8. Experience

The level of experience an individual has in a particular field or occupation can significantly impact their wage rate. More experienced workers often have a deeper understanding of their role, industry, and potential challenges, making them more valuable to employers.

Essentials of a sound wage system

1. Simple to Understand

The wage incentive plan must be simple, easy to understand and to operate. It should involve least clerical work. The workers should be able to know the extra payments to be given to them. If the method of determining wages involves difficult calculations, then workers may find difficulty in calculating their wages. In spite of correct wages there may be suspicion in the minds of workers about wages paid to them.

2. Just and Equitable

Just and equitable system will be successful. A worker should be fully awarded for the work done by him. This does not mean that there should be undue load on the employers but wages paid must be proportionate with the efforts of workers.

3. Attraction for Workers

Incentive payments should be sufficient to attract workers for improving their performance. If the incentive is small then workers will not feel tempted towards it.

If person is getting Rs. 1800 per month as wages and is offered Rs. 450 more for raising his output, this will not be a good incentive for him. On the other hand, and if he is offered Rs. 200 to Rs. 300 as extra wages then he will feel tempted to earn it. So, incentive should be large enough so that workers are tempted to earn it.

4. Attainable Standards

The standards fixed under wage incentive plans should be attainable with some extra efforts. If the standards are such that these are not attainable even with extra effort then workers will feel discouraged. They may not even try to achieve them. The standards should be such which may be achieved by average workers also.

5. Conducive to Health

A scheme should not tempt workers to overstrain themselves. When a wage incentive plan is such where workers are required to work for long hours or expected to work at much faster speed then their health may be adversely affected. There may be a ceiling on the maximum earnings by the workers in a week or month so that they do not overstrain themselves for longer periods.

6. Willingness of Workers

The scheme should have willing support of workers. Before introducing an incentive scheme, it should be discussed with workers and their viewpoints should be incorporated as far as possible in the welfare scheme.

7. Incentive for Quantity and Quality

The wage incentive plan should provide incentive for both quality and quantity of production. It should preferably be based on Time Study Basis.

8. Timely payment of wages

1. Not based on Productivity: In a time wage system, employees are paid regardless of their productivity levels. This can lead to a lack of motivation to work efficiently or effectively since there is no direct correlation between effort and compensation.

2. Potential for Time Theft: Since employees are paid based on hours worked rather than output or results, there may be instances of time theft where employees manipulate time records or engage in non-work-related activities during paid hours.

3. Limited Flexibility: The time wage system may not be conducive to flexible work arrangements such as remote work or flexible hours since it typically requires employees to be physically present and working for a set number of hours.

4. Difficulty in Performance Measurement: Evaluating employee performance can be challenging in a time wage system since it does not directly measure output or quality of work. This can make it difficult for employers to provide feedback, identify top performers, or implement performance-based incentives.

5. Cost Implications: Employers may end up paying more for labor under a time wage system, especially if employees are not productive during all hours worked. This can increase labor costs without necessarily improving output or profitability.

6. Inequity among Employees: Since all employees are typically paid at the same rate regardless of skill level or productivity, the time wage system can lead to feelings of unfairness among employees who feel they are contributing more but receiving the same compensation.

7. Resistance to Change: Implementing changes or improvements to work processes may be met with resistance from employees who are accustomed to the time wage system and may perceive changes as a threat to their earnings or job security.

Piece wage system

In this system, wage is calculated on the basis of units of output produced by the employee. Under this system, the organisation decides the wages rate to be paid per unit of output. In this system, there is no consideration for the time taken by the employee to accomplish the task. The formula for calculating the wage is as follows:

Wage= Peace rate multiplied by number of units produced

For example, the piece rate is stipulated at rs 5 per unit of production in an industrial unit. Mr A and Mr B produced 180 and 220 units, respectively.

Calculate the wages to be paid to A and B under piece wage system

Payment to A= Rs 5 per unit multiplied by 180 units. A will receive Rs 900

Payment to B= Rs 5 per unit multiplied by 220 units. B will receive Rs 1100

In this system of wage payment, the wages are linked with employees performance in terms of output of work.

Merits of piece wage system

1. Incentive for productivity: Piece-rate pay can incentivize workers to be more productive since they directly benefit from increased output. This can lead to higher efficiency and output levels as employees strive to earn more.

2. Flexibility: Piece-wage systems can offer flexibility to both employers and employees. Workers have the opportunity to manage their own time and pace of work, potentially leading to improved