

The rise and fall of piecework

Incidence of piecework has significantly reduced in advanced industrialized economies—has its decline gone too far?

Keywords: piecework, timework, incentive pay

ELEVATOR PITCH

A pieceworker receives a fixed rate for each unit (“piece”) produced or action performed. In part, the rate reflects a cost of monitoring output. A timeworker receives a fixed wage rate per hour that, in the short term, does not vary with output performance. From the 18th century up to the last third of the 20th century these were the two dominant payment methods in the manufacturing and production industries. Yet, today the incidence of piecework in advanced economies is very small, having lost considerable ground to time rates and to other forms of incentive pay. What caused this transformation, and has the movement away from piecework gone too far?

KEY FINDINGS

Pros

- + Piecework is suited to low-output monitoring costs and long production runs.
- + Firms employing workers with wide variations in ability can benefit from piecework.
- + Piecework firms are more likely to retain their more able workers in tight labor markets.
- + Piecework pay is positively correlated with prevailing business conditions.
- + Piecework avoids subjective assessments of work performance.

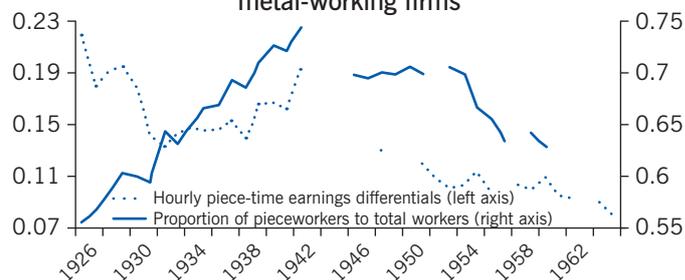
Cons

- Changes in product lines and technology increase the costs of setting and negotiating piece rates.
- Output requiring joint inputs among workers is difficult to monitor and reward on an individual basis.
- Piecework is not suited to manufacture that involves “hard-to-observe” process innovations.
- Just-in-time production processes reduce the need for maximizing individual output.
- Piecework discourages individuals from sharing insights into more efficient task executions.

AUTHOR’S MAIN MESSAGE

Up until the late 1960s, there was a high incidence of piecework in manufacturing sectors of advanced economies. Among other traditional advantages to workers and employers, piecework resulted in higher productivity and wages than comparable timework. Yet the last 50 years have witnessed a dramatic decline in piecework. Major challenges include advances in production methods and technology, as well as low labor and production costs in emerging economies. There is little call for policy intervention to reverse the declining trend, since disadvantages of piecework now overwhelmingly predominate.

Share of male pieceworkers and piecework-timework hourly earnings differentials in British engineering and metal-working firms



Note: Data includes skilled and semi-skilled blue-collar workers. Gaps indicate no data available.

Source: Data archives of the UK Engineering Employers Federation.

Online at: <https://www.eef.org.uk/>