

*Extra*

BEFORE  
PAUL M. EDWARDS  
IMPARTIAL ARBITRATOR

INLAND STEEL COMPANY )  
and )  
UNITED STEELWORKERS OF AMERICA )  
LOCAL UNION 1010 )

*Award 115*

Grievance No. 16-D-65

ARBITRATOR'S AWARD

Question To Be Decided

Was the Company in violation of Article V, Section 5, of the Collective Bargaining Agreement when it denied Grievance No. 16-D-65, filed June 22, 1953, contending that the Cold Strip Shipping Auxiliary Wage Incentive Plan (82-C-3c) did not become inappropriate on June 1, 1953, under the provisions of Article V, Section 5, of the Collective Bargaining Agreement?

Decision of the Arbitrator

1. The Company was in violation of the Agreement when it refused to install a new incentive plan for the Auxiliary Force, Cold Strip Shipping Department, to provide equitable earnings in relation to previous job requirements and previous incentive earnings.
2. The present incentive plan has become inappropriate because of new and changed conditions brought about by the Company's change in bundling practice.
3. The two factors from which the incentive earnings are calculated (34% of the Bundlers' earnings and \$.055 per ton loaded or unloaded) shall be changed so that the incentive earnings of the Hooker occupation would not have been changed during the period from October 27, 1952, to November 23, 1952, inclusive, but would have been increased from the actual of \$.756 to \$.840 per man hour during the period from March 1, 1954, to March 14, 1954, inclusive.
4. In spite of the above paragraph (3), if the computation of the new rates indicates that the percentage of the Bundlers' earnings (now 34%) that is used in this incentive plan should be less than 17%, then this rate shall be reduced to 17%, and a new rate per ton shall be calculated that will maintain the earnings of the Hooker occupation at the average of the specified 1952 period. The earnings during the specified 1953 period shall then be computed from these new rates, but shall not be less than were paid in this period.
5. In case the two rates cannot be adjusted to conform to the above award, then the parties may negotiate a mutually agreeable settlement of the matter or they may present additional testimony to the Arbitrator, who will then amend his award as may be required to attain the indicated equitable result.
6. The computation of the new rates shall be made from the production, man hours, and earnings data of the two specified periods without regard to the application of the daily guarantee of hourly rates. The incentive earnings only shall be used.
7. The new rates shall be effective as of June 22, 1953.
8. All other provisions of the incentive plan shall remain unchanged, including the ratio of earnings of the occupations included in the plan.

9. Only the net difference in earnings for the retroactive period shall be paid. The higher earnings from the new rates on some days shall be used to offset the possible lower earnings on others. The daily guarantee of hourly rates shall apply in both rate applications (actual, as already paid, and the retroactive) as specified in the rate.

Respectfully submitted,

/s/ Paul M. Edwards

Paul M. Edwards, Impartial Arbitrator

### OPINION

#### Summary of Facts of the Case

Effective May 25, 1949, an incentive plan for the Auxiliary Force in the Cold Strip Shipping Department was installed (Incentive No. 82-C-3c, now designated as No. 77-27-18).

On June 22, 1953, the Union entered Grievance No. 16-D-65 alleging violation of Article V, Section 5, of the Company-Union Agreement in the case of the employees in this group.

In addition to the guarantee of the hourly rates on a turn basis, this incentive provided incentive earnings from three sources:

- a. Incentive base rates (lower than the guaranteed hourly rate)
- b. A rate per ton shipped
- c. A percentage of the total earnings of the group served (Head Bundler and Bundlers)

The sum of the earnings from the tonnage rate and the percentage of the Bundlers' earnings was combined to form an incentive pool. The amount of this pool was divided by the man hours worked by the group. This figure represented the incentive earnings per hour for the lowest rated job in the group--that of Hooker. The hourly incentive earnings for the other occupations in the group were increased according to a table in the incentive plan.

In comparing the earnings of the Auxiliary group, the earnings of one occupation suffice, because the relationship of the incentive earnings remains constant. A comparison of the earnings of the Crane Hooker illustrates the pattern of earnings since the beginning of 1952 (from Company Exhibit D):

<u>Period</u>	<u>Average Hourly Incentive Earnings</u>	<u>Average Incentive Earnings Highest Period</u>	<u>Average Incentive Earnings Lowest Period</u>
1952	.837	.888	.780
1953	.846	.951	.723
1954	.751	.782	.713

(to Mar. 14)

Near the end of May or the first of June, 1953, bundling requirements were changed so as to reduce the amount of material required in the bundling of coils, and also to reduce the amount of work and earnings involved in the Bundlers' jobs. As a result of these changes in bundling practices, the total earnings of the Bundlers' group decreased, although the man hours worked by this group were also reduced so that there has been no severe drop in the hourly earnings of the Bundlers. However, the drop in the total earnings of the Bundlers' group has resulted in a drop in the total earnings of the Auxiliary Crew as a result of the fact that a part of the earnings of the Auxiliary Crew are derived from the Bundlers' earnings. Since the man hours worked by the Auxiliary Crew have not been reduced in the same proportion as the total earnings of the group, there has been a reduction in the hourly earnings of the Auxiliary Crew, as reflected in the tabulation of earnings shown above.

The tabulation of the average hourly incentive earnings, furnished by the Company, indicated that the drop in incentive earnings was appreciable and occurred in the first pay period of June, 1953.

### The Union's Position

The Union's case is based primarily upon the following paragraph from Section 5, Incentive Plans, of Article V, Wages, of the 1952 Agreement which, as amended, is still in force.

"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."

The Union contends that there have been changes in equipment, manufacturing processes or methods, materials processed, or quality or manufacturing standards, which have resulted in a lowering of the earnings of the Auxiliary Crew. As a result of these changes, the incentive plan has become inappropriate and a new incentive should be installed, providing in the light of new or changed conditions, equitable incentive earnings in relation to the previous job requirements and the previous incentive earnings.

### The Company's Position

The Company contends that the wage incentive plan did not become inappropriate by reason of the changes in the packaging specifications; that the fluctuations in the Auxiliary Crew's incentive earnings are a result of the fluctuations in over-all packaging and shipping activity; that the wage incentive plan was based on the consideration that variations in the relationships between the actual work performed and the basis of measurement provided in the plan would occur for the Auxiliary Crew due to the indirect nature of the services performed; that a reduction in hourly earnings is not sufficient evidence that a wage incentive plan is inappropriate; that the change in bundling practices was not the result of new or radical bundling methods, but was merely a shift in emphasis of the type of bundling to meet the needs of the times; and that these changes were already contemplated by the Bundlers' incentive plan, as illustrated by the fact that the Bundlers' earnings had not suffered as a result of the changes. Therefore, since the incentive for the Bundlers had been designed to accommodate itself to these changes, it also applied as well to the incentive of the Auxiliary Crew.

### Arbitrator's Opinion

The drop in earnings of the Auxiliary Crew which accompanied the changes in bundling practice must be a result of either:

- a. Failure to balance the man power of the Auxiliary Crew to the work load. This statement assumes that the relationship of the two parts of the incentive plan which provide the total of the incentive earnings reflects the amount of work performed. Then the failure to balance the man power to the work load would result from either a management decision not to attempt to balance it, or from an inability to balance it because of the nature of the work performed.
- b. An unbalance in the parts of the rate. It is possible that the earnings from the two parts of the incentive rate (the tonnage rate and the percentage of the Bundler's earnings) do not reflect the actual man hours required under the varying ratios of tonnage and bundling requirements. It appears from the evidence that there is a real possibility that the monetary return from the work of servicing the Bundlers was relatively high in the original rate while the return from the "tons shipped" portion of the rate was correspondingly low. As long as the ratio of Bundler work to tons shipped remained approximately constant, it

was possible for the Auxiliary Crew to maintain a reasonably constant level of earnings. However, if the assumption of the unbalance in the parts of the rate is correct, then it is possible that the earnings of the Auxiliary group might fluctuate independently of how well they perform their work or how well the man hours of the group were balanced to the required work, and that such fluctuations in earnings might be a result of the fact that the rate placed too great a weight on one factor as compared to the other.

Since all of the changes made in the bundling practice had been contemplated in the original Bundler incentive plan, there was no contention that this plan had become inappropriate because of the changes in bundling practice. The Arbitrator believes that it is possible that shifts in product mix can render an incentive plan inappropriate where too great a range of products are covered by a single rate, or where the rates for individual products or operations are out of balance; that is, where the individual rates do not reflect the work required by the various products. The Company established the incentive plan, and it is incumbent upon the Company to establish the various rates in the incentive plan in such proportions that the employees will have reasonable opportunity for a continuation of an established level of earnings if the performance of the employees is maintained.

There was no testimony to indicate that the performance of the Auxiliary group had dropped significantly as a result of the change in bundling practice. However, since a part of the duties of the Auxiliary group was the servicing of the Bundlers with bundling materials, it must be assumed that the change in bundling practice did result in some decrease in the work load of the Auxiliary group. The Arbitrator finds:

1. That there have been new and changed conditions resulting from improvements made by the Company in the interest of improved methods or products.
2. That the present incentive plan became inappropriate as a result of such changes.
3. That a new incentive should be developed and installed, providing, in the light of new and changed conditions, equitable incentive earnings in relation to the previous job requirements and the previous incentive earnings.

Therefore, the Arbitrator finds that the two specific figures from which the incentive earnings of the Auxiliary Crew are derived--the 34% portion of the Bundlers' earnings and the \$.055 per ton shipped--should be modified so that while earnings in the latter part of 1952 remain constant, the incentive earnings in the early part of 1954 should be increased between 11% and 12%.

It is necessary in a case such as this for the Arbitrator to select reference points which in his estimation represent equity and direct that the incentive plan should be modified so that those reference points are complied with. Specifically, the two parts of the rate--34% of the Bundlers' earnings and \$.055 per ton shipped--are to be modified so that the earnings in the period from October 27 to November 23, 1952, shall remain the same, while the incentive earnings of the Hooker occupation for the period from March 1, 1954, to March 14, 1954, shall be increased from the \$.756 per hour, as shown on the Company's Exhibit D, to \$.840 per hour, if the man hours per ton shipped were maintained.

It is indicated that the 34% of the Bundlers' earnings is too high in relation to the \$.055 per ton shipped. However, because of the service nature of the operation (that is the service of the Auxiliary group to the Bundlers), the effect of the Bundlers' earnings should not be de-emphasized to too great an extent. For this reason, a limit is set on the change in the portion of the Bundlers' earnings--the factor .34 shall not be reduced below .17. If a reduction of the factor .34 within this allowed range does not accomplish the equalization of the earnings in the two specified periods, then it shall be set at .17, and the tonnage rate adjusted so that the average hourly earnings in the specified 1952 period would have remained at \$.869, and the earnings in the specified 1954 period shall

find their own level with the rates so adjusted.

In case the effect of the reduction of the factor applying to the Bundlers' earnings is not that which is anticipated above (in other words, if the solution of the indicated simultaneous equations does not have the effect of lowering the factor, but instead indicates an increase), then it will be assumed that the change in the bundling practices was not the cause of the change in earnings; and it will be necessary to consider the case further.

No figures were presented as to the relative amounts of the incentive earnings that have been derived from the two factors in the rate. The Arbitrator will, therefore, assume some figures which may be wide of the mark but will serve to illustrate the principle to be used.

<u>Period</u>	<u>Dollars Earned by Bundlers</u>	<u>Tons Shipped</u>	<u>Auxiliary Man Hours Worked</u>	<u>Actual Average Hourly Incentive Earnings</u>
A	\$100.00	618	78.25	\$.869*
B	50.00	700	78.25	.709

\*The average hourly earnings are the result of the application of the two factors--34% of the dollars earned by the Bundlers and the rate of \$.055 per ton shipped--to the data shown.

The problem is to change these two factors so that the average hourly earnings of \$.869 are not changed during period "A", while the earnings for period "B" become the desired figure of \$.84 per hour.

The two simultaneous equations for the data given are:

Period "A"

$$\frac{100X + 618Y}{78.25} = .869$$

Period "B"

$$\frac{50X + 700Y}{78.25} = .840 \text{ (changed from .709)}$$

Where X is the ratio of the Bundlers' earnings and  
Y is the rate per ton.

The solution from these data gives 17.8% of the Bundlers' earnings as one factor and \$.0813 per ton shipped as the other.

The figure 17.8% is above the lower limit of 17% set by the Arbitrator. If it had been less, then it would be necessary to substitute .17 in the first equation and solve this equation alone for the tonnage rate that would have yielded average incentive earnings of \$.869 for period "A", letting the earnings of period "B" fall where they may. (They must be higher than those actually paid.)

If the result of the solution had been to increase the percentage of the Bundlers' earnings or decrease the tonnage rate, then no change would be made.

This solution shall be made without regard to the daily guarantee of hourly rates. The incentive earnings only should be used.

The new rates having been determined from the data of the specified periods, the new rates would then be effective as of the date of the grievance, June 22, 1953. This must be so because the date of the changes is not clearly established.

All other parts of the incentive plan, base rates, ratios of earnings of the occupations included, methods of accounting for tons shipped and received, Bundlers' earnings, guaranteed rates, pay-roll procedure, etc., shall not be changed.

In computing retroactive pay, it will probably be found that earnings are reduced under certain circumstances--when the Bundlers' earnings were unusually high while tonnage shipped was low. The higher earnings on some days during the retroactive period should be used to offset the lower earnings on others, except that the daily guarantee of hourly rates should apply for the new calculation as specified in the incentive plan.

April 27, 1954