

# Wage Incentives to Raise Production

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*Will our captains of industry study wage incentive plans to raise the efficiency of our labour and the productivity of our industries? This is one of the ways in which production can be stepped up in the shortest possible time and with the smallest possible additional investment*

*The question of incentives and production will be discussed from different angles in subsequent issues. This is the first of a series of articles that have been planned on the subject.*

THERE is complete unanimity among all sections of the community today that a rising standard of living and stability of employment at the highest possible level are desirable. We also accept as our goal a social system based upon the highest humanitarian ideals. Output must, therefore, be increased to fight shortages on the economic front. Good reasons can, of course, be adduced to explain the production difficulties of the moment as purely

temporary misfortunes arising from the dislocation of industry by war and reconversion, partition and its aftermath, shortages of food, transport, and man-power and a surfeit of bottle-necks. All the same, the urgency of increased output per man-hour is there. And somehow, what are often euphemistically called 'the partners in industry' must be encouraged to pack more skill, energy and enterprise into their work.

That labour efficiency in India is comparatively low is not a disputed fact. In terms of output or number of hands employed per unit of machinery, an operative looks after 180 spindles in India compared to 240 spindles in Japan, 540 to 600 spindles in England and 1,120 spindles in U.S.A. Likewise, a weaver attends to only 2 looms in India compared to 4 to 6 looms in U.K. and 9 looms in U.S.A. Sir Alexander McRobert was, therefore, not far from the truth in the view He expressed before the Industrial Commission that an English worker was 3.5 or even 4 times as efficient as an Indian worker. Nor was Sir Clement Simpson wrong in his calculation that 2.66 workers in a cotton spinning and weaving mill in India are equivalent to one operative in Lancashire. And yet, I must warn my readers not to accept these statements in toto. More workers are employed in India per unit of machinery because labour is cheap and machinery is dear and

(Table to be read with Article on page 10-11)

TABLE IV  
EXPORTS TO PAKISTAN

Commodity	Value in Rs. lakhs	Share in Total Exports (per cent) †	Quantity in '000s
Cotton manufactures	21,10	27	..
Oils & oil-cakes	7,66	10	..
<i>of which</i>			
Mustard oil	3,70	5	805 cwts.
Silk manufactures	6,47	8	..
<i>of which</i>			
Artificial silk piecegoods	5,16	7	24,347 yds.
Jute manufactures	5,51	7	42 tons
Tobacco—manufactured and unmanufactured	5,30	7	..
Tea	3,04	4	16,335 lbs.
Spices	2,43	3	408 cwts.
Leather and leather manufactures	2,23	3	..
<i>of which</i>			
Boots and shoes	86	1	2,220 pairs
Glass and glassware	2,01	3	..
Coal and coke	1,78	2	671 tons
Molasses	1,48	2	46 tons
Fruits and vegetables	1,02	1	..
Metals and ores	95	1	..
Sugar	86	1	14 tons
Other items	15,16	2	—
<b>Total</b>	<b>77,00</b>	<b>100</b>	<b>—</b>

† Figures rounded off.

less output per worker is often due to the use of poor quality material, worn out machinery, bad control and defective industry organisation and management. Therefore, we cannot subscribe to these pseudo-mathematical representations of the relative efficiency or inefficiency of labour in India- The need of the hour is admittedly to induce labour to increase the output per man-hour not because the worker is producing less in India than his compeer abroad, but because the present grievous economic situation in the country can only be met by launching an all-out production drive in all sectors of Indian economy.

The question then is: how to induce the worker to increase production? In our materialist age, as distinguished from the romantic age in which love made the world go round, we need incentives. And what incentive can be more powerful and effective than the wage incentive? The prominent position occupied today by wage incentives as a means of increasing production has been recognised and also accepted as a major tool of industrial management. In India, the problem of wage incentives has, of late, attracted attention of the business community. According to the *Engineering News of India* published by the Engineering Association of India, the specific fields in which wage incentive methods can be applied with advantage include (1) manufacturing direct labour operations; (2) manufacturing indirect-labour occupations; (3) manufacturing supervision; and (4) office occupations.

The fundamental purpose of an incentive system is to offer a financial incentive for a worker or a group of workers to produce work of an acceptable quality over and above a specific quantity. The

success or failure of the plan depends primarily upon the fairness and accuracy with which the "specified quantities" or standards are presented, and whether or not they are guaranteed against unsupportable and unjustified changes. Standards of performance should, therefore, be established on the basis of sound time and motion studies and should be altered or modified only on the basis of any alteration or modification in method, material or equipment.

Sir Stafford Cripps was not merely tossing a bouquet to Britain's workers when he said in his broadcast on the budget that they were making a "tremendous effort." A variety of ingenious schemes are being tried in England with a view to achieve increased productivity. In almost every industry the management and work people have alike realised to an increasing extent the value of production incentives. Some of these schemes are the Works Production Ballot, the Co-operative Award System and the application of a "points system" to job assessment.

For the practical application of these schemes in British Industry I invite my reader's attention to an article on "Production Incentive in Britain's Industries" published in the *Engineering News of India* (August 1949, pp. 347, 348). But as a simple case for illustration, I quote the Triplex Safety Glass Company which has secured both higher production and, applying a "points system", a higher quality of workmanship. It was done in this way. The Company has broken down every one of the 357 operations entailed in making safety glass into these four main headings: (1) The degree of skill, training and experience involved; (2) The degree of responsibility;

(3) Physical requirements; (4) Hazard. Each of these qualities is broken down into 18 sub-headings, points being assessed for each of these. The total number of points is the unit valuation of the job, and *this is* the basis for the wage rate.

The basic requirements of any sound incentive plan\* may briefly be summarised as follows:

- (1) The plan should reward the employee in direct proportion to the increased output.
- (2) The plan should be understandable and easily calculable by the employees.
- (3) Hourly base rates should be guaranteed.
- (4) There should be enough spread between the guaranteed base rate and the normal bonus rate to provide incentive to extra effort or sustained effort.
- (5) It should provide enough of a guarantee of standards to give the worker a feeling of security.
- (6) Definite instructions covering policy and methods should be provided.
- (7) Shop procedure should be standardised.
- (8) Measured standards must be based on definite quality requirements, with proper and direct controls placed over waste.
- (9) Equitable adjustment for failure to meet the task when the cause of the failure is beyond the employee's control should be provided.

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\*For details about wage incentive plans, see Loudon J. K., *Wage Incentives*. Reference may also be made to Bernard Hollowood *Poor Little Rich World* and Hall and Locke *Incentives and Contentment*.

(10) Once production is such that bonus is earned, unit costs should be constant.

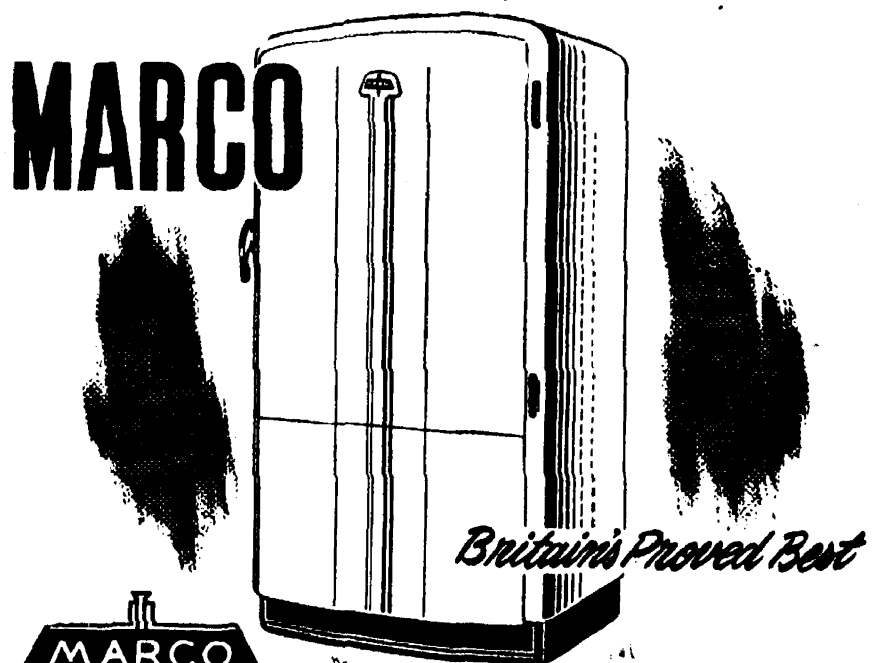
(11) To be effective the plan must be rigidly maintained.

A major change which has affected the industrial scene during the past few years is the trend towards trade union participation in fields of industrial management. This represents another milestone or even a major directional turn in the course of our industrial progress and its full potentialities should be explored in establishing a basis for union participation in the development and institution of a wage incentive project. In order to exist and flourish, the capitalist system of production must provide full-fledged industrial democracy. In Russia, where state control is absolute and private enterprise has been largely abolished, the worker is said to derive considerable satisfaction from the knowledge that "the factory he works in, the tools he uses, the bus that takes him home, the house he lives in and so forth are all communal property." The point of substance is that the Russian worker can influence the organisation and conduct of the production unit he works for, and make suggestions concerning the efficiency of his workshop. To achieve maximum results from the operation of a wage incentive plan, union participation must be recognized as a fundamental prerequisite.

From another stand-point, there is, today, a demand by the workers, which becomes increasingly-insistent, for a higher standard of life. Nobody will oppose this. But it is possible only when the standard of industrial efficiency is raised and one of the steps that must be taken is to eliminate all

avoidable waste. Probably the greatest single source of waste is that which arises from lack of cordial co-operation between employer and employed. Strikes and lock-outs, serious though they are, only account for a small part of its infinitely more important is the day-to-day waste to which it gives rise. If this could be avoided, then it would be possible to increase substantially the output per worker on the one hand

and to raise the worker's standard of living on the other. Increased production alone can break the present vicious circle of scarcity, inflation and rising prices. Will the captains of industry study the possibility of devising a wage incentive plan? My submission is that wage incentives can be employed as a means of increasing production in India as has already been done in other countries.



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