10-25-1965

United States Steel Corporation Heavy Products Operations Homestead District Works and United Steelworkers of America Local Union 1924

Sylvester Garrett

BOARD OF ARBITRATION

Case No. USS-5042-H

October 25, 1965

ARBITRATION AWARD

UNITED STATES STEEL CORPORATION
HEAVY PRODUCTS OPERATIONS
Homestead District Works

and

Grievance No. A-60-303

UNITED STEELWORKERS OF AMERICA
Local Union No. 1924

Subject: Incentive Administration

Statement of the Grievance: "We the members of the Wheel and Axle Maintenance and Service Crew claim that Incentive Application #6001 does not provide equitable incentive compensation.

"We also request retroactive payment of any adjustment from date of Application October 2, 1960.

"This is filed under Section 9-C of our present Labor Agreement."

This grievance was filed in the First Step of the grievance procedure November 30, 1960.

Contract Provision Involved: Section 9-C-3 of the January 4, 1960 Agreement.

Statement of the Award: The grievance is sustained in light of the Opinion.

BACKGROUND Case USS-5042-H

The following grievance emanates from the Wheel and Axle Division of the Homestead District Works: - 1

> "We the members of the Wheel and Axle Maintenance and Service Crew claim that Incentive Application #6001 does not provide equitable incentive compensation.
>
> "We also request retroactive payment of any adjustment from date of Application October 2, 1960.
>
> "This is filed under Section 9-C of our present Labor Agreement."

The grievance was filed on November 30, 1960 and was held pending in the First Step from December 15, 1960 until May, 1964, at the request of the Union. During this period the Company incorporated some six changes in the incentive. 2

The Union states that the Incentive Brochure refers to an expected average incentive yield of between 115 and 120% and contends that the actual average measured performance has fallen far below these figures for a period of many years with the exception of eight pay periods in 1964 when the index of measured performance attained the lower level of the "expected" --116%. Incentive Application #6001 covers some 70 jobs in the Maintenance Department and is of the indirect type since the Maintenance Department performs service and maintenance duties for Heating, Forging, Rolling, Heat Treating, Machining, Handling, Shipping Product, and facilities engaged in distributing electricity and steam. Many of the direct incentives to which #6001 was related far exceeded their "expecteds" over a prolonged period of time and yet the indirect incentive continued to fall short. 3

Management contends that the indirect incentive was based on calculations taken in a representative period in 1960 with which the Union has never quarreled and, allegedly, specifically agreed to as late as the Third Step meeting. The incentive is calculated, per the Company, on the following basis: - 4

"The total Direct Crew Incentive Earned Standard Hours and Piece Work Dollars for each pay period are multiplied by the applicable Indirect Crew Standard Time Value to determine the total Indirect Crew Earned Standard Hours. Three successive pay periods are used in the final calculation. For the same calculation period the Direct Crew Actual Hours are multiplied by the Standard Ratio of Direct to Indirect Crew Hours to determine a theoretical minimum number of Indirect Crew Hours.

"The total Indirect Crew Earned Standard Hours for the three pay periods is compared to either the Actual Indirect Crew Hours or the minimum Indirect Crew Hours, whichever is greater. If the selected hours are less than the Indirect Crew Earned Standard Hours performance is above 'make out' and incentive earnings above the base rate are earned."

The Company has segregated the Direct Incentive Crews 5
which "feed" earned hours for purposes of the Indirect Incentive into five groups shown as follows: -

Group	Incentive Application Number	Equipment	Estimated Percentage Contribution to Indirect Crew Earned Hour
I -L.M.I.	6102	#1 Manipulator	74%
	6103	#2 Manipulator	
	6110	Morey End Rougher Lathes	
	6117	Morey All Purpose Lathes	
	6201	#6 Unit Crew	
	6203	Die Assembly	
	6220	Snyder Boring Mill	
	6221	Niles Boring and Facing Mill	
	6223	Snyder Boring and Facing Mill	
	6226	#2 Shop Bullard	
	6227	Bullard Man-au-trol #1 added Aug. 1963	
	6228	Bullard Man-au-trol #2 added Aug. 1963	
	6230	Wheel Inspection Conveyor	
	6233	King Mill	

Group	Incentive Application Number	Equipment	Estimated Percentage Contribution to Indirect Crew Earned Hour
I -L.M.I.	6236 6248 6249 6250	Wheel Heat Treating #74 Bullard V.T.L. Bullard Cutmaster #55 Bullard Cutmaster	
	Note:	Application No. 6107 - Barnes Cut-off deleted from Incentive (Aug. 1963)	
II -L.M.I.	6130 6229	Axle Handling and Service Wheel Inspection, Service and Handling	4%
III -Piece Rates	505 506	#3 Putnam Boring Mills Wheel Finishing Machines	4%
IV -L.M.I.	6213 6214	First Forge Press Second Forge Press and Rolling Mill	13%
V -Actual Operating Hours		#3 Wheel Finishing 46" Bullard Contour Machine added Aug. 1963 Farrell-Birmingham Axle Finishing Lathe (added Aug. 1963)	5%
			100%

There were six changes incorporated in #6001 but, believes the Company, they are irrelevant for purposes of the present case since they occurred subsequent to filing the grievance in 1960. The changes occurred on August 20, 1961, October 20, 1961, April 26, 1962, June 6, 1962, June 19, 1963 and December 12, 1964. 6

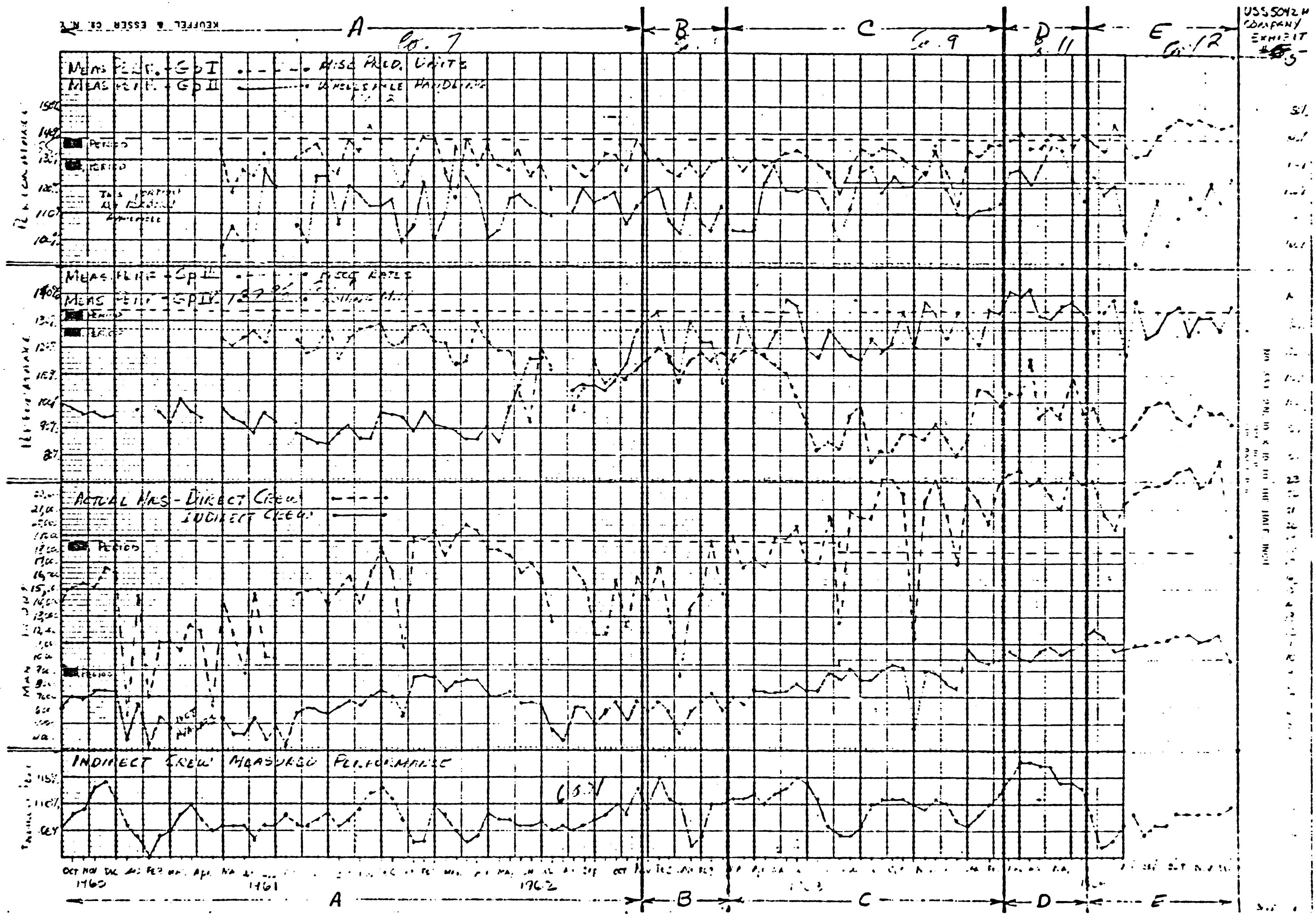
Union and Company agree on the following Indirect Incentive statistics: - 7

Pay Period Ending	Index of Measured Performance
1960	
10-15	107%
10-29	109%
11-12	111%
11-26	114%
12-10	115%
12-24	112%
1961	
1- 7	106%
1-21	104%
2- 4	100%
2-18	105%
3- 4	105%
3-18	108%
4- 1	110%
4-15	107%
4-29	105%
5-13	106%
5-27	106%
6-10	106%
6-24	103%
7- 8	106%
7-22	106%
8- 5	108%
8-19	106%
9- 2	106%
9-16	107%
9-30	108%
10-14	106%
10-28	107%
11-11	109%
11-25	112%
12- 9	113%
12-23	111%
1962	
1- 6	107%
1-20	102%
2- 3	102%
2-17	110%
3- 3	108%
3-17	105%

Pay Period Ending	Index of Measured Performance
1962	
3-31	103%
4-14	104%
4-28	108%
5-12	107%
5-26	107%
6- 9	106%
6-23	106%
7- 7	107%
7-21	105%
8- 4	106%
8-18	105%
9- 1	106%
9-15	107%
9-29	108%
10-13	110%
10-27	108%
11-10	113%
Average	107%
11-24	109%
12- 8	115%
12-22	111%
1963	
1- 5	110%
1-19	102%
2- 2	104%
2-16	110%
3- 2	110%
Average	109%
3-16	111%
3-30	111%
4-13	112%
4-27	110%
5-11	112%
5-25	113%
6- 8	115%
6-22	114%
7- 6	111%
7-20	106%
8- 3	104%
8-17	104%
8-31	106%

Pay Period Ending	Index of Measured Performance
1963	
9-14	110%
9-28	111%
10-12	111%
10-26	111%
11- 2	110%
11-16	109%
11-30	111%
12-14	110%
12-28	107%
1964	
1-11	106%
1-25	108%
2- 8	110%
2-22	112%
Average	110%
3- 7	115%
3-21	118%
4- 4	118%
4-18	117%
5- 2	117%
5-16	114%
5-30	114%
6-13	113%
Average	116%
6-27	108%
7-11	102%
7-25	103%
8- 8	106%
8-22	108%
9- 5	104%
9-19	106%
10- 3	106%
10-17	108%
10-31	108%
11-14	108%
11-28	108%
12-12	108%
12-26	109%
Average	107%

The Company considers that the Indices of Measured Performance reached in fact by the Maintenance and Service Crews established that equitable incentive compensation (EIC) is attainable and has been attained. In any event, the Company considers that an expected level of attainment of 115 - 120% is not in any sense a guarantee, the inclusion of these percentages in the brochure being a purely voluntary Management inclusion, as has been recognized by the Board in the past. The percentages are said to represent theoretical opportunities that are subject to the same restrictions and limitations of all indirect incentives which depend, in part, on the attainment of certain goals by crews not subject to efforts put forth by Indirect Incentive Crew members. This is to say that direct incentives must in the nature of things pay off as expected before indirect incentive earnings will reach the mentioned levels of performance. And this, continues the Company, is precisely what has not happened for a large part of the life of the indirect incentive since direct incentives have fallen below "expecteds" for a variety of reasons which the Company chooses to place in groups A, B, C, D, and E. The groups appear on Company Exhibit 5 reproduced below: 8



USS 5042 H
COMPANY
EXHIBIT
#5
KEUFFEL & ESSER CO. N.Y.
A
B
C
D
E
Meas Perf. - Gp I
Misc Prod. Units
Meas Perf. - Gp II
Wholesale Handling
Meas Perf. - Gp III
Misc Rates
Meas Perf. - Gp IV
Actual Hrs - Direct Crew
Indirect Crew
Indirect Crew Measured Performance
1960
1961
1962

During the period ending November 10, 1962 (A) the First and Second Forge Press and Rolling Mill (Group IV, feeding 13% into the Indirect Incentive) "were engaged in activity which impeded the work," this activity having been recognized as a "strong inference" by the Chairman in Case USC-1111. The result was to depress earnings under the Indirect Incentive. Absent this "slowdown" the earnings in period A would have been 113% instead of 107%. 9

Furthermore, periods A and B share the overlapping characteristic of a drop in performance prompted by a low level of business activity which affected the Direct Incentive facilities between 1960 and early 1963. Lower earnings under the Indirect Incentive resulted. In March, 1963, business activity increased to such an extent that almost all facilities had to be placed in operation to meet demand. Some of this added equipment was rather antiquated and it was operated by either new or rather unskilled employees. For this reason Measured Performance between March, 1963 and February, 1964 (Group C) was 110%. 10

These abnormal conditions of slowdown, and good and bad conditions evaporated by early March, 1964 with the result that the Indirect Incentive averaged 116%. Finally, Group E, "the pressure of sustained operations combined with the age of equipment produced a succession of equipment failures which adversely affected the performance of the Direct Crews and the Indirect Crew. The Company instituted an extensive equipment rebuilding program which has continued up to early 1965. This program has necessitated the use of a greater than normal number of man hours of the Maintenance and Service Crews with the resultant adverse effect on earnings." Result: 107% for the Indirect Crew. 11

Neither Union nor Company makes the assertion that the members of the Maintenance and Service Crew are at fault in any way for their failure to attain 115-120%. But the Company also points out that no evidence exists which establishes that the twenty or more Direct Incentives are themselves inherently inequitable. Thus, the EIC anticipated by Section 9-C-3, in the Company's view, must be assumed to exist. It is the nature of an Indirect Incentive, containing no impropriety, that it is based on Direct Incentives. 12

The Company asserts that the earnings opportunity under #6001, as distinct from actual earnings, is about 8 percentage points above a general level of 107% yield, and this would place earnings opportunities within the 115-120% range. This earnings opportunity exists and has existed during certain pay periods when Direct Incentives perform as anticipated by the Company, and not objected to by the Union, in the representative period prior to the installation of the Indirect Incentive. And the Direct Incentives were established to yield EIC. They have been in effect for years and there are no grievances pending with regard to them. Consequently, Section 9-C has been complied with and they will attain their level over a "reasonable period of time." 13

FINDINGS

Proceeding on its customary case-by-case basis in incentive matters, the Board need not find that this grievance is sustainable for the reason that a 115-120% "guarantee" has not been reached. Nor need it find that the twenty odd Direct Incentives were improperly calculated or engineered to yield equitable incentive earnings. That would be beyond the realm of the instant case. 14

In the final analysis the core question is whether Indirect Incentive Application #6001 does in fact produce equitable incentive earnings. The total bundle of evidence in the record compels the conclusion that the incentive does not provide equitable incentive compensation within the meaning of Section 9-C-3-d. A powerful indication of the earnings opportunity existing under an Indirect Incentive are actual earnings produced. Passage of some four years after the filing of the grievance casts retroactive light on the subject matter of the grievance itself. It is clear from the record that earnings have been consistently deflated over a prolonged period of time with one exception. (The period between March 7, 1964 and June 13, 1964 must be deemed too short to establish that equitable incentive earnings are attainable. 15

The chief value of this brief period is that all, or almost all, favorable elements were present.) For almost three years the Indirect Incentive was affected by occurrences that normally affect any incentive--changes in product mix, operating level, age of equipment, an occasional slowdown, and increases and decreases in business activity. Yet equitable incentive earnings opportunity was not present in the contractual sense. It is recognized that an incentive is characterized by peaks and valleys, but the situation here is that of one almost unbroken valley.

13 Under all the circumstances earnings under the disputed incentive should have been 7% higher than were realized in order to constitute EIC and the standards should be increased accordingly from October 2, 1960.

AWARD

14 The grievance is sustained in light of the Opinion.

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

David C. Altrock
Assistant to the Chairman

Approved by the Board of Arbitration

Sylvester Garrett, Chairman