Different Plans of Paying Employees*

The Advantages and Disadvantages of Each Plan to the Employer and Employee. A Summary of the New Ideas on the Subject.

By Harrington Emerson.

That system of paying wages is best which guarantees a minimum wage in return for time surrendered, which varies wages to suit different ages, trades, time and character of service, which in addition to guaranteeing wages sets up a definite equivalent in work or output for each minute of employment, which enables each man to show his own personal efficiency and rewards him accordingly, which gives both employer and employee an absolutely square deal. This is the standard by which to judge any system of wage reward for work done. Day wages, piece rates, premium systems only partly fulfill this standard, and each in its way has both good features and bad features.

The Three Forms of Paying Wages.

The reward for work done is a very old problem, as old as life. The writer has watched and studied all the extremes from slave and forced labor to $15 a day men in the Alaska gold fields. He finds that all forms of paying wages can be divided into three; time rewards irrespective of performance; performance rewards irrespective of time; and reward of personality irrespective of either time or performance. These three systems may be called day wages, piece rates and bonus rewards.

All living things work more or less for their existence. In early humanity when men had the morals and practices of wolves, the man that put forth the most exertion generally landed the biggest reward. He was on piece rate. Women were not on piece work. Their work was from dawn until dusk if not a good part of the night in addition. It was not measurable, and all they got out of it was support. Slaves were also on day work, getting in return for the work a support very much as a horse or dog is supported. There was a third form of reward, as when herds were kept or crops grown. In this case the reward depended partly on the intensity of work, and partly, even to a greater degree, on the intelligence of the worker, so that the more intelligent man was able to earn more than the average as in the Bible story of Jacob and Laban. These three systems have persisted into modern industrial life. We have day wages, a commuted form of slave support. We have piece rates, a return to the earliest individualism. We have modern wa[illegible] systems which permit the employee to determine in a measure his own rate of pay.

The Day Rate.

One advantage of day rate to employers lies in the simplicity of the system. So many days, so much pay. It is almost as simple as ordering oats and hay for street car horses. On the Assouan dam in Egypt, employing 5,000 men, they were all paid off daily at sunset. The advantage to employee is the certainty of pay without individual responsibility, just as children or horses are fed whether they work or not. The disadvantage to employer is that there is no equation between pay and work. A man may work with only 10 per cent. efficiency yet receive full wages. The disadvantage to employee is that even if he is a man of 200 per cent. efficiency he receives no more wages than the man who shows only 10 per cent. efficiency.

Day wages are all right for such work as street car drivers, for sailors, for policemen and gate keepers, for all kinds of work where the worker's presence is more important than the output.

The Piece Rate.

The advantages of piece rate to employers are that it fixes the labor price of the product, that it substitutes a measure of cost certainty for cost uncertainty, that it relieves him of responsibility for conditions, that it secures the active interest of the men. The advantages to employee are that it enables the energetic pushing worker to earn more than the slow, indifferent worker.

The disadvantages to employers are very many, a few of which are:

1. No piece rate can permanently stand. However fair it was when first put in, conditions change so rapidly that it soon becomes unfair to the employer, the change is resisted and there are accusations of bad faith.

2. It relieves the employer of a responsibility which is distinctly his. It is the employer's business to force up output by improved conditions, not the business of the employee. It is immeasurably more difficult to cheapen output under piece rates. Piece rates almost invariably result in limitation of output, thus increasing overhead charges.

The disadvantages to the employee are that it makes him a machine. Under piece rate the most recent and untrustworthy apprentice may earn as much as the oldest and most reliable man. An employee is not a machine. A faithful man of long experience, service and reliability is worth more to the employer than the untried youth who as yet is merely dexterous. Nothing can be more disheartening than to have all qualities of character sunk in a uniform piece rate.

Premium Systems.

An improvement on either the day rate or piece rate was evolved by F. A. Halsey, editor of the American Machinist. He evolved a system which retained all the advantages of the day rate system to the employee, with many of the advantages of piece rate to either employee or employer. Under Mr. Halsey's methods the employee has a guaranteed day or hourly rate. A fixed time is however, set for the performance of any task, and if the employee reduces the set time he receives a premium. The relation of the premium to time reduction permits of many variations without altering the fundamental principles of Mr. Halsey's plan. One employer may give the employee all the time he saves, in which case the plan virtually results in a different piece rate for each different rate of pay.

Another employer, as under the Rowan and Cardullo plans, gives the employee a big premium for a small reduction in time, and neither wages nor premium if the work is done in no time. The Santa Fe bonus plan applied to the work of 8,000 men, carefully determines a standard time for the operation, gives the employee at standard rate all he saves below this time and 20 per cent. premium on wages for time actually busy. If the employee takes longer than standard time, the premium rapidly diminishes, until at time and a half there is no

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