

# Productivity

***Production is the creation of goods and services***

***Productivity is a Measure of Performance***

"Productivity" is nothing but the reduction in the wastage of the resources. The resources may be men, machines, materials time, space and money etc.

**According to V.K.R. Menon**, productivity implies development of an attitude of mind and a constant urge to find better, cheaper easier, quicker and safer means of doing a job, manufacturing a product and providing service.

**Organization of European Economic Community (OEEC)** defines productivity as the ratio between the production of given commodity measured by volume and one or more of the corresponding input factors also measured by output.

## **According to the European Productivity**

**Agency (EPA)** productivity is defined as

"Productivity is an attitude of mind. It is a mentality of progress, of the constant improvement of that which exists. It is the certainty of being able to do better today than yesterday and continuously. It is the constant adaptation of economic and social life to changing conditions, it is the continual effort to apply new techniques and methods, and it is the faith in human progress".

From the above definitions, productivity is a measure of input, required to produce a given output.

Productivity = Measure of output / measure of input

**Total productivity can be defined as:-**

Total Productivity = Total output / (Labor input + Capital input + Overhead + Material)

Input and output factors are measured in some common unit like money value. This productivity is a measure of how well the input resources are utilized to achieve the desired objectives.

# Factors affecting the Productivity

## External Factors

- Capital availability
- Natural resources and their mobility
- Taxation etc".
- Laws and restrictions imposed by Govt.
- Competition in the market
- Technical and other training facilities
- Political social and Economic conditions
- Availability of water, power and other input supplies

## •Internal Factors

- Product design
- Equipment and Machines
- Input materials
- Technological developments and innovations
- Plant layout
- Material handling techniques utilized
- Work study
- Method study
- Inspection and quality control
- Production planning and control
- Management techniques used.
- Man power
- Power or Energy
- Finance
- Floor Area

## REASONS FOR LOW PRODUCTIVITY

- Poor product design
- Lack of standardization (of products, input materials etc.)
- Improper Equipment/machines/cutting tools and non optimal machining parameters .
- Poor process planning
- Poor plant layout leading to unnecessary and avoidable movement of manpower and materials.
- Non standardization of methods of production
- Unnecessary variety of products
- Shortage of input materials, tools, jigs and fixtures
- Frequent changes in product design
- Frequent break down of machines due to poor preventive maintenance.
- Poor working conditions and environment
- More absenteeism of workers without prior permission
- Idleness of workers, careless and poor workmanship.
- Lack of motivation among workers.

# FACTORS THAT INCREASE PRODUCTIVITY

- Wastage of materials
- Breakdown of machines
- Waiting related with manpower and machines
  - Poor working conditions
    - Political interference
    - Poor management
    - Material handling

# Productivity Measurement

## 1. Material Productivity

Material productivity = Output/Material input

Raw material productivity can be improved by:

- Changes in product design
- Proper training and motivation of workers
- Better material planning and control
- Waste reduction and scrap control
- Search for alternative cheaper materials

## 2.Labor Productivity

Labor Productivity = Output / labor input or total revenue from production / expenditure on labor

The labor productivity can be improved by:

- Providing training to workers to utilize best methods of production.
- Selection of product design and process of manufacture so as to ensure most economic use of labor
- Constant motivation of workers by financial and non financial incentives
- By boosting the moral of employees
- Improving working conditions in the plant.

# 3.Capital Productivity

Capital productivity = output / Capital input

It can be improved by:

- By careful make or buy decisions
- Better utilization of capital resources like land, building and machines
- By adopting modern manufacturing techniques, like flexible manufacturing system, improved techniques of maintenance and proper plant layout etc,

## 4. Machine Productivity

Machine Productivity = Output / Actual machine hours used

Machine productivity can be increased by following:

- Preventive maintenance
- Utilization of proper machining parameters like speed, feed and depth of cut etc.
- Use of requisite skilled and properly trained labour
- Method study

## **5. Energy Productivity**

Energy Productivity = Output / Energy input

# Strategies to improve the productivity

## Technical Methods

1. Task Based techniques
2. Product based techniques
3. Technology based methods
4. Material based techniques
5. Employee based methods.

### 1.Task Based Techniques

- Work measurement (Time study)
- Motion study/work simplification (Method study)
- Job analysis
- Job evaluation and merit rating
- Ergonomics (related with human factors)
- Production scheduling.

## 2.Product Based Technique

- Product classification and coding
- Research and development
- Reliability and improvement in product design
- Product standardization
- Product simplification
- Product diversification
- Product specialization.

## 3.Technology Based Methods

- \* Computer aided design
- \* Computer aided process planning
- \* Computer aided manufacturing
- \* Computer integrated manufacturing (CIM)
- \* Computer aided engineering analysis
- \* Computer aided inspection
- \* Group technology
- \* Robotics & Just in time (JIT)
- \* Maintenance management
- \* Reconditioning & life predicting of equipment technology.

## 4. Material Based Techniques

- Material requirement planning (MRP)
- Inventory control
- Just in Time concept of inventory management
- Material management and quality control
- Material handling systems.

## 5. Employee Based Methods

- Incentive schemes for individual employees
- Incentive schemes for group of employees
- Management by objective
- Fringe benefits for employee and job enlargement
- Recognition and punishment of employee
- Total quality management
- Zero defects benefits for employees.

# Job Evaluation

1. Job evaluation is concerned with job contents or demands of the job and not the value of the job to the organization.
2. Job evaluation rates the job not the man.
3. Job evaluation, despite any quantification, is a disciplined judgment about the hierarchical positioning of jobs.

## Need:

The need for job evaluation arises due to the changes that consciously or unnoticeably take place in the job contents over a period of time due to a number of reasons including changes in technology, methods, procedures, systems and structure of the organization. Moreover, the expectations of the people change and various economic, social and cultural factors changes over the years. The concept of Job difficulties, equitable pay and equitable rank may, therefore, changes significantly.

# Basic systems of Job Evaluation

Job evaluation can be basically of two types:

1. Comparing a whole job against other jobs
  - a. Ranking systems
  - b. Grading or Classification system
2. Comparing compensable elements of the job to the predetermined yardstick.
  - a. Point system
  - b. Factor comparison system.

# Ranking Method

The method under this system is as follows:

1. Given the job descriptions, decide which job will have the highest rank, which will have the lowest rank and which job will fall around the middle level. Since two extremes and one middle level job are to be identified, this should not be difficult.

(Figure 1 calls the jobs A, B and c.)

2. Next pick up any other job description and check whether it falls in the range AC or CB. Accordingly, its position is noted.

3. Pick up one more job description E (Fig. 3) and compare it with the earlier placed jobs to find out whether it falls in the Zone AD, DC or CB and note accordingly.

4. The procedure is continued till all jobs in the list are exhausted

5. Review the rankings.

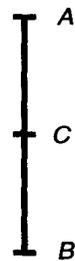


Fig.1

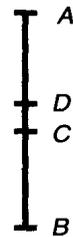


Fig. 2

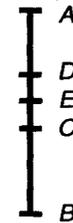


Fig. 3

# Advantages

- (a) The method is simple and fast.
- (b) It can be easily mastered and administered.
- (c) The method is suitable for small organizations involving lesser number of jobs to be evaluated.
- (d) The method does not involve expenses.

# Disadvantages

- (a) There is no commonly accepted base for deciding the ranks.
- (b) The method is not very accurate.
- (c) It is not useful for large organizations. It is the least used method.

## **(ii) Classification or Grading Method.**

In this evaluation procedure, the jobs are sorted out as belonging to one of several grades (such as Grade-I, Grade-II, Grade-III. etc.). The number of such grades and the characteristics distinguishing one grade from the other will have been earlier determined.

**The procedure, in short, is as follows:**

1. Decide on the jobs which are to be evaluated by this system, e.g. Will it cover only managerial jobs or non-managerial jobs or both? (Since the grades directly relate to the pay scale, this first step is very necessary for the system.)
2. Similarly, since the number of grades determine the number of pay scales, it would be necessary to decide on the approximate number of grades.
3. In order to help sorting of the jobs into different grades, every grade should be accompanied by a brief description of the distinguishing job characteristics; this description is a general one, without referring to any particular job, and applies to all the relevant jobs. This description should be (i) comprehensive enough to cover all relevant (i.e. same grade) jobs and at the same time be (ii) distinctly different from one grade to another.
4. The job descriptions are now studied and sorted out into various grades according to the match between the job descriptions and the grade descriptions.

## **Advantages**

- (1) The method resembles Ranking method, is simple and can be easily mastered and administer,
- (2) It is more accurate as compared to Ranking method.

## **Disadvantages**

- (1) It is not useful for large organizations.
- (2) Job classification process is cumbersome and time consuming.
- (3) The method does not involve detailed Job Analysis.
- (4) Sometimes it is difficult to correlate the grade of the job with the present salary the worker; he may be getting a wage higher than the one specified in the recently determined grade to him.

## (III) Factor Comparison Method.

The method employs a five factor scale for analysis, comparing, and evaluating different jobs. The five factors are Skill, Mental Effort, Physical Effort, and Responsibility and Working Conditions. The various steps involved in the factor comparison method are as follows:

- (1) Identify a few Key Jobs in the organization and record their wages. Key jobs are those representative jobs which are assumed to be correctly or fairly paid.
- (2) Analyze the key jobs for each of the five factors mentioned above.
- (3) Allocate the salary (paid for each key job) amongst the five factors in proportion to their requirement, necessity or importance in the job, (Table 1).
- (4) This formulates a money rating scale for each of the five factors.

Table 1 shows that key job-3 requires more skill on the part of the worker as compared to key job-2, whereas key job-2 needs more mental effort as compared to key job-1 and so on.

- (5) From Table 1 construct a Job Comparison scale (Table 2).

- (6) Analyze the job to be evaluated into the five factors,

(7) As per the job requirements, determine the importance of each factor in the job. Fit the same in the job comparison scale and total the monetary values attached to each. This value for jobs (to be evaluated)  $J_e$  comes out to be  $100 + 60 + 60 + 220 + 120 = \text{Rs. } 560.$

TABLE 29.1.

Salary Rs.	Key job (J)				Job to be evaluated (Je)
	1	2	3	4	
	780	660	620	940	
Factors					
1. Skill	180	120	280	80	100
2. Mental effort	40	160	80	240	60
3. Physical effort	220	100	20	200	60
4. Responsibility	300	60	160	260	220
5. Physical conditions	40	220	80	160	120
					Rs. 560

TABLE 29.2

Rs. (per month)	Skill	Mental effort	Physical effort	Responsibility	Physical conditions
20			J <sub>3</sub>		
40		J <sub>1</sub>			J <sub>1</sub>
60		J <sub>0</sub>	J <sub>0</sub>	J <sub>2</sub>	
80	J <sub>4</sub>	J <sub>3</sub>			J <sub>3</sub>
100	J <sub>0</sub>		J <sub>2</sub>		
120	J <sub>2</sub>				J <sub>0</sub>
140					
160		J <sub>2</sub>		J <sub>3</sub>	J <sub>4</sub>
180	J <sub>1</sub>				
200			J <sub>4</sub>		
220			J <sub>1</sub>	J <sub>0</sub>	J <sub>2</sub>
240		J <sub>4</sub>			
260				J <sub>4</sub>	
280	J <sub>3</sub>				
300				J <sub>1</sub>	

## **Advantages**

1. Factor comparison method finds the wages for a job from existing wage rates.
2. It finds wages by direct comparison.
3. For fixing wages for a new job, this method uses a ready made Job Comparison (monetary) scale and thus the wages can be calculated speedily.

## **Disadvantages**

1. It is a complicated method; is not easily understood and hence it is less popular as compared to Point method.
2. Selection of unfairly paid jobs as key jobs can introduce considerable error in the wages calculated by this method.
3. It is difficult to divide each factor into a large number of Sub-factors and unless done so, accurate results may not be achieved.
4. The method depends upon Subjective judgment; different persons may attach different monetary values with each factor for the same importance.

#### (iv) Point Method

The point method bases itself on dividing the jobs into a number of factors which in turn are further subdivided into grades or degrees. Each degree is awarded certain points and when such points for all the degrees are totaled they indicate the importance of the job in the organization, consequently a suitable wage rate proportional to the total points is determined the steps involved in Point methods are given below:

**(a)** Select a few key jobs which can be taken as representatives of the jobs to be evaluated in the organization. Key jobs are those which can be clearly defined and are fairly paid.

**(b)** Establish and define job factors whose number may vary between five to ten. Both, key jobs and the jobs to be evaluated should have common job factors. A few job factors are listed below:

- 1. Skill – Education and training, Experience, Judgment and initiative**
- 2. Effort – Physical, Mental**
- 3. Responsibility towards material, equipment, machinery, tools and fellow workers.**
- 4. Working conditions – Exposure to hazards,  
Dust, smoke, fumes and noise,  
High temperature  
Glare and harmful radiations, etc.**

For the range of jobs to be evaluated, establish the importance of each factor and decide its weighting.

(c) Select and define grades or degrees for each factor mentioned under (b) above.

(d) Allocate points to each grade.

(e) Break the key jobs into factors and the factors into grades. Total up all the grade points for each key job.

(f) Establish the factors and grades for the job to be evaluated. Add all the grade points.

TABLE 29.3  
Grade Table

FACTORS	Weighting	Grade Points				
		G-1	G-2	G-3	G-4	
SKILL	Education and training	20	20x1 = 20	20x2 = 40	20x3 = 60	20x4 = 80
	Experience	12	12	24	36	48
	Judgement and initiative	25	25	50	75	100
EFFORT	Physical	8	8	16	24	32
	Mental	12	12	24	36	48
RESPONSIBILITY		15	15	30	45	60
WORK- ING CON- DITIONS	Exposure to Hazards	3	3	6	9	12
	Other factors	5	5	10	15	20

Since the wage rate for each key job is fair and is known, plot the Figure 29.1.

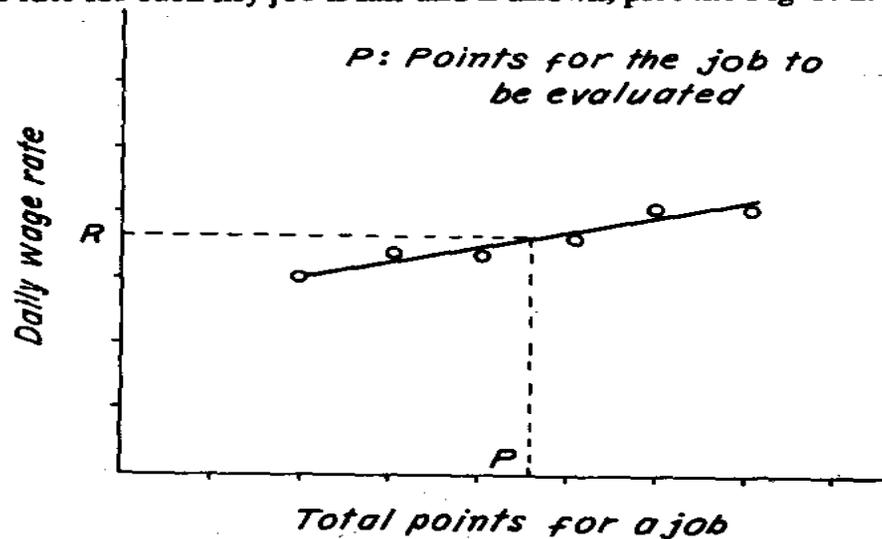


Fig. 29.1. Relationship between points and wages rate.

## Advantages

- (1) Since the method involves points (i.e., numerical figures), it is considered to be more accurate and reliable.
- (2) It is more precise than any other method of job valuations.
- (3) Once Grade-Table has been constructed, the chances of subjective discretion decrease .
- (4) The method can be understood without much difficulty.
- (5) It is the most widely (about 80%) used method of job evaluation.

## Limitations

- (1) Analysis of factors and grades involves a large amount of work and experience.
- (2) Points allocated to each factor base on more or less arbitrary grounds.

# **MERITRATING**

“Merit Rating is a systematic and orderly approach to assess the relative worth of an employee working in an organization in terms of his job performance, integrity, leadership, intelligence, behavior, etc. ”,

Merit rating is commonly referred to as Employee Rating, Employee Appraisal-or Staff Reporting.

## **Objectives of Merit Rating**

- (1) Merit rating provides a record of the worth of employees; they, therefore, can be put on the most appropriate jobs depending upon their capabilities. .
- (2) Merit rating unfolds the limitations of an employee and thus helps in employee improvement.
- (3) Merit rating records form a basis for:
  - Wage-increase
  - Promotion
  - Special assignments
  - Training
  - Transfer
  - Discharge.

## Methods

- (1) Rating Scale method
- (2) Check list Method
- (3) Employee comparison method

The steps involved in Rating Scale method are,

(a) Define the merit factors to rate the employees. The different factors, according to the nature of job may as follows:

Standard of output

Quantity of output

Intelligence

Job Knowledge

Integrity

Leadership

Dependability

Education and experience

Efforts and initiative

Adaptability

Co-operation

Judgment

Character

Loyalty

Health and appearance.

The number of factors employed for rating an employee may vary from six to ten.

(b) Divide each factor into three to five different grades or degrees like Excellent, Very good, Good, Fair and Unsatisfactory.

(e) Impart certain points (marks) to each grade.

(d) The worth of an employee can be determined from the total points he gets for all his merit factors. On the basis these points different workers can also be compared.

## (2) Check list Method

The method employs a list of questions and several statements which are concerned with the employee performance on various aspects of the job and which are considered important for evaluating the merit of an employee for that job. The questions are of Yes or No type. Each question or statement possesses certain points which when totaled together for all the relevant questions indicate the rating of an employee.

### Advantages

- (i) It is a good method of merit rating.
- (ii) It reduces Halo-Effect .

### Disadvantages:

It is time consuming and very difficult to construct statements and prepare appropriate questions.

### (3) Employee comparison method.

The method compares a worker on a job with all other workers on the same job in pairs. Suppose there are four workers namely W, X, Y and Z.

Then

W is compared with X and suppose W is better

W is compared with Y and suppose Y is better

W is compared with Z and suppose W is better

Next,

X is compared with Y and suppose Y is better

X is compared with Z and suppose Z is better

Y is compared with Z and suppose Y is better

The summary of the results shows that

W turned out to be better - 2 times

X turned out to be better - Nil.

Y turned out to be better - 3 times (maximum)

and Z turned out to be better - 1 time.

Therefore, the worker Y is taken to be the best worker.

This method consumes much time especially when the number of employees to be compared is Large.

## Advantages of Merit Rating.

- (i) Merit rating develops the ability of a rater,
- (ii) Meritorious employees are encouraged,
- (iii) Employee-employer relations improve.
- (iv) It is easy to deal with the unions as merit rating is a systematic method to rate the employees.
- (v) It involves lesser calculations as compared to other incentive schemes.

## Disadvantages

- (i) It entails Halo Effect.
- (ii) Correct results will not be obtained, if merit factors relevant to a particular job are, somehow or other omitted or points allocated to them are not fair.
- (iii) A rater may play safe and tend to impart average grade to an employee who otherwise deserves unsatisfactory rating.
- (iv) A rater, if he does not make enough personal contacts with each employee cannot rate them correctly.
- (v) A rater (i.e., supervisor) may not like to degrade his subordinates who maybe excellent otherwise but not good at work.
- (vi) Merit rating does not reward employees immediately for their performance.

## Incentive Scheme

- The basic premise underlying incentive wage schemes is that money can be used to induce effort on the part of the employee. The objective is to improve the productivity and this is expected to be achieved by relating increased wage payment with increased productivity.

# Types of Incentive Schemes

Incentive wage schemes could broadly be classified:

- I). Individual Incentive Schemes
- ii). Group Incentive Schemes
- iii). Plant wide incentive schemes.

The individual incentive scheme has two distinct sub classifications:

- (a) Payment by results (PBR) system,
- (b) Measured Day Work (or Payment by Time) system.

## Payment by Results System

The PBR system has a continuous relation between money and results (output); therefore, different results would fetch different wages. Although, theoretically the PBR schemes should follow Fig. 1, the schemes are modified to accommodate the modern day requirement that the worker should be guaranteed a minimum flat wage rate. This is shown in Fig.2.

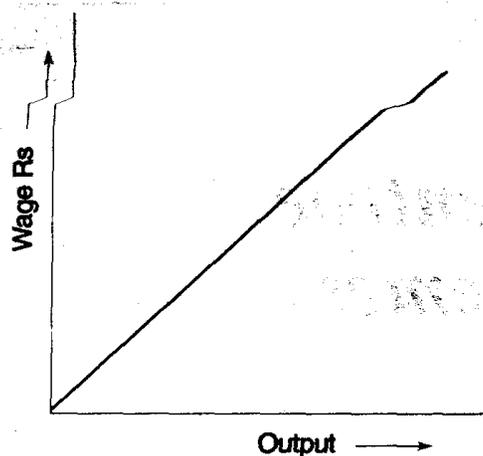


Fig.1

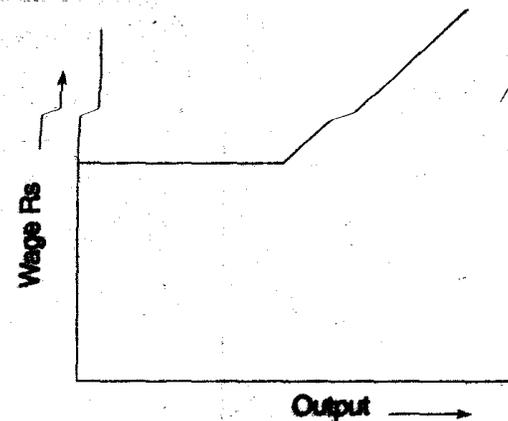


Fig. 2

**Acceptable Productivity Level** The level of output rate or productivity above which the incentive wage payment starts is called the Acceptable Productivity Level (APL). This is the pace of work which is considered as 'normal' or 'fair' and can be expected from an unmotivated but otherwise conscientious, and fit workers.

## **Motivated Productivity Level**

MPL is the incentive pace which can be maintained day after day without any harmful effect on worker.

MPL is a function of human ability and of management's expectations-about an average worker's productivity-derived there from.

With the expenditure of a certain amount of additional money management desires to raise the current productivity level to the practicable motivated productivity level. Since the human work ability has a limit and the extra wage costs also have a limit, MPL is used for establishing the APL (with the concurrence of labor).

## **Participation Ratio**

Depending upon the MPL and APL, therefore, the Participation Ratio (i.e. percent increase in wages for one per cent increase in productivity) can be established. Note that MPL and APL are physiological and psychological norms, and therefore, the employees can bargain, with management, about these norms. The generally presumed relationship is that MPL is one-third more than APL ( $MPL = 4/3 APL$ ), but management and labor may arrive at a different figure.

**Ceilings on Incentive Earnings** The PBR system mentioned so far has incentive payment directly proportional to the increase in productivity. An employee can produce more than the MPL and earn higher wages. There is, literally, no limit to an employee's earnings. But, this situation, many a time lead to problems in the administration of the incentive schemes:

Employees may surreptitiously bring in changes in the methods and increase the output.

Employees may also employ various other devious to increase the incentive earnings by the clever use of the pen.

The wide disparity between income levels of individuals may produce tension and conflict amongst employees.

The earnings of the individual worker itself may vary over different periods of time.

So, having a ceiling on the incentive earning might be a good idea.

- **Measured Day Work (MDW) System:**
- **This system takes care of the two of the drawbacks of the Payment by Results System:**

1. Considerable fluctuations in earnings for the employee, particularly if the PBR scheme is poorly designed and administered; and
2. Loss of control, by the management, over the level of output; and therefore, the consequent difficulties in aligning different operations which are linked with one another.

Under this system, an employee opts to maintain an agreed higher target level of output in order to

Secure a stable higher wage rate (Fig.3).

The employee's performance is monitored and if it falls below the target level for a period, he is given a warning. In spite of this, if the level of output during the next period also is below the target level, then the employee is downgraded to the basic wage rate.

In essence, MDW means two levels of wages-an agreed higher level of wages for a specified higher level of consistent performance and the basic wage for lower levels of performance. Basically, MDW is a Payment by Time system.

**Premium Pay Plan** There are different modifications of the above stabilized output incentive scheme. Under the Premium Pay Plan, for different specified levels of performance there are corresponding different levels of wage rates starting from basic to higher and higher premium pay rates(Fig.4).

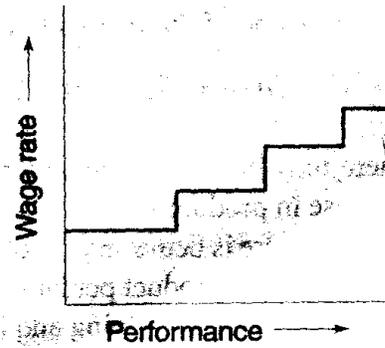
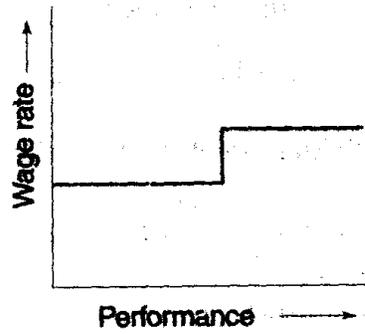


Fig. 3 Measured Day Work (MDW) System

Fig. 4 Premium Pay Plan

## **Group Incentive Scheme**

Motivating only individual workers does not always result in sustained increase in the ultimate collective productivity from a section or department. Many a time an individual's output is very much linked with the output/performance of another individual. It is not even possible, in many of these cases, to measure precisely the contribution of each individual. This being the case with the direct workers, having the indirect workers of a section also contributing to the performance will make matters even more difficult for the design of an individual-based incentive scheme. In such cases, a Group system of incentives is resorted to, where the enhanced earnings of the group are distributed amongst the members in an equitable manner (e.g., with consideration of the basic wage rate of the worker and the number of hours worked by him) agreed upon earlier.

## **Merits of the Group System**

The advantages of a group system, where employees function 'as a group', are:

- There may be better camaraderie and better sharing and linking-up of work resulting in overall increase in productivity.
- Perhaps there is better inter checking of quality of product in a group working situation, and therefore quality of product performance may show improvement.
- Supervising, time-keeping and incentive accounting are simplified.
- The problem of including indirect workers in an incentive system are also taken care of to an extent.

## **Demerits**

**A Group System may have certain disadvantages, too.**

- There may be a leveling effect that is every one works at about average performance level of the group; an excellent worker and a not-so-good a worker both may work at the same performance level.
- If in a group the workers perform different tasks, then the question arises as to how-and-whether to distribute the group's incentive pool according to the individual contributions (that is, the first two points in Demerits question the socialistic pattern of the Group System in contributing to enhanced productivity).
- The group makes its own decisions about group output and therefore the management would have very little control over the output leading to difficulties in planning of various

production and related activities. (Note: this was a problem in the PBR system, too.)

## **Companywide Bonus Schemes:**

Many companies like to retain the principle of motivation by financial incentives but at the same time like to do away with the number of problems which a PRR or a Group System poses. More importantly, the underlying thought is that the ultimate objective is to enhance the overall productivity of the plant or company. This calls for working in an integrated manner with cooperation from all the departments/sections of the company. Yet, this integration and cooperation is to be achieved through the use of financial incentives. A suitable measure of productivity is established, by agreement between the management and the workers, and this is used to distribute the labor-cost savings amongst all the workers of the company.

**Merits of the Companywide incentive scheme:**  
An advantage of these plans lies in the relative ease with which technology and method changes can be brought in, whereas, in the PBR or Group Scheme technology/methods changes mean changes in the time standards and hence the resistance to change from the affected employees. But, the success of the companywide incentive schemes lies in how much the workers feel a part of the company and come up with extra efforts and novel suggestions to increase the overall productivity. It is in the hands of the company management as to how they use this financial motivation, by creating the right atmosphere and conditions, to usher in companywide fellow-feeling and unity of purpose. In any case, an annual review of the incentive plan and adjustments to the productivity measure to reflect as truly as possible the changes in the productivity and the contribution by the labour in it, are necessary adjuncts.

## **Behavioural Aspect of Incentives**

Incentive schemes, whether PBR or group or companywide system, rely on the presumption that every man is a capitalist at heart. Human behaviour is, however, much more complex. Firstly, it is well known through the theories of behaviourists that money is most often only a 'hygiene' factor or that the lack of it is a 'dissatisfier'. Money could perhaps be used as a motivator provided various other 'dissatisfiers' are minimized, which means:

supervisory and other social relationships at work are good;  
the worker feels secure, physically and emotionally; and  
working conditions are adequately satisfactory.

Then the financial reward could work as 'recognition' for the accomplishments of the employee/so There are many other motivators such as

- (i) Interesting, varied and challenging job,
- (ii) Responsibility over one's own job,
- (iii) Advancement in status, and
- (iv) Continued growth and learning opportunities.

At best, the PBR and group system of incentives seem to deal with only one of the several motivating factors. The companywide incentive scheme with labor participation in management perhaps goes a little further. Therefore, if a company is facing a problem of low labor productivity there are more things to be done than just resorting under the

financial incentive scheme.

## **Financial Incentive**

We may recapitulate a few other points about financial incentive schemes:

1. The time-study ratings are much less accurate than normally thought, and the incentive schemes are based on the time-studies. This leaves much room for labor-management bargaining. This further leads to the observation that only a good bargainer benefits and a good worker may not be a good bargainer. And, more often, not-so-good workers benefit from the scheme most. It should also be noted that the time-study analyst is under much social pressure in cases where time-study is linked with monetary gains.
2. Financial incentives, particularly of the PBR and Group kind, have in-built in them a resistance to technological/equipment/method change. Even when such changes take place gradually over time, they only cause a 'wage drift' which means enhanced wage payments without the labor contribution to productivity really changing. Thus, incentive schemes, once thought to be good for the company, may perpetuate old technologies and practices, which is harmful to the company in the long-run.
3. Many incentive schemes, particularly the multifactor schemes, may be difficult for the comprehension of the employees. This may defeat the very purpose of financial incentive.

4. In addition to the grey area in the time-study, many a time, quality of the output is judgmental issue. Plus, quality depends on various motivational factors and needs an integrated companywide outlook, which is lacking in most of the financial incentive schemes.
5. Management loses much of its control over the performance/output of the employees. This poses many problems in planning of production, marketing and other operations.
6. Moreover, management will be saddled with the additional burden of providing materials, supplies, good-working equipment to the production workers on a more or less continual basis.
7. In short, management may lose authority and control over labor and be burdened with disputes over rates, wage payment calculations and the like which fritter away precious managerial time which could have otherwise been used for various vital planning issues.
8. Many incentive schemes which do not cover properly all employees, direct and indirect, will face disgruntlement from a section of employees.
9. Moreover there is the crucial issue whether the productivity of a worker can be substantially altered with monetary incentives and how long it will stay at that level in the long-run.