



Incentive pay plans make an employee's current pay at least partly contingent on production results.

not compatible, however, with every job and production system. Even where feasible it can present difficulties. Fortunately, there are varieties of output-based plans that may fit different circumstances, and the broader family of incentive pay plans extends beyond those tied solely to output quantity.

Individual Piecework

Piecework is probably the oldest, most widely used incentive plan. Multiplying the piece rate by the number of units (cartons, bins, or tons) produced, yields a pay amount clearly related to the performance of each worker. Commission systems, under which most outside sales people work, are similar, except they relate pay to total dollar volume rather than numbers of units. The evident equity of piece rate systems is not obscured by complex computations and explanations. As long as employees perform at least well enough to earn the statutory minimum wage, employers paying piece rates have the advantage of reasonable certainty about their unit costs for direct labor. If piece rate earnings do not amount to at least the statutory minimum for hours worked, however, the employer must make up the difference.

There are disadvantages to piece rate pay, however, and the most common one is not limited to the lettuce crews that the previously mentioned harvest manager could not understand. The rush for quantity, which pays off to employees, can lead to neglect of quality. Additionally, before the work begins in earnest, rate-setting games may set farmer and workers against one another. Since conditions affecting production ease vary widely from field to field and time to time, farmers often wait to set piece rates until after an initial day or so of work. For their part, workers put on some remarkable huff-puff sweat-groan performances while producing well below their capacity.

Even after rates are set, workers' fears of what might happen if they do perform to their best abilities can defeat the purpose of output incentive pay. Some workers have seen and others have imagined that employers would cut rates if earnings were consistently high or would fire the slower workers within a crew. Other objections to piecework are based on concerns that the system leads to overexertion and illness and that it only compresses the time in which a fixed amount of work is to be done, so total earnings are the same regardless of speed. And traditional pay differences between employees on piece rate (such as pickers and pruners) and more highly skilled hourly workers (such as mechanics, supervisors, and tractor drivers) can be upset when the former perform well and, consequently, are paid at higher levels than the hourly employees.

Piecework, in addition to other individual incentive plans, may threaten another status hierarchy within the worker group. Older, more senior-level workers may not be able to work as fast as the younger employees. In that case, there may be social pressure on the younger workers to produce below their capacity. Cohesive crews informally establish a level of individual output considered proper or safe. Employees who overproduce relative to that level are often ostracized as "rate busters." Their quest for higher income can only be fulfilled at the cost of social acceptance.

The following Carlisle Nursery case illustrates a group dynamic that can easily thwart the power of piece rate pay to motivate a worker's best effort. One worker wanted to earn as much as possible, but the others feared that her high performance was showing them up and, probably more important, would be used against them all by the management. They all might be expected to work to a faster standard and/or have their total earning opportunity reduced.



Carlisle Nursery's motivated planters

Lee Perez

Carlisle Nursery produces a variety of bedding and potted plants in three locations. In the face of increasing competition three years ago, Carlisle management instituted a cost control program. A major part of the program was an incentive pay system for employees engaged in soil preparation, planting, fixing, assembling, and loading.

Lee Perez is one of six planters in the Ground Cover Branch. Most of the work involves transferring cuttings to 12-packs and labeling them. The company pays 26 cents per pack. The other five planters in the group fill an average of 21 packs per hour. Rarely does anyone produce less than 19 or more than 23 per hour during a day's time. Lee, however, has consistently averaged about 24 packs per hour. She not only works hard but also seems to have a knack for inventing little short cuts to get more done in less time. The others have kidded her about going too fast, but she figured it was all in good fun.

Lee is 29 years old, married, and has two children. Six months ago her mother-in-law moved in with the family. Lee has a strong family and is happy to do her part, but the extra financial burden has been difficult to bear. To meet added costs, she started working especially hard to turn out more 12-packs and earn more money. Now she is producing as many as 32 packs of ground cover in a good hour. She has to press a bit to get those last few completed each hour, but it is worth it to know that her family has a comfortable income.

Lately, the other planters have not been quite as friendly as before. Lee has even noticed flashes of anger when one or two of them see how many full trays there are beside her. It is now to the point where the most senior of the planters has asked to have a word with her.

Anna Levos

As one of six planters in the Ground Cover Branch for many years, Anna Levos had always thought of Carlisle as a very good place to work, a place where the company tried to take care of its people. But about four years ago there was a big sales slump, and Anna was among four planters who were laid off. One of them was never called back. Anna and the other two who were recalled became determined not to go through another stretch of unemployment like that again. Fourteen months without a job did serious damage to their family lives. Now that things are back together again, nothing is going to mess them up.

Anna and four of the others are pretty up front with each other and have agreed to hold production to 21 packs per hour. Rarely do any of them produce less than 19 or more than 23 per hour during a day's time. Lee Perez, the sixth planter, has always been a bit of a maverick, routinely producing 24 packs or so per hour. Lately she began filling as many as 32 packs per hour. Anna tolerated her wild behavior for a long time, but now that Lee is flaunting her big numbers, it is time to set her straight.