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United States Steel Corporation Eastern Steel Operations and United Steelworkers of America Local Union 4889

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BOARD OF ARBITRATION

Case No. USS-7840-S

March 31, 1971

ARBITRATION AWARD

UNITED STATES STEEL CORPORATION
EASTERN STEEL OPERATIONS
Fairless Works

and

Grievance No. SFL-69-257

UNITED STEELWORKERS OF AMERICA
Local Union No. 4889

SUBJECT: INCENTIVE; FAIRNESS IN EQUITY OF EARNINGS OPPORTUNITY

Statement of the Grievance:

"We the undersigned employees contend that Revision #2 to Incentive Application IR-118 does not allow for equitable earnings.

"Revision one was cancelled due to the new annex building. The Union was notified that the standards would be adjusted to comprehend the additional work. The Company did not adjust the standards but installed a complete new rate. This plan does not allow for increased earnings due to the K. factor which limits the earning potential of the plan.

"Recind Revision #2 and adjust the standards in Revision 1 and pay all money lost."

Contract Provisions Involved: Section 9-C of the Basic Labor Agreement of August 1, 1968.

Grievance Data:	Date:
Date filed:	March 28, 1969
Step 2 Decision	April 24, 1969
Appeal to Step 3	July 1, 1969
Step 3 Meeting	July 24, 1969
Appeal to Step 4	August 8, 1969
Step 4 Meetings	September 23, 1969; October 30, 1969
Appeal to Arbitration	May 20, 1970
Case Heard:	January 12, 1971

Statement of the Award:

Revision No. 2 of Incentive Application IR-118 must be liberalized to provide for incentive earnings opportunities of 135%, effective as of August 11, 1968. The Company is directed to compute and remit the appropriate back pay to the Grievants.

BACKGROUND

1\. This grievance, from the 42 employees who constitute the Material Handling Crew in the Raw Coil Storage and Hot Strip Finishing Building, Sheet and Tin Division, Fairless Works, contends that Revision No. 2 to Incentive Application No. 5130, 5720, 5770-118 does not provide equitable incentive compensation, as required by Section 9-C of the Basic Labor Agreement.

2\. The Incentive Application covers a service crew consisting of Stockers, Stocker Helpers, Expediters, Cranemen, Tractor Operators and Hookers. Revision No. 1, when in effect, was a workload type of plan. Early in 1968, Management found it necessary to utilize the new 7 bay #2 Raw Coil Storage Building, before it was completed, due to unusual demand for the handling and storage of coils. For the pay period ending January 27, 1968, Management found the Material Handling Crews had accumulated 16 unmeasured hours which are not related to the incentive rate. For the pay period ending February 10, 1968, these unmeasured hours jumped to 282. Effective February 11, 1968, Management decided to cancel Revision No. 1. Pursuant to the provisions of Section 9-C, the Company then established an interim incentive rate for these Crews, based upon the average of the six pay periods prior to cancellation. The interim rate was 133%.

3\. On February 8, 1969, the Company established Revision No. 2, effective August 11, 1968. This revision is an equipment utilization type of indirect incentive plan. Management selected the year of 1967 as a base period. It chose to relate an incentive earning potential of 133% to the equipment performance of three producing units - the 80" Hot Strip Mill, the 80" Pickle Line and the 80" Combination Line - and to the operating hours of the Packaging and Shipping Crews. Equipment time values were based on lineal feet of product processed on the 80" Pickle Line and 80" Combination Line, on coils charged to these lines, on coils discharged from the 80" Hot Strip Mill and on operating hours charged to the two service crews as well as to the three operating units.

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Appropriate statistical data for the Material Handling Crew is as follows:

PAY PERIOD	1966 IPP	1967 IPP	1968 IPP	1969 IPP	1970 IPP
1	*	137	130	***	126
2	*	137	130	***	132
3	*	136	132**	***	134
4	*	137	***	134	134
5	*	135	***	132	133
6	*	136	***	132	134
7	*	136	***	133	135
8	*	136	***	133	131
9	*	136	***	133	129
10	*	136	***	131	127
11	*	138	***	133	132
12	*	132	***	134	134
13	*	135	***	132	132
14	*	135	***	130	130
15	*	131	***	127	130
16	*	134	***	131	130
17	*	135	***	128	130
18	*	135	***	129	130
19	*	136	***	133	132
20	*	127	***	133	129
21	*	132	***	133	129
22	*	135	***	131	128
23	*	138	***	134	126
24	*	137	***	135	127
25	*	135	***	131	130
26	*	136	***	129	136
Average	135	135	***	132 (23) pay periods	131

* No data furnished

** Revision No. 1 cancelled February 10, 1968. Average IPP for six pay periods prior to cancellation was 133.

*** Interim earnings paid to February 8, 1969 at 133. Calculated average for the pay periods between the effective date of Revision No. 2 (August 11, 1968) and the date of installation (February 8, 1969) was 132.

The Union challenges the date chosen by the Company for cancellation. It asserts the Company waited until the incentive earnings for the grieving crew actually dropped before cancelling. This, the Union argues, had the effect of lowering the six pay period average prior to cancellation; the interim rate then paid until installation of the new incentive was unduly low. The Union claims the Company knew of the problem involving the use of the Raw Coil Storage Building for some time and should have cancelled the incentive several pay periods earlier. 5

The Company responds to this complaint by asserting that the proper time to cancel Revision No. 1 occurred when the large number of unmeasured hours began to appear. The Company points out that just as soon as this jumped to 282, it cancelled the incentive because it obviously became improper. Once the cancellation took place, says the Company, it followed the provisions of Section 9-C-2-c-(2)in setting the correct interim rate. In the Company's view, the Union is unhappy because the interim rate happened to turn out to be less than the Grievants earned, on the average, for the years of 1966 and 1967. The Company denies any purposeful intention to reach this result. 6

The Union argues that the choice of 1967 as the base year upon which Revision No. 2 was based was not proper. Of the 26 pay periods, the Union emphasizes that, for the 80" Pickle Line, no figures were available showing equipment performance, coils charged or lineal feet of product processed for three of those periods. The Union further charges that during 14 of the pay periods, the 56" Line also operated in tandem with the 80" Line. Now, however, states the Union, the 56" Line produces much more tonnage in relation to the 80" Line than was true in 1967. According to the Union, the result of this is to effectively reduce the incentive earnings for Grievants, since the producing unit upon which earnings are figured is adversely affected. The Union also maintains that for three pay periods during 1967 there was a trucking strike, which would make the shipping crew figures for that year incapable of comparison with other periods. 7

The Company asserts it has in fact selected a representative base period. While conceding performance data for the 80" Line for 3 periods was not available, these periods were not included in the calculations. In its view, the performance for the Line during the other pay periods of 1967 remained fairly constant so that there would be little effect on the overall determination by virtue of the missing information. With respect to the truck strike, the Company states it did take these periods into account, eliminating their effect on the Shipping Crew base period information. The Company contends that it is equipment performance, and productivity of the direct units, such as the 80" Line, not the earnings of the crews on these units which determine the indirect incentive earnings of Grievants. By using an entire year 8

for the base period, the Company feels that changes in product mix, changing levels of operation, vacations and the like, would be properly taken into account, as part of the average.

The main thrust of the Union's argument concerns the alleged failure of Revision No. 2 to provide equitable incentive compensation. The Union emphasizes that the original incentive plan for Grievants, installed in 1954, resulted in incentive earnings of 140% to 145%. Revision No. 1, put into effect in 1962, reduced this to an average of 136%. Now, Revision No. 2 is designed to produce no more than 133%. In the Union's opinion, the incentive has now been unduly tightened. The Union contends that even the interim rate of 133%, based upon the average of the six pay periods prior to the latest cancellation did not truly reflect the historical earnings of the plan under Revision No. 1. The Union calls attention to the fact that during the base period of 1967, which the Company chose as proper, Grievants averaged incentive earnings of 135%. For all the periods subsequent to February 8, 1969, Grievants' actual incentive earnings averaged merely 131%, less than that projected even by the Company.

The Union also questions the method by which the incentive rate under Revision No. 2 was assembled. It claims Management withheld key information, making proper evaluation of the incentive standards most difficult. Information actually available, the Union demonstrates, indicates that for the 6 pay periods immediately after the installation of Revision No. 2 earnings for the 80" Combination Line increased 26% over the 1967 base period, those for the Packaging Crew increased 25%, the other measuring units either stayed the same or decreased minimally, and yet the actual earnings for the grieving crews averaged only 132.8%, less than the 133% projected earnings. With such increases for the measuring units, claims the Union, Grievants should have been earning at least 136%. The Union feels that the time value standards applied by the Company will always result in producing approximately 2% less in incentive earnings for the Grievants than was the case of their earnings during 1967. The Union asserts that if the Company can conveniently drop four pay periods in working out the 1967 base figures for the 80" Pickle Line, and can similarly eliminate three pay periods on account of the 1967 trucking strike so as not to adversely affect the base figures for the Shipping Crew, there is no reason why it should not also eliminate the 282 unmeasured hours in calculating the average earnings of the grieving crew for the pay period immediately prior to the cancellation. Had this been done, argues the Union, the interim rate would have been at least 1% higher, as would the rate under Revision No. 2. The Union takes the position that if 1967 is to serve as the base period for the measuring units under Revision No. 2, the 1967 average earnings to the Grievants of 135% ought to be similarly significant.

The Company denies it declined to furnish any information

requested by the Union. The Company emphasizes that the grieving crews' incentive is based upon equipment performance, and not upon actual earnings of the direct producing units. Therefore, it is possible for the earnings of these units to go up while the earnings of the service crew to remain the same. In the Company's view, the fact that the Grievants earned 132.8% for the six after periods proves the incentive was soundly evolved, since it is designed to produce 133%. The Company maintains it is bound merely to comply with the contractual requirements of Section 9-C-4. If the earnings actually achieved by Grievants during the six after periods are shown to be fairly representative of the earnings opportunity provided, as was the case here, states the Company, it has adequately complied. The Company takes the position that the final incentive rate of 133% was actually earned on the average during the first ten after periods, thus buttressing its contention concerning the adequacy of earnings opportunity. As the Company views the matter, there might be times when Grievants do not earn the projected rate, merely because the performance of the direct producing units is off; otherwise, the incentive will fulfill requirements.

FINDINGS

At the time of hearing, both parties agreed that the ultimate changes planned for the Raw Coil Storage Building were substantial enough to require cancellation, rather than adjustment of Revision No. 1. But the Company assumes the triggering event leading to that cancellation was the excess number of unmeasured hours during the third pay period of 1968. However, the proper test as to when an incentive should be cancelled is not made on the basis of whether an inordinate number of unmeasured hours appear, but whether there in fact was a significant change in conditions. 12

Since Revision No. 1 was a workload type of plan, with specific standards for various types of work performed by the Material Handling Crews, these standards could not fairly apply to movements of coils in and out of a new storage building which had not existed when the standards were written. Indeed, the Company's own justification for cancelling Revision No. 1 was the fact that the utilization of the new 7 Bay #2 Raw Coil Storage Building presented the changed conditions requiring the cancellation. Therefore, the appropriate moment for cancellation would be the precise time when the new warehouse was first put to use. 13

According to Company testimony, the installation of new equipment, such as the Galvanizing Line, as well as the higher anticipated productivity of the remaining product Lines led to the decision to expand raw storage coil capability. This, in turn, dictated the erection of the new Raw Coil Storage Building. The exterior of the Building was completed, the necessary Crane was in place and the work required 14

to complete the interior was in process when circumstances required the immediate use of the structure. One of the Company Plants required expeditious shipment of additional coils; coils for another had to be specially stockpiled; another steel company started a new pickle line which encountered operating difficulties, so that it was required to purchase coils from the Company. All of this happened at the same time. The Company conceded that the unmeasured hours arose because the Material Handling Crews had to handle and ship these coils, from the new warehouse. This means the new Building had to be first put to use, even by the Company's testimony, during the second pay period of 1968, when the first unmeasured hours appeared. According to the Union testimony, the imminent use of the new Building became apparent as early as November or December of 1967. In any event, under Section 9-C-2, the Company should have cancelled Revision No. 1 no later than the close of the first pay period in 1968 instead of at the close of the third pay period, as it did.

With the proper date of cancellation fixed, the earnings for the first pay period of 1968, together with the last five pay periods of 1967, must be averaged to determine the proper average incentive earnings during the three months preceding cancellation. This average properly should be 135%. Under Section 9-C-4 Revision No. 2, the replacement incentive, must therefor produce incentive earnings opportunities of not less than 135%, instead of the 133% for which it was designed. Revision No. 2 must now be liberalized to so provide.

No grievance was timely filed concerning the interim rate established as of February 11, 1968. Thus, there can be no problem properly before the Board as to payment of the interim rate of 133% during the interim period up to the installation of Revision No. 2. On the other hand, Revision No. 2 was put into effect, under the provisions of Section 9-C-3-d, as of August 11, 1968. The liberalization of Revision No. 2, under that section, should be effective as of that same date. The Revision otherwise meets the requirements of equitable incentive compensation of the Section.

AWARD

Revision No. 2 of Incentive Application IR-118 must be liberalized to provide for incentive earnings opportunities of 135%, effective as of August 11, 1968. The Company is directed to compute and remit the appropriate back pay to the Grievants.

Findings and Award recommended by

Hillard Kreimer, Arbitrator

This is a decision of the Board of Arbitration, recommended in accordance with Section 7-J of the Agreement.

Sylvester Garrett, Chairman