Grievance No. 16-E-22
Appeal No. 152
Arbitration No. 156

INLAND STEEL COMPANY

and

UNITED STEELWORKERS OF AMERICA
Local Union 1010

Opinion and Award

Appearances:

For the Company:

William F. Price, Attorney of Vedder, Price and Kaufman
Herbert Lieberum, Superintendent, Labor Relations
William T. Hensey, Jr., Assistant Superintendent, Labor Relations
L. E. Davidson, Assistant Superintendent, Labor Relations

For the Union:

Cecil Clifton, International Representative
Fred A. Gardner, Chairman, Grievance Committee
Joseph Wolanin, Assistant to International Representative

The issue in this appeal is whether Wage Incentive Plan File No. 78-0312 applicable to the No. 4 Radiant Tube Anneal Crane Operator, #44 Crane, in the Tin Mill, provides equitable incentive earnings under Section 5, Article V.

The grievance, originally filed March 1, 1955, but re-filed in final form April 1, 1955, charges that this Incentive Plan is defective in that it does not provide equitable incentive earnings in relation to other incentive earnings in the department, that for a given amount of production the incentive earnings are much less than they are on the No. 1 Tin Mill Anneal, and the Union's request, as put in the grievance, is that there be an upward revision so that the employees "may realize previous incentive earnings and incentive earnings equitable in relation to other incentive earnings in the department."

Recently, in Arbitration No. 151, the first award in this permanent arbitratorship was issued in an incentive dispute case. I expressed there my opinion that as we proceed we should try to ascertain what the accepted principles appear to be and to define the relevant terms of the controlling contract provisions, largely in Article V, Section 5, on a case by case basis, so that there will gradually emerge rules or guide posts which will be of assistance to the parties when they evaluate their respective positions with respect to new incentives.

The heart of Section 5, in so far as the immediate dispute is concerned, is sub-paragraph 4 (marginal paragraph 56) and particularly the part which gives directions to the arbitrator. This is:

> "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 ... "

The parties have expressed serious disagreement over some of the fundamental features of this contractual test. It may be helpful to point out what this language does not say.

It does not say that the employees must earn exactly what they earned before, nor an amount equal to the average incentive earnings in the department or in a like department. Such other incentive earnings must have been meant to be only guides to determine whether the new incentive plan provides equitable incentive earnings. Earlier in Section 5 there are two references to the 1947 Wage Rate Inequity Agreement, the most pertinent being that in marginal paragraph 53, which is that under certain indicated circumstances

> " ... the Company shall have the right to install new incentives, subject, however, to the provisions of the aforesaid Wage Rate Inequity Agreement."

Nor does Section 5 call for the same wage rate per piece or per ton produced. It is completely silent on this aspect of the problem; in fact, it does not even suggest that the equitableness of a new incentive be judged in relation to the amount of production.

Moreover, it does not stipulate that any one of the listed criteria should have priority over the others. It does not make any criterion applicable solely to new jobs and others only to changed or replacement jobs. It makes no reference to work loads, except in the sense that they are a major ingredient of previous job requirements, which are mentioned.

As I construe Section 5 as a whole, in the context of other parts of Article V, it is intended that the earnings reasonably provided or possible under a new incentive plan shall be in line with other comparable incentive earnings, in keeping with the purpose of the Wage Rate Inequity Agreement. This does not mean they must be precisely equal to any of those to which Section 5 says they should be related. It would have been very simple to say so if the parties had meant this. The incentive plan must be consistent with the theory of a balanced wage structure. If the incentive earnings reasonably provided are well within the range of the contractually comparable incentive earnings then the new plan is equitable, and otherwise not.

For the purposes of Section 5, I see no basis in the Agreement for distinguishing between new and changed or replacement jobs. The Company has the right to install new incentives when certain things have occurred. These things are described in the early part of Section 5 (marginal paragraphs 52 and 53). In fact, if the Company does not do so, the employees are entitled to process a grievance to require that this be done (marginal paragraph 59). The conditions calling for new incentives are: (a) new jobs; (b) jobs for which the present incentive has been reduced so as to become inappropriate; (c) where an existing incentive plan 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 manufacturing processes or methods, material processed or handled, or quality or manufacturing standards. The resulting new incentive, without regard to which of the stipulated conditions gave rise to it, must, under sub-paragraph 4, reasonably provide equitable incentive earnings in relation to the types of incentive earnings repeatedly listed in Section 5 (marginal paragraphs 57 and 59).

In their discussions at the hearings already conducted in incentive cases, the parties have refined these ground rules even further. The incentive earnings in the department to which those under the new plan are to be related are preferably those on similar jobs. Where there is such a comparable job, other comparisons are of secondary importance, and this then is true also of earnings on similar jobs in some like department.

There has been strong disagreement over two matters. The first is whether, as in this very case or in Arbitration No. 151, an occupation like that of Crane Operator is to be treated, for the purpose of testing the equitableness of a new incentive, as a totally new, unrelated occupation when the duties are changed because of new production equipment or methods in the department or area resulting in such changes in the duties of the Crane Operator as to merit a new job description and classification. The second is whether the previous job requirements mentioned in sub-paragraph 4 of Section 5 should be interpreted to call only for a comparison of the differences in the respective work loads.

The answer to the first question has already been suggested in the discussion above. I can see no basis whatever in Section 5 for divorcing the equitableness of the new incentive plan from the previous incentive earnings where the methods, equipment or process have been changed, but where the revamped or "new" occupation is still of the same type, nature or purpose as that previously carried on. We must bear in mind that we are confining these observations strictly to the problem of how, within the provisions of the Agreement, we shall decide whether the new incentive is equitable. To eliminate the previous incentive earnings and job requirements, under the circumstances indicated, is to run counter to the reasonable intent of the Agreement and to deny ourselves the benefit of one of the most definite and helpful guides available to us.

The second question must be answered with some qualification. Obviously, if "job requirements" means only work load, why doesn't the Agreement say so? On the other hand, differences in job requirements, in the broad sense, are largely taken into account by the classification allotted to each new job or each job materially changed in job content. A detailed procedure is set forth for this purpose in Section 6 of Article V, including the employees' right to grieve if they believe that such a job is improperly classified under the Wage Rate Inequity Agreement (marginal paragraph 48), or if the Company fails to develop a new job description and classification when there is such a new or changed job (marginal paragraph 50). The new job or the changes in job content are related in Section 6 to "requirements of the job as to training, skill, responsibility, effort or working conditions." These factors are broader than work load alone and more properly fall within the meaning of "job requirements." By virtue of Section 6, therefore, adjustment or compensation is made for differences in job requirements when the job is a new one or where the job content is materially changed by the process of assigning it the proper job class under the Wage Rate Inequity Agreement. This of course affects primarily the hourly base rate and not the incentive opportunity. While effort is one of the requirements to be taken into consideration in this classifying process, it still remains an important factor in determining whether a new incentive is equitable. I agree, therefore, that work load is of more consequence in such an inquiry than are the other elements making up the requirements of the job. I must add, however, that I am not saying that no weight should be given in incentive cases to other job requirements, especially if for some reason it may be demonstrated that the allotment of a job class has not adequately compensated for these features, as, possibly, when the job to which the new incentive applies still remains in the same job class to which the previous job was assigned. Also, in keeping with the general observations relating to the nature of an investigation into the question whether a given incentive plan is equitable, I do not believe the precise difference between the respective work loads is to be measured and then applied with mathematical exactness to the new plan. This difference is simply one of the factors to be considered, along with the others mentioned in Section 5, when we undertake to say whether the new incentive plan is equitable.

Now, as to the facts in this case. In anticipation of the replacement of the Batch Anneal process with the new Radiant Tube Anneal, the Company in 1954 studied the experience of other steel companies with the new process. In July, 1954 a new job description and classification were proposed by the Company for the Operator of the #44 Crane which was to service the No. 4 Radiant Tube Anneal. The Union committee accepted this. The Operators on the #27 Crane which serviced the Batch Anneal were in Job Class 10; the #44 Crane Operator occupation was placed in Job Class 11. The Radiant Tube Anneal went into operation in December, 1954. Incentive File 78-0312 for the Crane Operators was presented by the Company on December 17, and was made effective December 20, 1954.

The Company's studies indicated that the work load would be 7.6% less than that on the #27 Crane (55.5% vs. 63.1%), calling by the Company's computations to a reduction of 2.7% in incentive earnings (7.6% of 35%, the normal incentive margin for unrestricted work). 2.7% of $2.07 (the hourly base rate for Job Class 11) is $.056. The #27 Crane Operators were earning 29.8% above their hourly base rate. Applying this 29.8% to the #44 Operators' base rate of $2.07, the Company arrived at a figure of $2.687, from which it deducted the $.056 for the decreased work load, resulting in an expected total hourly earning for the #44 Crane Operators of $2.631.

The greater job requirements on the #44 Crane resulted in an hourly base rate $.05 above that of the #27 Crane, but the lesser work load offset this, as the Company developed the new incentive.

We note, then, that the <u>actual</u> total hourly earning of the #27 Crane Operator was $2.622, of which $2.02 was base rate and $.602 incentive earnings, with an incentive margin of 29.8%, while the <u>expected</u> total hourly earnings of the #44 Crane Operator is $2.631, of which $2.07 is the base rate, with an incentive margin of 27.1%.

The earnings figures of the #27 Crane Operators were questioned by the Union at the hearing. It submitted figures which were considerably higher, but these included only the earnings while these employees were working at incentive, and not the down-turns while at base rate. The down-turn time of the #44 Crane Operators, in contrast, is included in their incentive plan. I do not believe it necessary or appropriate to refine the figures in the manner suggested by the Union. We are making a study in broad terms, to ascertain whether the new incentive plan is equitable, in accordance with the general observations already made, and not to see whether the earnings reasonably produced are exactly like the others with which they are to be compared.

We note also that in the department figures submitted by the Union for the Cold Strip Mill in the last quarter of 1953 there are some 18 categories of Crane Operators listed. Their margins of total earnings over base rates ranged from 11.8% to 37.9%, with 14 of them having margin percentages of less than 27.1%, and four having the following higher percentages: 27.1, 27.1, 37.1, and 37.9. Reference is made to these Crane Operators because of the general agreement of the parties that the more comparable occupations in the department are the most relevant. These figures give some general guidance.

If we examine the record of the entire Cold Strip Mill, as submitted by the Union, we find with respect to the margins over base rate a picture which is most confusing and unenlightening. We find such margins in percentages as low as one, two, or three and others of 90% or slightly below. Within some of the indicated operations or groups we note variations of very wide proportions. Such a departmental picture is of little meaning or help in our examination into what constitutes an equitable incentive plan.

There is no "like department" to which we may refer.

The actual earnings of the #44 Crane Operators continue, however, to be less than their expected earnings. As appears to be customary, the more recent earnings are better than those shortly after the incentive plan was put into force. From January 2, 1955 to April 10, 1955 the incentive earnings per hour averaged $.437 when the expected incentive earnings were $.56. From April 11, 1955 to December 15, 1956 this average was $.478, and from September 9, 1956 to December 15, 1956 the average incentive earnings were $.537. All these figures are to be looked at alongside of the expected incentive earnings of $.56 per hour. If in the September - December, 1956 period we give effect to the general 4.5% wage increases effective August 5, 1956, we find the average incentive earnings to be $.561 as against expected earnings of $.586.

Thus, for the most recent quarter for which we have figures the #44 Crane Operators have attained a margin of incentive earnings of 25.9% over their agreed upon hourly base rate. Formerly they did not do so well, but as was said in Arbitration No. 151, the parties have now agreed I may make use of all available data, including those relating to operations since the date of the grievance. I believe a full three-month period to be sufficiently long to be representative.

In view of the criteria of Section 5, I cannot say an incentive margin of this kind reflects an inequitable incentive plan. This margin is well within the range of comparable incentive earnings in the department. Making some allowance for the lighter work load, total earnings of $2.607 compare not inequitably with the previous incentive earnings of $2.622. The difference is too small to find the new incentive plan inequitable, and there remains the likelihood that the earnings under the new incentive plan will reach the expected level of $2.631 (before adjustment for the general wage increase). The engineering procedures followed by Management have not been seriously questioned by the Union, except in respect to the use of the normal 35% expected incentive margin, and as to this it must be found that this is in accord with established practice in the steel industry.

AWARD

This grievance is denied.

David L. Cole
Permanent Arbitrator

Dated: March 6, 1957