11-22-1965

United States Steel Corporation Heavy Products Operations Johnstown Works and United Steelworkers of America Local Union 1288

Sylvester Garrett

BOARD OF ARBITRATION

Case USS-4873-H

November 22, 1965

SUPPLEMENTAL AWARD

UNITED STATES STEEL CORPORATION
HEAVY PRODUCTS OPERATIONS
Johnstown Works

and

Grievance A-61-60

UNITED STEELWORKERS OF AMERICA
Local Union No. 1288

Subject: Incentive Administration

Statement of the Grievance: "Management failed to accept finishes as defined in general application instruction, p.p. 15 and 41; Application No. 956.

Repeated mistakes are being made as contracts are figured; as per Contract B39686-956-4.

Management has not provided proper tooling system. Delays in this respect have been great.

The average group of qualified employees under this incentive cannot attain average performance of 33% above normal hourly scale wage rate."

This grievance was filed in the First Step of the grievance procedure May 22, 1961.

Contract Provision Involved: Section 9-C of the January 4, 1960 Agreement.

Statement of the Award: The grievance is sustained. Grievants shall be reimbursed for lost earnings in accordance with the provisions of this Opinion.

SUPPLEMENTAL AWARD Case USS-4873-H

BACKGROUND

On March 12, 1965 the Board issued the following Award in Case USS-4873-H: 1

> "The principles of T-821 and USC-1251 do not govern the disposition of this case which is returned to the parties for further consideration in light of this Opinion. Should the parties be unable, within 60 days from the date of receipt of this Award, to reach an agreement, the case shall be returned to the Board for its determination whether the incentive application provides equitable incentive compensation under the terms of the Memorandum of Agreement under which it was installed."

The case arose out of the grievance of employees in the Middle Shop Department of Johnstown Works claiming that Incentive Application 8920-956, Engine Lathe No. 1867, did not provide equitable incentive compensation in violation of Section 9-C-3-d of the January 4, 1960 Agreement. 2

The facts outlined in the Board's prior Award need not be restated here. For the purposes of this compliance decision, it is sufficient to repeat that the grieved incentive application was installed as the result of an agreement under which the Union consented to the cancellation of an old contract rate system of compensation. Together with the installation of the new incentive application, Management devised and instituted improved methods of machining for the lathe, designed to speed up operations by 75%. It was anticipated that the new incentive application would yield average earnings of 133%; in fact, 81% of 3

the total earned hours from the installation of the incentive up to December of 1964 generated an average index of measured performance of 133%. However, grievants also encountered difficulties in the operation of the lathe, and mistakes had been made by the Company in the application of the incentive standards to specific work items. As a result, the average measured performance for the total group of 37 employees utilized had been 102% by December of 1964.

Marginal paragraph 29 of the prior Award of the Board indicated two potential reasons for the erratic earnings record of the disputed incentive: 4

> "The record does not show that the parties ever mutually explored the problems connected with this machine, or that operating supervisors took part in solving this problem; there are only references to engineering studies. The trouble may lie in the application of the incentive standards to the computation of contracts performed under conditions not anticipated by the Engineers, rather than in the soundness of the standards, or in a failure to use proscribed feeds and speeds which are seemingly not set forth on the contracts."

Since a meaningful resolution of the dispute required an answer to the stated problem, the Board made the following suggestion in marginal paragraph 30 of its Award: 5

> "For this reason, it seems most appropriate to return the case to the parties for more study, and specifically for consideration of the offer of the Union to accept the results of time studies made of foremen, or of Machinists selected by the Company, as spelled out on page 177 of the transcript. Such a study could disclose whether, in the terms of the grievance as originally filed, some of the contracts were, in fact, 'out of line' rates. In their discussions, the parties can then concentrate on the proper implementation of the Memorandum of Agreement under which the disputed incentive was installed and which refers to the 'Contract rights of the Union as provided in Section 9-C-3-d of the 1960 Labor Agreement.' If the parties do not settle the case, moreover, it should be returned to the Board only after the parties have prepared full presentations on the issue of equitable incentive compensation so as to permit final decision on the soundest possible basis."

When the case was returned to the parties, the Company took the position that such an approach was impractical for numerous reasons, outlined in its brief as follows: 6

"Such as the fact that Foremen with previous Machinist backgrounds had not for some years actually operated a lathe under conditions of production, and further, even if such experiment had been tried, settlement of this dispute on that basis was highly doubtful, but more important pitting a Foreman's skill against that of employees is not only impractical but is fraught with psychological undertones to be completely undesirable from the Company's viewpoint. Secondly, to conduct such experiment with Management selected Machinists, in the Company's judgment, would be totally unwise and would be an assignment though seemingly having the blessing of the Union could have ramifications between the men themselves for many years to come, and realistically to put such employees in a 'damned if they did or damned if they didn't' position as between the Grievants' interest and plant Management's interest would be grossly unfair and really asking mere mortals to perform as non-human beings. Finally, in any event, such an experiment with either Foreman or Machinists as the guinea pigs could not really be conclusive since the scope of the material on hand would not be completely representative of the matters at

"issue and further operating requirements, in any event, were in no practical way conducive to such a test since the date of issuance of the Board's Award to the present."

Instead, the Company's Engineering Department developed Change No. 8 which established additional standards, and adjusted others, many on operations which grievants had specified as troublesome in the grievance procedure prior to the first hearing. 7

The changed standards also provided additional credit for the machining of a first piece, with lesser additional credits for the second and third piece. Applying the standards of Change No. 8, the Company recalculated 158 contracts with the following result: in 118 contracts greater earnings were generated, in 14 contracts smaller earnings were generated, and in 27 contracts no change occurred. 8

The calculation of the Company for a drive axle, for instance, shows the following increase in earnings: 9

Drive Axle 956 - 061 B 39997

Under Present Calculations:

Initial Piece	Succ. Pcs.
6.685	6.201

Under Proposed Calculations:

1st piece	2nd piece	3rd piece	All others
11.84 (+ 77%)	10.13 (+ 63%)	8.91 (+ 44)	7.68 (+ 24)

Overall, earnings for some of the complete contracts were loosened by as much as 49%, and tightened by as much as 29%. (The investigation of the Company also disclosed that incentive standards had been misapplied in a number of contract computations.) The total increase of measured performance for the 159 recalculated contracts amounted to 6.5%. 10

The Company offered to install Change No. 8 on a current basis, but refused to make retroactive payments for the reason that records did not indicate who had machined first, second, or third pieces, and that this made proper calculations impossible. 11

At the hearing the Company pointed to the following earnings history starting with the pay period ending October 10, 1964: 12

Pay Period Ending	I.M.P.	Pay Period Ending	I.M.P.
10-10-64	141%	3-27-65	153%
10-24-64	151	4-10-65	-
11- 7-64	154	4-24-65	148
11-21-64	154	5- 8-65	150
12- 5-64	154	5-22-65	153
12-19-64	153	6- 5-65	153
1- 2-65	148	6-19-65	154
1-16-65	142	7- 3-65	147
1-30-65	-	7-17-65	(Plant Vacation Shutdown)
2-13-65	-	7-31-65	145
2-27-65		8-14-65	152
3-13-65	136	8-28-65	154
		9-11-65	153

In this period only stainless steel extrusion rounds were turned on the lathe. This product had been cited by the Union as generating unusually high earnings when the case was argued before the Board previously, but Change No. 8 did not affect the standards for this product. The earnings for this period which averaged 151%, increased the over-all index of measured performance for the total life of the incentive application to 124%, with an index of pay performance of 134%. Therefore, the Company argued, the incentive application has yielded the expected earnings potential of 133% during a representative period with a typical product mix. 13

FINDINGS

The adjustments of the disputed incentive, incorporated in Change No. 8, and discovery of some misapplication of standard time values to specific contracts, have further substantiated grievants' claim that the incentive application, as originally applied, did not yield equitable incentive compensation. The Board cannot accept the argument of the Company that the performance of the new incentive, viewed from 1961 to 1965, has been a satisfactory one. The Board found in marginal paragraph 72 of Case USC-719 (Supplemental Award, dated March 23, 1961): 14

> "If such a lengthy period were taken as a proper basis for comparison, the conclusion (based on the relatively high earnings in 1959 and 1960) would be that 9-C-4 earnings protection had been provided. There are at least two reasons, however, why selection of such a lengthy period is not sound: (1) the Union evidence suffices to establish some loosening of the incentive through inaction in making adjustments based on equipment changes as well as loose practice in administration,

"and (2) a properly designed incentive ordinarily should prove itself in something less than a period of three or four years."

The Company's brief, submitted for the first hearing in this case, stated that up to September 20, 1964 the average pay performance under the incentive had been roughly 102%. This average has improved since because the lathe has been used for the exclusive machining of stainless steel rounds with a rate of about 150%. The Company has applied the standard time values of Change No. 8 to the machining of these rounds, and the computations yielded rates identical to prior ones. 15

The incentive in dispute covers a job shop operation and prolonged production of a single item cannot be considered a typical application of the incentive. While it cannot be expected that such job shop incentive will yield the same level of earnings in every pay period, it would be unreasonable in this case to consider the belated impact of a long production run under an admittedly loose rate, after the incentive produced average earnings of 102% for 3½ years. 16

The Union claims that 133% is the proper measure of equitable incentive compensation, since the provisions of the new incentive specifically peg its expected performance at that figure. But the record indicates that sustained incentive performance, required for an expected yield of 133%, was not maintained consistently since 1961, due to a number of mechanical problems which beset the lathe. 17

The Company provided no specific guidance on this point, although it made reference to Union Exhibit No. 1, submitted at the first hearing, which shows pay performances under the cancelled incentive application for a number of employees with an arithmetic average of 121%. Actual average earnings were reported by Union witnesses to be around 128%. 18

Since the adjustments of Change No. 8 were engineered by the Company after the Board's first Award to generate earnings in compliance with Section 9-C-3-d, it could be argued that the earnings generated since Change No. 8 are a guidepost for the measure of equitable incentive earnings. However, as stated before, the exclusive production of stainless steel rounds cannot be considered representative of the over-all performance of the incentive under job shop conditions. 19

Therefore, the level of equitable incentive performance lies somewhere between the average earnings yielded up to September 20, 1964 and earnings generated by the machining of stainless steel rounds. The low earnings record since 1961 cannot be attributed solely to the engineering of the incentive or its application to actual contract. Therefore, the Board finds that incentive standards, in effect prior to Change No. 8, shall be increased by 20% for the period of April 10, 1961 to September 14, 1965 and earnings recomputed accordingly. The retroactive adjustment of earnings shall not cover pay periods after September 20, 1964, in which production consisted of stainless steel rounds exclusively. The standards for this job were specifically tested under Change No. 8 which, according to the Company, brought the incentive in compliance with the requirements of Section 9-C-3-d, and which yielded more than equitable earnings for this product. 20

In the absence of meaningful application of the changed standards the Board cannot determine whether Change No. 8 will yield equitable incentive earnings for a variety of products. Therefore, the Union's right to challenge the equity of earnings under Change No. 8 shall remain open in the grievance procedure until there has been sufficient actual operating experience under the new standards, including assignment of a variety of job shop products to the engine lathe. 21

AWARD

The grievance is sustained. Grievants shall be reimbursed for lost earnings in accordance with the provisions of this Opinion. 22

Findings and Award recommended pursuant to Section 7-J of the Agreement, by

Peter Florey
Assistant to the Chairman

Approved by the Board of Arbitration

Sylvester Garrett, Chairman