Chapter 4: Job Evaluation and Wage Plan / Wage Incentives

Repeated Questions:

1. Job Evaluation:

- **Q.** State various methods of Job Evaluation. Discuss in brief. / Discuss the different methods of Job Evaluation. **(WINTER 2022, 7 Marks; SUMMER 2025, 7 Marks OR; SUMMER 2026, 7 Marks)**

Answer:
Methods of Job Evaluation:

- **Ranking Method:** Jobs are arranged in order of importance from highest to lowest based on overall judgement. Simple and quick but subjective; suitable for small organizations.
- **Classification or Grading Method:** Jobs are grouped into predefined grades/classes (e.g., skilled, semi-skilled, unskilled). Each grade has a description; jobs are matched to grades. Simple but grade definitions may be vague.
- **Point Rating Method:** Jobs are broken into factors (skill, effort, responsibility, conditions). Each factor is assigned points; total points determine job value. Widely used, systematic, but time-consuming.
- **Factor Comparison Method:** Key jobs are ranked factor by factor (skill, effort, responsibility, conditions). Monetary values are assigned to each factor; other jobs are compared to key jobs. More accurate but complex and costly.

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2. Wages and Incentives:

- **Q.** Explain Taylor's differential piece rate system. **(SUMMER 2023, 3 Marks; WINTER 2024, 3 Marks)**

Answer:
Taylor's Differential Piece Rate System:

- Standard output is fixed for a job.
- Workers producing at or above standard get a higher piece rate (e.g., 120% of normal rate).
- Workers producing below standard get a lower piece rate (e.g., 80% of normal rate).

Formula:

- Above standard: Earnings = Output × High rate
- Below standard: Earnings = Output × Low rate

Objective: Motivate workers to achieve and exceed standard output.

Limitation: Penalizes slow workers harshly; may cause quality issues.

- **Q.** Briefly explain different types of wages. Also explain various types of incentives. / What are different types of Wages? Explain briefly. **(WINTER 2023, 7 Marks OR; SUMMER 2025, 7 Marks)**

Answer:
Types of Wages:

- **Time Wage:** Wages paid based on time spent (hour/day). Earnings = Time × Wage rate. Simple; ensures steady income; does not reward extra effort.
- **Piece Wage:** Wages paid based on output produced. Earnings = Output × Rate per piece. Rewards productivity; may compromise quality.
- **Bonus/Incentive Wage:** Additional payment for exceeding standard performance (e.g., production bonus, attendance bonus).
- **Minimum Wage, Fair Wage, Living Wage:**

- **Minimum Wage:** Statutory floor wage for bare subsistence.
- **Fair Wage:** Above minimum; comparable to similar industries.
- **Living Wage:** Provides comfortable living, education, and recreation.

Types of Incentives:

- **Financial Incentives:** Piece rate, bonus, profit sharing, co-partnership, suggestion schemes.
- **Non-Financial Incentives:** Recognition, promotion, job enrichment, participation, flexible hours.
- **Individual Incentives:** Taylor's differential piece rate, Merrick's plan, Gantt task bonus.
- **Group Incentives:** Scanlon plan, Rucker plan, profit sharing.

- **Q.** What is an incentive? State the different types of incentives. **(WINTER 2022, 7 Marks OR; WINTER 2024, 4 Marks)**

Answer:

Incentive: An incentive is a reward or payment offered to workers for achieving or exceeding predetermined performance standards, motivating higher productivity.

Types of Incentives:

- **Financial Incentives:** Direct monetary rewards—piece rate, bonus, profit sharing, co-partnership, suggestion awards.
- **Non-Financial Incentives:** Non-monetary rewards—recognition, promotion, job enrichment, participation in decisions, flexible working hours.
- **Individual Incentives:** Based on individual output—Taylor's differential piece rate, Merrick's multiple piece rate, Gantt task bonus, Emerson efficiency plan.
- **Group Incentives:** Based on group performance—Scanlon plan, Rucker plan, profit sharing, co-partnership.

- **Q.** Differentiate: Minimum Wage, Fair Wage and Living Wage. **(SUMMER 2022, 3 Marks; WINTER 2025, 3 Marks OR)**

Answer:

Basis	Minimum Wage	Fair Wage	Living Wage
Meaning	Statutory floor wage for bare subsistence	Wage above minimum, comparable to similar industries	Wage providing comfortable living, education, recreation
Purpose	Prevent exploitation	Ensure fairness and equity	Enable decent standard of living
Level	Lowest; legally enforced	Middle; industry-based	Highest; ideal standard

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Other Important Questions:

1. Job Evaluation and Merit Rating:

- **Q.** What is job evaluation? Discuss any one method of job evaluation. **(WINTER 2025, 4 Marks)**

Answer:

Job Evaluation: Job evaluation is the systematic process of determining the relative worth of jobs within an organization to establish a fair wage structure.

Method — Point Rating Method:

- Jobs are divided into compensable factors (skill, effort, responsibility, working conditions).
- Each factor is assigned points and degrees (levels).
- A job is evaluated factor by factor; points are summed.
- Total points determine the job grade and pay level.

Advantages: Systematic, objective, easy to explain.

Disadvantages: Time-consuming, choice of factors may be subjective.

- **Q.** Define job evaluation and describe the ranking method of job evaluation with its advantages and disadvantages. **(SUMMER 2023, 7 Marks OR)**

Answer:

Job Evaluation: Systematic determination of the relative worth of jobs to establish a fair and equitable wage structure.

Ranking Method:

- Jobs are arranged in order of importance (highest to lowest) based on overall judgement of evaluator.
- No detailed factor analysis; whole job is compared with others.
- Simple and quick; suitable for small organizations with few jobs.
- **Procedure:** List all jobs → Rank them from most important to least important → Assign wage rates accordingly.

Advantages:

- Simple and easy to understand.
- Quick and inexpensive.
- Requires no detailed job analysis.
- Suitable for small organizations.

Disadvantages:

- Highly subjective; depends on evaluator's judgement.
- No standard for comparison; difficult to justify rankings.
- Not suitable for large organizations with many jobs.
- Does not indicate how much more one job is worth than another.

- **Q.** Define Merit rating. **(WINTER 2022, 3 Marks OR)**

Answer:

Merit Rating: Merit rating is the systematic evaluation of an individual employee's performance and personal characteristics (skill, attitude, cooperation, dependability) for the purpose of promotion, transfer, training, or wage increment.

Key Points:

- Evaluates the person (not the job).
- Uses rating scales, checklists, or critical incident methods.
- Helps in identifying training needs and rewarding performance.

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2. Incentive Plans:

- **Q.** Explain the different Incentive plans for workers. **(WINTER 2022, 7 Marks OR)**

Answer:

Incentive Plans for Workers:

- **Taylor's Differential Piece Rate:** High rate for output ≥ standard; low rate for below standard.
- **Merrick's Multiple Piece Rate:** Three rates—normal rate up to 83% of standard output, 110% of normal rate between 83% and 100%, and 120% of normal rate above 100% of standard output.
- **Gantt Task Bonus Plan:** Guaranteed day wage; bonus for completing task within standard time; high piece rate for exceeding standard.
- **Emerson Efficiency Plan:** Efficiency = (Actual output / Standard output) × 100. Bonus slabs start at 67% efficiency; 20% bonus at 100% efficiency.
- **Halsey Premium Plan:** Earnings = Time wage + Bonus. Bonus = (Standard time − Actual time) × 50% × Time rate.
- **Rowan Premium Plan:** Bonus = (Actual time / Standard time) × Time saved × Time rate. Bonus proportion decreases as time saved increases.
- **Profit Sharing:** Workers receive a share of company profits.
