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This blog is about my thoughts on human resource topics and discussions

Tuesday, November 23, 2010

Standard Hour Plans

October 26, 2010

This week we discussed how to recognize employee contributions with pay. I wanted to expand on the topic of standard hour plans. As defined in our book standard hour plan is an "incentive plan that pays workers extra for work done in less than a preset"standard time". Standard hour plan is considered pay for a time allotted to complete the job, not time actually taken. I want to talk about how it works and some of what I think are the pros and cons. Let's take for example a mechanic shop...

The shop will determine the standard time for completion of the task to replace a muffler. They decide it should take about one hour to replace a muffler. Under the standard hour plan the employee will receive one hour of wage for replacing the muffler no matter what time it actually took to replace the muffler.

When using the standard hour plan organizations should always monitor the quality of work being done. In the mechanic shop, one mechanic might take his time on the muffler to perform at his best ability. When his or her's performance is based on quality, it might take him longer to execute the task. Another mechanic loves the money. He hustles through each replacement muffler and gets three done in the same amount of time as the other mechanic. He gets paid three times the money but his quality of work is not so reliable. This is where the controversy comes into play with standard hour plan.

I feel that using this pay structure might be timely and efficient in some ways, but I feel like some employees might take advantage of the system. I bet that some employees will think to themselves..."I get paid the same amount whether I take the time to do it nicely or quickly rush through it. If I perform at a quicker pace, I will have a lot more free time." The standard hour plan may encourage employees to work faster but probably don't encourage quality or customer service. "Standard hour plans are more appropriate than a piecework incentive plan when the tasks or jobs are longer in cycle, nonrepetitive, and require many skills for completion" (blackwellreference.com)

Posted by [LindseyHR](#) at 6:18 PM



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