaining Agreement under Article V, Section 6.

The Union does not agree with the Company distribution of the bonus earnings. The aggrieved contend all people in a given job class should receive the same percentage. The present incentive finds four occupations in Job Class 10 with four different incentive rates per 100 production units.

This is not a Company policy because throughout the rest of the plant the distribution of incentive earnings is made on an equal basis for the same job class.

"Point (4) - The proper cooperation and coordination among the personnel in the various units concerned in this department, should, and in Management's opinion will, reveal a successful incentive earnings increase for the employees affected.

The Union's answer to this point is that the 44" Mill has always given proper cooperation and coordination in giving the Company production."

"In summary, the Union contends that the incentive installed by the Company is not equitable in relationship to the previous bonus rate, and the Inland Steel Company was in violation of the Collective Bargaining Agreement in installing rates numbers 75-4112, - 75-0506, and 75-2017 because the old rate had not become inappropriate, and this is the only reason for which the Company would have a right to install a new incentive. The old rate would have paid more money for more production, not more money for less production.

"The Union requests the Arbitrator order the Inland Steel Company to reinstitute the old incentive rate and have the Company apply it retroactively to the time they instituted the new incentive."

COMPANY POSITION. The Company's position as established in its brief reads, in part:

"The Company contends that the wage incentive plans in effect for the Mill (75-4112), Heating and Auxiliary (75-0506), and Maintenance (75-2017)

crews in the 44" Hot Strip Mill, were developed, presented, and installed in accordance with the provisions of Article V, Section 5, of the Collective Bargaining Agreement, and that the meaning and intent of this contractual provision was adhered to so that the new wage incentive plans 'provide equitable incentive earnings in relation to the other incentive earnings in the department or like department involved and the previous job requirements and the previous incentive earnings.' "

"Here in this Article V, Section 5, Procedure 4, the parties (Company and Union), have agreed and stipulated the factors, that employees affected by a new incentive plan can claim when filing a grievance on such a new incentive.

"Specifically, they are:

"1. The employees affected may claim that such new incentive does not provide equitable incentive earnings in relation to other incentive earnings in the department,

"2. The employees affected may claim that such new incentive does not provide equitable incentive earnings in relation to a like department involved,

"3. The employees affected may claim that such new incentive does not provide equitable incentive earnings in relation to the previous job requirements,

"4. The employees affected may claim that such new incentive does not provide equitable incentive earnings in relation to the previous incentive earnings.

"This portion of Section 5, Procedure 4, clearly limits any grievance arising from a new incentive to a claim that such new incentive does not provide equitable incentive earnings in relation to one or more of these four factors.

"Section 5, Procedure 4, further states: "If the grievance be submitted to arbitration, the arbitrator shall decide the question of equitable incentive earnings in relation to other incentive earnings in the department or like department involved and the previous job requirements and the previous incentive earnings.'"

"This statement authorizing the arbitrator to decide the question of equitable incentive earnings in relation to the four factors must be interpreted in the light of what the parties agreed that employees affected by a new incentive can claim.

"Limited to this, it follows that the question to be decided by the arbitrator is the question of whether or not the new incentive provides equitable incentive earnings in relation to the four factors.

"By past practice and by custom and tradition, a differential is maintained by the Company between incentive margins for production and maintenance occupations. This is not peculiar to the Inland Steel Company, but is common throughout the steel industry. It is based on the indirect relationship between individual output and mill production. Such a differential existed in the 44" Hot Strip Mill under the old incentive rates. Under this rate file, production personnel averaged 27.4% over base rate and maintenance personnel averaged 11.9% over base rate. Such a differential exists in the 76" Hot Strip Mill, which is like the 44" Mill. In the 76" Hot Strip Mill,

production personnel average 21.4% over base rate, while maintenance personnel averaged 10.5% over base rate. Similarly, differentials between production and maintenance personnel exist throughout the plant wherever both groups are on active incentives. The three incentive rates under the criteria of Article V, Section 5, are examined with policy in mind as follows:

"Equitable Incentive Earnings in Relation to Previous Job Requirements:

"Following the installation of the Third Reheating Furnace and engineering changes to the #1 - 2 High Roughing Stand, coiling equipment and hydraulic spray equipment, the Company made a review to determine how the job content (requirements of the job as to training, skill, responsibility, effort or working conditions) of the occupations of the Mill, Heating and Auxiliary and Maintenance Crews were affected. The review disclosed that four occupations required a revision of job descriptions but that these changes in job description so affected job content that only one of the four jobs required re-classification. These descriptions and classifications were developed, presented and installed in accordance with the provisions of Article V, Section 6, of the Collective Bargaining Agreement. None of the other occupations in the 44" Hot Strip Mill beyond these four were affected so as to require a change in job description or classification. The Union has filed several grievances on occupations in the Mill, Heating and Auxiliary, and Maintenance Crews. These grievances are being disposed of through the grievance procedure.

"Equitable Incentive Earnings in Relation to Previous Incentive Earnings:

"The Collective Bargaining Agreement provides for the replacement of incentive plans which have become inappropriate. When it is necessary to replace such an inappropriate plan, the Company is obligated to guarantee the average hourly earnings for the three months preceding the installation of the new incentive plan until such time as the new incentive is finally determined either by agreement, expiration of the time limits for grievance, or by an arbitrator's decision. This guarantee is a floor under the earnings of the employees on the new incentive plan until such determination is made. It was against this level of earnings that the incentive plans before the arbitrator were measured for the purpose of meeting this criterion of the Collective Bargaining Agreement. For the period of January 19, 1953, through February 15, 1953, this level was, in fact, exceeded by all members of the Mill, Heating and Auxiliary, and Maintenance crews.

"Equitable Incentive Earnings in Relation to Other Incentive Earnings in the Department:

"The average margin of incentive earnings over base rate of all production occupations in the 44" Hot Strip Mill is 27.4%. The average margin of incentive earnings over base rate for the Maintenance crews is 11.9%. All of the Maintenance occupations in the department are included in wage incentive file number 75-2017, therefore, there cannot be a comparison to other maintenance occupations in the department.

"Equitable Incentive Earnings in Relation to Other Incentive Earnings in a Like Department:

"The Company considers the 76" Hot Strip Mill the only like department. The average margin of incentive earnings over base rate for all

production occupations in the 76" Hot Strip Mill is 21.4%. The average margin of incentive earnings over base rate for all Maintenance occupations in the 76" Hot Strip Mill is 10.5%."

From which the Company concludes that:

"The wage incentive plans in effect for the Mill, Heating and Auxiliary, and Maintenance crews of the 44" Hot Strip Mill fulfill the provisions of Article V, Section 5, of the Collective Bargaining Agreement, and the alleged violation is without basis."

DISCUSSION. The analysis made by either side is excellent; in fact the presentation is so clear and thorough that there is little need to comment on it. The basic problem here deals with the interpretation of V/5/4 as it applies to the wage equation in question. The grievance is based on this section and must be judged entirely in the light of this section.

In the first place, we are convinced that the present setup on the 44" Hot Strip Mill is appreciably different from the old setup and that consequently, the Company is justified in developing a new wage incentive plan. The differences were thoroughly discussed at the hearing and during the inspection. They include, not only the third furnace but also changes in the Roughing Stand screw-down and the several changes in the finishing stands (water pressure) and the Coiler. We agree with the Union that the increase in slab weight is a variable which will have to be watched; however, there is at present proof that the slab weights have increased from 2.87 tons to 3.83 tons. In brief, the operation is not the same as the one upon which the old plan was based.

As to the Wage Incentive Plan proposed by the Company. The plan is, in our opinion fundamentally sound and equitable. In brief, in our opinion, the plan does answer the criteria set up under V/5 as outlined in such detail by the Company. However, there are also a series of other factors which enter here and which convince us that the yield as it now stands may be too tight. One of the facts of tremendous importance in any wage incentive discussion is the attitude of the employees. Now there is almost complete unanimity as to this point: both Management and the Union agree that the crew on the 44" Hot Strip Mill is excellent technically and practically 100% cooperative from the time study point of view. In brief, there was no holding back when these studies were made. All this was again re-emphasized by supervision during our inspection tour.

This fact coupled with the admitted possibility of jam-ups in the yard and delays in the furnaces and coupled further with the argument that conditions on the line during the study were ideal rather than normal, all tend to substantiate the Union's (as expressed by the crew members) claim that there is a degree of tightness in this setup. In our judgment this situation is best corrected by liberalizing the yield by 3%.

AWARD: We find that the Company-proposed Wage Incentive Plan although correct as to principle, shows a degree of tightness when examined in the light of the terms "and the previous job requirements" as these terms apply in Article V, Section 5, Procedure 4. In order to correct this situation we find that the plan must be liberalized by increasing its yield by 3%.

We also find that the "method of distribution of bonus" complained of by the Union is not arbitrable under V/5/4 and must be taken up as a separate issue (or issues) as outlined in the Grievance Procedure.

Respectfully submitted,

s/ Paul N. Lehoczky  
Paul N. Lehoczky