

IN THE MATTER OF:

Inland Steel Company
(Indiana Harbor Works)

and

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

ARBITRATION NO. #42

FMCS: 50A/300

September 8, 1950

Arbitrator's Report and
Award

HEARD AT: Indiana Harbor, July 21, 1950

FOR THE COMPANY: W. A. Blake, Supt. of Labor Relations
H. C. Lieberum, Div. Supervisor, Labor Rel.
W. T. Hensley, Jr., Div. Supervisor, Labor Rel.
L. E. Davidson, Industrial Engineer
W. H. Swishelm, Gen. Foreman, Electrolytic Tinning

FOR THE UNION: Joseph B. Jeneske, Int'l. Rep.
James Bekize, Grievance Comm.
August Sladick, " "
Milton Seltzer, Witness
William Gotch, "
Jerry Dahlgren, "

Arbitrator: Paul M. Lehoczy (Appointed by Federal Mediation and Conciliation Service)

ISSUE: Is Incentive Rate 116-L-2, Electrolytic Tin Line, equitable?

GRIEVANCE: No. 17-C-25

TERMS OF THE AGREEMENT. Involved in this dispute is Section 5 (Incentive Plans) of Article V (Wages). The last sentence of Paragraph 4 of V/5 reads:

"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."

The parties agreed before the arbitrator that the retroactive date for this issue is November 1, 1948.

UNION POSITION. The Union challenges the adequacy of Incentive Rate 116-L-2 on a number of grounds. First, the earnings opportunity as over the opportunity on other jobs, is too low. Expressed in terms of "Earnings-Base Rate" ratio, we have:

<u>Title</u>	<u>Base Rate</u>	<u>Total Earnings</u>	<u>Incentive Ratio</u>
(a) Temper Mill Roller	\$2.025	\$3.216	1.588
(b) Temper Mill Roller	1.945	3.180	1.64
Temper Mill Catcher	1.625	2.944	1.813
Temper Mill Feeder	1.505	2.121	1.409
Flying Shear Operator	1.665	2.354	1.414
Flying Shear Inspector	1.385	2.016	1.456
Flying Shear Feeder	1.265	1.900	1.502
Coil Slitter Operator	1.665	2.734	1.642
Coil Slitter Feeder	1.345	2.209	1.642
Assorting Machine Feeder			
Piler	1.505	2.25	1.50
Pickling Loader and Unloaders	1.425	3.50	2.45
Continuous Strip Anneal	1.905	2.50 (+)	1.31 (+)

While on the job in dispute the corresponding data are:

Electrolytic Tin Line Operator	1.905	2.59	1.36
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The rates expressed above were arrived at as a result of collective bargaining, some very recently, hence they are valid rates and normal rates, applicable for purposes of comparison.

Second, although tonnage output increased on the line, earnings dropped off. Tonnage increased from 11.58 per hour based on 1947 to 14.03 actual tons per hour based on a recent 41 pay-period record.

Third, changing customer requirements change quality standards from time to time and this factor coupled with other conditions beyond the control of the crew, cuts the crew's earnings.

Fourth, "delay time" less than 30 minutes in duration is absorbed by the crew, hence decreases earnings. Earnings are averaged over a pay-period thus neutralizing the effect of good runs.

Fifth, the crew is forced to run material which it knows is bad, yet it is penalized regardless of this fact.

These factors, coupled with other delays, losses, etc., (all beyond the control of the crew) create a situation in which the Incentive Rate 116-L-2 does not properly compensate for the effort put forth by the crew.

To correct the difficulties outlined above, the Union asks that a new incentive rate be established for the Electrolytic Tin Line to replace 116-L-2 incorporating the following factors:

- A new tonnage rate based upon the evaluated base rate of \$1.90½ incorporating length of cut, width, coating and base weight.
- Base rate pay for all delays.
- Pay for size changes.
- Earnings opportunity comparable to that of the 40" skin mill unit where the operator averages \$3.18/hour.

COMPANY POSITION. The Company installed a Hallden Shear in tandem with its #1 Electrolytic Line on May 27, 1948, eliminating the necessity of recoiling the plate strip. This improvement made obsolete the Incentive Rate 116-L-1 which had been in effect since 1942. Consequently, the Company developed a new Incentive Rate, 116-L-2 based upon production experience in 1947 and so designed that "if the crews equaled their 1947 production and quality performance, they would receive equitable earnings in relation to previous incentive earnings and previous job requirements in light of effort required and the limitations imposed because of the nature of the operation." An analysis, based on 1947 production, indicated that where 116-L-1 paid an average of \$2.35/hr. (operator), 116-L-2 will yield \$2.56/hr.

When 116-L-2 was rejected by the Union and the matter became a dispute via Grievance No. 17-C-25 (December 16, 1948) the Company offered a modified Incentive Rate, 116-L-3, which answered some of the Union's objections. The revised rate (L-3) provides for the discontinuance of the yield-factor feature of 116-L-2 and at the same time maintains earnings on the same level as 116-L-2. The 116-L-3 Incentive Rate indicates a \$2.665 rate for the Operator based on a three-month production period ending with May 15, 1950. "The Union agreed to the structure of 116-L-3" but objected to the earnings level because it fell below the level of earnings maintained by 116-L-2 prior to May 16, 1949. The respective rates are \$2.665 vs. \$2.71.

As to whether or not earnings under 116-L-2 or 116-L-3 are equitable in the light of earnings on other jobs in the Department or in comparable departments:

"The average margin of incentive earnings over base rate of other jobs in the Tin Plate Department is 32%. Under rate 116-L-2, from November 1, 1948, to July 9, 1950, the Electrolytic crews are receiving an average of 36% margin over base rate. Under rate 116-L-3, for this same period, November 1, 1948, to July 9, 1950, the Electrolytic crew would have received an average of 38.5% margin over base rate."

Finally, the Company maintains that the relationship between earnings under 116-L-1 and 116-L-2 is "equitable" for the following reasons:

"Wage payment plan 116-L-2 provided for a small increase in total earnings for the Feeder, whose duties did not change. Earnings for all other occupations were placed in proportion to the Feeder and based upon the newly evaluated base rates established to reflect the changed conditions. The highest resultant increase was \$0.207 per hour for the Line Operator. This obviously precluded the possibility of earning less under the new rate (116-L-2) than was earned under the previous rate (116-L-1) for an equivalent level of effort. The average incentive earnings over base rate after the installation of rate 116-L-2 was 36%, as compared to the prior average incentive earnings over base rate of 28.4%"

The Company thus holds that Incentive Rate 116-L-2 and the proposed revision (116-L-3) are "proper rates established in keeping with the provisions of Article V, Section 5, of the Agreement."

DISCUSSION. An analysis of arguments presented at the hearing indicates that, although it has a number of objections, the Union's primary objection revolves around the problem of variable "yield" standards. These standards vary through no fault of the Company, but depend largely upon the specifications laid down by the customer. Consequently, we hold the opinion that a variable such as "yield" must be either "allowed for" or "eliminated."

Making an "allowance" for "yield" changes is not practicable because allowances are properly used only in the case of recurring delays or changes in the process (personal, set-up, etc.) whereas in this instance there is no connection between the process (or the operation of the crew) and between customer requirements. Consequently, the only satisfactory answer to the problem of variable "yield" standards is to eliminate this factor from the "Incentive."

Since Incentive Rate 116-L-2 does not equitably handle the problem of variable "yield standards," we agree with the Union that it violates the spirit and intent of the wage structure agreed to between the parties. However, we are also of the opinion that the Company fully realized this when it proposed Incentive Rate 116-L-3 and that the structure of this Incentive effectively solves the problem of variable "yield standards" by eliminating the "yield" factor from the incentive.

The Union's challenge of 116-L-3 on the grounds that there are times (during periods of good "yields") when 116-L-2 shows greater earning than does 116-L-3 has, in our opinion, no merit because the Union tries to incorporate periods of excellent yield into an Incentive Rate which, in fairness to the crew, has eliminated "yield" as a factor. If it has been agreed that "yield" is a function of customer-set standards and not of crew-efforts, then the crew obviously has no right to claim credit for "excellent" yields. The fact that 116-L-2 shows higher earnings in spots than does 116-L-3 is due to the inclusion of the irrational "yield" factor in the case of 116-L-2 and not to an underrating of crew effort.

A second set of objections brought forth by the Union concerns itself with Allowances in general: for breakdowns and other production time losses less than 30 minutes in duration, for time consumed in size changes and related types of losses. The objections, in our opinion, are quite acceptable; however, they have already been taken care of in the detail-structure of the Incentive Rate (116-L-1, 116-L-2 and 116-L-3) by means of allowances, which amount to a total of some 20%. Obviously a "20% allowance" is an average which will frequently be exceeded and equally frequently not be reached. The crew here tends to compare runs where the allowance is insufficient with runs where the allowance is far too high, rather than balancing delays against the average. In our opinion, then, the Union's request for additional time allowance to take care of delays of various types cannot be granted unless it is shown that fundamental operating conditions have changed sufficiently to invalidate the data used to construct the specific Incentive Rate in question.

A third objection voiced by the Union concerned itself with the principle that when earnings are averaged over a pay period, these earnings are penalized by poor days or as the Union puts it "when excessive delays come about for any particular day." Although 116-L-2 does average one factor (yield) over the pay period, all other factors entering the pay equation are handled on a daily basis. The problem is only of academic significance in any event because the "yield" feature of the Incentive Rate will be eliminated, hence the Union's request for "daily averages" granted.

A study of the twenty or so job descriptions and job evaluations submitted by the parties indicates to us that the Company's position as to earned rate is sound and that the Union's request for a rate which approximates \$3.18 cannot be accepted as equitable. Although we will set the ~~spmm~~ operator rate at \$2.71 rather

than at \$2.665 as originally proposed (or at \$2.68 as later proposed) by the Company, our decision is based upon the 3-month-average-earnings argument which the Company claims the Union used in rejecting the \$2.665 proposal.

Accordingly, we find as follows:

AWARD.

We find that Incentive Rate 116-L-2, now in effect for Electrolytic Tin Line Employees is not equitable in terms of the provisions of Article V, Section 5, of the Agreement. We further find that the Company proposed Incentive Rate (otherwise known as 116-L-3) effectively eliminates the inequities, created by 116-L-2. Incentive Rate 116-L-3 is therefore to be instituted, and set at a level corresponding to \$2.71 per hour for the Operator of the Line.

Respectfully submitted,

PAUL N. LEHOCZKY