CHAPTER 6

SUMMARY OF FINDINGS AND SUGGESTIONS
INTRODUCTION

Governments, the world over, are realising that it is not their job to do business, to run hotels, to make cars or even to produce weapons. In India, government had been doing everything under the sun except governing the country since independence. The excessive government intervention in economic activities in India, through its participation in all types of activities and regulation of trade/industry by issuing industrial licences, foreign exchange permits or otherwise, promoted a highly protected domestic market. This not only gave a crippling blow to private initiative and discretion in the process of growth but also left no motivation in these organisations to improve their performance, productivity and quality.

In 1980s certain measures were initiated by the government to boost Indian economy by removing certain curbs particularly on growth of industry and foreign investment. This process was further accelerated with the implementation of the new economic policy in 1991 which opened the Indian economy to international competition and investment.

The new economic policy, although likely to be in the long run interest of the country in general and Indian consumers in particular, has created new pressures and challenges for Indian organisations - industrial as well as commercial, particularly in the form of competition from within and outside. The growing onslaught of the MNCs on the Indian market is well known. This time they are coming with greater determination, in larger numbers and with bigger war chests attacking almost every segment of consumer product market.

Indian organisations will have to set their own house in order in order to remain in the market. They will have to adopt all such
measures which would help them to improve their overall performance viz. adoption of improved and latest technology, improved marketing and advertising strategies, improving product quality and reducing product cost. However, all these would be redundant, if they fail to use their most important resource—the manpower—in an effective and efficient manner.

The human resources if properly motivated and used can bring in dynamic changes in all spheres, which in turn would help the organisation(s) to improve their performance, productivity and product quality thereby enabling them to compete with the MNCs.

This motivation can be achieved in many ways:

1. **By recognising the dignity, competence and potential of people**
   It should never be forgotten that every human being has his own ego and dignity and competence and potential to perform. The competence, potential and latent talent of every individual must be recognised and put to maximum use by putting them at the right work and motivating them to attain the desired results.

2. **By involving people in the process of decision making**
   People at all levels in any organisation should be involved, through their unions or otherwise, in the process of decision making i.e. the principle of "workers' participation in management", should be implemented as far as possible, particularly in the areas effecting their emoluments and terms and conditions of employment.

3. **By involving people in the process of innovation and development**
   To make best use of latent talent, ingenuity and creativity, people should be encouraged and more and more opportunities be offered to them to innovate. They should be encouraged even to take risks and incur expenses involved in the process of research and development within permissible limits.

4. **By introducing suitable wage incentive schemes**
   It must be
always remembered that in the materialistic world of today money can buy almost everything (need and/or comfort) in life. To encourage human beings to improve their performance and bring down product cost, suitable incentive schemes must be introduced at all levels.

Although in this era of economic liberalisation, recognition of dignity, workers' participation in management and a sound R&D infrastructure would help any organisation to compete in the global context, yet to improve performance and to reduce product cost and operational losses, incentive schemes play a vital role. All these encouragement, appreciation, recognition and involvement become irrelevant until workers are given their share in increased productivity by way of wage incentives.

FINDINGS

Our study of selected units and the discussions in the previous chapters also reveal that there is considerable rationale for introducing wage incentive schemes in the Engineering Industries in the Northern region.

In developing countries including India, because of very low per capita income, the essential physiological/economic needs of workers and their families are hardly satisfied. Under these conditions, wage incentive schemes may provide a strong inducement to workers to optimise their performance, earn more and improve their standard of life.

In the present study, four units had been selected - two from the Public Sector and two from the Private Sector, wherein individual and group incentive schemes are being applied. Initially, we started with certain negative stereotype assumptions about the role of wage incentive schemes. It was presumed...
that these schemes had failed to bring in the desired results at all levels i.e. organisational, departmental and individual, in terms of productivity, profitability, efficiency and effectiveness. Besides this, various other desirable results such as improvement in total emoluments, cost reduction, job satisfaction, morale, health etc. were also presumed to be unattained. But in actual practice, the findings show certain positive results not only for the organisations but also for the workers.

The following are the benefits/advantages of wage incentive schemes to the organisations:

1. As these schemes cover all categories of people including the managers, these have been found to be a useful aid and tool for securing better production scheduling, performance control and utilisation of manpower. In other words, these schemes are helpful in achieving better utilisation of resources including human assets.

2. As most of the workers are aware of the wage incentive schemes and methods of calculation, they can well calculate in advance the exact quantum of incentives they are likely to get in a specific period. It creates a stake of workers in work and their respective organisations.

3. It has well been established through the present study that the wage incentive schemes have desirable impact on the following organisational effectiveness parameters: (a) productivity, (b) profitability, (c) efficiency, and (d) effectiveness.

4. For the organisations, these schemes are also helpful in encouraging regularity of workers. Most of the managers are of the view that these schemes not only reduce absenteeism but also encourage them to become competitive in order to face
the impending challenges of future.

It can, therefore, be safely concluded that these schemes have positive impact on the organisations in terms of more production, less absenteeism, satisfied workforce, cost control, more profits, more exports, high productivity, quality improvement, better performance and achievement of targets etc. These schemes are equally beneficial for the workers.

1. It has been realised by the workers that wage incentives mean an opportunity to attain results and earn more money. In developing countries, especially in India, due to low per capita income, it is very difficult to satisfy even the basic needs viz. food, clothing and shelter. Under these circumstances, wage incentive schemes provide a boost to their income and morale.

2. Awareness of a high percentage of workers of the wage incentive schemes and the methods of calculation help them to know in advance the additional resources likely to be generated by these incentives for them thereby motivating them towards continuous improvement. Since continuing employment and adequate income are essential for the workers, especially in a labour market characterised by labour surplus, wage incentive schemes create a feeling of job security and an assurance for an increased income and improved standard of life to workers.

3. These schemes also increase people's long term prospects. Rewarding improved performance through wage incentives promotes a culture of excellence at work. It also creates an urge for learning higher skills in some workers in order to improve not only their earning capacity but also job prospects/opportunities.

4. As these schemes have also been linked with attendance, these have proved to be helpful in reducing absenteeism.
Ultimately, we conclude that these schemes are successful not only at the organisational level but also at the workers' level in terms of more earnings, improving the standard of living and developing the overall personality of workers. By helping to improve performance these also provide them a sense of achievement, satisfaction and personal worth.

**Negative Aspects :-**

However, the wage incentive schemes under study have not been an unmixed blessing. These have their weak spots too. Some of the dysfunctions in wage incentive schemes identified by other researchers elsewhere are equally applicable to the schemes in the selected units. Some of the workers doubt even the contribution of these schemes in increasing production (*1), while others argue that even where these yield increased output, these may generate tensions in different parts of the organisation, which may ultimately affect the output adversely (*2).

Besides these, various other dysfunctions observed in the study are as under :-

1. It has been found that in almost 17½ cases workers are not even aware of the existence of wage incentive schemes. Even though if some of them are aware of their existence they do not have any knowledge of method of calculation of incentives under the schemes.


2. It has also been noticed that even where the workers are aware of the schemes and method of calculation, they complain that wage incentive schemes are so complicated that even experts cannot explain them. Therefore, it is not easy to understand the schemes and the relationship between their performance and incentive earnings.

3. Generally, it has been observed that about half of the workers are not satisfied with the standard rates and hours inspite of their fixation by work study. Most of the workers feel that standards are set by industrial engineers by using fast workers, underrating 'effort' and selecting the shorter times to be used in computing the standard. Thus the standards are generally too high to be attained by workers.

4. It has also been noticed that the rates are same for both efficient and inefficient workers under the group incentive schemes. It is felt by the efficient workers that inefficient workers are taking their share of incentive also, and therefore they should not work hard.

5. Workers often complain of inadequacy of incentive earnings. They feel that the additional earnings in the form of wage incentives is a small percentage of their total earnings. Again, as per workers, the additional output is considerably larger and they do not get their due share due to unsystematic record of their output.

6. It is observed that workers often opine that under group incentive schemes, there is a lack of consistency in the individual earnings causing upsets in their monthly budgets or in their expectations of their carry home pay.

7. It has been noticed that in one organisation majority of workers are not positively motivated by the schemes, as
often they fail to optimise their performance because of factors beyond their control. In this organisation most of the components/parts of the product are imported, and any delay in their delivery results in frequent interruption in production process resulting in loss of time and incentive earnings.

8. It has also been noticed that some workers are often tempted to work much harder than their capacity to earn higher incentives leading to deterioration of their health and morale. Because they feel that production must be given as per the targets fixed in advance inspite of delayed delivery of raw materials, defective machinery etc.

9. It has been observed that wage incentive schemes particularly group incentive schemes have negative effect on workers' morale. As under the group incentive schemes, incentive wages are linked to group performance. People particularly where group cohesiveness is not high, may be discouraged to improve performance as there is no link between their individual performance and incentive wages. Moreover at times, these schemes tend to create a wide variety of behavioural patterns such as competition within the group and lack of cooperation, which sets up barriers for achievement of desired results.

10. As wage incentives are linked to performance and/or attendance and no attempt has been made to relate these to the changes in the cost of living, the motivating impact of these schemes peters away with every rise in prices.
SUGGESTIONS

Wage incentives are variable rewards based on performance. In order to derive maximum advantage of these schemes and to increase performance, productivity and profitability, it is suggested that negative aspects of these schemes be taken care of. Given below are a few suggestions which would prove to be helpful to any organisation in designing and implementing wage incentive schemes.

1. Wage incentives are an integral part of the compensation system of any organisation and not a substitute for it. These are built upon a well developed and sound wage/salary structure which is both fair and equitable. Thus initiation of any wage incentive scheme must be preceded by establishment of fair and equitable wages/salary administration programme.

2. The basic objectives/purposes of wage incentives which are expected to be achieved should be clearly defined. These should not only be well understood by all beneficiaries but should also be based on a fair relationship between efforts and rewards.

3. For wage incentive schemes to be effective, these should encompass all categories/cadres of personnel involved in the enterprise including managerial staff. As people’s participation is of fundamental significance to these schemes, they should be actively involved in all stages of designing, installing and implementing such schemes. If provided an opportunity and responsibility, they would use their efforts, creativity and ingenuity to make these a success. Again this would help to remove many of
their misapprehensions and misgivings about incentive schemes.

4. Sound wage incentive schemes should be a combination of individual and group incentive schemes, as the former would optimise individual capabilities and the latter, facilitate best possible use of group dynamics. However, to make the latter a success, it calls for efforts to promote cohesive and committed work groups which while taking care of interests of members, would endeavour to attain organisational goals.

5. The findings also indicate a need for diligent and vigilant attention by management to ensure accurate standards that are essential for a wage incentive schemes to be effective. Besides being evolved through involvement of people, these standards should neither be too high nor too low.

6. Wage incentives, whether individual or group should provide for direct, prompt and automatic variation in earnings according to a predetermined formulae relating actual performance to the predecided standards.

7. Incentives tend to loose their motivating value, if their economic value goes down in terms of purchasing power of money. In the same way, wage incentives will have no intrinsic value if they do not increase the real earnings of the workers thereby helping them to improve their living standards. Hence it is also suggested that these schemes be linked to consumer price index and with the increase in price index amount of these incentives should also increase proportionately.

8. Wage incentive schemes should be so designed that these:
   (a) are simple to understand and calculate;
   (b) maintain equity in earnings of different individuals, groups, sections and departments, and
(c) give due consideration to the expectations of people as individuals and members of groups while planning or implementing the scheme.

9. Favourable managerial climate is an important prerequisite for the success of any wage incentive scheme. It implies not only adequate commitment on the part of the top management to the cost and time necessary for their installation and administration, but also an environment in which efforts, excellence/improvement are encouraged and appreciated.

10. Training and developmental facilities should be provided to help people to upgrade their knowledge and skills to improve their performance in a fast changing environment. Any amount of organisational encouragement, opportunities and facilities would not be enough unless the people have necessary competence to understand the emerging challenges and take steps to deal with them.

11. An effective communication system in the organisation is the sine-qua-non for the success of wage incentive schemes. It should not only transmit to the people concerned adequate and prompt information relating to objects, standards, performance and rewards of wage incentive schemes but also facilitate transmission of their views and reactions regarding these upwards.

In fact, wage incentives are both a challenge and an opportunity. As has been rightly observed in the report of the Sub committee on Wage Incentives in Public Undertakings:

"A Point which is emphasised is that incentive schemes have to be adopted to the conditions of each industry. It is also clear that even within an industry, incentive schemes may differ from plant to plant. It would consequently be a mistake for any management to copy a scheme which may have worked successfully in
According to the British Productivity council, the factors which should be taken into account while selecting a particular scheme are:- (1) type of production process; (2) grouping of production workers; and (3) industrial engineers at hand to run the scheme.

Similarly, the British Institute of Management has noted:

"The task of installing successful incentive scheme is one of the most difficult and complex management jobs and should be approached with great care and forethought. Unless mutual confidence and good relations exist between management and workers in a concern, the chances of full success for a new wage incentive scheme are very poor. Good relations, if they are absent, can not be created overnight but their establishment must precede the introduction of a new wage incentive scheme. The introduction of a wage incentive scheme will take time. This fact must be faced and sufficient time be allowed to complete the installation with due care. A rushed Job is bound to lead to later troubles.\(^{3}\)"