

CHAPTER III

WAGES AND WAGE INCENTIVE SCHEMES

A FRAME WORK

C H A P T E R - II

2.0 WAGES AND WAGE INCENTIVES

A FRAME WORK

2.1 CONCEPT AND OPERATIONAL DEFINATIONS

Wages in the widest sense mean any economic compensation paid by the employer under some contract to his workers for the services rendered by them. Wages therefore, include family allowance, relief pay, financial support and other benefits. But in the narrower sense, wages are the price paid for the services of labour in the process of production and include only the performance wages or wages proper. They are composed of two parts the basic wage and other allowances, the basic wage is the remuneration, by way of basic salary and allowances, which is paid or payable to an employee in terms of his contract of employment for the work done by him. Allowances on the other hand, are paid in addition to the basic wage to maintain the value of basic wages over a period of Time. Such allowances include holiday pay, over-time pay, bonus and social security benefits. These are usually not included in the definition of wages.

However in India, different Acts include different

items under wages, though all the Acts include basic wage and Dearness Allowance under the term of wages.

The workmen's compensation Act 1923, 2(m), "Wages for Leave period, holiday pay, Over-time pay, bonus attendance bonus and good conduct bonus" from part of wages."

The payment of wages Act 1936, 2(vi) " any award of settlement and production bonus if paid, constitutes wages".

The payment of wages Act 1948, " retrenchment compensation, payment in lieu of notice and gratuity payable on discharge constitute wages."

In the words of British Ministry of Labour and National Services, Wage is "The payment made to workers for placing their skill and energy being at the employers discretion and the amount to the payment being in accordance with terms stipulated in a contract of service".

The Oxford English Dictionary defines "Wages" as a payment to a person for service rendered.... The amount paid periodically, especially by the day or week or month for the time during which workman or servant is at employers' disposal".

2.2 FACTORS AFFECTING OR INFLUENCING WAGE STRUCTURE

The wage policies of different organisations vary some what marginal units pay the minimum necessary to attract the required number and kind of Labour. Often these units pay only the minimum wage rates required by Labour legislation, and recruit marginal labour. At the other extreme, some units pay well above the going rates in the labour market. They do so attract and retain the highest calibre of the labour force. Some managers believe in the economy of higher wages, they feel that by paying high wages, they would attract better workers who will produce more than the average worker in the industry. This greater production per employee means greater output per man hour. Hence Labour costs may turn out to be lower than those existing in firms using marginal labour. Some units pay high wages because of a combination of favourable product market demand, higher ability to pay and the bargaining power of a Trade union. But a large number of them seek to be competitive in their wage programme i.e. they aim at paying somewhere near the going rate in the labour market for the various classes of labour they employ. Most units give greater weight

to two wage criteria, viz, job requirements and the prevailing rates of wages in the labour market. Other factors such as changes in the cost of living, the supply and demand of labour, and the ability to pay are accorded a secondary importance.

A sound wage policy is to adopt a job evaluation programme in order to establish fair differentials in wages based upon differences in job contents. Besides the basic factors provided by a job description and job evaluation, those that are usually taken into consideration for wage administration are:

1. Organisation's ability to pay.
2. Supply and Demand of Labour.
3. Prevailing market rate.
4. Cost of living.
5. Living wage.
6. Productivity.
7. Trade union's Bargaining power.
8. Job requirements.
9. Managerial attitudes and;
10. Psychological and sociological Factors.

1. ORGANISATION'S ABILITY TO PAY :

Wage increases should be given by those organisations which can offerd them. Companies that have good sales and, therefore, high profits tend to pay higher wages than those which running at a loss or earning low profits because of the high cost of production or low sales. In the short run, the economic influence on the ability to pay is practically nil. All employers, irrespective of their profits or losses, must pay no less than their competitors and need pay no more if they wish to attract and keep workers. In the long run, the ability to pay very important during time of prosperity, employers pay high wages to carry on profitable operations and because of their increased ability to pay.

2. SUPPLY AND DEMAND OF LABOUR

The labour market conditions or supply and demand forces operate at the national regional and local levels, and determine organisational wage structure and level.

If the demand for certain skills is high and the supply is low, the result is a rise in the price to be paid for these skills. Similarly if the demand for man-power skill is minimal the wages will be relatively low.

3. PREVAILING MARKET RATE

This is also known as the "Comparable Wage" or "Going wage Rate" and is the most widely used criterion. An organisation compensation policies generally tend to conform to the wage rates payable by the industry and community. This is done for several reasons.

- (A) Competition demands that competitors adhere to the same relative wage level.
- (B) Various Government Laws and judicial decisions make the adoption of uniform wage rates an attractive proposition.
- (C) Trade unions encourage this practice so that their members can have equal pay, equal work and geographical differences may be eliminated.
- (D) Functionally related firms in the same industry require essentially the same quality of employees, with the same skills and experience. This results in a considerable uniformity in wage and salary rates.
- (E) If the same or about the same general rates of wages are not paid to the employees as are paid by the organisation's competitors, it will not be

able to attract and maintain a sufficient quantity and quality of man power.

4. COST OF LIVING

This criterion calls for pay adjustments based on increases or decreases in an acceptable cost of living index. The cost of living pay criterion is usually regarded as an automatic minimum equity pay criterion. When the cost of living increases, workers and trade unions demand adjusted wages to offset the erosion of real wages. However, when living costs are stable or decline, the management does not resort to this argument as a reason for wage reductions.

5. LIVING WAGE

The living wage criterion means that wages should be paid adequate to enable an employee to maintain himself and his family at a reasonable level of existence. However, employers do not generally favour using the concept of a living wage as a guide to wage determination, because they prefer to base the wages of an employee on his contribution rather than on his need. Also they feel that the level of living prescribed in a worker's budget is open

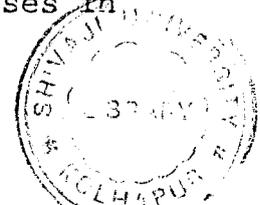
to argument since it is based on subjective opinion.

6. PRODUCTIVITY

Productivity is another criterion, and is measured in terms of out put per man-hour. It is not due to labour efforts along technological improvements, better organisation and management, the development of better methods of production by labour and managements, greater genuity and skill by labour are all responsible for the increase in productivity. Actually production measures the contribution all the resource factors men, machines, methods, materials and management. No productivity index can be devised which will measure only the productivity of a specific factor of production.

7. A TRADE UNION'S BARGAINING POWER

Trade unions do affect rate of wages. Generally the stronger and more powerful the Trade union, the higher are are the wages. A Trade Union's bargaining power is often measured in terms of its membership, its financial strength and nature of its leadership. A strike or threat of a strike is the most powerful weapon used by it. Some times Trade unions force wages up faster than increases in



productivity would allow and become responsible for unemployments or higher prices and inflation. However, for those remaining on the pay roll, a real gain is often achieved as consequence of a trade union's stronger bargaining power.

8. JOB REQUIREMENTS

Generally the more difficult a job, the higher are the wages. Measures of job difficulty are frequently used when the relative value of one job to another in an organisation is to be ascertained. Jobs are graded according to the relative skill, effort, responsibility and job conditions required.

9. MANAGERIAL ATTITUDES

These have a decisive influence on the wage structure and wage level since judgement is exercised in many areas of wage and salary administration including whether the firm should pay below average or above average rates, what job factors should be used to reflect job worth the weight to be given for performance or length of service and so forth, both the structure and level of wages are bound to be affected accordingly. These matters require the approval of the top executives.

10. PSYCHOLOGICAL AND SOCIAL FACTORS

Psychologically, performs perceive the level of wages as a measure of success in life, people may feel secured, have an inferiority complex. Seem in adequate or feel the reverse of all these. They may or may not take pride in their work, or in the wages they get. The refore these things should not be overlooked by the management in establishing wage rates.

2.3 TYPES OF WAGES : NEW TERMS

1. MINIMUM WAGES:

The basic minimum wage is the base subsistence wage, above that is the fair wage and beyond the fair wage is the living wage. The content of the minimum wage is not fixed and static. It is dynamic and is bound to vary from time to time and place to place. The International Labour Organisation (ILO) lists three criteria for fixing the minimum wages these are:

- (i) The needs of workers.
- (ii) The capacity to pay and
- (iii) Wages paid for comparable work elsewhere in the economy or more generally the standard of living

of other social groups.

The committee on Fair wages (1948) felt that different considerations arise as far as the minimum wage was concerned. It observed that in foreign countries the living wage formed the primary basis of the minimum wage. However the level of National income in India was so low that the country could not offer to fix by law a minimum wage which would correspond to the concept of the living wage. The committee felt that the minimum wage must provide not merely for the base sustence of life but for the preservation of the efficiency of the worker. For this purpose, the minimum wage must also provide for some measure of education, medical requirements and amenities.

The question arises whether the minimum wages should be uniform between different sectors or regions. The National Commission on Labour (1966-69) had expressed the view that a National Minimum wage in the sense of uniform minimum monetary remuneration for the country as a whole is neither feasible nor desirable. It however thought that regional minima could be fixed in different homogeneous regions in each state. Worker's organisations had suggested a National minimum below which no employer

should be allowed to hire, labour, although at the same time they thought that suitable safeguards would have to be evolved. So that the minimum so fixed does not tend to become the maximum.

There is already in existence a minimum wages Act 1948, it lays down norms and procedures for the determination and fixation of wages in the industrial services and agricultural sectors. There are certain procedures and mechanism's through which minimum wages have come to be fixed and revised for various industries and categories of workers.

2. LIVING WAGE

This terminology is also marked by the fair wages committee, 1948, as the ultimate goal in wage policy.

"The living wage should enable the male earner to provide for himself and his family not nearly the base essentials of food, clothing and shelter but a measure of frugal comfort including education for his children protection against ill-health, requirements of essential social needs and a measure of insurance against the more important misfortunes including old age". In other words a living wage was to

provide for a standard of living that would ensure good health for the worker and his family as well as a measure of decency, comfort, education for his children, and protection against misfortunes. This obviously implied a high level of living.

Such a wage was so determined by keeping in view the national income and the capacity to pay of an industry. The committee was of the opinion that although the provision of a living wage should be the ultimate goal, the present level of national income did not permit the payment of a living wage on the basis of the standard prevalent in more advanced countries.

The goal of living wage was to be achieved in three stages:

- i) The wage to be paid to the entire working class was to be established and stabilised.
- ii) Fair wages were to be established in the community-cum-industry.
- iii) The working class was to be paid the living wage. The living wage may be somewhere between the lowest level of the minimum wage and the highest limit of the living

wage, depending upon the bargaining power of labour, the capacity of the industry to pay, the level of the National income, the general effect of the wage rise on neighbouring industries, the productivity of labour, the place of the industry in the economy of the country, and the prevailing rates of wages in the same or similar occupations in the neighbouring localities.

3. FAIR WAGE

The committee on fair wages defines the fair wage "It is the wage which is above the minimum wage but below the living wage".

The lower limit of the fair wage is obviously the minimum wage, the upper limit is set by the "Capacity of the industry to pay". This will depend not only on the present economic position of the industry, but on its future prospectus. Between these two limits the actual wage will depend on a consideration of the following factors:

- i) The productivity of the labour.
- ii) The prevailing rates of wages in the same or similar occupation in the same neighbouring localities.
- iii) The level of the national income and its distribution and;

iv) The place of industry in the economy of the country.

4. SAVING WAGE

In 1955 Indian Labour Conference, Shri Vishwanath Dubey of United Trade Union Congress suggested the concept of a saving wage, where he said, the worker should be paid such a wage as would enable him to save something for a rainy day.

5. NEED - BASED MINIMUM WAGE

This concept is evolved by Indian Labour Conference 1957, as recommendations of the 15th Session as follows:-

It was agreed that the minimum wage was 'need based' and should ensure the minimum human needs of the industrial worker, irrespective of any other consideration. To calculate the minimum wage, the committee accepted the following norms and recommended that they should guide all wage fixing authorities, including minimum wage committee, wage Boards, adjudicators etc.

i) In calculating the minimum wage the standard working class family should be taken consisting of three consumption units for one earner, the earning of women, children and

adolescents should be disregarded.

ii) Minimum food requirements should be calculated on the basis of a net intake of 2,700 calories as recommended by Dr. Aykroyd, for an average Indian adult of moderate activity.

iii) Clothing requirements should be estimated at per capita consumption of 18 yards per annum which would give for the average worker's family of four, a total of 72 yards.

iv) In respect of housing, the norm should be the minimum rate charged by Government in any area for houses provided under the subsidised industrial Housing scheme for low income groups, and;

v) Fuel lighting and other miscellaneous items of expenditure should constitute 20 percent of the total minimum wage.

Both the first and second pay commissions appointed by the Government of India refused to accept this formulation as the need-based minimum wage for the central Government employees. The Third Pay commission, however, attempted to convert the various criterion contained in the 15th Labour

Conference recommendation into monetary terms on the basis of the average prices prevailing in the Metropolitan cities of Bombay, Calcutta, Delhi and Madras for the 12 months ending 31st October, 1972. Having done that the commission took into consideration the planning Commission formula that the minimum desirable consumption standard on the basis of prices as in October, 1973, would be about Rs. 40/- per capita. Also the per capital National Income was taken into account. It also argued that the lowest paid Government employee at his normal age of entry (about 20 years) would seldom have a family to support a view expressed by the Supreme Court also, and fixed the minimum wage of the fresh entrants at Rs. 185/- per month. However, the Government raised this to Rs. 192/- per month.

2.4 METHODS OF WAGE PAYMENTS

A) TIME, WAGE SYSTEM

Time wage system is the oldest and the most common method of fixing wages. It refers to the payment of a pre-determined rate for normal time of work and relate to a time limit. Such an hour, day, week, or month. Broadly speaking, under this system, the basic rate for a job is fixed by negotiation, by reference to local rates, or by

job evaluation and only varies with time, never with output or performance. This method is generally common for clerical, supervisory and managerial personnel. The characteristics of this method is that the production of a worker is not taken into consideration in fixing the wages. An employee is paid at the settled rate as soon as the time contracted for is spent. The minimum wage rate, the need based minimum wage, the fair wage or the living wage fixed by the Government or the wage board or through collective bargaining mechanism, are on time rate principles.

ADVANTAGES

1. This method is very simple and easy to calculate the amount of wages payable to a worker.
2. The workers are not in a hurry-burry to complete the task as their wages do not depend upon the amount of their work. Therefore they do the work steadily and carefully with the result that the quality of work.
3. It gives the workers a sense of security which is so important for sustaining their interest in work. The remuneration under this system is certain and the worker has not to suffer a cut even, when efficiency is temporarily

impaired by accident, injury, sickness or fatigue from outside activities.

4. Under this system, the workers are paid the same wages for the same or similar type of work, with the result that the income of all workers engaged in the same type of work is more or less uniform. This avoids the possibility of bitterness and ensures peace in the industry.

5. The workers look after the regular and proper maintenance of the machinery and keep it in good condition as the time is not a factor.

6. Under this system, the workers will avoid over-speeding and consequent damage to equipment which is a distinct advantage to the employer.

7. Trade unions accept this system of wage payment quite willingly because it does not create any distinctions in the ranks of workers on account of differences in efficiency.

8. This method is more desirable where the production is not standardised and where output cannot be accurately measured.

DISADVANTAGES

- 1) This system does not distinguish between superior and sub-standard workers. There is no positive premium for hard work. Therefore, the efficient worker is tempted to slow down in speed and output.
- 2) As there is no compulsion to complete a task within a given period of time, the workers may adopt go slow tactics.
- 3) This method requires constant supervision. The supervisors have to work as watch dogs and this will create a bad feeling among the workers. This in turn, adds to the cost of production.
- 4) This method offers too much a security to workers.
- 5) It creates difficulties on the part of the employer in the calculation of labour cost and the cost of production per unit. The output may be fluctuating for same amount of wages.

B) PIECE WAGE SYSTEM

In contrast to time-wage, this makes the speed as a basis of payment. Under this system, the worker is paid

for the amount of work performed rather than for the time spent on the job. In this case, a specified rate of wage may be fixed per unit of output measured in terms of weight, number of pieces, length, etc. If the worker takes an unreasonable long time to do a particular job or produce a particular product the employer will naturally ask the worker to improve his speed or quit. Infact the worker will himself realise that it will not be financially worthwhile for him to work on job if he cannot work with some speed and produce enough to earn a wage that will meet his personal requirements.

A ADVANTAGES

1. This system distinguishes between the efficient and less efficient workers and others direct and positive encouragement to the superior workers to realise their ambition.
2. It ensures fairness to every one by relating wages to results. People with poor performance are penalised.
3. This system does not require supervision. Because the workers are themselves interested in the maximisation of wages through the maximisation of output.

4. As the wages depend on the amount of work done, every worker will try to work hard and earn more. This will naturally increase the productivity and production of the organisation.

5. The cost of labour is easy to ascertain as the calculation of cost of production per unit is easy and this enables the employer to quote a price for the particular unit produced.

DIS-ADVANTAGES

1. This system does not assure steady income because the wages are paid on the basis of output. If the workers efficiency is temporarily reduced because of sickness, injury or fatigue, wages will be lower than otherwise.

2. It gives so much stress on quantity of production rather than quality. Therefore, to ensure proper quality of production, rigid inspection and quality control become necessary.

3. Labour union do not accept this system. Because it creates greed and unhealthy rivalries among the workers. Politically too, piece rates weaken labour unions.

4. If the worker operates the machines at their maximum

speed, he may spoil the machines or may meet with an accident. This naturally adds to the cost of production.

5. The setting of piece rates may itself become a controversial issue which may spoil industrial relations.

6. Beginners and average workers will not be able to earn reasonable wages because of their inability to work with experienced workers.

7. It involves the maintenance of elaborate production records and pay rolls.

2.5 WAGE INCENTIVES

The term 'incentive' has been used both in the restricted sense of participation and in the widest sense of financial motivation. The concept of incentive implies increased willingness or motivation to work and not the capacity to work. It refers to all the plans that provide extra pay for extra performance in addition to regular wages for a job. Under this programme, the income of an individual, a small group, a plant work force or all the employees of a firm are partially or wholly related to some measure of productive output. Wage incentives

are extra financial motivation, they are designed to stimulate human effort by rewarding the person, over and above the time rated remuneration, for improvements in the present or targeted results.

So the term 'wage incentives' has been defined different by different authors. A few definitions are as follows:-

According to the National Commission of Labour, "wage incentives are extra financial motivation. They are designed to stimulate human efforts by rewarding the person, over and above the time rated remuneration for improvements in the present and targeted results".

In the words of Suri, Incentive as " a managerial device of increasing a worker's productivity. Simultaneously it is method of sharing gains in productivity with workers by rewarding them financially for their increased rate of output."

Florence observes, " it refers to increased willingness as distinguished from capacity. Incentive does not create but only aim to increase the National momentum towards productivity".

OBJECTIVES OF WAGE INCENTIVES

Wage incentives aim at the fulfilment of one or more of the following objectives:-

1. To improve the profit of a firm through a reduction in the unit costs of labour and materials or both.
2. To avoid or minimise additional capital investment for the expansion of production capacity.
3. To increase a worker's earnings without dragging the firm into a higher wage rate structure regardless of productivity.
4. To use wage incentives as useful tools for securing a better utilisation of manpower production and performance control.

MERITS OF WAGE INCENTIVES

Wage incentives are regarded as beneficial to both employers and workers. They are accepted as a sound technique for the achievement of greater production. On the ground that workers would work at their best if they are offered monetary rewards for good performance.

The following are the important merits of wage incentives, they are:-

- 1) Achivement of higher production.
- 2) Lesser breakdown and defective work.
- 3) Cutting down the cost of production.
- 4) Opportunity for higher earning to employees.
- 5) Reducing the supervision time.
- 6) Effective use of man power planning.

DEMERITS OF WAGE INCENTIVES

- 1) Possibility of incentive schemes to be misunderstood because of its complexities.
- 2) Lack of consistency.
- 3) Psychological problems in the Incentive systems.
- 4) Delay in the payment of the scheme.

2.6 NEED FOR INTRODUCING WAGE INCENTIVE SCHEMES

In a country like India, the role of financial incentives as a primary tool for motivating workers cannot be over emphasised. National Commission on labour has recommended.

" Under our conditions, a wage incentive is concerned with an effective utilisation of man power which is the cheapest,quickest and surest means of increasing productivity. The only practicable and self sustaining means of improving man power utilisation is to introduce incentive schemes and stimulate human efforts to provide a possitive motivation to greater output".

The efficiency of labour is very low under current Indian conditions. This is due to various reasons, such as low wages, lack of education and Training, absence of mechanisation etc. The low rate of production is a vicious circle bringing its cause again in prominence through inflation and low standard of living. If workers are given inducement of higher remuneration for higher efficiency, volume of production will definitely rise.

Such as increase in production will lead to reduction in cost and will also check inflation. This will better the general standard of living and finally, the economic condition of the India will improve to a great extent.

The need for introducing wage incentive schemes in India has been felt on the following grounds:-

- 1) The efficiency of the Indian worker is very low, and needs to be raised. Wage incentive can play an important part in improving his efficiency.
- 2) The average Indian worker is financially very poor. Financial incentives therefore are likely to tempt him to work better.
- 3) India is at a low level of Technology and wage incentives can help in promoting the use of electronic devices.
- 4) A proper application of wage incentive schemes can so effect the prices that the community would be benefited.
- 5) In the National interest, it is felt that wage incentive schemes should be applied to all economic activities.

2.7 PRINCIPLES AND PROCEDURES FOR INSTALLING

INCENTIVE SYSTEMS

Whatever may be the incentive scheme, its proper implementation is very important. Certain principles and guidelines are to be followed to make any incentive scheme more effective and workable:-

- 1) Situational characteristics and constraints of an organisation should be analysed and recognised before an incentive scheme is introduced.
- 2) The incentive plans should be devised with great care and foresight to enable workers to reasonably understand the foundation and rationale upon which their incentive earnings are based.
- 3) As wage incentives are intended to reward differential performance, it should not be used as compensating for low wage.
- 4) Production processes, job methods, plant layout, equipment and material should be improved before the commencement of a wage incentive scheme.
- 5) The incentive scheme should cover as many employees

as possible to do away with marked inequities and disparities in earnings.

6) If there are serious irrationalities in the pay packet of wage structure, they should be corrected before the scheme is actually introduced.

7) The incentive earnings should be sufficiently generous to convince employees that they are being adequately paid for their extra effort.

8) The basis for sharing gains of productivity should be fair to employees and are to be worked out in agreement with unions.

9) If the choice for increasing production lies between the system of over time and incentive bonus, the latter should be preferred. Over time induces workmen to earn more by slackening their pace of work during the scheduled hours.

2.8 CLASSIFICATION OF INCENTIVES

Incentives in Industry may be sub-divided into groups:

<u>Incentives</u>	
⋮	
⋮	
⋮	
Financial/Monetary Incentives	Non Financial/Non monetary Incentives
⋮	⋮
⋮	⋮
1) Wage	Job security
2) Salary	Recognition
3) Premium	Participation
4) Bonus	Pride in the job
5) Prize	Delegation of responsibility.
6) Return on investment	Promotion, Training.

Incentives may be monetary or non monetary. In monetary incentives are included time allowance systems, piece work systems, group bonus system and such other systems as the Rowan premium Bonus system. In other words monetary incentives include, besides wages, allowances, profits, bonus over time earnings, and other payments which may be made to a worker in recognition of his increased productivity. On the other hand Non-monetary incentives include job

security, training schemes, recreational and social facilities. Sound and intelligent promotion schemes, canteen facilities and educational opportunities. All these motivate workers to raise their productivity.

The systems of incentive schemes may be broadly classified in to three categories, they are :-

- a) Systems under which the rate of extra incentive is in proportion to the extra out put.
- b) Systems under which the extra incentive is proportionately at a lower rate than the increase in out put and;
- c) Systems under which the rate of incentives is proportionately higher than the rate of increase in output.

Besides the above classification, some important wage incentive plans are listed below:

1. Halsey premium plan.
2. Halsey weir premium plan.
3. Rowan premium plan.
4. 100 Percent premium plan.
5. Taylor's differential piece rate plan.

6. Merric's multiple piece rate plan.
7. Gantt task and bonus plan.
8. Emer Son efficiency plan.
9. Co-partnership system.
- 1) HALSEY PREMIUM PLAN :

This plan which was developed by F.A. Halsey provides for the fixation of a standard time for the completion of the task. For the work done incorrect time or more, the actual time rate is paid. Thus the minimum wage is guaranteed even if the output falls below the standard. If the job is completed in less than the standard time, the worker receives a bonus payment at his time rate for a specific percentage of the time saved. This percentage may vary any where from 30 percent to 70 percent but usually it is fixed at 50 percent, (the other 50 percent going to the share of employer).

Thus if a worker does the work in 6 hours against the 10 hours standard, he gets bonus for 6 hours plus 50% of four hours, i.e. 2 hours as bonus, the other 50% (2 hours) is shared by the employer.

$$\text{Bonus} = \frac{1}{2} \text{ of } \frac{\text{Time saved}}{\text{Time taken}} \times \text{Daily wage.}$$

2. HALSEY - WEIR PREMIUM PLAN

This plan is similar to Halsey premium plan but expects more than 50% of time saved, is given as premium to worker. Bonus is calculated on the following formula:

$$\text{Bonus} = \frac{1}{2} \times \text{Time saved} \times \text{Hourly rate.}$$

3. ROWAN PREMIUM PLAN

Under this plan also a standard time is allowed for a job and bonus is similarly paid for any time saved. This plan differs from the Halsey plan only in regard to the determination of the bonus. In all other respects, the two are the same, the premium is calculated on the basis of the proportion which the time saved bears to standard time.

Thus, if a worker does work in 6 hours against the 10 hours standard, the wage payable is 6 hours wages plus 40% of the wages as bonus.

$$\text{Bonus} = \frac{\text{Time saved}}{\text{Time allowed}} \times \text{Time taken} \times \text{Hourly rate}$$

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4. 100 PERCENT PREMIUM PLAN

Under this plan, task standards are set by time study or work sampling and rates are expressed in time rates rather than in money (e.g. 0.20 hour per piece). A definite hourly rate is paid for each task hour of work performed. The plan is identical with the straight piece rate plan except for its higher guaranteed hourly rate and the use of task time as a unit of payment instead of a price per piece. The worker is paid the full value of the time saved. If he completes the task of 10 hours in 8 hours and if the hourly rate is Rs. 0.50 his total earnings will be Rs. $8.0 \times 0.50 + (10-8) \times 0.50$

$$= \text{Rs. } 4.00 + 2 \times 0.50$$

$$= \text{Rs. } 5.00$$

5. TAYLOR'S DIFFERENTIAL PIECE RATE PLAN

This plan was introduced by Taylor with two objects:

- 1) To give sufficient incentive to workmen to induce them to produce up to their full capacity.
- 2) To remove the fear of wage cut.

There is one rate for those who reach the standard,

They are given a higher rate to enable them to get the bonus, the other is the lower rate for those who are below the standard. So that the hope of receiving a higher rate may serve as an incentive to come up to the standard. Workers are expected to do certain units of work within a certain period of time. This standard is determined on the basis of time and motion studies. Such scientific determination assumes that the standard fixed is not unduly high and is within the easy reach of workers. On a proper determination of the standard depends the success of the scheme.

This plan is designed to encourage the specially efficient worker with a higher rate of payment and to penalise the inefficient by a lower rate of payment.

6. MERRICK'S MULTIPLE PIECE RATE PLAN

This plan was introduced by Dwight V. Merrick (D.V.M.). He realised that it was unreasonable and unrealistic to classify all workers into two categories only viz. workers of high efficiency and those of lower efficiency, because there were various degrees of efficiencies. Merrick therefore, introduced three piece

rates :

Output (% of task) : Piece rate wage

- | | |
|----------------------|---------------------------|
| a) Less than 83% | Basic piece rate |
| b) From 83% to 100% | 110% basic piece rate |
| c) Over 100% of task | 120% of basic piece rate. |

To the workers who are efficient Merrick plan is a good incentive system. It seems reasonable to pay production bonus at 110% of the basic piece rate to the workers when they reach 83% task because many workers should be able to reach 83% task with a little extra effort and when they do so they will be encouraged to reach the 100% task. Infact this plan is only modified form of Taylor plan.

7. GANTT TASK AND BONUS PLAN

This plan has been desired by H.L.Gantt and is the only one that pays a bonus percentage multiplied by the standard time, under this system, fixed time rates are guaranteed. Output standards and time standards are established for the performance of each job. Workers completing the job within the standard time or in less time receive wages for the standard time plus a bonus

which ranges from 20 to 50% of the time allowed and not time saved, when a worker fails to turn out the required quantity of a product, he simply gets his time rate without any bonus.

8. EMERSON EFFICIENCY PLAN

Under this plan, a standard time is established for a standard task the day wage is assured. There is no sudden rise in wages on achieving the standard of performance. The remuneration based on efficiency rises gradually. Efficiency is determined by the ratio between the standard time fixed for a performance and the time actually taken by a worker. Thus if the period of 8 hours is the standard time for a task and if a worker performs it in 16, his efficiency is 50%. He who finishes the task in 8 hours, has 100% efficiency. No bonus is paid to a worker unless he attains $66\frac{2}{3}\%$ efficiency, at which stage he receives nominal bonus. This bonus goes on increasing till when he achieves 100% efficiency, the bonus comes to 20% of the guaranteed wage. At 120% efficiency, a worker receives a bonus of 40% and at 140% of efficiency, the bonus is 60% of the day wage.

9. CO-PARTNERSHIP SYSTEM

Co-partnership system tries to eliminate friction between capital and labour. The system under which, not only does a worker share in the profit of the undertaking, but he also takes part in its control and therefore, shares responsibilities. There are different degrees of this partnership and control allowed to the operatives in different cases, but in a complete co-partnership system, the following factors are present:

- a) The payment of a fixed rate of interest on capital.
- b) The payment of the existing standard wages of labour.
- c) The division of the surplus profit between capital and labour in an agreed proportion.
- d) The payment for a part of the worker's labour by the allotment of a share in the capital.
- e) The sharing in the control of the business by the representative of labour.

This is very good system, which arouses and sustains the interest of the workers in their work. By giving them a voice in the management of the factory it raises their status as well as they have become partners in the business. They try to make it a very profitable enterprise.

NON-MONETARY INCENTIVES

These incentives are usually related to working and welfare conditions such as health and safety, social and general welfare sports etc. Following are examples of Non-monetary incentives :

JOB SECURITY :

Every worker wishes that his job should be safe and secure. There should be no risk of retrenchment, demotion or termination. It is a common experience of all industries that the danger of losing the job leads to a decrease in production on the other hand productivity is naturally high in those concerns where there is a feeling of job security.

RECOGNITION

Recognition of work and of the person himself as a human being is the essence of securing good work.

PRIDE IN THE JOB:

Various techniques can be employed to develop pride in work, good products, dynamic leadership, fair service to the community, ethical conduct and many other



things serve to stimulate an employees pride in his company.

DELIGATION OF RESPONSIBILITY:

Deligation of the rights and obligations to executions, a given task often proves to be strong motivating factor.

MEDICAL FACILITIES :

Medical facilities are of cardinal importance and have a great impact on industrial development and progress. At present provisions for medical facilities have been made under various state and Central Acts. Besides employers have also provided medical facilities to their workers.

PROVIDENT FUND :

Provisions for provident fund, gratuaties and pensions have also been made under the social insurance scheme for industrial workers. Under the employees provident fund act 1952, the employer contribution to the funds has been fixed at $6\frac{1}{4}\%$ the employers are required to contribute the same amount as contributed by the employees in respect of them.

SHOP FACILITIES

Grain shops or cloths shop have a great impact on workers. They constitute an important part of labour welfare. In many places employers have provided grain shop facilities to workers.

CANTEEN

The canteens have been recognised as an essential part of establishment. The main object behind the provision of an industrial canteen is to make available cheap and good quality food to other an opportunity to relax new place of industrial establishment. The Indian factories Act 1918 has, therefore, made a provision of a canteen for industrial workers.

RECREATIONAL FACILITIES

These includes sport facilities and library facilities. In India much attention has been given for recreational facilities. Every industrial concern tries to provide such facilities through labour welfare programme.

EDUCATIONAL FACILITIES

Educational facilities are of great importance. At present the need of education is most urgent as the country is under process of industrialisation.

INCENTIVE FOR INDIRECT WORKERS

The output of indirect workers is difficult to determine and this tends to exclude them from incentive schemes. But a group bonus for indirect worker is advisable.

- (1) because it is essential to avoid labour unrest as a result of paying time rates only to indirect workers while giving bonuses to direct workers.
- (2) because of the need for direct workers to be served by indirect workers at the increased incentive speed of direct workers.

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