

IN THE MATTER OF:

Inland Steel Company
Indiana Harbor Indiana

and

United Steelworkers of
America, C.I.O., Local 1010

July 1 1953

Arbitrator's Report
and
Award

13-C-48

HEARING: Indiana Harbor; May 28, 1953.

FOR THE COMPANY: W. T. Hensey, Asst. Supt., Labor Relations
L. E. Davidson, Supv., Ind. Engr.
and others

FOR THE UNION: Joseph B. Jeneske, Int'l. Rep.
Donald Lutes, President, Local 1010
Peter Calacci, Chm., Grievance Comm.
Fred A. Gardner, V.-Chm., Grievance Comm.
Frank Negrete, Grievance Committee,
and others.

ARBITRATOR: Paul N. Lehoczky

ISSUE: Grievance 13-C-48; 76" Hot Strip Mill incentive plans; 76-4112, 76-0507,
and 76-2005.

Grievance: Grievance 13-C-48 was filed on June 12, 1951, and reads:

"Management has installed an incentive which is inappropriate to other
incentive earnings in like departments on like and same job classes."

The Company's 1st Step answer, dated June 14, 1952, reads, in part:

"Article V, Section 5 outlines the methods of establishing a new incentive rate or changing an existing incentive. The rate which is the subject of this grievance was developed by the Industrial Engineering Department through a series of meetings with representatives of the 76" Hot Strip Mill employees and the Labor Relations Department. These meetings finally concluded with acceptance of the rates by this group of representatives of the 76" Hot Strip Mill. This group had full and detailed knowledge of all methods of procedure comprising the rates. If the rates were inappropriate, it must be assumed that they would not have been accepted and consequently, management is of the opinion that the subject matter of this grievance is without contractual basis."

UNION POSITION: The Union's position, as developed in its brief presented at the Hearing, is based upon the following points:

"1. That the job requirements of the present plan are considerably greater for the same earnings realized under the old plan.

2. That the Company can not sustain a position of a 75% bonus factor payment for 'Hot Connection Material,' this definitely indicates about a 25%

additional increase in tonnage to break even on the present plan much less break even on the old plan.

"3. That there are other higher incentive earnings in the department placing the disputed plans in an inequitable relationship to these higher incentive earnings.

"4. That the earnings in the 76" mill under the contested plans are inequitable in relation to the much higher incentive earnings in the 44" mill on similar jobs on like units in similar job classes. There is no question that the Company considers the 44" Mill the 76" mill as like departments.

"The wage incentive plans installed by the Company for the mill, Heating and Auxiliary, and Maintenance crews of the 76" Hot Strip mill are inequitable in relation to the requirements of Article V, Section 5, Procedure 4, and the level of total take home earnings realized under the disputed plans should be raised to at least the point of providing the same ratio of total earnings to base rate received by the employees of the 44" mill, a true comparative department. The provisions dealing with less than a 100% pay ton factor in the present plan should also be eliminated in so far as they can not be substantiated either by the Collective Bargaining Agreement or by any rule of equity."

COMPANY POSITION. The Company's position is based upon an analysis of the four factors set up in Article V, Section 5, of the Agreement as follows:

1. "Following the installation of the coiling equipment and changes to the water cooling 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 Rolling Mill, Heating and Auxiliary, and Maintenance Crews were affected. This review disclosed that two occupations required a revision of job description but that these changes in job description so affected the job content that only one of the jobs required reclassification. These descriptions and the 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 76" Hot Strip Mill beyond these two were affected so as to require a change in the job description or classification.

"As a result of the equipment changes and improvements, the Company reviewed the Wage Incentive Plan (60-Y-3) in effect in April 1949 to determine whether or not it would be rendered inappropriate under the provisions Article V, Section 5 of the Collective Bargaining Agreement. Following this review, the Company determined that heavier slabs could be processed. This condition could be more accurately accommodated by the new wage incentive plans that would provide equitable earnings opportunity on both light and heavy slabs. This was done when the Company installed the Rolling Mill (76-4112), Heating and Auxiliary (76-0507), and Maintenance (76-2005) Wage Incentive Plans."

2. "The Wage Incentive Plan (60-Y-3) in effect prior to March 19, 1951 (the date new wage incentive plans were installed) provided for a guaranteed performance level for each crew and represented by a percentage figure that was applied to their respective bonus factors and are as follows:

Crew	Percentage Guarantee
"A"	47.55
"B"	39.04
"C"	42.92
Average	43.19

"The previous average earnings for the period of January 24 to May 1,

1949, were the result of paying the higher of the above crew guarantee or the earnings resulting from the application of Wage Incentive Plan 60-Y-3. The new plans provide a unit of payment expressed in pay tons. An analysis of operating results from March 19, 1951, to May 24, 1953, show that previous average earnings have been exceeded in every pay period."

3. "For the three month period prior to the changed conditions in 1949, the average margin of incentive earnings over base rate of all production occupations in the 76" Hot Strip Mill is 19.3%. The average margin of incentive earnings over base rate for the Maintenance crews is 4.4%. All of the Maintenance occupations in the department are included in Wage Incentive Plan 76-2005 therefore, there cannot be a comparison to other Maintenance occupations in the department."

4. "The Company considers the 44" Hot Strip Mill the only like department.

"For the first quarter of 1949, the average margin of incentive earnings over base rate for all production occupations in the 44" Hot Strip Mill is 19.2%. The average margin of incentive earnings over base rate for all maintenance occupations in the 44" Hot Strip Mill is 6.4%."

From which the Company concludes that the incentive plans in dispute provide equitable incentive earnings in accordance with the criteria of Article V, Section 5, Procedure 4 of the Collective Bargaining Agreement.

DISCUSSION: The basic problem here is similar to the one presented in February under Grievance 15-D-2 "Adequacy of new incentive plan; 44" Hot Strip Mill." An examination of the information submitted by the parties in the 13-C-48 Grievance is also quite similar to that submitted in 15-D-2 as are the attacks by the Union and are the Company's defenses.

We've checked through the 20 some individual objections the Union raised and want to comment on certain ones. To begin with, the changes made in the 76" line are definite and major changes which warrant the establishment of a new equation. Second, we cannot go along with the Union's arguments to the effect that when the Company develops a technological advance on any line, that then the fruits of this advance must belong to the crew or must be shared with the crew. The basic principle here is quite simple: any technological advance which cuts costs is always shared in the form of general wage increases throughout the plant. The wage payment system would soon cease to function if any other method of distribution were applied.

Third, we've checked the details of the wage incentive plans now in effect and can find nothing wrong with them. This does not mean that all time studies are correct or that all studies are properly rated. It does mean however that the technical setup is, in our opinion, valid and acceptable.

Fourth, we accept the Company's arguments on the inclusion of hot connections and direct rolling. In our opinion these developments were properly handled.

Fifth, we also agree with arguments to the effect that earnings on two lines need not be equal and we feel that this statement needs no further comment

in light of differences between individuals, between crews and between processes..

The foregoing were the Union's major objections as we saw them. As to the problem from the viewpoint of Article V, Section 5, Procedure 4:

1. Equitable Incentive Earnings in Relation to Previous Job Requirements: In our opinion this matter was properly handled, all jobs were examined and those needing adjustment were readjusted. Aside from this, our remarks under "Second" in the second paragraph of our Discussion, apply. We hold therefore that the incentive plan now in dispute does provide equitable incentive earnings in relation to previous job requirements.

2. Equitable Incentive Earnings in Relation to Previous Incentive Earnings: A study of the material presented under Company Exhibits B and C indicate that this particular condition is fully satisfied by the new equation, that is, that the equation does provide equitable incentive earnings in relation to previous incentive earnings.

3. Equitable Incentive Earnings in Relation to other Incentive Earnings in the Department. The facts presented by either side give the arbitrator no reason to find that this particular condition set up under V/5/4 is not satisfied.

4. Equitable Incentive Earnings in Relation to Incentive Earnings in a "Like" Department: As stated elsewhere, there is no reason to suppose that earnings in the 76" Mill must be the same as those attained in the 44" Mill. We must however make the same adjustment in this incentive equation as we did in the case of the "Like" 44" Mill to maintain the same relationship as existed before the adjustment. Other than this however, we find that the incentive installation answers all of the contract-set criteria of fair and equitable wage incentives.

AWARD. We find that the Company-proposed wage incentive formulas (76-4112, 76-0507, and 76-2005) although correct as to principle, must be adjusted by a 3% liberalization in order that they fully meet a specific requirement of Article V, Section 5, Procedure 4 "Incentive Earnings in a Like Department." The 3% liberalization is to be applied to the variable earnings in the same manner as a similar adjustment applied in the case of the 44" Hot Strip Mill.

The question of retroactivity was not argued before this arbitrator but it is his understanding that the parties will proceed in this matter as defined in the Agreement.

Respectfully submitted,

s/ PAUL N. LEHOCZKY

Paul N. Lehoczky