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United States Steel Corporation Sheet and Tin Operations Gary Sheet and Tin Works and United Steelworkers of America Local Union 1066

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BOARD OF ARBITRATION

Case No. USS-5176-S

December 1, 1965

ARBITRATION AWARD

UNITED STATES STEEL CORPORATION
SHEET AND TIN OPERATIONS
Gary Sheet and Tin Works

and

Grievance SGa-64-130

UNITED STEELWORKERS OF AMERICA
Local Union No. 1066

Subject: Incentive Administration

Statement of the Grievance: "We, the employees of Central Maintenance and Utilities, contend that management is in violation of 9-C-2 of the Basic Labor Agreement on Incentive Application # 8000, 6000, 7000)753. Management is not maintaining the integrity of the rate. We further request all wages lost until final settlement of this grievance."

This grievance was filed in the Third Step of the grievance procedure July 29, 1964.

Contract Provision Involved: Section 9-C of the April 6, 1962 Agreement, as amended June 29, 1963.

Statement of the Award: The case is returned to the parties in Third Step for further proceedings in light of this Opinion.

BACKGROUND

Case USS-5176-S

Employees of Central Maintenance and Utilities at Gary Sheet and Tin Works claim that the integrity of Incentive Application No. 6000, 7000, 8000-753 has not been maintained in violation of Section 9-C-2-a of the April 6, 1962 Agreement, as amended June 29, 1963.

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Incentive Application 6000, 7000, 8000-753, installed effective July 28, 1957, covers Service, Utility, and Central Maintenance employees servicing operations directly engaged in the production of hot and cold rolled sheets, stainless, galvanize and tin plate. The amount of work performed is reflected by the earned standard hours and unmeasured man-hours of specified direct crews, plus the earned standard hours from Departmental Maintenance and Departmental Indirect Labor Crew incentive applications. Standards are established in terms of: (1) standard indirect crew man-hours per earned and unmeasured man-hours of specified direct crews; (2) standard hours per actual man-hours included in the Departmental Maintenance incentive applications; (3) standard hours per actual man-hours included in Departmental Indirect Labor Crew incentive applications.

2

The standard time values include all work, attention, delay and stand-by involved in Service, Utility and Central Maintenance Department jobs in operation of sub-stations, etc.; in repair and maintenance of the plant facilities, machinery, cranes, and other equipment used in repair and maintenance; cleaning up work areas; maintaining tools and working equipment in good condition; and other miscellaneous allied functions.

3

All actual hours worked by the crews covered under the incentive constitute hours on measured work except those hours worked on appropriations having an authorized expenditure of \$50,000 or more. The Indices of Measured and Pay Performance are calculated once each pay period on the basis of relevant data for the first six of the last seven consecutive pay periods ending with and including the current pay period.

4

Up to the time the instant grievance was filed, there had been a total of 15 adjustments to the incentive and 3 items which were the subject of special authorizations. The average group of qualified employees, as stated in the incentive, may attain an average performance of 119%. 5

The record does not reflect the pay performances under the incentive for the years 1957 through 1961. Average pay performance for 1962 amounted to 115.9%, declined to 114.2% in 1963 and to 112.9% in 1964. 6

Authorization No. S-3 was issued in 1964 to be effective for the period beginning June 7, 1964, and ending August 1, 1964. It was connected with work in the North Sheet Mill on other than appropriations jobs. The instant grievance was filed in Step 3 on July 29, 1964, requesting an adjustment of the incentive under Section 9-C-2-a of the Basic Agreement to preserve its integrity. 7

At the time the grievance was filed, earnings had declined to a low of 111%. In the Third Step discussion, grievants expressed their belief that pay performance had been adversely affected by an excessive number of hours of appropriations work and by use of a large number of new employees. The minutes reflect a thorough discussion of the incentive but do not specifically refer to Special Authorization No. S-3 covering services for the new North Sheet Mill. Management's spokesman admitted that unmeasured hours on appropriations affected pay performance, but also pointed out declining operating performances of the major producing units which generate earned standard hour credits for the plan. In a subsequent Step 3 meeting, the Union representative submitted a formula to Management which, in his opinion, would have achieved proper administration of the plan, and corrected allegedly improper adjustments made by special authorizations. 8

In the Step 4 discussion, this formula was identified by Management as "material developed by an outside organization" and labeled "unacceptable to Management" which "could not be given consideration under the provisions of the Basic Labor Agreement."

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Section III of the incentive provides:

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"The following standard time values:
(1) are established to cover the conditions classified as of 11-1-56 in Methods Description No. 753M;
(2) will remain unchanged as long as all of the conditions under which the standard time values were established prevail; (3) shall become null and void when and if conditions under which they are established are changed; and (4) will be replaced by new standard time values which as compared to such expired values shall reflect only the changes of conditions."

Section III also provides in a note:

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"The following conditions will be cause for reexamination and possible revision to the standard time values.

"1. The discontinuation, alteration or additions to producing units of the plant.

"2. Any significant change from the development period level of outside contract or purchase charged to operating costs."

The Union stated at the hearing that it was unable to document its claim in detail because it had been unable to examine Methods Description No. 753M and to scrutinize the data underlying the changes and special authorizations installed by the Company. It asked the Board to decree production of this material at the hearing. Also, the Union called Dr. Leslie P. Singer, Professor of Economics, Indiana University, as a witness, who explained the theoretical foundation for the Union's claim.

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The Company argued that, in the course of the grievance procedure, the Union had failed to refer to any condition, spelled out in Section 9-C-2-a of the Basic Agreement, which would require modification of the incentive. The Company termed the filing of the grievance, and the request of the Union for technical data, as a "fishing expedition." The Company objected to the introduction of any testimony by Professor Singer on the basis of its relevancy, and requested that the grievance be dismissed summarily because the Union had failed to refer to any changed condition which, under Section 9-C-2-a of the Basic Agreement would justify an adjustment in the incentive. Resting on this procedural objection, the Company did not present any evidence.

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The Company based its argument on three grounds. First of all, the earnings history of the incentive is anchored in the engineering of the incentive as installed. Earnings have declined, because the 80" Hot Strip Mill, which should generate some 50% of the earned hours credits, had a below normal performance at the time the grievance was filed.

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Secondly, there was neither a mechanical improvement, made by the Company in the interest of improved methods or products, nor a change in equipment, manufacturing process or methods, materials processed, or quality or manufacturing standards which would require an adjustment of the incentive under Section 9-C-2-a of the Basic Agreement.

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Lastly, the Union, in its presentation to the Board, has strayed from the basis on which the grievance was first filed, and is engaging in a "fishing expedition." 16

The Union's expert witness explained his understanding of the nature of the formula underlying the incentive at the time of original installation. He suggested that Section V, pages 14 and 15, and Section VI, page 16, of the incentive, showing calculation of performance and incentive earnings and information regarding performance at various rates of production, reflect the practical application of such formula. He explained that disproportionate changes in the relationship of the items making up the formula affect the earnings potential of the incentive. 17

Dr. Singer readily admitted that the engineering and the equitability of the plan as installed is not at issue in this proceeding. It was his opinion that the basic formula, underlying the incentive, can be distorted by a continuing process of adjustments which do not properly recognize the nature of that basic formula. The integrity of an incentive can be preserved only, if the intent of the plan, expressed as a relatively constant relationship between earnings and work load, is continued in terms of conditions that existed at the time the plan was instituted. 18

With respect to the engineering of the special authorizations, Dr. Singer indicated his approach to a proper adjustment of the incentive under Section 9-C-2-a. 19

Based on this expert testimony, the Union submitted to the Board that it was unable to proceed in the presentation 20

of this case unless it was given the data which its expert needs for a thorough analysis of the administration of the incentive application. It referred to its submission of a formula to the Company in Third Step which at that time had been labeled unacceptable by Management and refused consideration under the provisions of the Basic Agreement. The reference to the Contract, seemingly, expresses the Company's position, again taken at the hearing, that the theory of incentive administration, proposed by the Union, is irrelevant in light of the provisions of Section 9-C-2-a.

FINDINGS

Before considering the substance of the Union grievance in this case, the Board has to address itself to the procedural request of the Company that the grievance be dismissed because the Union has failed to connect its request for a Section 9-C-2-a adjustment to any of the conditions outlined in that Contract provision. 21

The Company considers the grievance as an attack on the equitability of the incentive itself. However, the grievance, as filed states specifically that it is based on Management's failure "to maintain the integrity of the rate," thereby indicating that it refers to a Section 9-C-2-a adjustment. 22

The minutes of the Third Step do not support the position taken by the Company at the hearing, which then, incidentally, itself replied to the grievance that the incentive "provides equitable incentive compensation." In Third Step, the parties discussed conditions, which had caused the Company to install Section 9-C-2-a changes. 23

In the Fourth Step discussion the Union again requested that the incentive should be properly adjusted. In that Step the grievance was rejected on the basis of the reasons set forth in the "Summary of Discussion" which again included the Company's statement that the incentive provided equitable compensation, and that the 16 changes to the incentive, and the 10 items that have been subject of special authorizations, had preserved its integrity.

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The discussions of the parties throughout the grievance procedure consistently reflect the position of the Union that the steady decline in incentive earnings generated by this incentive had been caused by excessive number of hours of appropriation work, and by a change in total work load, at least in part caused by the employment of new employees. This approach may be lacking in technical refinement, but it cannot be considered so deficient as to justify summary dismissal of the case.

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The Company's procedural objection reflects its strong feeling that the alleged changed conditions cited by the Union were, in the opinion of Management, without validity under the specific language of Section 9-C-2-a since they allegedly did not result from mechanical improvements made by the Company in the interest of improved methods or products, or from changes in equipment, manufacturing processes or methods, materials processed or quality of manufacturing standards. Upon consideration of the record thus far made, the Board cannot find that the Union has failed to refer to any conditions which, in its opinion, would give rise to Section 9-C-2-a adjustments.

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The record shows on its face that, during six consecutive pay periods, the incentive had netted an average pay performance of 114.5%, and dropped to 109%

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in the six pay periods following the date when Authorization S-2 became fully operative on the pay performance. In the lower steps of the grievance procedure, the Company attributed the drop of earnings under the disputed incentive to a low performance on the 80" Hot Strip Mill. However, Company records submitted in Case USS-4921-S do not support this contention. This unit had a performance of 142.5% in the six pay periods prior to installation of Authorization S-2, and 142.6% subsequent thereto. In the payroll period preceding the filing of the instant grievance, the unit earned 142%. In the six payroll periods prior to the filing of the grievance, the pay performance of the 80" Hot Strip Mill also amounted to 142.6%.

The posture of the parties in this case is similar to that commented upon in Cases USS-4871-S, -4921-S. The approach to incentive administration suggested by the testimony of Dr. Singer can find no contractual support in the provisions of Section 9-C-2-a as long interpreted by the Board in major policy decisions with which the parties have been thoroughly familiar over recent years.

The Company, on the other hand, cannot forestall an examination of the allegation by the Union that earnings were depressed under the special authorizations relating to the addition of the North Sheet Mill.

In the lower steps of the grievance procedure the parties have sparred on procedural grounds and have never given their attention to the type of information traditionally examined by the Board in incentive cases as discussed in greater detail in Cases USS-4871-S, -4921-S. For this reason, the case is returned to Third Step for further proceedings and the development of information which should enable the parties to dispose of the grievance at issue in light of prior Board decisions.

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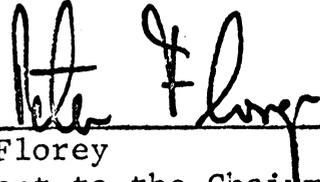
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AWARD

The case is returned to the parties in Third Step
for further proceedings in light of this Opinion.

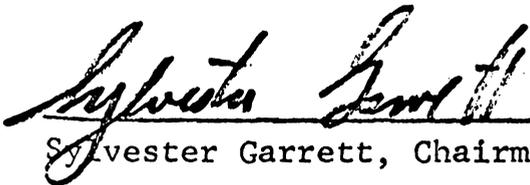
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Findings and Award recommended
pursuant to Section 7-J of the
Agreement, by



Peter Florey
Assistant to the Chairman

Approved by the Board of Arbitration



Sylvester Garrett, Chairman