PERFORMANCE INCENTIVES = HIGH PRODUCTIVITY

Sewing Operator Incentive Schemes and Technology Solutions

Garment manufacturers are continuously facing cost pressures due to slowdown in business in the major markets like the US and EU and increasing labour wages. It is becoming tougher to run the show smoothly as every garment exporter is facing challenges and is looking for solutions. One of the primary solutions is working on increasing labour productivity and there are a number of ways to meet this goal. In this article, we have discussed one of the ways that not only improve your labour productivity but also increase savings.

The solution is a fair and direct financial performance incentive scheme for workers. Direct financial schemes are very effective amongst other incentive schemes as it provides a lot of motivation and is highly effective in increasing productivity. It is a supplement to other management techniques, and we may regard it as one of the important tools since it attempts to link wages with performance.

Purpose of incentives
The main purpose of incentives is to motivate workers to give their best. Incentive scheme is set to improve performance of workers, by making them work more effectively with less wastage of time, at a greater pace, and with better application to the job. An incentive scheme for the workers brings down the making cost when engineering methods are implemented simultaneously. Currently, performance incentive scheme in a factory is optional, but in the near future an incentive scheme would become mandatory to run a factory profitably. Let us just an example of attendance bonus.

Few years ago bonus for attendance did not exist in garment export industry, however, now most of the companies are providing attendance bonus to their workers to reduce operator absenteeism. Similarly performance bonus for workers can break the line efficiency barrier of 40% mark and reduce garment making cost. I don’t need to mention that a fair incentive scheme benefits both the factory owner and workers. Here is a case to describe the impact and importance of performance incentive.

Case: Performance incentive given to operators based on line (group) efficiency
Assume that a factory is currently running with 35% average line efficiency. Target line efficiency to become eligible for incentive earning is 45%. When line efficiency reaches to 50% from 35% direct labor cost per garment reduces by 30%. See following illustration-1.

Cost saving per garment = (38.80 – 27.16) = Rs. 11.64 and Cost reduction = (11.64*100/38.80)=30%
Total saving per month from one line = (6,240 X 11.64) = Rs. 72,643.00
If the factory distributes 50% of the savings earned from extra production, each operator will earn Rs. 211.00 (Rs. 72,643.00*50%/90) per month just for hitting 50% line efficiency. This figure is quite lucrative to the operators who are earning say 7000 rupees per month with overtime. Operator incentive earning goes up as line efficiency increases. On the other side at this efficiency level factory can reduce OT hour expenses. Incentive amount can be planned at lower or higher than 50-50 that should attract operator to give efforts to produce more.

Benefits to Factory owners
• Direct saving in labor cost
• Saving in Overtime payment + Overheads in OT
• Line capacity will be increased
• Low operator absenteeism

Above calculations seem very interesting. Some of you may be already gone through these figures and assessed the benefits. So what do you need to have such kind of productivity improvement?

Requirements to run an Incentive Scheme effectively
• Correct measurement system for work content (operations SAM)
• Effective tool for tracking operators’ production and produced minutes
• Error proof and automated tools for operator efficiency calculation
• Automated incentive calculation tool

Every factory owner knows this very well that if they distribute one dollar as performance based incentive to their operators they can earn and save in return more than that. But still they find it difficult to move forward with implementing an incentive scheme for workers. Many are interested and think to start some kind of incentives to motivate their employees but still they fail to start. Why so?

Major reasons for not having Incentive Schemes
• Absence of automatic tool for tracking and recording production data and calculate individual operator efficiency accurately without human intervention.
Managers and owners are not sure if an individual incentive or a group incentive scheme would suit them to bring up operator motivation as well as labor productivity and debate goes on.

- There are a lot of parameters which must be considered to make the scheme error proof. If the scheme is not designed correctly it would be difficult to sustain an incentive scheme and that might backfire.
- Intricacy of incentive calculation. People find it very difficult to calculate incentive without an established tool. They fear, in case of a new incentive calculation is calculated on spreadsheet by employees there may be chance of data manipulation which will have severe impact.
- How incentive would be calculated if they want to add multiple parameters in designing incentive scheme? Like individual performance bonus plus section efficiency bonus plus attendance bonus. Total amount will be calculated based on the figures of all these three.
- People get confused with various types of incentive schemes and finally they remain undecided.

## Technology Solutions of the problems

### 1. Standard Time setting for a product:

Instead of guesswork factories can have one of the following technologies for setting time standards for sewing operations.
- **GSD**
- **Pro SMV by Methods Apparals**
- **SewEasy® Quick Garment Sewing Data by SewEasy Pvt. Ltd.**
- **G.PROIEES by G.Pro Technologies**

### 2. Technology for Data Tracking and Analysis:

To have accurate data for individual operators, RFID based shop floor production tracking solutions are very helpful. Leadtec and G.Pro are such example. Barcode system is one low cost solution compared to RFID for tracking. It tracks individual operator efficiency and line efficiency. Operators can work on multiple operations in a day; system takes care to calculate operator’s total efficiency combining all operation done by the operators.
- System has in-built bonus designed which can be used or can integrate own scheme.

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### Incentive Efficiency%

- Incentive can be calculated daily or weekly
- Multiple incentive scheme can be set at the same time – like incentive based on individual efficiency and line efficiency (group incentive)
- Incentive earning can be calculated based on standard efficiency or all hour efficiency.