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INLAND STEEL COMPANY
AND
UNITED STEEL WORKERS OF AMERICA,
LOCAL UNION NO. 1010

GRIEVANCE NO. 17-C-104

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AND
UNITED STEEL WORKERS OF AMERICA, LOCAL UNION NO. 1010

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DECISION OF THE ARBITRATOR

INTRODUCTION

The management of the Indiana Harbor Works of the Inland Steel Company and Local Union No. 1010 of the United Steel Workers of America, CIO, having been unable to settle the Grievance No. 17-G-104, in accordance with Step Number 4, under Section II, Article VIII, entitled "Adjustment of Grievances" of the Agreement between the Company and the Union dated July 30, 1952, the matter was submitted to the undersigned as Arbitrator on Tuesday, January 19, 1954. The hearing was held in the conference room of the Inland Steel Company, Indiana Harbor Works, East Chicago, Indiana, with

Mr. W. T. Hensey, Jr., Assistant Superintendent, Labor Relations Dept.
Mr. L. E. Davidson, Supervisor, Flat Products, Industrial Engineering Department
Mr. R. J. Royal, Divisional Supervisor, Labor Relations Department
Mr. G. Platicha, Black Plate General Foreman, Tin Mill Department
Mr. J. Federoff, Industrial Engineer, Tin Mill Department
Mr. M. Hoey, Industrial Engineer, Tin Mill Department

representing the Company, and

Mr. Joseph B. Jeneske, International Representative
Mr. P. Calacci, Grievance Committee Chairman
Mr. W. Supich, Grievance Committeeman
Mr. Eldon Scott, Aggrieved
Mr. B. Bergmann, Aggrieved

representing the Union.

ISSUE

The question to be decided in the subject case was whether or not the Tin Mill Black Plate Halliden Shear Wage Incentive Plan (78-0620) installed June 11, 19[illegible], provides equitable incentive earnings in accordance with the provisions of Article V, Section 5 of the Collective Bargaining Agreement.

Article V of the Agreement deals with "Wages" and Section 8 thereof states that

> Section 8. Incentive Plans. Wherever practicable, it will be the policy of the Company to apply some form of incentive to the earnings of the employees when their efforts can readily be measured in relation to the overall productivity of the department or a subdivision thereof, or on the basis of individual or group performance. In this connection, the Union recognizes that the Company shall have the right to install incentive rates in addition to existing hourly rates wherever practicable in the opinion of the Company. It is also recognized that the Company shall have the right to install new incentives to cover (a) new jobs, or (b) jobs which are presently covered by incentives but for which the incentive has been reduced so as to become inappropriate under and by reason of the provisions of the aforesaid Wage Rate Inequity Agreement.
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> In such cases, or in cases where an incentive plan in effect has become inappropriate by reason of new or changed conditions resulting from mechanical improvements made by the Company in the interest of improved methods or products, or from changes in equipment, manufacturing processes or methods, materials processed, or quality or manufacturing standards, the Company shall have the right to install new incentives, subject, however, to the provisions of the aforesaid Wage Rate Inequity Agreement. Such new incentives shall be established in accordance with the following procedure:
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> 1. The Company will develop the proposed new incentive.
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> 2. The proposal will be submitted to the grievance committeeman representing the employees affected for the purpose of explaining the new incentive and arriving at agreement as to its installation. The Company shall at such time furnish such explanation with regard to the development and determination of the new incentive as shall reasonably be required in order to enable the grievance committeeman to understand the method by which the new incentive was developed and determined, and shall afford to such grievance committeeman a reasonable opportunity to be heard with regard to the proposed new incentive.
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> 3. If agreement is not reached within thirty (30) working days after the meeting at which such incentive is explained to the grievance committeeman, the matter shall be reviewed in detail by an International Representative of the Union and the Company for the purpose of arriving at mutual agreement as to the installation of the incentive. Such meeting shall be held promptly upon the request of either party.

4. Should agreement not be reached, the proposed new incentive may be installed by the Company at any time after fifteen (15) days after the meeting between the Company representative and the International Representative of the Union, and if the employees affected claim that such new incentive does not provide 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 they may at any time after thirty (30) days but within one hundred-eighty (180) days following such installation, file a grievance so alleging. Such grievance shall be processed under the grievance procedure set forth in Article VIII of this agreement and Section 9 of this Article. If the grievance be submitted to arbitration, the arbitrator shall decide the question of 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 and the decision of the arbitrator shall be effective as of the date when the new incentive was put into effect.

5. Until such time as the new incentive is agreed upon or, in the event a grievance is processed to arbitration, until an arbitrator's decision has been rendered, the average hourly earnings of incumbents of the job as of the date the new incentive is installed shall not be less than the average hourly earnings received by such incumbent under the incentive plan in effect during the three (3) months immediately preceding the installation of the new incentive.

Where an incentive plan becomes inappropriate because of new or changed conditions resulting from mechanical improvements made by the Company in the interest of improved methods or products, or from changes in equipment, manufacturing processes or methods, materials processed, or quality or manufacturing standards, and the Company does not develop a new incentive, the employee or employees affected may process a grievance under the provisions of Article VIII of this agreement and Section 9 of this Article, requesting that a new incentive be installed providing, in the light of the new or changed conditions, 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.

Article XIV, Section 4 of the July 30, 1962 Collective Bargaining Agreement states:

> Pending Grievances. All grievances which were filed under the terms of the 1947 Agreement between the parties, as amended and supplemented, and which are now in the process of adjustment will be considered under the grievance procedure set forth in this Agreement and settled in accordance with the applicable provisions of the said 1947 Agreement, as amended and supplemented, in effect at the time the cause of the grievance occurred.

Irrespective of the 33% margin on the old Mesta rates, the Company installed a rate which would provide earnings of 45% over base on the new Halliden Shear.

The average earnings of the operators on the new Halliden Shears over the past three (3) years have been almost exactly 45%.

5. Relative to the provision of "equitable incentive earnings in relation to other incentive earnings in the departments", the average margin of incentive earnings over base rate for all production occupations in this, the Tin Plate Department is 26.8%.

6. Relative to provisions of "equitable incentive earnings in relation to other incentive earnings in a "like" department", there is no "like" department because the Company operates just one Tin Plate Department.

7. With the exception of the Feeder who for two pay periods fell below his guarantee of average hourly earnings, the Halliden Shear Crews in the Tin Plate Department have exceeded previous average earnings on the old Mesta rates, in every pay period subsequent to the filing of the grievance.

8. The fact that Halliden Shears are used in the Cold Strip Mill, as well as in the Tin Mill, does not make the two, "like" departments. In order to be "like" departments in the Company's interpretation, they must produce essentially the same product. There are a number of other departments besides the Cold Strip Mill and the Tin Mill that employ Halliden Shears. Consequently it would be unfair to compare the earnings of the Halliden Shear Crews in only these two departments.

9. The fact that the Cold Strip Mill and the Tin Mill are under the same roof does not make them "like" departments. There are many of the larger buildings that house several distinctly different departments.

10. The fact that both the Cold Strip Mill and the Tin Mill had the same superintendent does not make them "like" departments.

11. A review of Halliden Shear Crew earnings in the Tin Mill on both special finish material and regular material indicates that there is little difference in earnings on one as compared with the other. Consequently there is little basis for the contention that the crew cannot "make-out" on special finish material.

12. In the new rate, adequate provisions have been made for test coils and scrap material. The Union has never questioned the adequacy of the time allowed for each of the operation elements.

13. The 45% margin being earned on this job is very liberal when compared with the 33% margin earned on the old Mesta rates and the approximate average of 30% earned on all incentive operations throughout the plant.

8. There were certain considerations given for test coils, scrap material, etc. on an average earnings basis prior to the institution of the wage incentive that are not reflected in the new rate.

9. The employees on this operation feel that those particular items that were previously paid for on an "average earnings" basis, prior to the installation of the new wage incentive, should be kept on an average earnings basis.

10. The installation of new Halldem Shears has increased productivity of the employees so substantially that a proportionately higher margin of earnings should be allowed.

POSITION OF THE COMPANY

1. The Wage Incentive Plan for this job was developed, presented, and installed in accordance with the provisions of the Collective Bargaining Agreement.

2. The Company denies that there has been a violation of the terms of the Collective Bargaining Agreement, because all four tests of equity under other incentive earning in the department, or "like" department involved, and the previous job requirements, and the previous incentive earnings, have been met.

3. Relative to "equitable incentive earnings in relation to previous job requirements", this is the initial incentive installation for the Halldem Shear Unit in this department. The Company developed, presented, and installed the occupational description and classification, in accordance with the contract. The occupational description and classification became effective under provisions of the Contract and the old Mesta Shear rates remained in effect. Because the Union has not questioned the occupational description and classification, there is no disagreement on the basic rate being paid for the job.

Because this was an entirely different type of equipment on which the productivity was considerably higher and the job classifications were also higher, no relation to "previous job requirements" is possible.

4. Relative to "equitable incentive earnings in relation to previous incentive earnings", there were no Halldem Shear units in the Tin Plate Department prior to this initial installation, consequently there were no previous incentive earnings on this unit.

The old Mesta rates returned a margin of 33% under the base rate. However, this percentage margin would have application only in calculating the previous average hourly earnings which had to be guaranteed to those employees who were transferred.

On October 9, 1951, the Union filed Grievance No. 17-G-104 contending that the Hallden Shear Rate File No. 78-0680 had proven inappropriate to the employees affected because it did not provide equitable incentive earnings in accordance with the provisions of Article V, Section 5 of the Collective Bargaining Agreement.

This grievance was processed through the First, Second, and Third Steps of the grievance procedure. No satisfactory settlement was reached and the grievance was brought to arbitration in accordance with the provisions of Article VIII, Section 2, Step 4, and Article V, Section 9 of the Collective Bargaining Agreement.

POSITION OF THE UNION

1. The set-up of the new rate is such that is not equitable in relation to the criteria of the contract, namely
   (a) other incentive earnings in the department
   (b) other incentive earnings in a "like" department involved
   (c) the previous job requirements
   (d) the previous incentive earnings

2. Earnings on Hallden Shears in other "like" departments such as Cold Strip Mill are much higher averaging between 50% and 70% above the base rate.

3. Earnings under the new Hallden Shear rate are being restricted to conform with the earnings of employees on the old Mesta Shear rates, which were around 30% above base.

4. Previous earnings on the old Mesta rate should be a consideration only in so far as these earnings determine the minimum to be guaranteed those employees who were transferred to the new Hallden Shears. It has no bearing on the equity of the earnings on the new Hallden Shears.

5. Irrespective of the department involved, the type of operation (in this case the machine being operated) determines more equitable earnings comparisons.

6. At the time the Hallden Shears were installed in the Tin Mill, the Tin Mill and the Cold Strip Mill were under the same supervision. Furthermore much of the product run in the Cold Strip Mill is forwarded to the Tin Mill for processing. Because of the two above considerations, the Cold Strip Mill is a "like" department, and the earnings of the Hallden Shear operators in the Cold Strip Mill should be used as a comparison to determine the equity of earnings of the Hallden Shears in the Tin Mill.

7. The operators contend that they cannot "make-out" on special finish material run as "A.2." material.

BACKGROUND OF THE CASE

As part of the modernization and expansion program in the Tin Plate Department, a new Hallden Shear Unit was installed in the Black Plate Division. This new equipment was to replace the old Mesta Flying Shears, and in making up crews to operate the new Hallden Shears, some employees were promoted from the Mesta Flying Shear Unit.

Operation of the new Hallden Shears began on December 19, 1949, and since no new base rates or incentive plan had been developed to cover the operation of this unit, a guaranteed average rate was established. This rate was based on the average hourly earnings, of the operators on the Mesta Flying Shears for the three (3) month period prior to November 27, 1949.

New job descriptions and classifications and a new wage incentive plan were developed by the Company and presented to the Grievance Committeeman and a representative group of employees on Sept. 26, 1950.

The proposed base and incentive rates were not accepted by the Union and no agreement was reached as to their installation.

Subsequent to this initial presentation, the job descriptions and classifications and the wage incentive plan were presented to the Union and employees on November 24, 1950, November 27, 1950, and March 23, 1951. When no agreement was reached as to their installation, arrangements were made to present them to the International Representative of the Union.

The job descriptions and classifications for the Black Plate Hallden Shear Operator (Index No. 78-0620) Piler Inspector (Index No. 78-0624), and Feeder (Index No. 78-0622) occupations were installed on April 23, 1951, and December 19, 1949 was established as the effective date of the base rates.

On May 14, 1951, the Wage Incentive Plan, File No. 78-0680, was presented to Mr. J. B. Jenecke, the International Representative of the Union. Mr. Jenecke would not agree to the installation of the proposed incentive plan.

In accordance with the provisions of the contract which allows the Company to install a wage incentive plan at any time after fifteen days after meeting with the International Representative, the Company installed this plan No. 78-0680 on June 11, 1951 and applied it retroactively to December 19, 1949, the day the new unit was put into operation.

DISCUSSION

1. The Company's contention that "in a vast majority of the pay periods, the earnings (of the Tin Mill Halldén Shear Crew) have been well above the previous average earnings", has little bearing on the question as to whether or not the present earnings are adequate. Because the job classification of the new jobs on the Halldén Shear are higher than the old jobs, one would expect that the earnings <u>should be</u> higher. Furthermore, one would expect the earnings to be higher because the Company established a more generous 45% margin on the Halldén Shear rate as compared with the 35% margin enjoyed by the Mesta Shear operators.

The question thus becomes, "Are the operators on the new rate earning what the Company had intended they should earn?".

That the operators are earning what the Company intended, is evidenced by average earnings which over a period from the beginning of 1952 to January 1954 have averaged a margin of slightly over 45%.

2. The Union's contention that a higher margin should be allowed on this operation because the productivity had been substantially increased is not valid. It does not fall within the province of the Industrial Engineering Department through arbitrarily "loose" rates to pass-on the benefits of improved technology to a few employees who happen to be working on jobs which were picked for improvement and on which the operators may have already been favored with lighter work loads.

3. There is no contention on the part of the Union that the operators cannot "meet the rate". Up until the time of the arbitration, the Union presumably had not questioned the omission of any necessary elements of the operation. Furthermore the time allowed for each of the elements was not questioned. Nor was there any evidence presented to show that the Union was contending that the employees on this operation had to work beyond a reasonable pace to make their present earnings.

Thus the question resolves itself into one of whether or not, in comparison with other incentive earnings in the department, incentive earnings in like departments, previous job requirements and previous incentive earnings, the earnings on this operation are adequate.

4. Relative to the provision of "equitable incentive earnings in relation to other incentive earnings in the department", the evidence presented indicated that the average 45% earned by the Halldén Shear operators over the last two years is well above the 35% margin earned on all production operations in the Tin Plate Department as shown in the most recent quarterly report.

Likewise this 45% margin is considerably above the plant average incentive margin stated by the company men to be 30%. Furthermore, the 45% average margin over the past two years is considerably above the general industry level of 25%.

5. Relative to the provision that the earnings must be "equitable in relation to other incentive earnings in like departments", it will be noted that the Contract specifically stipulates a like department - not a like operation.

I hold that the Hallden Shear operations are like operations regardless of department but that some like operations do not necessarily make like departments. Even if like operations were intended in the Contract, then our consideration of the earnings on Hallden Shears would have to extend to Hallden Shears in all departments, not only in the Cold Strip Mill.

The incentive earnings margins on the Hallden Shears in the Cold Strip Mill are so much higher than the plant average margins that it is quite likely that they are higher than the Company had intended they should be, when the rates were established. Accordingly these would be looked upon as "loose" rates, and the Company's error in establishing a loose standard on one operation would not obligate them to establish correspondingly loose rates on all subsequent operations any more than it would justify their establishing a "tight" rate to offset the "loose" ones.

6. Relative to the provision of "equitable incentive earnings in relation to previous job requirements", I hold that inasmuch there was no contention on the job description and classification and because the 45% incentive earnings which the Company had intended the operators should earn, are being earned, the established standard is equitable.

7. Relative to the provision of "equitable incentive earnings in relation to previous incentive earnings", I hold that despite the difference in equipment, and because of the similarity of the purpose of the operation that the incentive earnings should be comparable. At the same time I rule that the 45% margin of earnings over base, as indicated on the last two years' earnings records, is adequate. Furthermore the total hourly earnings have actually averaged more than 40% above the base rate of the former operation.

As previously stated, there is no basis for rewarding the operators on this job for an increase in productivity occasioned by the installation of the machine.

AWARD

To summarize, the employees are enjoying a 45% earnings-over-base-rate margin on this operation. This margin is almost exactly what the Company had intended it should be. It is an average of performance over a sufficiently long (2 year) period. The 45% margin is considerably above the margin on the former operation, above the average margin in the department and above the plant average margin. No contention has been made that the employees had to work at an unreasonable pace to attain the 45% performance. In consideration of the above, I cannot but hold that the Tin Mill Black Plate Hallden Shear Wage Incentive Plan (78-0620) installed June 11, 1951, provides equitable incentive earnings in accordance with the provisions of Article V, Section 5 of the Collective Bargaining Agreement.

S. J. Fecht, ARBITRATOR

June 17, 1954