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ARBITRATION DECISION  
GRIEVANCE 18-C-153

INLAND STEEL CO., INDIANA HARBOR WORKS )  
EAST CHICAGO, INDIANA )  
and )  
UNITED STEELWORKERS OF AMERICA, C.I.O. )  
LOCAL 1010 - 3703 Euclid Ave., )  
EAST CHICAGO, INDIANA )

C. T. DUNN, ARBITRATOR

SUBMISSION

Joint statement to the Arbitrator of the Issue, dated August 11, 1953:

"Re: Grievance No. 18-C-153

The Management of the Indiana Harbor Works of the Inland Steel Company and Local Union 1010 of the United Steelworkers of America (C.I.O.) have been unable to settle the above numbered grievance, and in accordance with step number 4, under Section 2, Article VIII, entitled 'Adjustment of Grievances,' of the Agreement between the Company and the Union, dated July 30, 1952, the matter is now to be submitted to an impartial umpire for final determination.

"The question to be decided in the subject case is: Did incentive wage plan #40-0307 (August 6, 1951) provide equitable incentive earnings as provided under the terms of Article V, Section 5 of the Collective Bargaining Agreement."

HEARING

The arbitration hearing took place on the morning of Monday, September 28, 1953, at 10:30 A.M. at the offices of the Inland Steel Company, Clock House No. 1.

Present on behalf of the Company:

T. G. Cure, Assistant Superintendent, Labor Relations  
C. J. Nowlan, Supervisor, Industrial Engineering  
J. I. Herlihy, Assistant Superintendent, Ind. Engineering  
A. Anderson, Industrial Engineering  
R. J. Stanton, Supervisor, Labor Relations  
O. Bradley, Superintendent, Transportation

Present on behalf of the Union:

J. B. Jeneske, International Representative  
F. Beyler, Grievance Committeeman

Representatives of the Union presented a concise oral statement of its position with respect to the grievance which is stated in full as follows and dated January 15, 1952.

"Department: Transportation

Division of Sequence: Switching Crews

"Management has installed a new incentive which is inappropriate. The loads per engine hour cannot be maintained because of the increased track mileage, cars handled, and more switches to be made.

"The average hourly earnings on this new incentive has fallen below their previous average hourly earnings guarantee which in effect is a rate cut.

"Request management to develop a new incentive which will at least guarantee the workers' previous average hourly earnings for the same amount of work and for increased work, they must get more money.

"Aggrieved employee: Switching Crews Transportation Department, Switchmen, Conductors, and Engineers.

The Union presented as exhibits a record of the grievance proceedings, marked "A"; a copy of an incentive plan, 40-0307-2, dated March 30, 1953, marked "B"; and seven samples of forms used to inform the Transportation Department employees of period incentive earnings per hour marked "C".

Representatives of the Company read into the record a prepared statement concerning the background of incentives in the Transportation Department, and the details of the situation prior to and subsequent to the filing of this grievance; and in addition, presented four exhibits as follows:

- A record of the grievance proceedings - marked "A"
- Photostats of newspaper articles - marked "B"
- Photostats of newspaper articles - marked "C"
- An outline of incentive plan 40-0307 and a record of earnings from this plan during its life - marked "D".

Rebuttal statements by both Union and Company were made for the record. No requests were made for post-hearing briefs and the hearing adjourned at 11:30 A.M.

#### AGREEMENT PROVISIONS (Pertinent)

Sections of the July 30, 1952 Agreement between the parties related to the grievance problem and defining the latitude of any arbitrator.

##### Article V, Section 5. 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 Wage Rate Inequity Agreement of June 30, 1947.

"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:

- "1. The Company will develop the proposed new incentive.
- "2. The proposal will be submitted to the grievance committeemen 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 committeemen to understand the method by which the new incentive was developed and

determined, and shall afford to such grievance committeemen a reasonable opportunity to be heard with regard to the proposed new incentive.

- "3. If agreement is not reached within thirty (30) working days after the meeting at which such incentive is explained to the grievance committeemen, 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 VII 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 VIII, Section 2, Step 4, Paragraph 4.

"It is understood and agreed that the arbitrator shall have jurisdiction and authority only to interpret, apply, or determine compliance with the provisions of this Agreement. He shall have no power to add to, detract from, or alter in any way the provisions of this Agreement."

December 1, 1950 Agreement, Article V, Section 1.

"All incentive plans used in computing incentive earnings (including all methods, based and guaranteed minimums under said plans) in effect on November 30, 1950, shall remain in effect for the life of this Agreement, except as changed by mutual agreement, or pursuant to the provisions of Section 4, 5, and 6 of this Article."

## HISTORY PERTINENT TO THE DECISION

Prior to March, 1936, no incentives existed in the Transportation Department.

During March, 1936, an incentive plan was initiated covering a part of the activities in the Department, and between this date and September 16, 1941, four separate changes were made in the plan to make allowance for changed working conditions or to include more activities in the plan. It is clear that these plans were related to man hours and mill volume from the statements of the reasons for the change to a "fixed bonus" on September 16, 1941.

From September 16, 1941, to June 30, 1947, a "fixed average bonus" plan remained in effect which was based upon the prior established averages of \$.099 per hour for Engineers and Conductors and \$.090 per hour for Switchmen.

From June 30, 1947, to February 4, 1948, these "fixed bonus" rates were replaced by a flat 5% applied to the hourly wages of the classifications, and at the latter date, it was agreed to revert again to the former "fixed bonus" earnings per hour, with retroactivity to July 1, 1947.

During 1949, the Company made one proposal for a new incentive plan and the Union followed with two proposals for consideration as a new incentive plan, but no mutually acceptable plan was developed and as a consequence the "fixed bonus" plan continued in effect.

On May 15, 1951, a work stoppage of short duration took place in the Transportation Department and in subsequent discussions, the Union request consideration of the incentive plan as one item of the agenda.

Under the dates of June 7, June 8, and June 10, 1951, local newspapers carried articles indicating the positions of both Company and Union in negotiations for a new incentive plan, and that a strike vote had been taken by the Transportation Department workers, although not officially authorized by the Union. The threatened strike did not take place.

On August 6, 1951, as a result of continued negotiations, a new incentive plan designated as 40-0307 was developed by the Company, accepted by the Union, and made retroactive to May 28, 1951.

Incentive plan 40-0307 is a single group plan covering all employees with incentive earnings calculated on the two week pay period basis. Incentive earnings are related directly with Transportation Volume as measured by Inbound Loads, Outbound Loads, and Intraplant Loads, and inversely with Engine Hours (identical with man hours) required to handle the volume and an arbitrary formula which gives the bonus earnings in cents per hour for each of two classifications of workers. Provision was made in this plan to exclude the Engine Hours of certain activities in the computation of Bonus Earnings per Hour, and to pay the men on these non-measured activities the same incentive earnings as the measured workers for the pay period. These non-measured activities are indicated as:

- 46" Mill Ingot Run
- Boat Loading Switching Service
- Slab Yard Scale Handling Service
- Plymouth Engine Hours, when assigned to the Mechanical
- Field Force for a full turn of 8 hours or longer.

In summary and tabular form the incentive earnings for the life of plan 40-0307 are listed herewith.

HISTORY PERTINENT TO THE DECISION (cont'd)

<u>PERIOD</u>	<u>HOURLY INCENTIVE EARNINGS PROVIDED BY PLAN 40-0307</u>		<u>PREVIOUS FIXED BONUS EARNINGS</u>	
	<u>CONDUCTORS ENGINEERS</u>	<u>SWITCHMEN</u>	<u>CONDUCTORS ENGINEERS</u>	<u>SWITCHMEN</u>
Effective date to date of Grievance No. 18-C-153				
May 28, 1951-Jan. 20, 1952	\$ .129	\$ .117	\$ .099	\$ .090
Date of grievance No. 18-C-153 to date of termination of Plan.				
Jan. 21, 1952-Mar. 29, 1953	.146	.134	.099	.090
Effective date to date of termination of Plan				
May 28, 1951-Mar. 29, 1953	.139	.127	.099	.090

PAY PERIOD

	<u>HOURLY INCENTIVE EARNINGS</u>	
	<u>CONDUCTORS ENGINEERS</u>	<u>SWITCHMEN</u>
May 28 - June 10, 1951	\$ .17	\$ .155
June 11- June 24	.17	.155
June 25 - July 8	.155	.140
July 9 - July 22	.12	.110
July 23 - August 5	.190	.175
August 6 - August 19	.155	.140
August 20 - September 2	.17	.155
September 3-September 16	.155	.140
September 17 - September 30	.155	.140
October 1 - October 15	.19	.175
October 16 - October 28	.10	.09
October 29 - November 11	.10	.09
November 12 - November 25	.12	.11
November 26 - December 9	.155	.140
December 10 - December 23	.00	.00
December 24 - January 6, 1952	.00	.00
January 7 - January 20	.085	.075
January 21 - February 3	.03	.03
February 4- February 17	.12	.11
February 18 - March 2	.135	.125
March 3- March 16	.135	.125
March 17 - March 30	.155	.140
March 31 - April 13	.10	.09
April 14 - April 27,	.19	.175
April 28 - May 11	.155	.140
May 12 - May 25	.19	.175
Plant-wide work stoppage		

HOURLY INCENTIVE EARNINGS

CONDUCTORS

ENGINEERS

SWITCHMEN

PAY PERIOD

July 21 - August 3, 1952	.17	.155
August 4- August 17	.19	.175
August 18 - August 31	.17	.155
September 1 - September 14	.12	.11
September 15 - September 28	.205	.19
September 29 -October 12	.12	.11
October 13 - October 26	.10	.9
October 27 - November 9	.00	.00
November 10 - November 23	.155	.14
November 24 - December 7	.19	.175
December 8 - December 21	.155	.140
December 22 - January 4, 1953	.12	.11
January 5 - January 18	.155	.14
January 19 - February 1	.17	.155
February 2 - February 15	.205	.190
February 16 - March 1	.170	.155
March 2 - March 15	.135	.125
March 16 - March 29	.205	.19
Average Hourly Incentive Earnings	\$ .139	\$ .127

On January 15, 1951, following (it should be noted) the first instances where the new plan failed to provide incentive earnings equal to the "fixed incentive" earnings, this grievance No. 18-C-153 was filed.

About eight months (September, 1952) after the filing of the grievance, testimony by both parties indicates that an offer was made by the Company to make changes in the incentive plan. The liberalized plan was rejected by the Union for the stated reason that the company was not willing to consider the proposal as an answer to this grievance.

On March 30, 1953, the aggrieved incentive plan No. 40-0307 was superceeded by plan No. 40-0307-2 which was accepted by the Union.

On August 11, 1953, the aggrieved incentive plan 40-0307 was placed before the arbitrator for a determination of its equity.

DISCUSSION

The sole issue is the equity of the incentive earnings under incentive plan 40-0307.

The contractual requirements for the determination of equity are in this instance of greatly reduced value, as set forth in the combined third and fourth step grievance answer by the company hereafter quoted in part

"The Union alleges a violation of the Collective Bargaining Agreement and cites Article V, Section 5 in support of their request.

"As a result of this grievance, a recheck was made by the industrial engineers to determine if the incentive installed on these occupations was equitable in relation to the factors as outlined in the Collective Bargaining Agreement. The Collective Bargaining Agreement (Article V, Section 5) provides that a rate shall be tested for equity under four criteria. Applying these four criteria, the recheck by the industrial engineers discloses the following:

(a) Other Incentive Earnings in the Department

Reply: Not applicable since no other incentive earnings exist in the department.

(b) Incentive Earnings in Like Departments

Reply: Not applicable since there are no like departments.

(c) Previous Job Requirements

Reply: The job requirements under the new incentive plan are identical to those that existed under the previous incentive plan.

(d) Previous Incentive Earnings

Reply: Earnings under the previous frozen incentive are computed to average 9.9¢ for Engineers and Conductors and 9¢ for Switchmen. In a detailed examination of the rate, we find that earnings on the existing rate are 10¢ per hour for Engineers and Conductors and 9¢ per hour for Switchmen for comparable performance. The rate is, therefore, more than equitable to the extent of 1/10 of 1¢ of overpayment to Engineers and Conductors while Switchmen are paid exactly correctly.

"The Union further alleges 'the load per engine hour cannot be maintained because of the increased track mileage, cars handled, and more switches to be made.'

"The Union has not established that the above mentioned changed conditions are factual or of such a nature as to adversely affect the earnings of the aggrieved. A check of the earnings clearly shows that the total earnings of the aggrieved since the installation and application of the present incentive plan have been above the previous average total earnings. It is apparent, then, that the alleged changed conditions have not been sufficient to affect the earnings of the people concerned.

"In view of the foregoing statements, it is felt that the aggrieved's allegations are without foundation and the request of the grievance is, therefore, denied.

"By mutual agreement, this represents a combined Third and Fourth Step Reply."

In order to explore the entire field of evidence in the search for equity in the matter, your arbitrator is satisfied that if history prior to the installation of incentive plan 40-0307 is admissible, so also is history up to the time of the submission of grievance 18-C-153 to arbitration.

The incentive plans and modifications in effect from March, 1936 until September 16, 1941, beyond doubt qualified as bona fide incentives, although not flexible enough to cover congested conditions brought on by wartime operations. The Union asserted that the conditions could not be measured and asked for a "frozen bonus" based on past incentive earnings. With certain reservations, this proposal was put into effect, resulting in a "frozen bonus" payment of \$ .099 per hour to Conductors and Engineers and \$ .09 per hour to Switchmen. It is important to note that as of September 16, 1941, when the "frozen bonus" plan was put into effect, the Incentive Earnings were of significant value to the participants being about an 11% addition to their regular wages.

People familiar with incentive problems know well that the payment of "past average incentive earnings" even for a brief period of time, creates other problems for the future. It is obvious that with the passing of years on the "fixed bonus" plan that the workers would consider the bonus as part of their regular wages, and not as legitimate Incentive Earnings.

The introduction of Standard Occupational Wage Rates on June 10, 1947, brought about a change to a uniform 5% "frozen bonus" above the standard occupational wage rates. Nothing is known about the comparative Engine Hour productivity of 1941 compared to 1947, but it is clear that the relative value of the "fixed bonus" plan had deteriorated from about 11% to about 5% when compared to base wages.

The reversion on February 4, 1948 back to the \$ .099 and \$ .090 per hour "fixed bonus" basis with retroactive payments to July 1, 1947, indicated that a 5% basis did not quite equal the preceding basis and the reversion was accepted by the Company.

Once during 1949, the Company proposed a new incentive plan and subsequently twice during 1949 the Union initiated actions for the reintroduction of a bona fide incentive plan in the Transportation Department. No agreement was reached.

During the first half of 1951, negotiations were in progress with representatives of this Department. A brief work stoppage occurred and the Union asked for negotiations for a new incentive plan for the Department. Subsequently, newspapers published an article emanating from Union spokesmen which indicated that the Company proposals for the new plan would be on an Engine Crew basis, requiring 2.70 Loaded Cars moved per Engine Hour to match the existing "fixed bonus" payments. The article further indicated the Union's unwillingness that any man should get less than the former "fixed bonus" payments (which would be highly probable with earnings computed on an Engine Crew basis), and that further incentive pay, based upon 2.70 - 2.74 Car Loads per Engine Hour, should be paid above the present basic incentive and hourly rates of pay. The article further indicated that an affirmative strike vote had been taken by the Transportation Department workers.

It is quite clear that the mounting tension during June, 1951, was related to the reintroduction of an incentive plan and that any new plan which provided for less than the former "fixed bonus" would be unacceptable.

The new plan (40-0307) accepted by the Union and installed on August 6, 1951, and made retroactive to May 28, 1951, had the following features:

- (a) It was a single group plan covering the full time of all employees in the Department. This feature means that all Engine Crews would receive the same bonus for the pay period in accordance with the two classifications by base wage rates.
- (b) The production level required to match the bonus previously paid under the "fixed" plan was established at 2.51-2.55 Loads per Engine Hour which would pay \$ .10 per hour to the Conductors, Engineers, and Assistant Yardmasters and \$ .090 per hour to the Switchmen.
- (c) For group performance below 2.51 Loads per Engine Hour the plan provided for a reduced bonus, and at 2.30 or lower there would be no bonus.
- (d) The bonus schedule was unrelated to the Standard Hourly Wage rates.

The record of Bonus Earnings on the single group basis from May 28, 1951, to December 9, 1952, shows that either the standard production requirement was liberal enough or the level of volume was high enough so that there was no single occurrence of the men making less than the "fixed bonus" which had been in effect for over nine years.

After the second pay period with zero bonus indicated, grievance 18-C-153 was filed on January 15, 1952.

It is clear from the record that on all five occasions during the full life of the plan when the indicated bonus fell below the former "fixed bonus", the "fixed bonus" figures were actually paid.

About eight months after the filing of the grievance, the Company made informal suggestions to the Union for changes in the 40-0307 plan, which the Union was willing to accept as the answer to this grievance.

On March 29, 1953, plan 40-0307-2 was accepted by the Union and installed in the Department. It is the contention of the Company that the sole issue is whether or not Incentive Wage Plan Rate File 40-0307 meets the terms of Article V, Section 5, of the Collective Bargaining Agreement.

Uncontroverted testimony by Union representatives indicates that the proposals made by the Company informally during September, 1952 were essentially the changes incorporated in the March 30, 1953 plan No. 40-0307-2, which was installed because of method changes in the shipments of coal.

An examination of plan 40-0307-2 shows that it is identical in form and values with plan 40-0307 except for a schedule of added allowances for loads of coal not handled by rail when it comes in by boat. The effect of this schedule is to protect the bonus of the Transportation Group from recession during seasons when the percentage of rail shipments of coal is low relative to the base period upon which plan 40-0307 was established. The Union has indicated that this modification to plan 40-0307 makes the current plan (40-0307-2) an acceptable answer to the grievance before the arbitrator.

Finally, it is a point in equity to note that the bonus earnings, provided by plan 40-0307 during the period after the grievance date and until the termination of the plan, for the Conductors and Engineers and Switchmen, equaled 7.0% of the March 1, 1952 base wage schedules. During the same period, the Loads per Engine Hour averaged about 4.9% higher than the base requirement for matching the old "fixed bonus" of \$ .099 per hour.

#### DECISION

The decision in this matter must be founded upon a determination "equitable incentive earnings in relation to---the previous incentive earnings".

It is not technically possible to defend the "frozen bonus" plan as an incentive plan, and consequently it is incorrect to consider in a literal sense, that on May 28, 1951 (the effective date of plan 40-0307) the previous "incentive earnings" were \$ .099 and \$ .090 per hour respectively for the two groups of workers involved in this grievance. Previous Incentive Earnings actually ceased on September 16, 1941, and the term "frozen bonus" could more accurately have been called "frozen previous incentive earnings."

It is true that the same quantities of money per hour are involved, but in equity that alone is not a conclusive answer. With the passage of over nine years on the "frozen bonus" plan prior to the establishment of plan 40-0307, fundamental changes have occurred in our national economy which have a direct bearing on the equity in this matter.

Under present day industrial conditions, the success of incentive plans is dependent upon fairness and equity (and good engineering) so that the workers will feel that the reward is worth the effort and/or attention required to receive a worth-while incentive payment.

The evidence in this grievance hearing clearly shows that the Company has realized this fundamental and has been willing to make changes in plan 40-0307 as a means of improving the morale of the Transportation Department workers. A revised and liberalized plan designated as 40-0307-2 has been initiated by the company and accepted by the union, the details of which have more relationship to a consideration of wage equity than to a reward for the volume of work and/or attention required on the part of the workers.

After a full consideration of all of the evidence it is the decision of the arbitrator that incentive plan 40-0307 did not provide equitable incentive earnings in relation to to the previous incentive earnings, which were frozen on September 16, 1941.

/s/ C. T. Dunn  
Arbitrator

January 8, 1954

Copies: Herbert Lieberman, Supt.  
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