

## Conflict in Incentive Calculation

A footwear manufacturing company is into designing, marketing, sourcing and selling shoes. It is the largest retailer and leading manufacturer of footwear designing shoes, boots and sports footwear for all ages. Quality shoes are manufactured using a traditional nesting process. Specialized departments within the shoe factory handle the various stages of stamping, sewing and assembly handled by specialized workers.

The employer want these specialized workers to have good practical skills required for efficient production of products. The workers have to work well with their hands and they have to use, repair and maintain products on machines and tools. Their daily work need them to cut and shape leather or fabric pieces and then stitch and sew them. The company has a standardized compensation structure covering the incentive payment over and above the earnings of workers. To keep the workers morale high, the company is compensating the workers based on the number of outputs produced daily along with the additional incentives. The incentive rates are payable to the more efficient workers among all as an extra compensation for their meritorious performance. A standard output is fixed & the workers are expected to perform the given work within the standard time. The standard output is set after making work time studies for the performance of a specific job.

According to the work time studies and the incentive system used:

Standard Output = 90 units

Rate per unit = Rs 0.20

The monthly total earnings (counting 26 days in a month) is credited this month too which is based on incentives calculated based on scientific method used.

After receiving the monthly payment, Ratansingh; one of the worker at the factory believed that the calculation of incentive has some problems as he has not received earnings in proportion to his output while two of his work colleagues have received the right salaries. He brought this claim to the manager and presented earnings of two of his friends along with his own.

The monthly payment presented by Ratansingh is as follows:

| Sr. No. | Name of the Employee | Work Output (per piece) | Earnings per output | Total Monthly Incentive |
|---------|----------------------|-------------------------|---------------------|-------------------------|
| 1       | Premdayal            | 70                      | 11.2                | 291.20                  |
| 2       | Sukhwant             | 80                      | 12.8                | 332.80                  |
| 3       | Ratansingh           | 110                     | 17.6                | 457.60                  |

***Question:***

1. According to you, is Ratansingh right in claiming that the incentive calculation is erroneous?
2. Infer and check his claim by calculating the incentives of all the three employees using Taylor's piece rate system.

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