	Grievance No.	Appeal No.	Arbitration No.
INLAND STEEL COMPANY and UNITED STEELWORKERS OF AMERICA Local Union 1010	13-F-62	149	~~350~~ 349
	13-F-63	150	~~351~~ 350
	13-F-64	151	~~352~~ 351

Appearances:

Opinion and Award

For the Company:

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J. I. Herlihy, Superintendent, Industrial Engineering
L. E. Davidson, Assistant Superintendent, Labor Relations
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For the Union:

Cecil Clifton, International Staff Representative
Fred A. Gardner, Chairman, Grievance Committee
J. Wolanin, Secretary, Grievance Committee
H. Lopez, Griever
T. Holom, Griever

In this case three grievances are considered, all involving wage incentive plans covering employees in the 76" Hot Strip Mill. Grievance 13-F-62 relates to Wage Incentive Plan File No. 76-4112-4 which applies to the Mill Crew; 13-F-63, Wage Incentive Plan File No. 76-0507-4 which applies to the Heating and Auxiliary Crew; and 13-F-64, Wage Incentive Plan File No. 76-2005-4 which applies to the Maintenance Crew. These grievances were all filed November 24, 1958, are similar in nature, and the considerations govering the grievance filed by the Mill Crew have been taken to be controlling in all three.

While the grievances rely generally on Article V, Section 5, of the Agreement, the issue as to the equity of the incentive plans revolves about the criterion of "the previous job requirements and the previous incentive earnings." In addition, the Union objects to the establishment of one-furnace and two-furnace rates, this mill being operated normally with three furnaces.

The reason for installing new wage incentive plans was the replacement of the three old furnaces, which had been in use since 1932, with new furnaces which have a 60% greater heating capacity. This program started in January, 1958, and it brought on the grievance which resulted in Award 311 in which it was ruled that the temporary two-furnace rates agreed upon should not have been applied under the circumstances and that the existing incentive plan was inappropriate for such operations.

The new incentive plans were developed primarily on the basis of the changes arising from the installation of the new furnaces, although some other improvements were also made. When the old furnaces were in use the bottleneck

in this 76" Hot Strip Mill lay in the capacity of the furnaces. With the new furnaces in operation, this has been largely overcome, except with regard to coil products. The incentive plans of July 22, 1958 which were protested in these grievances, were predicated on a new furnace capacity of 135 tons per furnace hour. In January, 1959, however, the Company determined, after rechecking and testing, that this should be decreased to 110 tons per hour, and on April 5, 1959 new incentive plans were installed, retroactive to April 11, 1958, to reflect this downward revision.

This case was meticulously prepared and presented at the arbitration hearing. The material submitted was unusually voluminous, but still left a gray area with respect to the vital question.

The vital question is how to compare the job requirements with the previous job requirements. In general, the parties have come to equate this with workload, but this still leaves some questions. The Company in this instance measured workload by the number of slabs handled. The Union, however, criticized this measure on the ground that the slabs are now longer, thicker and heavier, although narrower, than they were formerly, and that the handling of each such slab requires more effort and time. The slabs handled, which weighed 3.2 tons on the average in 1953 and 3.4 tons in 1957, rose in weight to an average of 4.8 tons in 1959, and to 5 tons in 1960, although the width has been somewhat reduced.

There was some dispute at the hearing over delay time, gap time, the cutting of slabs, and whether the grievants are always compensated for pulling rolls in connection with bearing changes, and over some similar matters, but the controlling question, it would seem, is whether the failure of the employees to meet the expected rate of production and consequently their expected margin over base was due to their failure to operate efficiently and at the proper workload.

When the first and second new furnaces went into operation, the Company paid 12.23% over base, but after Award 311 this was raised to 17.28%. In the period April 13 to June 14, 1958 when one new furnace was in use, the Company paid the old two-furnace rate, but this failed to produce sufficient incentive earnings and the Company paid a special allowance to maintain the levels mentioned above. This was caused by abnormal interference with operations due to the construction program.

As observed in prior awards, the number of tons produced when equipment or methods have been changed is not necessarily or accurately a measure of workload or of the proper incentive rate. See Awards 156, 174, 175, 281 and 323. Nor, as stated in Award 240, does the fact that the employees earn less than they formerly earned necessarily render the new incentive inequitable. And when a new incentive is installed because of changes in an incentive operation, the test of previous job requirements and previous incentive earnings is the one which is the most appropriate of those set forth in Article V, Section 5 (Award 323).

On the other hand, although the Company's industrial engineers followed their customary methods in developing the new incentive, this does not deprive the employees of their right to question any feature of the method

or facts used, since they are specifically empowered by the Agreement to dispute the equity of the new plan. Here, the turning point is job requirements, as reflected in the respective workloads. The Company, as stated, measured the previous and current workloads largely by the number of slabs processed in this mill. The employees contend that under all the conditions they meet, including the change in size and weight, and the rise in the proportion of coil product, this does not accurately reflect the workload, that in fact they have been working at incentive pace and have found themselves unable to meet expected production or to attain the expected incentive earnings margin.

It is worth noting in this connection that supervisors testified that these employees have on the whole been exerting the expected energy or effort but seem to have fallen below expected production because of some deficiency in cooperation or teamwork.

Under the incentive plan applicable to the three old furnace operation, a margin over base of 26.2% was developed for the expected production. Using the same basic data, and making allowance for an expected increase in workload of 8.7%, this margin became 29.2% in the new incentive plan.

For the years 1956-1957 combined, to attain this 26.2%, the production per turn required was 1378 tons, 408 slabs of 3.4 tons each on the average, with 55% of the product being coils. Under the incentive plan here in question, to attain 29.2% the production per turn must be 1903 tons, 381 slabs of 4.9 tons each, with 73.6% in coils. This has not been achieved, the margin being about 20%, and the tonnage 1695 and the number of slabs 346. Since the three new furnaces were put into use on July 22, 1958, on only 8% of the turns has the expected performance been realized.

The Union, supported by the subjective opinions of the employees, urges that this has been caused by the continuing furnace bottleneck with respect to coil products which have risen substantially in percentage, to the lengthening of intervals between slabs coming out of the furnace due to their increased size, to camber problems arising from the greater size and weight of slabs, and to new inspection practices which have affected the "wait for strip" element and the disposal time. While these subjective opinions lack the precision of engineering measurements, they certainly cannot be disregarded when we are searching for the reasons why expected production is not being realized and trying to decide whether Management's computation of workload is completely accurate. Each may be overstating its views on these subjects to some extent, and in this instance, on all the evidence, it appears to be so.

Under the prior incentive plan, grievants had incentive earnings in the year 1957 which were 23.7% over base, and in the 90 day period before the dismantling of the old furnaces started in January, 1958 these earnings were 21.5% over base. The new incentive plan was revised April 5, 1959, and thereafter, on three-furnace operation, in the period April 18, 1959 - March 5, 1960 the Mill Crew had incentive earnings of 17.3% over base. The failure to attain the prior levels of earnings cannot, on the evidence submitted, be explained solely by a lesser workload in this case.

The Arbitrator's best judgment is that these incentive plans need to be liberalized to the extent of 4% to bring them within the tests of equity set forth in the contract provisions.

The Company anticipated an argument of the Union that was not particularly pressed by the Union at the arbitration hearing, which is that Section 6 of the Wage Rate Inequity Agreement of June 30, 1947 supports the Union's general position in providing:

> "In no case shall revised incentive compensation be such as to deprive the worker of average hourly total earnings for equal performance at least equal to those existing prior to such adjustment."

There is a good deal of question, as a matter of contract construction, whether this provision was intended to apply to revised or new incentive plans of the kind under consideration in this case, that is, whether it was not meant to be confined to certain types of adjustments that were to be made pursuant to the Wage Rate Inequity Agreement which would affect base rates and related incentive earnings. In any event, the reference to "equal performance" makes this provision similar in practical effect to the specific provision of Article V, Section 5 of the Inland Agreement wherein previous incentive earnings are tied to previous job requirements. The specific Inland Contract provision relied on in this case, and as a matter of practice in practically all incentive disputes, would seem to be of more controlling weight, if there are in practical effect any real differences between the two provisions.

The establishment in these incentive plans of one-furnace and two-furnace rates rests on the Company's desire to avoid disputes over such rates if and when the curcumstances require such operations. The purpose of the grievance procedure is not to preserve grievances or possible grievances for the future but primarily, where it is possible to do so, to dispose of such sources of disagreement. Whether a one-furnance or two-furnace rate should be put into force for short temporary periods is a matter which should be discussed first by the parties. Only if they fail to resolve their differences on this score should the matter be submitted to the Arbitrator. Moreover, the soundness of the proposed one and two-furnace rates were not adequately questioned or presented at the hearing for ruling thereon by the Arbitrator. The issue concentrated on at the hearing was whether the Company had the right to establish such rates at all.

Conceding the right of the Company to have such incentive rates, it is still necessary that the parties make some effort to agree on the conditions under which such rates will come into use, and that they examine into the data upon which such rates are developed to see whether they are in accord with the requirements of the provisions of the contract.

AWARD

1. Wage Incentive Plan File Nos. 76-4112-4, 76-0507-4, and 76-2005-4, as revised on April 5, 1959, shall be liberalized by 4%;

2. The Company has the right to install one-furnace and two-furnace rates subject to the right of the employees and the Union to question the equity thereof under Article V, Section 5. The question of the equity of such rates proposed by the Company is reserved by the Arbitrator until after the parties in their re-opened grievance procedure have considered the conditions under which such rates shall be put into effect and the equity of the proposed rates in the light of the applicable contract provisions. Either party may thereafter present any question remaining unresolved at a continued hearing of this case.

Dated: August 3, 1960

(signed) David L. Cole
David L. Cole
Permanent Arbitrator