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(Including Incentive Schemes)
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- **DECLARATION :**

INTRODUCTION

There are different methods of wage payments. Wages are paid for work done and this is sometime measured by the time work i.e. according to the period of time the worker is employed, and sometimes by output. The former is called "piece wages" and latter"time wages".

Under "time wages" or time rates are definite sum is paid for a fixed period of time ,that is,wages are paid at a fixed rate per hour, day,week; or other period, and each worker in a given category receives the same payment irrespective of difference and individual output.

Under peace wage or peace rates, payment depend upon output, each worker is paid according to the quantity of work done by him, and respective of time he takes.

Characteristics of an ideal wage payment system

1) **Simplicity:**the waste system should be easy to understand and simple to operate.
2) **Fair to employer:**employee the system should be satisfactory from the point of view of the both employer and employee.
3) **Guaranteed minimum wage:**the system should guarantee a minimum wage to every work a respective of work done by them.
4) **Certainity:**the system should not have any element to uncertainty or ambiguity.
5) **uniformity:**the system should be common in thesame local industry.
6) **Minimisation of Labour turnover:**the system should minimise turnover, absenteeism and late attendance.

Methods of Wage Payment

1. **Time Rate Method:** Under this system of wage payment, workers are paid according to the time for which they work. Payment maybe on hourly basis, daily basis, weekly basis or monthly basis . In this system, no consideration is given to the

quantity and quality of work done. When payment is made on hourly basis, total wages payable are calculated as follows:

Wage= No.of hours worked × Rate per hour

Suitability:

1) Where quality of work is more important than quantity of work.
2) where the worker is a learner or an appearance it is.
3) where work is being done on a small scale so that close supervision is possible.
4) where output cannot be measured in quantitative terms.

Advantages

- The system is simple and calculation of wages is easily understood by the workers.
- under this method, worker are assured of a certain amount of wages payable even if there is a stop age of word you to power failure, machine breakdown etc these give a sense of security to workers.
- As this method does not give way to the quantity of work done, workers can concentrate on the quality of good produce .Thus, the quality of work done this method is better.
- No hard line of destination is drawn between an efficient and inefficient workers on the basis of production. This promotes a feeling of unity among the workers.

Disadvantages

- This method of which payment offers no positive inducement or 2 workers to improve performance as it does not distinguish between an efficient and efficient workers.
- under this method of wage payment, workerWaste a lot of time resulting in increasing in idle time.
- due to the add option of this method, workers become lazy and a land try to avoid work, and thus production suffers.

2. **Piece Rate System:** Under this method, workers are paid in proportion to the work done by them.The rate is fixed per unit of output, per article, per commodity,etc.The worker is paid for

the total units manufactured. The system is thus is result oriented.

Total earnings= Units Manufactured × Rate per unit

Suitability

- Where the output of worker can be measured.
- where production is standardised and repeated nature.
- when the aim is continuous maximum production.
- where workers continue at the same job for a long..

Advantages

- Under this method, remuneration is paid in proportion to the workers effort, the method provide a strong incentive to work move.
- under this method, each workers try his best to produce more to on higher wages. the results in increasing production.
- This method is simple and easily understood by the workers.
- on account of increasing production, fixed cost per unit is reduced resulting in higher profit.

Disadvantages

- Fixing equitable peace rate is quite a difficult task and may require considerable amount of work in the form of time studies.
- in an effort to earn more wages, workers try to work excessivley with higher speed. this prove to injurious to health of workers.
- in the greed to produce more, workers cause extra wastage of materials and damage plant and machinery.
- this system does not guarantee of minimum ways to worker. If a worker is not able to complete his allotted work in a day due to any reason, he's paid less amount of wages.

3. Incentive Plans: . the primary purpose of an incentive plan is to induce worker to produce more 2 on a higher wage. Naturally, producing more in the same period of time should result in higher wages for the workers. because of greater number of units

produced, it should also result in a lower cost per unit for fix factory cost and also for Labour cost.

Suitability

- Those industries where proper time and motion studies can be undertaken and proper standard of time and output can be fixed.
- those industry where overhead charges are considerable and which can be reduced to increase production resulting from incentive scheme.

Advantages

- The worker are assured of the time rates or day rates of wages,. whether they attend the standard or not
- incentives given to worker to increase productivity.
- the increase in production leads to reduction in cost per unit.
- opportunity is given to worker to increase their earning off by efficient work.

Disadvantages

- The incentive schemes cannot be gainfully employed in concern where the overheads are less.
- once an incentive scheme is introduced, it will be very difficult to withdraw that scheme later, it becomes uneconomical.
- this scheme cannot be adopted in undertaking where proper standard cannot be fixed.

Various incentive plans

1) **Halsey Premium Plan-** This scheme was propounded by an American engineer Mr. F.AHalsey in 1891.Under this plan, workers paid wages for a time work and premium for time Saved.

Total wages=[(Time taken × wages rate per hour)+(Time saved* × Wages Ratio Per Hour × Rate of Premium)]

2) **Rowan Premium Plan-** This scheme was propounded by James ronin 1901. Rohan premium plan is an improvement of Halsey premium plan. Under Rowan premium plan bonus is that

proportion of wages of actual time taken which times a beer to the standardtime.

   i.   Wages= Time taken × Rate per hour

  ii.   Premium= Time taken × Time saved/Standard time × Rate per hour

 iii.   Total Remuneration= Wages of Time taken+ Premium

3) **Taylor's Differential Piece Rate Plan:** This plan this scheme was propounded by FW Taylor, the father of scientific management. according to this plan, high standard output is determined on the basis of time and motion study a worker achieving the standard or more would be paid wages at higher rate and worker not achieving the standard would be paid at a lower rate.

   i.   If output is equal or more than standard output then wages= O × R1

  ii.   If output is less than standard output then wages= O × R0 ,
Here O= Output

    R1= Higher rate of wages,

    R0= Lower rate of wages

4) **Merrick's Differential Piece Rate System-** It is similar to Taylor's differential rate plan. In case of Taylor's plan,there are two piece rate while in case of Merrick plan there are three grade piece rate, one for the beginners, second for the developing and third highly skilled workers.

   i.   Up to 83% of standard output, workers are prepaid at ordinary peace rate

  ii.   from 83% to 100% of standard output, workers are paid at 1:00 110% of ordinary piece rate

 iii.   ever 100% of standard output, workers are paid at 120% of ordinary peace rate

    level of efficiency =Actual Output/ Standard Output× 100

5) **Gantt's Premium Plan:** Gantt's bonus plan is a combination of time rate system, piece rate system and bonus. under this system,

standard time is fixed for each task on the basis of time study and motion study. A workers actual performance is compared with the standard and his efficiency is determined. Those worker who take more time than the Standard Time for completing a task i.e.,workers with below 100% efficiency are paid only time wages. At 100% efficiency, workers are paid wages for the Standard Time plus 20% of wages earned. Those workers who complete the task in less than Standard Time i.e.for efficiency greater than 100%, are paid wages for the standard type plus bonus of 20% on the wages on.

6) **Emerson's Efficiency Plan:** Emerson Efficiency planIs an improved from a differential piece rate plan. this plan guaranteed minimum time wages accompanied by the differential rate of bonus for efficiency performance. under this plan, workers level of efficiency is a sorted on the basis of time for a job or a task for a unit of a time.

   i.   When actual and standard output are given:
   $$Efficiency\ Percentage = \frac{Actual\ Production}{Standard\ Production} \times 100$$

   ii.   When actual and standard time for output is given:
   $$Efficiency\ Percentage = \frac{Time\ allowed\ or\ Standard\ Time}{Time\ taken\ or\ Actual\ Time} \times 100$$

7) **Bedaux Plan:** Under this plan, Standard Time of each job is determined in a minute known as Bedaux point . B unit represent the amount of work which an average were can do under ordinary condition in one minute. Standard Time, is determined by work study and each shop is assigned the number of B's

$$Bonus = \frac{No.of\ B's\ saved \times Hourly\ rate}{60} \times \frac{75}{100}$$

$$Earnings = (Hours\ worked \times Hourly\ rate) + Bonus$$

Short Questions
1. Discuss the advantages of time rate system.
2. Describe the characteristics of ideal wage payment system

Long questions
1. Discuss in the main method of each payment and discuss their respective merits and demerits.

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Thank You