Performance-Based Incentive Scheme for Sewing Machine Operators: The Case of Sri Lanka

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The payment scheme is one of the main organizational issues that de-motivate workers, especially sewing machine operators, which generates a negative effect on productivity. Overtime work payments and group incentive payments have been identified as additional income sources for sewing machine operators at present. But long overtime work results in negative informal institutional issues and health problems that influence labour productivity. Management of apparel factories use to pay group incentives upon the achievement of production targets. In group incentive methods, all the sewing machine operators are paid an equal amount of money upon the achievement of the production target regardless of the difficulty of operations they performed. The contribution of each machine operator to the achievement of the production target is different. In this framework, equal payments demotivate hard workers making them contribute below their potential. The objective of this research is to explore the present payment system and labour productivity of machine operators in Sri Lankan apparel factories and propose an alternative payment scheme to incentivize them to operate at their full potential. This study uses the information of an experiment conducted from February to October 2017 at 10 sample apparel factories. Performances of 870 sewing machine operators were measured before and after the implementation of incentive system. The sewing machine operators' contribution to production lines evaluated at their existing performances under overtime work and group incentive scheme were not satisfactory. Performance is the ratio between real average time to perform the operation and the standard operational time. Empirical studies showed at least 5% improvement in line performances in each factory. Applying research information in a theoretical and empirical framework, this paper shows that labour productivity and thus profits of the firm and workers' benefits can be improved by a non-linear performance-based incentive scheme. Socio-economic gaps created by financial differentiation inspire the class mentality incorporated with psychosomatic emotions such as self-dignity and ego, stimulating them to contest with themselves to climb up the incentive grade ladder independently and inspirationally.

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