3-31-1971

United States Steel Corporation Eastern Steel Operations Fairless Works and United Steelworkers of America Local Union 5030

Sylvester Garrett
Chairman

Alexander M. Freund
Arbitrator

BOARD OF ARBITRATION

Case No. USS-7980-T

March 31, 1971

ARBITRATION AWARD

UNITED STATES STEEL CORPORATION
EASTERN STEEL OPERATIONS
Fairless Works

and

Grievance No. TFL-70-10

UNITED STEELWORKERS OF AMERICA
Local Union No. 5030

Subject: Incentive Administration

Statement of the Grievance: "That the union & inspection employees question the legality of change #15 incentive application IT-046-904 incentive code 704. Effective date 1-11-70 change 15 issued 1-26-70 is unjustified invalid & unwarranted.

"Facts: That the company reduced the number of floor inspectors & is thereby using this reason as a means of reducing the standard by issuing change #15.

"Remedy Requested: We request company be compelled to remove & void change #15. We request that the company be compelled to adhere & to apply the standards set forth in change #14. Employees be made whole for any & all losses in earnings as a result of this change 15. That the company furnish the union by pay periods the actual hrs & minimum allow hrs used & the total hrs used for the six pay periods and to show the old versus the new stds."

Contract Provision Involved: Section 9-C-2-a of the August 1, 1968 Agreement.

Grievance Data:

	Date
Grievance filed:	February 6, 1970
Step 2 Meeting:	February 6, 1970
Appealed to Step 3:	April 8,1970
Step 3 Meeting:	April 15, 1970
Appealed to Step 4:	May 15, 1970
Step 4 Meeting:	July 9, 1970
Appealed to Arbitration:	August 10, 1970
Case Heard:	December 8, 1970
Transcript Received:	January 19, 1971

Statement of Award: The grievance is denied.

In this grievance from the Quality Control Department of the Fairless Pipe Mills Division the Union contends that Change No. 15 to Incentive Application No. IT-046-904, issued to recognize a reduction in the number of Inspectors scheduled, is not warranted under Section 9-C-2-a. 1

Incentive Application IT-046-904, installed May 13, 1956, includes nine Inspector jobs comprising the General Indirect Crew--Inspection and covers all work required to inspect inside and outside pipe surfaces, conduct various chemical and physical tests, inspect end finishes, check for conformity to order specifications and loading procedure, determine reclaimable material and perform all miscellaneous allied functions. Standard time values are established per earned standard and unmeasured hours of the direct crews, and standard ratios of actual indirect hours per direct-crew actual hours. Incentive earnings are calculated by dividing indirect earned standard hours by either actual indirect hours worked or the minimum allowed indirect hours, whichever is greater, and are computed each pay period on the basis of running totals for a six-pay-period interval ending with the current pay period. 2

The reduction in Inspectors occurred in the Pipe Inspector (Floor) classification (hereinafter referred to as Floor Inspector), whose primary function is: "To sample inspect and observe pipe in various stages of processing to maintain quality." Prior to January 11, 1970, the effective date of Change No. 15, two Floor Inspectors were regularly scheduled on the second and third turns each and one on the first turn. Effective January 11, 1970 the Company scheduled one Floor Inspector per turn and issued Change No. 15 to recognize the elimination of one Floor Inspector on the second and third turns and to adjust related standards. 3

According to the Company, the requirement of Section 9-C-2-a that an incentive's integrity be preserved made necessary a decrease in the standard time values and standard ratios applicable to the inspection activities in the Finishing area affected by the reduction in number of regularly assigned Floor Inspectors (balance of Finishing; bundling, stenciling, in-line stenciling and oiling; and Finishing Non-Incentive). Had the standards not been adjusted, the Company 4

continues, earnings would have been inflated because of the fewer hours charged against the incentive as a result of the reduction in Inspection personnel. The Company adds that the number of Floor Inspectors on the second and third turns was reduced because Management determined that operations on those turns would be checked less frequently than before.

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The Company argues that it has done no more in Change No. 15 than in earlier changes to this same incentive application, when it moved under Section 9-C-2-a to adjust standards in recognition of what it refers to as permanent changes in the number of Inspectors regularly assigned. Four such changes are listed below:

Change No. 4	Elimination of Skelp Inspector	June 2, 1957
Change No. 8	Addition of Inspector (Automatic Tester)	November 11, 1959
Change No. 10	Reduction of Hot Table & Shipping Inspectors	June 29, 1962
Change No. 11	Reduction of Floor Inspectors from 3 to 2	October 21, 1962

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Pointing out that grievances protesting these changes to the incentive application were subsequently withdrawn, the Company calls attention to Change No. 11, where, as in the instant case, standards were decreased in recognition of a permanent decrease in the number of Floor Inspectors per turn. According to the Incentive Check List, included in the Step 3 Minutes, the original application recognized three Floor Inspectors per Finishing floor operating turn. The Company calls attention also to Change No. 8, where standards were increased in response to the addition of a regularly assigned Inspector.

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The Company also cites three cases involving 9-C-2-a adjustments based on changes in the number of employees covered by an incentive application. In two of them, USS-6157-S and 6158-S, from Fairfield Works, the Union protested 9-C-2-a adjustments made to recognize crew changes resulting from the

elimination of jobs originally included under the several incentive plans, both direct and indirect, involved in those cases. The Union not only opposed the changes in standards on the basis that they did not preserve integrity but also on the ground that there was no contractual justification for making any adjustments at all. The Company points out that the Board found unpersuasive in USS-6158-S the consideration, also urged upon the Board in the instant case, concerning the increased workload imposed upon the remaining employees as a result of the elimination of jobs. The Board held in that case as follows:

> "Thus, there were situations in each incentive where the jobs which remained did in fact perform the duties of their own, plus those added from the terminated job. The Union claims therefore that grievants were entitled to the increased earnings which necessarily would have resulted from charging fewer hours against the incentives, if the appropriate standards had not been adjusted.
>
> "But that entire argument improperly seeks to disturb, and not to preserve, integrity of earnings under these incentives. That is, in essence the grievance seeks higher earnings for grievants, on the theory that they would have received such higher earnings had the standards not been adjusted. That view of 'integrity' in incentive adjustments is not supported by anything in 9-C-2-a.
>
> "Elimination of the jobs was a changed condition which resulted from changes in manufacturing methods, within the language of 9-C-2-a. Elimination of substantial volumes of hours to be charged against an incentive surely is a changed condition in the operation of that incentive. For example, in the direct incentive, the use of at least 16 fewer hours per turn to be charged against the incentive, automatically would have inflated earnings unjustifiably if there had been no adjustment.

> "If necessity for the remaining jobs to perform the duties added from the eliminated jobs had required more hours, then loosening adjustments would have been essential in order to recognize and allow for those added hours charged against the incentive. Since elimination of the jobs did not cause an increase in hours, however, but in fact resulted in fewer hours being charged against the incentives, which changed one of the basic assumptions on which the incentives operated, Management was entitled to make some change in the standards...." (Original underscoring.)

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In the third case, USS-6836-S, from Fairless Works, the Union protested the Company's failure to move under Section 9-C-2-a to adjust several indirect incentive applications covering maintenance crews to recognize the addition of apprentices to these applications. The Company maintained that 9-C-2-a adjustments were unnecessary because the additional apprentice hours had been offset by the deletion of an equal or greater number of non-apprentice hours (largely Helper hours). The Board found that the evidence did not support the Company's claim and directed the Company to adjust the incentives to overcome the depressing effect on earnings, if any, of the overcharging of apprentice hours.

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The Company refers also to the Board's "big coil" cases, USC-650 and USC-1153 among others, which, it says, held that incentive earnings may not be permitted to decline simply because of a reduction in workload. And the Company argues that it follows that it is not required to increase incentive earnings just because the workload of some of the jobs included in an incentive has increased.

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The Union contends that the mere reduction in the number of employees scheduled in a job covered by an incentive is not a changed condition within the meaning of Section 9-C-2-a because, in the language of this provision, there have been no "mechanical improvements made by the Company in the interest of improved methods or products, or...changes in equipment, manufacturing processes or methods, materials processed, or quality or manufacturing standards."

According to Union witness Edward Winters, who has worked as a Floor Inspector, there was no decrease in production and all the machines and operations at which Floor Inspectors check product were running when the Company removed one Floor Inspector from the second and third turns. Therefore, a greater workload has been imposed on the remaining Floor Inspector on these turns inasmuch as the in-process checking that the two Inspectors formerly shared is now done by one. 11

The Union argues further that fluctuations in the number of Inspectors assigned occur frequently, the number of Inspectors scheduled varying from about a low of 40 to a high of about 65 in accordance with the level of operations, and that indirect incentive plans are accordingly not established on the basis of specific crew sizes. Instead, only the jobs included in the plan are specified and variations in the number of employees scheduled in the jobs are taken care of by the establishment of standard time values and standard ratios which decrease as the number of hours expended by the direct crews on the producing units increases. Thus, the standards applied increase and decrease in accordance with changes in the level of operations, protecting the Company against runaway earnings. Accordingly, the Union argues, in addition to the two safeguards already provided the Company by standard time values and standard ratio hours that decrease as the level of operations increases, the Company seeks a third safeguard by decreasing standards further as the number of assigned Inspectors decreases. 12

With respect to the previous 9-C-2-a adjustments made to recognize changes in the number of Inspectors scheduled, the Union argues that Changes No. 4 and No. 8 involved changes in the number of jobs included under the incentive plan as contrasted with changes in the number of employees scheduled in the covered jobs. In Change No. 4 a job previously covered by the incentive was eliminated; in Change No. 8 a job not previously included in the incentive was added. As to the Changes No. 10 and 11, which involved reductions in the number of employees scheduled in a job, the Union points out that in the grievances protesting these changes it argued only equitability of the adjustments and subsequently, having determined that the adjustments did preserve integrity, withdrew the grievances. In the instant case, unlike in the other grievances, the Union contends the adjustments are not "legal." 13

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In this connection the Union argues that the inclusion of apprentices under the indirect incentives involved in Case USS-6836-S constituted the addition of new jobs to the plans; and that in the other two cases cited by the Company the changes also were in the number of jobs covered by the incentives.

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The Union protests here also the Company's failure to submit the data it requested in its grievance, primarily the calculation of earnings since the effective date of Change No. 15 on the basis of the previously existing standards. The Union suggests that the Company has not complied with the request because such a calculation would show that the earnings would have been higher had the standards not been changed. The Company stipulates that in pay periods in which earnings are calculated on the basis of actual indirect hours worked, earnings would be higher if the former standards were applied; and that in pay periods in which calculation of earnings is based on the minimum allowed hours, the use of the previously existing standards would have no effect on earnings.

With respect to the impact of the disputed adjustment on earnings, the Step Four Minutes report the following discussion:

> "The Company Representative stated that he understood that the incentive had been calculated since the date of the grievance and for a long period of time prior thereto on the basis of the minimum allowed hours and that the adjustment had no current impact on performance.
>
> "The Union Representative concurred and stated that this grievance was filed for the purpose of protecting employees against a loss in earnings in the event actual hours were used for the basis of calculation at some time in the future."

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Finally, the Union cites Case USS-7797-T, in which the grievance claimed that the Company had not properly implemented

awards granting a five-percent adjustment in a newly established indirect incentive. The Board upheld the Union's complaint that the Company's technique of increasing the minimum allowed indirect hours by the same factor (1.05) as the earned standard hours are increased in effect nullified the five-percent adjustment whenever minimum allowed indirect hours totaled more than the actual hours in a given pay period and thereby became the hours used in calculating pay performance.

According to the data submitted by the Company, earnings in the six pay periods prior to February 11, 1970, the effective date of Change No. 15, averaged 132 percent. Earnings in 19 pay periods since the change have averaged 134 percent. The Company does not claim that the increase in earnings is causally related to the adjustment in standards. 17

FINDINGS

The only issue the Union pursues here, as is made clear through the testimony of Local Union President James Costa (Tr. 37), is the "legality" of Change No. 15; that is, whether or not this change can be contractually justified as a Section 9-C-2-a adjustment. 18

As the Company argues, the Board has already decided the question decided by this grievance. It held in Cases USS-6157-S, -6158-S and -6836-S that the elimination or addition of substantial volumes of hours to be charged against an incentive does in fact warrant a 9-C-2-a adjustment. Whether the workload is increased or decreased, the change itself in the number of hours charged against the incentive affect earnings, additional hours tending to depress earnings and reduced hours tending to inflate earnings. One of the basic assumptions on which the incentive operated is thereby changed, the Board points out, and the Company is entitled to adjust the standards to preserve integrity of earnings. 19

The Union seeks to distinguish the instant case on the basis that the incentive plan is designed to take care of variations in the number of Inspectors scheduled by the establishment 20

of standards which decrease as the number of hours expended by the direct crews increases. It is true, of course, that the standards applied when the level of operations are high and more Inspectors are scheduled are lower than when the level of operations is low and fewer Inspectors are assigned. However, more earned standard hours are generated by the direct crews for the indirect crews when the level of operations is high than when the reverse condition obtains. Thus Inspectors' earnings are maintained at the same level regardless of the number of hours expended by the direct crews, by providing lower standards at high levels of operation to offset the greater number of earned hours generated and larger standards at lower levels of operation to overcome the fewer earned hours generated.

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The Union's testimony reflects its recognition that it is the fact that the number of earned standard hours generated also changes in such a situation that makes it unnecessary to adjust the standards. Thus when Local Union President Costa was asked on cross-examination whether or not an upward adjustment in standards would have been required had the number of Inspectors been increased, he answered that "there would probably be an upswing in operations which would mean that you had more earned hours to draw from, and that's the appropriate standard that would be applied." (Tr. 32-3.)

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In the instant case, however, the reduction in the number of Floor Inspectors scheduled is unrelated to changes in the level of operations and results from a Management decision to reduce in-process inspection hours on the second and third turns. Thus, whether one accepts the Union's position that one Inspector on these turns is doing two men's work or the Company's position that less in-process inspection is now being done, the reduction in inspection hours has not been accompanied by a reduction in the number of hours expended by the direct crews on the producing units and has therefore not been offset by a decrease in earned hours generated for Inspectors. Accordingly, an adjustment in the standards was required to avoid the potentially inflating effect of reduction in indirect hours to be charged against the plan. Indeed, as evidenced by the Union's acceptance of the earlier changes to

this same incentive application cited by the Company, it has recognized the appropriateness of a 9-C-2-a adjustment in the kind of situation involved here, where changes in the number of hours to be charged against the plan are unrelated to changes in the level of operations.

The Union is not persuasive when it makes an exception of this case on the ground that an entire job was not eliminated. There can be no question that Management's decision to eliminate one Floor Inspector on the second and third turns each has caused fewer hours to be charged against the incentive without any offsetting decrease in the earned standard hours generated for the Inspection crew. Accordingly, as is abundantly clear from the foregoing discussion, a downward adjustment of the affected standards is required to maintain the integrity of the incentive. 23

Nor does the Union raise a persuasive consideration when it argues that the decrease in hours has not been accompanied by a change such as is contemplated in the language of Section 9-C-2-a. The reduction in hours charged against the plan resulting from the elimination of two Floor Inspectors changed one of the basic assumptions on which the incentive is based and accordingly made necessary a 9-C-2-a adjustment to preserve integrity of earnings. Significant in this connection is USS-6836-S in which the Board upheld the Union's request for an upward adjustment of standards under Section 9-C-2-a to offset the depressing effect on earnings of an increase in hours charged against the incentives. It is also noted that the Board sustained the Union's request for an upward adjustment in standards even though the workload of some of the incentive covered jobs presumably would have decreased because of the addition of apprentices to the incentives. 24

Finally, with respect to the Union's complaint that the Company failed to provide the data it requested in the 25

grievance, the Company stipulates to the point the Union intended to establish with the information; namely, that the former standards would yield greater earnings than Change No. 15 standards (whenever actual hours exceed minimum allowed hours). Indeed, it was for this reason that the Company moved under Section 9-C-2-a to lower standards, to preclude an increase in earnings that would result simply from the reduction in hours to be charged against the incentive.

For the foregoing reasons a Section 9-C-2-a adjustment was contractually justified to recognize the elimination of a Floor Inspector on the second and third turns each. 26

AWARD

The grievance is denied.

Findings and Award recommended by

Alexander M. Freund

Alexander M. Freund, Arbitrator

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

Sylvester Garrett

Sylvester Garrett, Chairman