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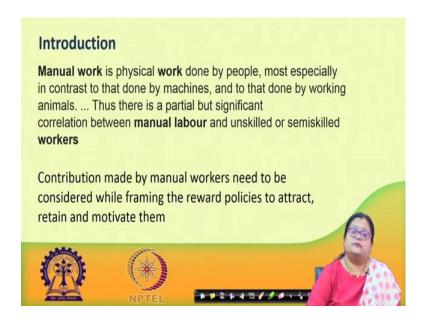
Lecture - 47
Rewarding Special Groups, rewarding directors and senior executives, sales and customer service staff, knowledge workers and manual workers (Contd.)

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Welcome to the topic on Rewarding Special Groups, rewarding directors and senior executives, sales and customer service staff, knowledge workers, and manual workers. Today we will discuss on the concept of rewarding manual workers. So, let us see, who are the manual workers.

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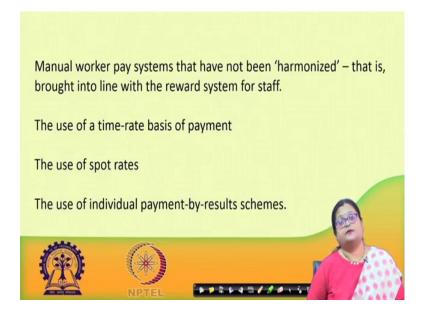


The manual work is a physical work done by people, most specially in contrast to that done by machines and to that done by working animals. So, does there is a partial, but significant correlation between manual labor and unskilled or a semi skilled workers. So, what we understand is, here we have to design a reward system which is more linked with the like the skills and efforts taken to for doing a particular task and it should be like performance based pay and those performances should be linked with the units that are produced.

So, the when you are talking of rewarding manual employees, we need to understand the contributions made by the manual workers and what kind of contribution that they make while framing the reward policies to attract, retain and motivate them. So, this is very important because there are skilled or because they are semi skilled workers, we should not think like the we can do like anything and like very small things with them.

Because it is also very important to attract, retain and motivate them, because they are the people who are actually working on the ground level to translate a big vision of the organization into reality. Here technology will also come in where we want to maybe automate some parts of these jobs and that may also affect the reward system; in our discussion we are going to focus on these issues also.

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So, what we find over here, like the manual workers pay systems have not been harmonized; that is brought into line with the reward system of the staff. So, the use here is a payment which is based on time rate basis, the use of spot rates, and the use of individual payment by results scheme.

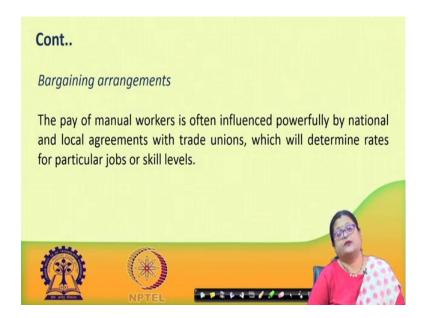
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Now, what are the factors that are affecting the payment of manual workers are majorly three factors; like bargaining arrangements, local labor market pressures, and like the trends in the use of technology in the shop floor. So, if technology is able to replace the

semi-skilled or unskilled workers; then that is also going to affect the payment of the manual workers.

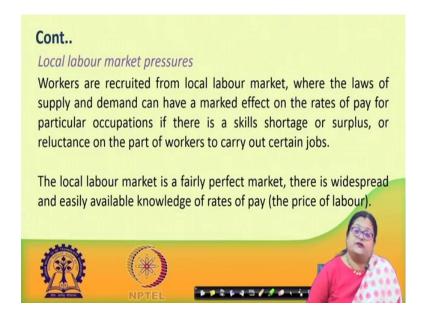
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Now, we will elaborate on each of these concepts like the bargaining arrangements. The payment of manual workers is often influenced by powerfully by national and local agreements with trade unions, which will determine rates for particular jobs or skill levels. The word skill level is very important, because there are manual workers; but that does not always mean like they are unskilled or semi-skilled, there could be highly skilled manual workers also, people who will who are able to do multitasking also they can know, they know many things.

So, those who can do various jobs that are they are expert in various kind of skills. So, this is very important like this for a particular job or skill levels, what other like; competencies required, and what are the skill levels required and what are the difference in rates for this particular job or skill levels, sometimes this is in these decisions are influenced by the agreements with trade unions.

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Local labor market pressure, so because the workers are recruited from local labor market, where the laws of supply and demand can have a marked which marked effect on the rates of pay for particular occupation. So, if there is a skilled shortage or surplus or reluctance on the part of the workers to carry out certain jobs.

So, that also is a situation, like where we, why we see migration of laborers from one state to the another state; because maybe in search of job, in search of money and also maybe in that area this little shortage is there for a particular kind of skill that is required yields rights to migration of laborers also. So, the push factor and the pull factor of migration as we call. So, the local labor market is fairly perfect market, and that is there is a widespread and easily available knowledge of the rates of pay.

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Now, when we talking of technology. So, this is very important to note over here that, the increased use of computer aided equipments has decreased the demand for traditional skills while the demand for new ones have increased. So, these machines are operated by specialists than by members of the old skilled trades. So, their use of technology has like somewhere been helpful to harmonize the shop floor and the office or the laboratory payment system.

Because here the person who knows how to operate the machine, operate the computers give commands that has become more important than the members of who knows the traditional skills when the machines are like becoming more computer aided equipments are more there. So, that has breached the gaps between the shop floor and maybe the office and the laboratory payment.

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It is known as day rates, day work, flat rates or hourly rates, provide workers with a predetermined rate for the actual hours they work.

The rate is fixed by formal or informal negotiations, on the basis of local rates or, less often, by reference to a hierarchy produced by job evaluation.

The rate only varies with time, never with performance or output.

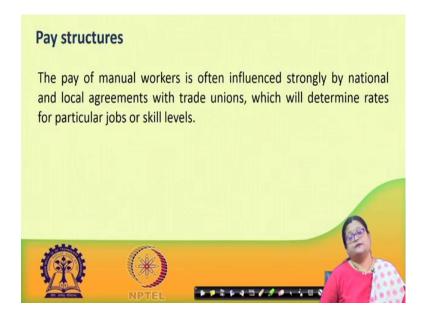


Now, we will focus into some of the payments types which are there and we will start with the time rates. So, time rates are known as day rates, day work, flat rates, or hourly rates which provide workers with a predetermined rate for the actual hours they work.

So, the for our actual work hours that you work in the organization, a particular pay is given to you. The rate is fixed by formal or informal negotiations, on the basis of local rates or, less often, by reference to a hierarchy produced by job evaluation. So, this is like where we find in the rate is fixed generally by negotiation and very rarely by reference to a hierarchy which is given by job evaluation.

So, and the rate varies with time, and never with the performance or output. So, what we find over here it is more based on the power of negotiation, the local market structure, the demand and supply of labor. So, these are the influencers which influence the time rates, determination of the time rates; and it is not very scientifically determined by referencing it to hierarchy produced by the job evaluation.

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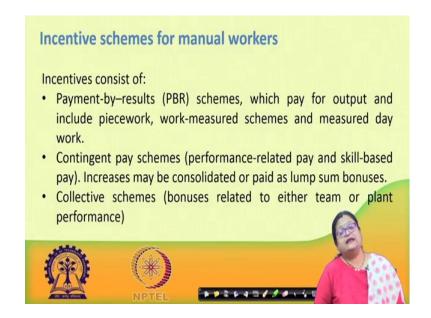


When we talk of these rates varies with time and never with performance in output. The advantages over here, like if you have a very strong supervisor who can push people to do much of the work; then what happens within a specified amount of time, you can make people do many works or get like your desired performance, you can make them complete as much of the work as you want them to do.

But if the monitoring, the supervision is less; then what happens some people, some workers if they wish to they can just count over the time to start and end; they will spend the time anyhow in the organization, because it is and you it would be less productive, because the it the performance is not or the output is not mapped with time. It is the payment is related to the time spent in the organization and not with the, what is actually produced or the output from the time that you spent over there.

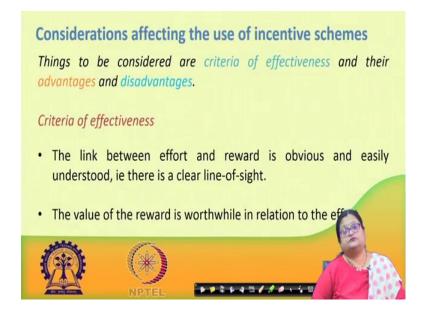
So, some people may just do like time pass in the organization and go away with the bonus that is, so go away with the incentive that is related or the rate that is related to the time spent in the organization. When we talk of pay structures, so these are the pay of manual workers is of an influenced by strongly national and local agreements with trade unions, which determines rates for particular jobs or skill levels.

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When we talk of incentive schemes for manual workers, so because there is certain disadvantages in the time rate, the incentive consists of payment by result schemes which pay for output and include piecework, work measured schemes and measured day work. Contingent pay schemes which are performance related pay and skill based pay. Increases may be consolidated or paid as lump sum bonuses. And collective schemes like bonuses related to either team or plant performance.

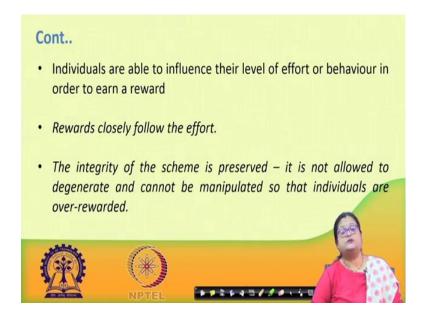
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Now, what are the considerations affecting the use of incentive schemes? We have to understand, like when we are talking of the various incentive schemes that you have discussed over here, like the payment by results, or the contingency pay schemes, so or the collective schemes. So, we have to first understand, like the what are the effect, criteria of effectiveness for each, and their advantages and disadvantages.

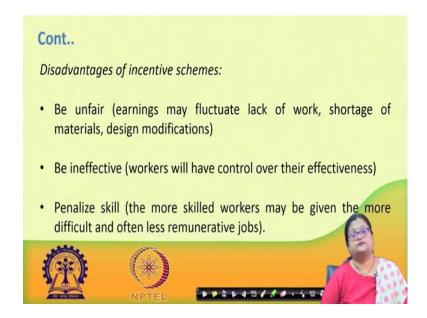
So, when you talk of criteria of effectiveness, we talk of like the, it is a link between the effort and reward is obvious and easily understood and there is a clear line of sight. And the number two is the value of the reward is worthwhile in relation to the effort taken.

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And the individuals are able to influence the level of effort or behavior in order to earn a reward. Of course and it is important that rewards will closely follow the effort. And the integrity of the scheme is preserved; it is not allowed to degenerate or cannot be manipulated so that individuals are over rewarded. So, this is again an ethical concern in rewarding, like we should be in integrity of the scheme means preserved. So, that people get rewarded for exactly the efforts taken on the output produced and they are not over rewarded.

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Now, some of the disadvantages of the incentive schemes it could be, like being unfair. So, because of the lack of work or the shortage of materials design modifications due to these factors, the skills may become obsolete and the earnings of a person may fluctuate; not for the reason which is there within the worker, but for reasons which are there in the outside, environment, which is beyond the control of the worker.

So, be ineffective in certain cases. So, where the workers will have control over their effectiveness; but if the reward is not properly mapped with the performance, then it may become ineffective. Sometimes it may penalize the skills that, is the more skilled workers may be given the more difficult and often less remunerative job.

So, this we have to see like whether we are also like making any differences based on the levels of skills that the employee is possessing; otherwise like it may be so happening. And like whether there is a difference between the expertise level, and the remuneration that we have designed for it; and that can be possible only if we are like, focusing on the point method and the factor method of job evaluation and like the match method of job evaluation, also analytical match method of job evaluation.

In those cases what happens, which are the analytical side, and which are the non-analytical side, where they were focusing on the paired comparison method also. So, that we are able to understand, like which job needs to be valued more and like for which you need, what kind of employees, and we how it is valued as compared to the other jobs.

Otherwise it may lead to sometimes penalizing the skill in the sense like, because if it is wholly guided by the market forces, without proper job evaluation done and understanding the differences in levels of competence is required. So, sometimes you may be a difficult job, maybe less remunerative; because people are not interested to do it, or you do not have takers for it. So, in those cases more skilled workers may get penalized.

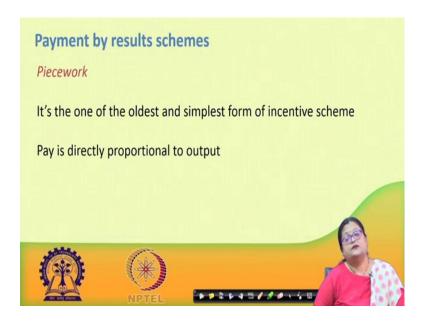
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It may be costly to maintain, because as we are telling it requires extra efforts to keep work study engineers and inspectors; because if we are like on a like time rate method, then it is very important like a supervisor, an inspector is there to see like everybody is not mis-utilizing the time in the organization.

Sometimes it can lead to like poor quality of work, because again if it is a the piece rate method; then it is a much more attention on the production, than it is on the care for quality. So, and it may lead to poor teamwork also as these are more focusing on individual performance rather than on team performance.

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So, whenever we are talking of the payment by result schemes. So, the first type is that of piece work. So, it is the one of the oldest and the simplest form of incentive scheme. Pay is directly proportional to the output.

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Next is work measured schemes; the most prevalent form of incentive plan for the shop floor workers. The incentive pay is linked to the output accomplished relative to the standard, or to the time saved. So, the formula is number of units produced per day into standard minutes per unit by actual time taken in minutes per day.

Number of units produced per day X standard minutes per unit Actual time taken in minutes per day

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Measured day work, so, it is originally developed for large batch or mass production factories in the 1950s and 60s. The fundamental principles of measured day work are that there is an incentive level of performance and that the incentive payment is guaranteed in advance, putting employees under the obligation to perform the level, effort level required.

So, this is what like the people are, it is incentive is guaranteed in advance and so, the to reach a particular level of performance, incentive level of performance and the incentive payment is also told it is there for you; and that puts the personal obligation to perform the effort level required.

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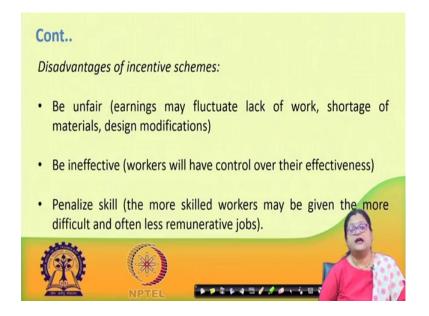
When you are talking of contingent pay schemes there are two main things; like the performance related pay and the skill based pay.

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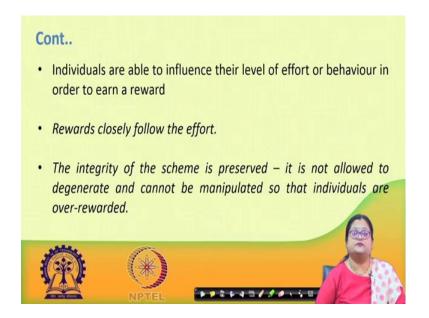
And when you are talking of collective schemes; there are group or team incentive schemes, and factory or plant wide incentive schemes.

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So, when you are talking of these two things contingent pay schemes; these are against decisions that we need to take like should we like keep these two things separate. Like whenever we are talking of this disadvantage of the incentive schemes; what we find over here, like if we are not taking into consideration, like the skills which are important for a particular level of performance that person may feel deprived.

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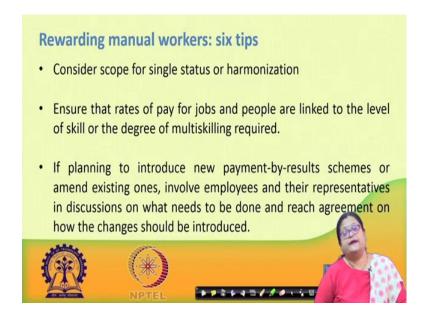
And, but again when you are talking of a performance related pay. So, that what happens over here is, like the individuals are able to influence their level of effort or behaviour in

order to earn a reward. So, in that case if you are finding a mix and match between like the performance related pay and the skill based pay, we have to think like whether we can combine these two things together to get a reward system which is taking into consideration both the performance that you are getting. And also the skill set that is like that could be and if it is at the higher degree that also gets rewarded and people the people with high skills do not get deprived of the reward.

When you are talking of collective schemes like group or team incentive schemes, factory or plant wide incentive schemes; these also before introducing these things we need to think of, like whenever we are talking of peace rate systems, these are individual based incentive schemes. But again whenever if you are producing something, maybe of artistic nature where every contribution of each of the team members matter; then whether we should go for designing group or team incentive schemes and the factory or plant wide incentive schemes.

So, that like everybody gets their recognition for the effort put in the output that is there and made to proper effectiveness. So, we have discussed earlier about the different incentive schemes under the earlier modules; and we have discussed about like the incentive schemes both at the individual level, group level, and at the organizational level. You have to take your hint from those discussions on those modules also, to understand like how for the manual workers, the group and incentive schemes and the factory wide incentive schemes can be designed.

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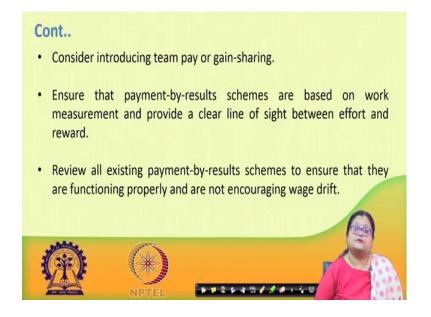
Now we will share with you like six tips again for rewarding manual workers. Like consider scope for single status or harmonization. Ensure that the rates of pay for jobs that people are linked to the level of skill or the degree of multi skilling you required.

So, if planning to introduce new payments by result schemes or amend existing ones, please involve the employees and the representatives in discussion on what needs to be done and reach agreement and how the change needs to be introduced, because everybody must feel like that they are not deprived of and their point is heard. It is very important to take the representatives of the employees into involve the employees and the representatives into the discussion; because it is mostly guided by these agreements that you have with them that the pay rates get fixed.

So, any new changes on payment by results like when you are talking of salary plus bonus, which is based on reaching some organizational objectives; and if you are trying to shift from salary plus commission, to salary plus bonus which is a shift from life you get your commission based on the number of units produced. Sales volume produced to the maybe the number, or reaching a particular objective for the organization in terms of like reaching a quality or producing less of wastages.

If these are the things that you want to introduce in terms of, like whether you are going by the piece rate for individuals, or you are going for like group goals and company goals, factory wide goals whatever changes you are shift, you were trying to make from these things. So, these needs to be taken care of.

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So, considering introducing team pay or gain sharing

So, now, we will share with you six tips for rewarding manual workers. So, we have to consider the scope for a single status or harmonization. We have to also ensure that the rates of pay or for jobs and people are linked to the level of skill or the degree of multi skilling required; otherwise what happens, if you have seen in the earlier slide that we showed you like the penalizing for the skills, if it is only based on pay for performance, then people who are highly skilled then they may feel left out.

Because sometimes the input given in the very difficult kind of job which is sometimes less remunerative. If it is not based on proper job evaluation done, and on the factor or the point method or the analytical match method, or at least by proper job, paired comparisons. So, it is very important, like when you are discussing on the tips of, like how to develop, how to, when you are discussing on the tips of how to develop a proper reward system for the manual workers in the organization.

It is very important to ensure like the rates of pay for jobs and the people are linked to the levels of skills or the degree of expertise multi skilling required for a particular job that is at help. Next important point is, if we are planning to introduce new payments by result schemes or we are trying to modify on the existing ones; it is very important to involve employees and their representatives in the discussion.

So, that because and discussion on to reach a particular agreement and how the changes should be introduced; because when you are shifting maybe from a time rate to a piece rate, and in also piece rate maybe you are making variations on the like how many pieces to be produced, or within what time it needs to be produced, are you going to introduce incentives for time saved or less of wastage is made.

So, these needs to be like discussed with the employees and their representatives before you try to like work on something which is new or you are going to amend something which is already existing. Because they need to be, manual workers need to be convinced about what is the system that you are introducing in the organization. Because again as we tell you like from time rate, when you are talking of for the time spent in the organization to a piece rate when you are focusing on the number of pieces produced in the organization, there is a shift in what is your focus. And that shift in focus which also depends on the nature of the job that you are doing. In some cases may be time rate is required as was telling if it is like for a very artistic kind of job.

So, when we will more focus on more number of pieces produced in a particular time or you will focus more on a time rate basis which is that you spent on it in order to deliver something which is very unique. Now, with the change in the business strategy or you opening up a new you need to work on some certain thing different, the same workers may have to take a shift from an existing system of payment to a newer one; which may make a difference in the actual takeaway money that they are having from the organization. So, when these things changes needs to be introduced, the people and their representatives need to be taken into confidence.

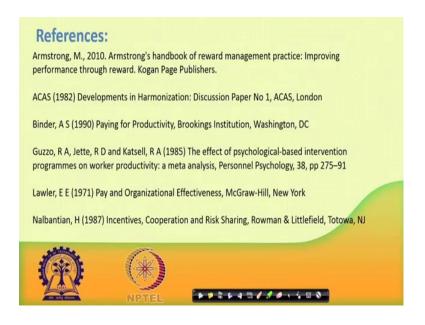
So, introducing team pay or gain sharing is also very important. So, that, so if you are functioning in a team, then there is people like understand how to contribute in a team work together to reach your objective. So, you have to ensure like the payment by result schemes are based on work measurements and provide the clear line of sight between the and provide a clear line of sight between the effort and the rewards taken. Otherwise people will not be able to understand, what kind of effort they need to take for the, to in order to gain the reward. So, and also it is very much important to review all existing

payment by result schemes to ensure, like they are functioning properly and are not encouraging wage drift.

So, this is very important where regular monitoring review is necessary to find out whether the reward system that is determined, the whether it is working properly or not, and whether it is still acting as a reinforcer. So, for producing better results which are obtained, but for which again there is the cost should not overshoot for the results that is obtained and there is the quality of the goods are also maintained properly, less of wastages done, less of like at the less of wastages maybe at each stage of the development of the product.

So, these are the things that needs to be taken care of, so that we can say like the when you are talking of payment by result scheme. So, result should not only take into consideration the end product; but it also should be at each stage of development of the product. So, we can have a quality control throughout and then we can say like whether the payment that we are making for the result is truly acting as a reinforcer or not.

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So, these are the references again from which this discussion is developed. You can have a look at these references for detailed understanding, any questions please put it in the forum we will be there to answer those queries.

Thank you.