United States Steel Corporation Tubular Operations Lorain Works and United Steelworkers of America Local Union 1104

Sylvester Garrett

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BOARD OF ARBITRATION

Case No. USS-5001-T

May 4, 1965

ARBITRATION AWARD

UNITED STATES STEEL CORPORATION
TUBULAR OPERATIONS
Lorain Works

and

UNITED STEELWORKERS OF AMERICA
Local Union No. 1104

Grievance Nos. N-L62-361;
-366; -369; -372

Subject: Incentive Administration


"We, the undersigned and all others, ask company to revise Change No. 3 of Incentive Application No. 349-15-1 to provide equitable incentive compensation with all monies lost paid retroactive.

"Facts: Change No. 3 of Incentive Application No. 349-15-1 does not pay equitable incentive compensation.

"Remedy Requested: Revise Change No. 3 of Incentive Application No. 349-15-1 to pay equitable incentive compensation with all monies lost paid retroactive."

This grievance was filed in the Second Step of the grievance procedure September 25, 1963.
Grievance No. N-L62-366

"We the undersigned and all others ask Co. to revise change No. 2 of Inc. appl. No. 349-17 to provide equitable inc. compensation with all monies lost paid retroactive.

"Facts: Change No. 2 of Inc. appl. No. 349-17 does not provide equitable incentive compensation.

"Remedy Requested: Revise Change No. 2 of inc. appl. No. 349-17 to provide equitable incentive compensation with all monies lost paid retroactive."

This grievance was filed in the Second Step of the grievance procedure August 19, 1963.

Grievance No. N-L62-369

"We the undersigned and all others ask Co. to revise Change No. 2 of inc. appl. No. 354-1 to provide equitable incentive compensation with all monies lost paid retroactive.

"Facts: Change No. 2 of inc. appl. No. 354-1 does not provide equitable incentive compensation.

"Remedy Requested: Revise Change No. 2 of incentive appl. No. 354-1 to provide equitable incentive compensation with all monies lost paid retroactive."

This grievance was filed in the Second Step of the grievance procedure September 25, 1963.

Grievance No. N-L62-372

"We the undersigned and all others ask Co. to revise Change No. 2 of Inc. Appl. No. 349-15-3 to provide equitable incentive compensation, with all monies lost paid retroactive.
3.

"Facts: Change No. 2 of incentive appl. No. 349-15-3 does not pay equitable incentive compensation."

"Remedy Requested: Revise Change No. 2 of Inc. Appl. No. 349-15-3 to provide equitable incentive compensation, with all monies lost paid retroactive."

This grievance was filed in the Second Step of the grievance procedure September 24, 1963.


Statement of the Award: The grievances are denied.
FINDINGS

In this case employees performing various operations in the Finishing End of No. 2 Seamless Mill of Lorain Works grieve the change of stated earnings expectations in the following incentive applications:

<table>
<thead>
<tr>
<th>Grievance No.</th>
<th>Operation</th>
<th>Incentive Application No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>N-L62-366</td>
<td>Straightening Machine and After-straightening Inspection</td>
<td>349-17</td>
</tr>
<tr>
<td>N-L62-369</td>
<td>Crane Operation, Hooking and Pipe Piling</td>
<td>354-1</td>
</tr>
</tbody>
</table>

For many years pipe handled by No. 2 Seamless Finishing End ranged from 5" O.D. to 10-3/4" O.D. because the cut-off machines lacked the capacity to handle larger sizes. 12-3/4" O.D. pipe could not be processed beyond the after-straightener facilities and was transferred to the No. 3 Seamless Finishing End where the balance of the finishing operations was completed by employees transferred from No. 2 Seamless and working under No. 3 Seamless incentives which, on the whole, generate earnings considered by the employees as more adequate than those at No. 2 Seamless. Early in 1963 new carbide cut-off machines were installed in No. 2 Seamless with the capacity to handle 12-3/4" O.D. pipe and standards were incorporated in various No. 2 Seamless incentives for handling this product.

On turns when 12-3/4" O.D. pipe was processed exclusively, earnings under the new standard time values were higher than the average earnings generated from other sizes, and the average earnings for all four incentive applications for the year 1964 were higher than those for previous years.
However, the over-all earnings, generated by incentive applications in No. 2 Seamless Mill Finishing End, remained lower than those at No. 3 Seamless Mill and, as stated in the Fourth Step Minutes, "The Union's main complaint in these cases is that the incentive earnings on 12-3/4" O.D. product in No. 2 Seamless are not as high as those realized on this product in No. 3 Seamless."

However, this wage inequity argument was not pressed before the Board. Instead, the Union argued that the Company cannot lower the stated minimum earnings potential for an incentive when new standards are added under Section 9-C-2-a of the Basic Agreement. For illustrative purposes, evidence was introduced only as to Incentive Application 349-17, and the following discussion is restricted to this incentive. (The record contains some reference to the inadequacy of the new 12-3/4" O.D. standards established for this incentive, should heavy wall product become more predominant. Such change in product is speculative at this time but can be explored under the terms of the Agreement when it affects the earnings potential of the incentive. The record provides no basis for a Board ruling at this time.)

Prior to August 30, 1963, Section 1 of Incentive Application 349-17 included the following sentence:

"The average group of qualified employees under this application can attain an average performance between 9 and 16 percent above normal and receive incentive earnings in that relationship above the standard hourly wage scale rates."

The percentages enumerated in this sentence were related to theoretical computations on page 9 of the incentive application anticipating, at capacity operation, an index of measured performance of 109% for range 3 of 10-3/4" O.D. pipe, then the largest pipe processed at No. 2 Seamless Mill, up to 116% for range 3 of 5-9/16" O.D. pipe. A Company
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witness explained at the hearing, that, as a result of the settlement of an earlier grievance, computations under this straightener incentive are peculiar since equipment performance standards of the test pump, set forth in a different incentive application, are used rather than those originally developed for the straightener. Using work time values established for 12-3/4" O.D. pipe, the engineers computed an anticipated index of measured performance of 106% for range 3, 12-3/4" O.D. pipe at theoretical capacity operation of the test pump. Since 106 now became the lowest percentage shown on page 9 of the incentive, the engineers also adjusted the above quoted sentence from page 2 by lowering the minimum performance from 9 to 6%.

At the hearing the Union voiced its concern that this statement on page 2 could be used by the Company in the future to avoid its contractual obligation under Section 9 of the Basic Agreement, should changed conditions reduce average earnings to the stated minimum of 6%.

Under Section 9-C-2-a the Company is obligated to adjust an incentive to preserve its integrity, should it require modification to reflect new conditions which are not sufficiently extensive to require its cancellation and replacement. Here, the Company added standards for the processing of 12-3/4" O.D. pipe, and the record shows that this change had no adverse effect on the earnings potential of the grievants, but did, in fact, increase it.

The Board traditionally has not scrutinized the specific mathematical computations, or illustrations, used by industrial engineers in making an adjustment to an incentive, but has consistently examined the impact of a change on the earnings generated by the incentive application. Issues as to compliance with the requirements of Sections 9-C-2-a, 9-C-3, and 9-C-4 are not controlled, or affected, by statements in an incentive brochure as to anticipated earnings; the Board tests actual earnings experience against the requirements of the Agreement. These requirements cannot be changed by unilateral insertions in an incentive brochure. Since the record does not show that the new 12-3/4" O.D. standards actually had an adverse effect on the earnings under the grieved incentives, the grievances are denied.
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AWARD

The grievances are denied.

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