

Solution Home Work 1

Taylor Differential Piece Rate System

This system was devised by F.W. Taylor, the father of scientific management and was the first systematic attempt in rationalizing incentive.

It is based on the assumption that the degree of efficiency varies from worker to worker and hence the workers must be paid according to their degree of efficiency. The main features of the system are:

- (i) The system is based on piece rates.
- (ii) The standard output for unit of time is pre-determined on the basis of time and motion study.
- (iii) There are two piece rates, one lower and another higher. Those who reach the standard or exceed it, get wages at higher piece rate (e.g. 120% of piece rate) and those who fail to reach it, get wages at a lower piece rate (e.g. 80% of piece rate).
- (iv) Minimum wages for the workers are not guaranteed.

Disadvantages

- (i) It does not guarantee a minimum wage for the workers.
- ii) The system is very harsh to the inefficient workers because they get lower wages due to lower rate and lower output.
- iii) It penalizes a worker who just fails to attain the standard by a narrow margin

Gantt Task and Bonus Plan

This plan was originated by Mr. Henry L. Gantt. The plan is a combination of time rate, piece rate and bonus plan. The features of the plan are:

There is a guaranteed time wage for every worker irrespective of the efficiency.

Standards are set for various jobs.

(iii) Wages are paid at the following rates:

Output below standard - Guaranteed Time Rate (Below 100% efficiency)

Output at standard - Wages for standard time and a bonus of (100% efficiency) 20% of Time Rate

Output above standard - Wages for standard time and a bonus of (Above 100% efficiency) 20% of wages of standard time

Advantages

- (i) The plan is simple to understand and operate.
- (ii) Minimum wages for the workers are guaranteed under the plan.

(iii) It provides a reward to the efficient workers by way of bonus.

(iv) It does not penalize the inefficient workers. Disadvantages

(i) The plan may result in frustration among the workers if the standards are high and a very few workers earn bonus.

(ii) It may not encourage efficiency since a guarantee is given for minimum wages.