

# PAY FOR SKILLS

25 Minutes

## Introduction:

The success of L-SE is due largely to the involvement of all employees in all aspects of the business. Not only did they design their own work system, they also figured out a key integrated mechanism, an innovative pay-for-skills plan linking continuous training with meaningful work. In this video you will get first hand look at L-SE's unique employee-designed and employee-administered "Pay & Progression plan". You will also learn how they support this system with extensive training, formal and informal, so that L-SE is truly a "learning organization". At L-SE, both management and workers see Pay for Skills as the fairest pay plan they have ever known.

L-SE is a continuous process plant. Workers coat 20-ton steel coils with zinc to make them highly resistant to corrosion. The steel is unrolled, cleaned, coated with zinc or galvanized in electroplating tanks, cleaned again, inspected for defects, coated with oil, and rolled into coils again at the other end. To keep the process continuous, workers weld each coil to a previous coil. Coils are cut apart at the end. The treated steel is used to make automobile exteriors, garage doors and other products that will be exposed to potentially damaging weather conditions.

Coil quality is extremely important. Surface defects can cost tens of thousands of dollars. As steel is pulled through the process, a lot can go wrong. Particles and dirt on the rollers may dent or bruise the surface, rendering it useless for automobile bodies. The amount of zinc deposited on the surface must be exactly right, neither less than the customer requires or more which drives up costs. Every variable must be controlled without shutting down the line—the ultimate cost-escalator and production-killer. L-SE's multi-skilled teams have become so adept at this delicate balancing act, that they have achieved a level of quality exceeding the standards set by similar operations in Japan.

This multi-skill environment is supported by one of the most innovative pay for skills plans in the world. The L-SE "Pay & Progression plan" is a model system for rewarding people exactly what is most needed for individual AND company success.

*"Pay-for-skills promotes people wanting to learn—continuously! And, it encompasses more than just equipment training. There are Integrated Process Control skills, statistical skills, and people skills. Our plan even rewards people for their participation in committees."*

*"Some people say, isn't that wasteful paying high wages to people...And yes, they are highly paid here, but they have broader skills and there are fewer of them than at our competitors. I think this concept can be applied in all industries."*

**-Don Vernon  
General Manager, L-SE**

## Pay and Progression Plan:

The pay and progression plan established within the L-SE & USWA Local 9126 collective agreement builds upon 4 major skill levels, and a 6-month probationary period.

### Pay and Progression Matrix 1993 LABOR AGREEMENT Monthly Salaries

	Effective 08-01-93	Effective 08-01-94
Fully Qualified <b>ADVANCED</b>	\$2915	\$3027
Fully Qualified <b>INTERMEDIATE</b>	\$2621	\$2733
Fully Qualified <b>PROCESS TECHNICIAN</b>	\$2312	\$2424
Fully Qualified <b>UTILITY</b>	\$1926	\$2038
Probationary <b>ENTRY</b>	\$1726	\$1726

#### I. Utility level skills

For a person that's first hired, he has to go through a six month probationary period at the "Entry" level of pay. During this period, the employee does mostly the utility jobs--packaging the coils, operating a crane, loading the trucks, unloading the trucks. At the end of the probationary period, the new employee is expected to demonstrate the skills that are listed on a Utility position checklist. This checklist includes demonstrated awareness of safety hazards and procedures associated with utility assignments, and attendance at a minimum of 2 meetings of any worksite committee. If the person passes the ckecklist, they are given their first raise to the Fully Qualitified Utility Level, and allowed to start training to become a Process Technician.

#### II. Process Technician skills

The Process Technician level is divided into 5 operational skill areas:

**Entry Section, Process Section, Inspection, Delivery and Chemical Plant.** Each of the 5 Process Technician areas has a corresponding checklist which must be passed prior to receiving a salary increase equal to 20% of the Fully Qualified Process Technician salary.

*"Some people take a short time. Some will take longer. There's no time limit. When the trainer is comfortable with them operating in that area solo, and they demonstrate they can do it, then they are given a pay raise."*

**-Russ Hein,  
Process Technician,  
Pay & Progression Committee Member**

After completion of any 2 Technician skill areas, an employee is eligible to train and receive wage increases for Intermediate level skills. However, the percentage of pay for Intermediate tasks cannot exceed the percentage of one's Process Technician pay.

#### III. Intermediate skills:

At this level, employees choose a particular Maintenance skill track—either **Process and Mechanical**, or **Electronic and Instrumentation**. Each track has a series of **minor, medium, and major** tasks to be mastered. The plant's mechanical or electric engineers check-off each candidate's progress. Each check-off yields a particular increase in pay.

The Minor skills provide a 2% increase in pay. The Mediums provide 4% increase in pay. The Majors yield 8% increase in pay. In all, to be paid the maximum of the Intermediate level, an employee must demonstrate competence in 5 Major tasks (40%), 10 Medium tasks (40%), and 10 Minor tasks (20%).

Once an employee has been checked-off on 80% of the Intermediate skills they are eligible to pursue Advanced skills, up to 50% of the Advanced level monies available. On completion of their Intermediate level skill training, employees can seek training to receive the Fully Qualified Advanced level of pay.

#### IV. Advanced skills:

Part (25%) of the advanced skills money is earned through participation in formal training within either one of the Maintenance task specialties, Mechanical or Electrical. Another portion (up to 40%) of the Advanced monies is earned through working 1200 hours in two of the Process Technician areas (Entry, Delivery, etc.).

During the early years of L-SE, the Advanced skill monies were tied almost exclusively to formal maintenance training. However, as more people became highly trained in maintenance tasks, it became clear that the organization needed to develop special operational expertise, as a balance to frequent job rotation. Hence, the recognition of extended experience in specific operational areas.

Pay for Advanced skills also supports L-SE's commitment to Continuous Improvement. Up to 20% of Advanced monies is available to employees for Systems Skills, where people have excelled in and continuously improved specific areas of the line (Leveller, Looping Tower, Welder, Bander, etc.). Employees petition the Pay and Progression Committee, stating their qualifications. Criteria include how adequately the employee has trained others on the system, or developed process innovations for the system.

Yet another interesting option at the Advanced level is recognition of Advanced Quality Skills, which involves assisting in and leading formal Inspection training classes. Each employee is entitled to choose among this and other options up to a maximum of 100% of the Advanced level monies available.

After 8 years of operation, 30 of the 70 union employees at L-SE have achieved the maximum level in the training progression, Fully Qualified Advanced Skills. Unlike some Pay for Skills plans, this is not a problem at L-SE, perhaps because employees appreciate relief from intensive training, perhaps because they are confident that the Plan will be updated, and perhaps because they are still learning every day on-the-job.

#### **Peer Review:**

After working for 1000 hours in an area, employees must request a peer review to identify any skills they need to improve.

*"At different points, they will evaluate you and let you know how you're doing in your area. If you have a weak point, they'll tell you what it is, what you may do to strengthen that, or they'll guide you to whomever may help you."*

**-Debbie Envoy  
Process Technician, L-SE**

After working the full 1200 hours, employees undergo another peer review to demonstrate that they are fully competent in the area.

*"What I will do at the end of my 1200 hours here is I will take my check-off sheet and I will go to five other entry operators and it will be upon their discretion to check me off. They'll decide if I'm qualified."*

**-Debbie Envoy,  
Process Technician, L-SE**

## **Pay and Progression Committee:**

One of the outstanding characteristics of the L-SE approach to Pay for Skills is that union and management have been very open to update the plan to adjust to new circumstances and new expectations. As in many traditional organizations, L-SE's pay package is set through labor-management contract negotiations. However, the pay and progression committee decides how pay will be distributed according to the multi-skilling plan.

In other words, the total amount of pay available for the "Fully Qualified Intermediate Skills" level is set through negotiations. However, how monies are dispersed within that level, ie. Major, Medium, Minor tasks, is decided by the Pay and Progression Committee

The committee has some management members, but mostly hourly members, augmented by anybody interested enough to show up. Each crew has one formal representative, and there's a designated chairman.

*"We meet at least once a month, sometimes more if it's needed. We discuss problems that arise. People might feel they are not getting trained in areas. They may not be happy with a refusal for a check-off. We deal with that. We deal with changes in the system. There's always change."*

**-Russ Hein  
Process Technician, L-SE**

The committee does a tremendous amount of work, generating checklists associated with the plan, and determining appropriate skill levels.

As well as this fine-tuning and adjudication of the system, the Pay and Progression Committee has enabled Pay for Skills to be a "living" system at L-SE. Throughout the life of collective agreements, the committee has negotiated complex adjustments to the basic plan structure. In 1993, the committee overhauled the system to build-in new incentives for an experienced workforce.

From the very beginning, the Pay and Progression Committee has ensured that Pay for Skills is a jointly managed system at L-SE.

*"It took us a large amount of time determining what skills our company needed to run this operation, and to what degree those skills had to be attained. And, then how do you evaluate whether a man has the skill or not."*

**-Don Vernon  
General Manager, L-SE**

During the first 2 years of operation, L-SE did not achieve its promise of establishing a Pay for Skills program. This created tremendous frustration among employees. The union challenged management to live up to the shared principles by which L-SE was founded. In resolving this issue, management learned the extent of commitment required to make such a Pay for Skills program work.

*"To allow people to learn new skills, you must provide the time and enough manpower to give these people the training involved...Now, that means the attitude of minimum manning has to be modified to the degree that the minimum requires also enough people to provide the relief necessary for this kind of system to thrive."*

**- Frank Altimore,  
Vice-President, LTV Steel**

The company hired additional workers to enable the Pay for Skills program to operate. Even still, L-SE functions with a smaller workforce than its competitors.

## **Training:**

*“We didn’t recognize how much work would be involved and how much time would be involved in the training aspect of our company.*

*“Our investment in training is considered by many to be extremely high...Currently it’s about 12% of our total wage costs.*

*“If I were to advise someone about the future, make sure you know what your training load is going to be and prepare yourself mentally and financially to do it. Once you commit to it, you certainly want to follow up and do it.”*

**-Don Vernon  
General Manager, L-SE**

L-SE uses both classroom and peer to peer training. Some training uses state of the art individual learning technology. However, most training is 'hands-on', people training people.

*“There’s not a lot of competition between workers. We don’t have to wait for seniority to move up on a job. It’s a pay as you go system, pay for knowledge system. Once you check-off in an area, you make that rate. There’s nobody competing for my job because I make a better rate. Also, on the other hand, people who know more are willing to give you that information because you’re not going to take their pay rate away from them. That makes it a lot easier.”*

**-Diane Scott  
Process Technician, L-SE**

Peer to peer training is seen to benefit both the learner and the person doing the training.

*“There’s a saying.... You have to see one, do one and teach one before you’re real good at it. When I was training, I saw it being done. Now that I’m teaching somebody, I can see where I’ve been flawed. I’m learning a lot just by teaching.”*

**-Norm Bondurant  
Process Technician, L-SE**

## **Open Communication makes for a ‘Learning Organization’:**

At L-SE, education does not end with formal courses and training checklists. For example, meetings are viewed as training opportunities. Fifteen minutes before each shift change, the on-coming crew reviews a status report, in what is known as a “face meeting”.

*“In those face meetings, we talk to everybody. Let them know what’s going on, what’s not working right, what are we doing, how are we trying to get out of it.”*

**-John Griffin  
Process Coordinator, L-SE**

Another learning opportunity occurs each morning when the management staff reviews events of the last 24 hours. This meeting includes the Process Coordinator from the crew on duty and someone from the bargaining unit.

*“We believe that the more the people know about what’s going on, the more effective they can be in their decision making towards meeting the goals of the organization.”*

**-Cal Tinsley  
Plant Manager, L-SE**

Yet another learning opportunity is the monthly Team Meeting to which all 100 employees are invited. The Team Meeting is usually held on the first morning during the planned Maintenance Outage.

*“The team meeting is an opportunity for the workforce to ask questions or to share information with me and other representatives of management. It’s one opportunity we have to share the business side with the workforce.”*

*“We share our production from the previous month. We share financial results from the previous month, and also quality results of the previous month.”*

**-Cal Tinsley  
Plant Manager, L-SE**

*“It’s wide open, right down to P&L and what salaries are, what the costs are, why we chose this vendor versus that vendor. What discounts are, why we give them.”*

**-Don Vernon  
General Manager, L-SE**

*“How we are doing money-wise,...how far ahead of our quota we are for each month. They give us all that information. It’s not held back from us.”*

**-D.J. Hudson  
Process Technician, L-SE**

*“It’s expected of us to continue to teach people as much as we can about the business...We’re constantly working at trying to communicate reasons for what we do....”*

*“I think our organization has developed to a point where it’s second nature to our managers as well as to the workforce. You’ll see our bargaining unit people explaining different parts of the process to their peers and even explaining things to me. Everybody has the opportunity to learn and also they teach. It’s not just a management function.”*

**- Cal Tinsley,  
Plant Manager, L-SE**

*“We’re learning something new every day!”*

**- Rich Harrell  
Process Technician, L-SE.**