

a **B. BRAUN MEDICAL INDUSTRIES SDN. BHD., PULAU PINANG**

v.

**KESATUAN PEKERJA-PEKERJA B. BRAUN INDUSTRIES
SDN. BHD., PULAU PINANG**

b

INDUSTRIAL COURT, PULAU PINANG
YUSSOF AHMAD

EMPLOYEEER'S PANEL: ABDUL WAHAB P. NAGOR GHANEY
EMPLOYEES' PANEL: TAN SEAH HEAN

c

CASE NO: 2/2-114/97
26 AUGUST 1998

TRADE DISPUTE: Collective agreement - Terms and conditions of service - Union failed to submit proposals and agreed articles - Award to be handed down upon receipt of such

d

In an earlier sitting, the court handed down an interim award (see [1998] 1 ILR 417) because it was originally thought that the award, particularly on the article on salary structure and revision, would be without its full grounds. The emphasis was to hand down an award as soon as possible after the hearing and submission. Further, the parties indicated that they wished to send written submissions on the issue of trade union leave. The parties failed to send to the court the text of agreed articles.

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However, the union subsequently informed the court that it did not propose to make any written submission on the issue of trade union leave. The interim award had in fact discussed the merits of the quality incentive bonus scheme. The court approved the company's scheme because it was in favour of a salary revision because it was linked to productivity for the appropriate type of jobs.

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Held:

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[1] The company's scheme was approved because it was in favour of salary revision that was linked for productivity to appropriate type of jobs. It also forwarded the conditions that workers must fulfil before they will qualify for the incentives.

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[2] The Court will only consider matters brought before it. If the parties had negotiated salary increases on the principle that there should be a salary increase following the increase in cost, as reflected in the consumer price index, and failed to agree on the rate of increase. The court will only decide on a percentage increase if there is a justification for that award.

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[3] Parties were urged to submit the agreed articles as soon as possible after the completion of their hearing, so that a supplementary award would be handed down to which the complete collective agreement will be annexed, if and when the agreed articles are received from the parties. *a*

[Award accordingly.] *b*

Award referred to:

*B. Braun Medical Industries Sdn. Bhd., P. Pinang v. Kesatuan Pekerja-pekerja
B. Braun Industries Sdn. Bhd., P. Pinang [1998] 1 ILR 417*

*For the company - A. Ramadass (Zainuddin Yeong with him); M/s. Ramadass & Assocs.
For the union - K. Veeriah (Halimah Syed Ghany with him); Secretary, Malaysian
Trades Union Congress, Penang Division* *c*

AWARD NO. 449 OF 1998

The court had handed down an interim award (Award No. 97 of 1998) on 19 February 1998. *d*

The award was interim because it was originally thought that the award particularly on the article on salary structure and revision would be without its full grounds and the emphasis was to hand down an award as soon as possible after completion of the hearing and submission. Furthermore parties indicated that they wished to send in written submission on the issue of trade union leave. The parties have also not sent to the court the texts of the agreed articles. *e*

Now the union has informed the court that it did not wish to make further written submission on the issue of trade union leave. I have reread the interim award in particular the articles related to salaries, increments and allowances. The interim award has in fact discussed the merits of the company's "Efficiency Quality Incentive Bonus" (EQIB) Scheme. I only wish to add that the court approved the company's scheme because it is certainly in favour of salary revision which is linked to productivity for appropriate types of jobs. The court however will still examine the quantum of the bonus or incentives given for increased productivity. It will also examine the condition that workers must fulfill before they qualify for the incentive. *f*
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Some quarters thought it is for the Industrial Court to impose upon employers and employees that their collective agreement and in particular the provision relating to salary and benefits must be based on the principle that increase in salaries and other benefits must only be granted following increase in productivity. The court cannot do so. It will only make a decision on a matter or matters that are brought before it. If the parties have negotiated salary revision on the principle that there should be salary increase following an increase in the cost of living as reflected by the consumer price index (CPI) *h*
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- a* and failed to reach agreement on the rate of the increase the court will examine the parties' proposals, the evidence and submission and make an award based on the principle and the court can only decide on the percentage increase to be awarded if there is justification for an improvement. It cannot reject the employee's proposal for salary increase because it is not linked to productivity.
- b* It is for the company to propose a scheme that is based on productivity. The B. Braun's scheme is one example of what the court considers a fair and suitable method of rewarding increased productivity. There is scarcity of information on the concept of productivity, the standards to be used and the rewards to be given for increase in productivity and the measurement of productivity. Therefore the B. award as annexure 1 for the benefit of those
- c* who would like to know more of the system.

d In an effort to get more employers and employees in suitable industries to implement productivity linked wage system which is advocated by the government it is suggested that at the conciliation stage before the director of Industrial Relations the disputing parties can be advised to use the principle that no salary increase without corresponding increase in productivity. Efforts should also be undertaken to make more employers and unions understand the concept and how to implement it. It is even more relevant now as the country is facing economic downturn.

- e* The court has been asking the parties to send to it the agreed articles so that the court could prepare the composite agreement by amalgamating the agreed articles together with the award of the court on the disputed articles and to annex the same to the award. However the court observes that the company's solicitors have forwarded to the employees union both the draft text of the agreed articles as well as the draft of the complete agreement for its approval prior to submission to court. Unfortunately the union had neglected to do so. In the circumstances this award shall be without the text of the collective agreement pursuant to this award which is normally annexed to the award. The court would like to urge parties to honour their promise to submit the
- g* agreed articles as soon as possible after the completion of the hearing so that the full award could be handed down early. In this case the court will hand down a supplementary award to which the complete collective agreement will be annexed if and when the agreed articles are received from the parties.

EQIB - EFFICIENCY QUALITY INCENTIVE BONUS

h **CONCEPT**

- i* This incentive bonus forms part of the flexy wages of the direct labour. The concept of payment is to compensate the employees more objectively base on performance of the group in Quantity, Quality and Time Utilisation. It is an open bonus system that allows each employee to know how their bonuses were derived at through the various reports generated from the system.

ELIGIBILITY

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All employees who are in the following positions

- Operator and equivalent
- In-process Quality Controller
- Shift leader
- QC Supervisor
- Technical level 1
- Lab Attendant
- Lab Assistant

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OVERVIEW

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EQIB consists of three types of bonus:

1. Quantity Bonus
2. Quality Bonus
3. Time Utilisation Bonus

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The group will qualify for the bonus if they achieve the following standards:

1. Quantity performance exceeds 100%
2. Quality performance exceeds 91%
3. Time Utilisation performance exceeds 98%

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STANDARD	BONUS	QUANTITY BONUS	QUALITY BONUS	TIME U. BONUS
Quantity < 100% Quality > 91% Time Utilisation > 98%		NO	NO	NO
Quantity = 100 Quality > 91% Time Utilisation > 98%		NO	YES	YES
Quantity > 100% Quality > 91% Time Utilisation > 98%		YES	YES	YES

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TERMS

GROUP PRESENT TIME

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The sum of the total working time in minutes of each individual employees in the group (before taking into consideration time out, if any).

TIME OUT

There are 2 types of time out, they are:

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- a* 1. Group Time Out - the sum of the group unproductive time in minutes. An example of such time out are as follows
- i) Defective incoming material
 - ii) Machine adjustment
 - iii) Power failure
- b* iv) Machine down
- v) Briefing by foreman
2. Personal Time Out - the sum of each individual employee unproductive time in minutes. An example of such time out are as follows
- c* i) Attending a training
 - ii) Attending meeting
 - iii) Those with J code

WORKED MINUTES

- d* The required time in minutes (based on standard time) to produce a certain number of product.

BONUS TIME

The Group Present Time minus Time Outs.

CALCULATION**Quantity Bonus**

Quantity performance is based on standard time. Time study is usually done prior to the implementation of the EQIB system. The following example illustrates how the EQIB system arrived at a group Quantity performance.

- f* Assumption

1. 1 shift has 10 operators in a Group.
2. Shift time is from 6.30am to 3.00pm (which is 460 minutes per operator after deducting 50 minutes break time)
- g* 3. 8 operators work for 460 (8 x 460 = 3680 minutes)
2 operators work for 400 (2 x 400 = 800 minutes)
4. The group produced 280,000 pieces of product 'X'
5. Standard time for 100 pieces of product 'X' is 2.10 minutes.
6. Standard Time for 1 piece of product 'X' is $2.10/100 = 0.021$ pc/min.

- h* Formula:-

1. Total time for all 10 operators is $3680+800 = 4480$ minutes (Group present Time)
- i* 2. Time required (according to time study) to produce 280,000 pieces of product 'X' is $280,000 \times 0.021 = 5880$ minutes (Worked Minutes)

2. The time taken by the group to produce 280,000 pieces of product 'X' is 4480 minutes *a*
3. The Quantity performance of the group is $(5880/4480) \times 100\% = 131\%$

The system will derive at a dollar value for the 131% of Quantity performance base on the Bonus Table (Appendix "A") initialised in the EQIB system. However, the group's performance is actually the collective performance of all the individuals in the group. Thus, the EQIB dollar value of an individual will depend on the length of time an individual is attending to his work. *b*

Assuming the system has derived that the dollar value for 131% is \$92.00. Thus an individual's Quantity Bonus will be calculated as follows: *c*

Formula

1. $\$92.00/174.25$ (average hours per month) = \$0.5279 per hour
2. $\$0.5279/60$ minutes = \$0.0087 per minute
3. $\$0.0087 \times$ Length of time in minutes an operator attended his work in that group. *d*

Quality Bonus

IPQC'S CHECKLIST

Identified IPQCs will use a defect criteria check list determined by the management to perform checking. A point system is used to calculate the Quality Performance. *e*

Example

- 1 point is given when no defect is found *f*
- 30 points when there are minor defect
- 100 points when there is a major defect
- 200 points when there is a major defect in many pieces

Quality performance = $101\% - (\text{sum of points} / \text{sum of criteria})$ *g*

REWORK

In order to discourage unnecessary reworks, the system has built in check for rework, where the rework minutes will offset the Quality bonus.

Example: *h*

Assuming the group has caused another group a rework of 200 minutes. The calculation that will offset the Quality bonus will be

$$[200 \text{ minutes}/5880 \text{ minutes}] \times 100\% = 3.4\% \\ [\text{will be added to wastage level}]$$

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111	Change water for leak test	<i>a</i>
112	To laundry - exchange uniform	
113	Sort cutfix handle	
121	Charge workplace - shift end	
122	Do clerical duty	<i>b</i>
132	Attend personal matter with Human Resource	
157	Adjusting machine	
900	Group increasing : Material problems	
901	Group increasing : Machine problems	
931	External training, discussion	<i>c</i>
941	Awaiting production orders from planning	
944	Inventory stock count	
954	Machine adjustment	
960	Power failure (TNB)	
969 J	Attending to personal matters	<i>d</i>
972	Assisting IPQC	
980	Awaiting material from warehouse	
990	Rework charge internal	
994	Rework cause by quality department	<i>e</i>

Note: Time out code with 'J' are Time Out not paid. These are Time Out caused by the operator.

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