

Performance-Driven Public Sector Rewards - A Resident Evil?

Manuelpillai R. Rajmohan¹ & Winai Wongsurawat¹

¹ School of Management, Asian Institute of Technology, Thailand

Correspondence: Manuaelpillai R. Rajmohan, School of Management, Asian Institute of Technology, Thailand.
E-mail: rajmohanmail1@gmail.com

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Abstract

Achieving administration changes and utilizing current change management methods demand striking a harmony between representative fulfillment and operational execution. In this scenario in an institution such as Sri Lanka Customs, it is discovered that a motivator called 'rewards' takes the center stage between operational execution and representative fulfillment. This contextual analysis dissects different components of this unique 150-year-old, 50/50, 'pay half the catch' rewards scheme that has not yet been made known to the outside modern world. The research methodology includes a case study of a major institution that contributes 51% of the government revenue in Sri Lanka. It carries out the investigation through a survey and interview. The data showed complex results, demonstrating a dichotomy between the Customs (public) officers and the stakeholders in international trade. Both the interior perspective of the employees and the exterior perspective of the partners are reviewed in this exploratory contextual investigation to formulate a basis for discussion of change management in the public sector. This may be the first time such in-depth analyses have been undertaken from inside the organization. More than 180 customs administrations in the world face a similar situation and dilemma, and it is believed that the findings and analysis in this live illustration may be immensely useful for rethinking or reformulating their change management strategies.

Keywords: change management, customs organization, incentives, performance, rewards

1. Introduction

Management is all about managing the resources of the organization concerned. Such resources or assets are mainly categorized into two general classifications called human recourses (HR) and assets of the organization. While the assets incorporate the investment and profits, the HR incorporates human resource development (HRD) and human resource management (HRM). Managing HR involves keeping employees loyal to the association and guiding them towards hierarchical objectives within the mission and vision of the organization. One such activity involves keeping the employees upbeat and in harmony by valuing their consistent commitment. Rewards and incentives play a noteworthy part in this endeavor (Geourjon & Laporte, 2005).

In valuing employees' performance and excellence, a straightforward handshake has never been sufficient even to an exceptionally dedicated and committed employee. Rewards and appreciation are continuously acknowledged by organizations as the main elements in motivating individual employees (Cacioppe, 1999). All such appreciation is expected to be in or converted into monetary terms, especially if the meritorious performance has brought financial gains to the organization. Rewards, incentive, bonus, gratuity, dividend, and allowances are some of the financial terms used instead of a simple promotion or appreciation by transfer to a better department or unit. The term 'reward' has remained popular because it shows appreciation in both public and private sector enterprises worldwide (Bockel & Noordegraaf, 2006).

1.1 To Boldly Go Beyond Target

Reward in an institution implies a money-related payment conceded in valuation for an action performed effectively by an employee that conveyed some credit or accomplishment to the association. Motivating force is likewise a money-related payment conceded to employees for their focus on work or a valuation for their additional exertion to accomplish a specific target or to go beyond the ordinary target.

While reward is intended to push an employee to take up an extraordinary job or challenge, incentive is generally a routine payment and an additional sum based on the salary or wages to encourage an employee to work harder within the available time. The goal of an incentive is to achieve the company's or organization's targets without

any hurdles. A reward is always a one-to-one payment or a reward payment for a single specific activity performed. While reward is a special payment where the quantum changes depend on the type of activity, incentive is only an additional payment where the quantum is a computable, constant amount.

Reward in any form has increasingly becoming an essential factor of a thriving organization in the current highly competitive business environment anywhere in the world. As it were, reward essentially implies support and valuation for the great exertion of an employee that is generally 'outside the box'. An employee's realization that in the event that he accomplishes something additional to enable his organization's prosperity he will somehow be rewarded is a motivation for his endeavor towards such additional exertion. Such assurance is either given through a declaration or deduced by the practice of the organization. A few organizations make it a yearly occasion to acknowledge such extra effort or added performance by offering rewards with various names.

1.2 Revenue Expectation Versus Reward Anticipation

In many respects, Sri Lanka Customs is no different from a private organization, although it is a pioneer government sector entity. The purpose of customs is recovery and collection to fill the government coffers as much as possible, especially in countries in the struggling developing world. Customs, as a revenue-based organization, is always required to find the means to increase its collection. Currently, Sri Lanka Customs collects the highest portion of government revenue, and recently, it has earned a great reputation for collecting nearly 51% of the government revenue, which amounts to nearly 850 billion Sri Lankan Rupees (approximately six billion US\$) (Note 1) and contributes to the country's trillion-rupee budget. This continuous achievement has been praised in all quarters, and customs officers' dedicated service is very much appreciated in the limping economy of Sri Lanka after the country's 30-year bloody civil disturbances (Ajam & Fourie, 2016).

Reward payment for the unprecedented activity of Sri Lanka Customs can be traced back to the time of British Customs and is found in the 185-year-old book 'Law of the Customs' authored by Sir J.D. Humes and printed in 1833. As indicated in this book, the reward scheme spelt out in the customs was accessible to every one of the customs organizations in the regions under British rule at that time. H.M. Customs started its operation in 1809 in Ceylon, as Sri Lanka was then known, as a fully-fledged office. Since then, 209 years have passed, yet the first reward system remains in place empowering and encouraging the customs officers to undertake extraordinary duties for detecting smuggling activities (Brinkerhoff & Brinkerhoff, 2015).

While the quantum of the reward payment to customs officers was drastically reduced in many parts of the world to a moderate payment such as 10%, such payment in Sri Lanka Customs is still at a staggering 50% (Note 2), that is, 'half of the catch'. This raises the eyebrows of many people locally and internationally, as it is a unique reward scheme not found (or at least never heard of) in the public sector in the modern 21st century world.

If one has to interpret the 'half the catch' phenomenon, it can be considered not a reward but a share of the profit in an unscheduled activity. In the case of Sri Lanka Customs, the State ultimately ends up with only 40%, since 10% of the other so-called 'half of the catch' is again transferred to a special management and compensation fund to benefit the Customs officers mainly in their capacity building. Looked at differently, one could interpret this as a partnership arrangement rather than an employee-employer contract.

1.3 Performance-Driven Payment of Rewards

In this case study, a 'performance-driven reward system' is referred to since the Sri Lankan Customs law does not insist upon pursuing offenders and prosecuting them. The law does not ascribe to Customs officers any obligation or duty to 'catch cases'. Therefore, it is our conclusion that the job of 'catching cases' emanates only from this 50/50 bounty offer through the provision of the customs, which indirectly states 'if you catch cases or in any way contribute to a Customs smuggling case, you will be paid through this reward scheme in a prior-agreed percentage', in the same way a bounty usually works.

The only difference would be that a bounty is generally specific to a particular case, while this reward scheme in general encourages or incites a Customs officer or a bounty hunter, in a sense, 'to boldly go where no normal officer has ever gone before'. (Note 3)

1.4 The Three-Fold Case Study

The purpose for this contextual investigation therefore would be three-fold:

- 1) To investigate whether a management strategy needs to be devised to free the management from the notion that reward is an indispensable factor for the forfeitures.
- 2) To investigate whether a management strategy needs to be devised for the reduction in the payment of reward shares without risking the employees' contribution and the quantum of possible forfeitures.

3) To investigate whether the compliance management policies and procedures need to change to limit the possible defrauding of revenue and thereby reduce the cases as well as forfeitures.

2. Literature Review

Reward management is based on a well known philosophy that recognizes that if HRM is about investing in human knowledge from which a considerable return is expected, then it is advisable to reward employees differentially depending on their contribution (i.e., based on the return on the investment they generate) (Armstrong, 2008).

Financial rewards need to be considered from three points of view: (1) the effectiveness of money as a motivator, (2) the reasons why employees are satisfied or dissatisfied with their rewards and (3) the criteria that need to be used when building up a financial reward system (Armstrong & Murlis, 2008).

The predecessor of the present customs reward scheme is found to be operative in England and its colonies, which included Australia, New Zealand, India and Sri Lanka (Hume, 1833) and which are presently members of the Common wealth. The scheme shows the recognition of individual and team performance in completing special tasks that have been amply rewarded in the tax and enforcement organization since the early 19th century. The reward scheme is traced without interruption up to the present time (Note 4). While many countries have considerably reduced the quantum of rewards, as evident from their respective customs laws drafted especially after the 1960s, surprisingly, in Sri Lanka Customs, the reward scheme has been further strengthened and generalized (Note 5).

2.1 Impact of Public Sector on Reward and Performance

Rewarding public sector employees is often questioned by many people. The HRM International Digest (2008) notes that public sector employees need motivation similar to that existing in the private sector, as evident in the Greek public sector. Many researchers have identified the key differences between the incentive schemes of government agencies and private firms (Burgess & Metcalfe, 1999).

The success and growth of an organization depend on how efficiently and effectively its employee perform, and culture is a means through which employees learn and communicate what is acceptable or unacceptable in an organization in the light of its values and norms (Maithel, Chaubey, & Gupta, 2012). A best incentive system for public sector depends on the type of institution. For example, if multitasking is a major issue, task assignment could be an alternative incentive device (Burgess & Ratto, 2003). Milne (2007) analyses the previous literatures and lists the purposes of rewards, noting that (i) rewards can be used effectively to enhance interest and performance and that (ii) tangible rewards enhance motivation when exceeding specified performance standards. Burgess and Metcalfe (1999) note that workers respond in sophisticated ways to incentive schemes.

A Chinese study (Newman & Sheikh, 2012) on rewards and employee commitment observes that pay satisfaction, independence and satisfaction are all positively connected to the affective commitment of Chinese employees. It also reveals that employees with various cultural value orientations may respond differently to receiving organizational rewards.

In the US scenario, Perry and Wise (1990) concludes that while a crisis in the public sector is widely recognized, learning the motives of employees and the way to stimulate public sector employee motivation is still at a preliminary step. However, it must be noted that this assessment was made two decades ago.

Organizations that use rewards as a strategic resource tool are capable of realizing the tremendous potential of the workers when they function together as a team. Therefore, reward and appreciation systems are inalienable parts of the change when most organizations envisage empowering employees and entering processes as teams instead of individuals (Figure 1) (Cacioppe, 1999).

Cacioppe (1999) further evaluated the reward system in the following steps:

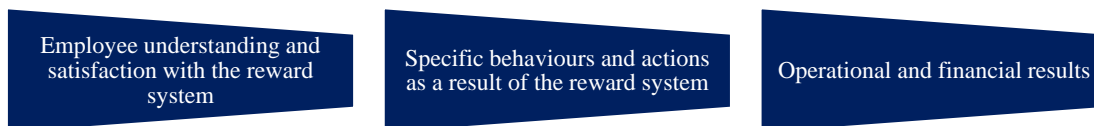


Figure 1. Illustration of reward system by Cacioppe, 1999.
Source developed by author, adapting Cacioppe (1999).

Datta's (2012) research introduces a portfolio management scheme for employee reward distribution that is useful only in a complicated scenario where various factors need to be analyzed. Kmiotek and Lewicka (2008)

find that employees strive for the opportunity of independent performance of their tasks to reassert their values and usefulness.

3. Sri Lanka Customs Organization and Its Incentive Schemes

Sri Lanka, a struggling developing country, is limping out of a 30 year-long civil war. Sri Lanka Customs is an organization that is more than 200 years old and plays the major role in the economy of the country, being responsible for collecting more than 50% of the government revenue through the imports and exports tax regime. In other words, Sri Lanka is a tax-dependent government. In addition to collecting tax revenue, the customs is responsible for enforcing more than 140 local laws involving the protection of the economy, society, etc. These laws range from flora and fauna protection to intellectual property rights protection. For the purpose of this analysis, we consider that enforcement includes the collection of taxes by necessary laws and protective duties. However, it must be noted that in the present day, the growing international trade demands a better trade facilitation (Note 6), reducing the importance of the enforcement.

Incentives in Sri Lanka Customs have many forms, such as monthly incentive, general overtime, office overtime, reward pool, and outside examination fees. Here is a brief account of these incentives.

Monthly Incentive: A special monthly incentive is paid to all employees from the fund collected from each import declaration for computer operations. The amount equals almost 20% of the basic salary of the employee. This incentive scheme is very unique and not available for employees in other government departments.

Office Overtime: Normal overtime is paid to staff as in any other organization when a request has been made for service outside normal working hours. There is a rate of overtime that must be paid by the person or the company requesting the overtime. The number of officers and the type of staff allocated are specified according to the work requested. Normally, employees who work late hours in the warehouses inside the port, at port gates through which cargo containers are removed and at examination stations request overtime work of this sort. Workers at the airport also come under this category. This overtime is not categorized as an incentive per se.

However, in some offices where the normal work usually accumulates or where the workload cannot be completed unless late hours are worked, office overtime is paid. This can be categorized as an incentive since in most of these places, the officers do not actually stay to work after office hours but take the payment as an incentive to quickly finish the allocated work within the normal working hours. However, in most other government departments, this incentive is limited to only 40 hours a month.

Reward pool is also an incentive based on the reward fund. In this category of incentive, officers and other employees who are not directly connected to any cases are periodically paid a small sum. This is achieved by reserving a smaller portion of the reward share in a pool fund for the divisional employees; when the smaller amounts from many smaller cases accumulate to become a substantial amount, then it is redistributed among the staff of that division.

3.1 Reward Systems in Sri Lanka Customs

A customs officer is a fully-fledged government servant in Sri Lanka. He enjoys all the perks like any other government employee, although there is often the complaint that the perks are not enough compared to those of private sector employees. However, a customs officer is required to perform several duties, mostly during the day and sometimes at night. Since the duties involve sensitive jobs such as those concerning large financial recoveries, one can allege that there are tendencies towards corruption.

The reward system operative in the Sri Lanka Customs Department is found to be a unique system since it splits each catch by 50/50; 50% to the government and the remaining 50% to the officers and the informants. Though continuously criticized by several quarters including the stakeholders and courts (Note 7), the system is still found to be very effective even after its 180-year existence according to the written records.

3.2 The Legal Background for the Reward

The scheme mentioned in the s.153 (2)(b) was embodied in the Sri Lanka Customs Departmental Orders DOPL 118, 118 A-M, 187, 192, 192A and DOPL 221, 221A-C. The presently applicable DOPL 118 was first made effective on 28 January 1988 and rescinded the former Departmental Order No. 373 of 01.04.1969. Staff grade officers are not entitled to any reward under this scheme. However, there is another scheme under a special departmental order for the initiating officers who are in the staff grade (Note 8).

According to this rewards scheme, the monies allocated for rewards are pumped in to a 'rewards fund' that is managed by the head of the department, the Director General of Customs. For each case, a distribution list is made to calculate the 'share' for each employee involved in the case, such as in detection, investigation,

inventorying, seizures and prosecution. An informant, if there is one, would be paid 30% to 60% out of the allocated 50%, depending on the strength and details of the information (Clarke & Margetts, 2014).

3.3 Impact of Reward, Reform and Performance in Public Sector

More rewards indicate that there are more forfeitures and seizures. Does the increased number of seizures show that the customs office is efficient, or does it show there are many possible holes in the system allowing more smuggling attempts? In effect, does this reveal a serious flaw in the customs management processes, where a fraudster comfortably goes through a series of processes but is caught somewhere closer to the end? The irony seems to be that those who knowingly or by negligence allow the fraudster to sneak in do not usually get queried or punished, but the officer who catches him, on the other hand, is paid a hefty reward equivalent to half of the value of all seized items in addition to the penalty amount. Due to space constraints, let us avoid discussing the elements of corruption involved on the long trail of the customs operations (Islam, 2018).

One might wonder whether this amounts to evidence that the usual enforcer role played by the customs management is seriously compromised by this 'permit and later catch and get rewarded' system. Furthermore, if without anyone's negligence or fault a consignment moves to the last lap but smuggling is detected in the routine examination, why is a hefty reward paid to officers for something found in their routine day-to-day job? Does the management of customs consider the reward system a necessary evil, where a paid government servant is allowed to take away such a large additional sum out of his normal duties along with the so-called extra effort?

In every annual plan, Sri Lanka Customs insists upon an increase in detections. Why does the management insist on the number of seizures as a criterion to measure the performance of the officers to grant increments and incentives additional to the rewards paid on successful seizures? For example, why does the management give the customs preventive office a target performance of 1000 cases of detection per year? Can a policeman be given a target of successfully catching 500 theft cases, 200 rape cases, etc. per year? What would that imply? Should the invitation to perform such crimes (and later definitely be caught) be passed to the general public for the maintenance of the rewards system?

On the other hand, does an excellent preventive measure mean zero cases of seizures, or would zero cases be interpreted to mean that the officers are sleeping at their desks without motivation? Naturally, there is a quandary.

There is another dark side in this issue. In recent customs history, two officers (Note 9), who were strict investigating officers, were shot dead in cold blood. Many efficient investigators who could not defend themselves against the organized crime group fled the country with their families, abandoning the job that put them into jeopardy. Many were silenced due to their fear for their families' future. Such officers now play a moderate role as silent and safe survivors.

4. Customs Management with an Enforcer and a Facilitator Role

4.1 The Various Roles (Note 10) of Customs Management

In a recent customs reforms exercise, four main roles played by Sri Lanka Customs were identified, which are more or less common for many other customs administrations around the world. These are collector, enforcer, protector, and facilitator. In this discussion, we will briefly examine the roles of enforcer and facilitator to more closely examine the issue.

4.1.1 Enforcer

Being an enforcer, customs strictly enforces the provisions of the customs laws, which consist of the customs ordinance and related laws and regulations, by employing proper risk management systems, X-ray scanning machines and surprise checks to prevent smuggling activities, revenue leakages and the importation and exportation of prohibited and restricted goods. Customs officers conduct formal inquiries and investigate and punish the offenders and prosecute them in a court of law whenever necessary. They defend the State against appeals made against the forfeitures and punishments or decisions made by the customs department in the superior courts.

4.1.2 Enforcer as a Protector

The enforcer as a protector protects Sri Lanka from threats to the economy, society and environment, including organized crime, illicit drugs, smuggling of prohibited goods, infringements of intellectual property rights and exploitation of biodiversity and archaeological items. The protector role is difficult compared to the other roles since the protector must be vigilant at all times and in matters not conventionally looked into by customs.

4.1.3 Enforcer as a Collector

The enforcer as a collector, being responsible for collecting more than 50% of the government revenue, effectively collects border taxes such as customs duty, VAT, excise duty and Cess and conveys the collection to the government to effectively execute the budgeted development programs. Customs prevents revenue leakages by strictly adhering to its classification of goods and initiating actions against the misuse of the World Trade Organization (WTO) Valuation agreement by intelligent examination. It detects possible revenue leakages, smuggling and misdescription of imported goods at the early stage.

4.1.4 Facilitator

Being a facilitator, customs recognizes that greater facilitation is currently demanded for the movement of goods across international borders. As a member of the WTO and WCO, Sri Lanka has to adhere to the standards and measures suggested by the WTO (Note 11) and WCO (Note 12). While managing the risk involved in the operation, there is a need to facilitate the in and out movement of goods with minimum interventions. Facilitations involve minimized document movement and control, faster processing and quick examination and delivery. Facilitation is best achieved through the intelligent employment of a risk management system wherever there are heavy workloads and bottlenecks. It also demands transparency, avoidance of discrimination, faster disposal of appeals and simpler dispute resolution methods. The facilitator gains popularity by helping traders to move goods with faster and easier methods. A good facilitator immensely helps international trade to grow.

4.1.5 Enforcer Vs. Facilitator

The balancing act between the enforcer role and the facilitator role is called risk management. Enforcement pushes a state officer to stop and check cargo, while facilitation proposes minimum intervention with a green channel treatment to its extreme. This in-between space could be technically called 'risks' where each customs administration based on its requirements and law is expected to push harder towards the side of trade facilitation.

In a recent customs reforms exercise, four main roles played by Sri Lanka Customs were identified, which are more or less common for many other customs administrations around the world. These are the roles of collector, enforcer, protector, and facilitator. In this discussion, we will briefly examine the roles of enforcer and facilitator to more closely consider the issue.

4.2 Management View on Rewards to Employees

Throughout history, top management has viewed the reward as an over and unethical payment that is unreasonable to the other employees who cannot have a portion of the cake.

Lobbying to share rewards with other unconnected employees became effective and was mentioned as a result in the 2013 budget speech (Note 13) in the Sri Lankan Parliament. To give effect to the announcement, in April 2013, the government had put forward an urgent bill (Note 14) to the Parliament enabling all the Customs employees to share a portion of the reward in each case. This was vehemently protested by the customs trade unions, and they threatened strike action against this unethical move of the government. As a result, the government withdrew that portion from the bill and passed the rest of the bill as the Customs (Amendment) Act (Note 15).

4.3 Do More Seizures Imply Flaws in the Customs Procedures?

Questions have also been raised as to why there are more rewards or, in other words, why there are more cases of forfeitures and penalties. That is, it is queried whether these are the result of flaws in the Customs procedures. The research shows that this concern is partly true. More loopholes means easy escape for the smuggler. Though the Customs procedures have inbuilt safety features, the clearance operations especially in imports become more complicated daily due to new laws and new taxes. These newly added matters are not supervised through computers but merely depend on the experience of the officers through whom such goods pass. In some cases, ignorance or negligence may lead to failure in Customs officers' duties, while in many cases, such failure could also be interpreted as due to corrupt practices where the officers are 'knowingly concerned' (Note 16) in helping the offenders. However, it is also found in many cases that the officers are 'not sure' of the exact procedure or 'not sure' about cases of suspected violations. In these cases, officers must allow the goods to pass through unless they have *prima facie* evidence with regard to the violation that could lead to a forfeiture of the goods. At this point, a most daring, ever vigilant, and knowledgeable officer at the end of the trail could intervene, detain the goods and prove that an illegal activity has taken place (Kinman, 2019).

Researchers have also found in this case that for nearly 25 years, the procedure manuals have not been updated and published by the Customs department (Note 17), and therefore, the officers are dependent upon the

instructions released in the form of departmental orders and must remember and relate them to the current situation.

These departmental orders have grown to a massive number, and an account of them notes over 2500 orders on various subjects since 1933 (Rajmohan, 2007) (Note 18).

4.4 *Would More Seizures Imply Increased Corrupt Practices?*

Many people answered ‘yes’ to this question. If corrupted elements did not try their best to squeeze through the loopholes, there would be no possibility of defrauding revenue in customs since the procedures in general have safety features including double checking. However, there is also an undeniable element of negligence and lack of suspicion of certain shipments. This could also occur due to the retirement of experienced staff (Note 19). There is also a question whether some officers knowingly allow goods to move beyond a certain point so that a case can be established later when the issue is caught beyond the point of no return.

5. **Survey and Analysis**

To understand the perspective of the stakeholders in this issue, a brief survey was conducted using questions mentioned below. The interviewees were selected and classified as Customs officers and trade representatives. Further interviews were held with selected senior staff of the Customs department to find answers to the questions raised during the research, such that a comprehensive answer is formulated at the end of this research.

5.1 *Survey Questions*

The purpose of this case study is a three-fold analysis, as mentioned in the introduction. To embark on this three-fold analysis, the following questions were asked of the interviewees from Sri Lanka Customs and from the trade representatives.

Do you think? (Expected brief answer: 1. Definitely 2. Maybe 3. I am not sure)

- 1) Do you think the present reward system should continue?
- 2) Do you think that corruption would increase if the reward system were abandoned?
- 3) Do you think that there is a connection between reward and harassment?
- 4) Do you think that abandoning the reward system would have a negative impact on forfeitures?

5.2 *Survey Results*

The survey results (Tables 1, 2 and Figures 2, 3) showed that the two parties, namely, the Customs officers and trade representatives, have nearly opposing views on this issue. While there was a 91.5% response rate from the 200 Customs officers of various categories, a reasonable 68% response rate was received from 100 selected trade representatives who were mostly contacted through e-mails. It is presumed that this subject was not of direct interest to the trade representatives.

Table 1. Survey results of the study - quantitative representation, developed by the author

Sector A: Customs Officers				
	Do you think the present reward system should continue?	Do you think that corruption would increase if the reward system were abandoned?	Do you think that there is a connection between reward and harassment?	Do you think that abandoning the reward system would have a negative impact on forfeitures?
Definitely	150	10	19	146
Maybe	25	151	155	30
I am not sure	8	22	9	7
Total answered	183 (91.5%)			
Total enquired	200			
Sector B: Trade Representatives				
Definitely	8	7	38	15
Maybe	40	16	20	42
I am not sure	20	45	10	11
Total answered	68 (68%)			
Total enquired	100			

Table 2. Survey Results of the Study - Percentage Representation, Developed by the Author

Sector A - Customs Officers			
Do you think the	Do you think that	Do you think that	Do you think that abandoning

	present reward system should continue?	corruption would increase if the reward system were abandoned?	there is a connection between reward and harassment?	the reward system would have a negative impact on forfeitures?
Definitely (%)	81.97	5.46	10.38	79.78
Maybe (%)	13.66	82.51	84.70	16.39
I am not sure (%)	4.37	12.02	4.92	3.83
Sector B - Trade Representatives				
Definitely (%)	11.76	10.29	55.88	22.06
Maybe (%)	58.82	23.53	29.41	61.76
I am not sure (%)	29.41	66.18	14.71	16.18

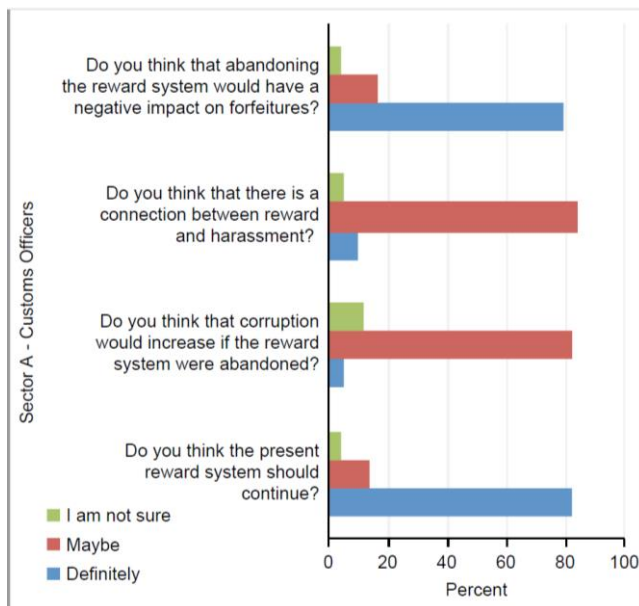


Figure 2. Survey analysis sector A - customs officers (developed by the author)

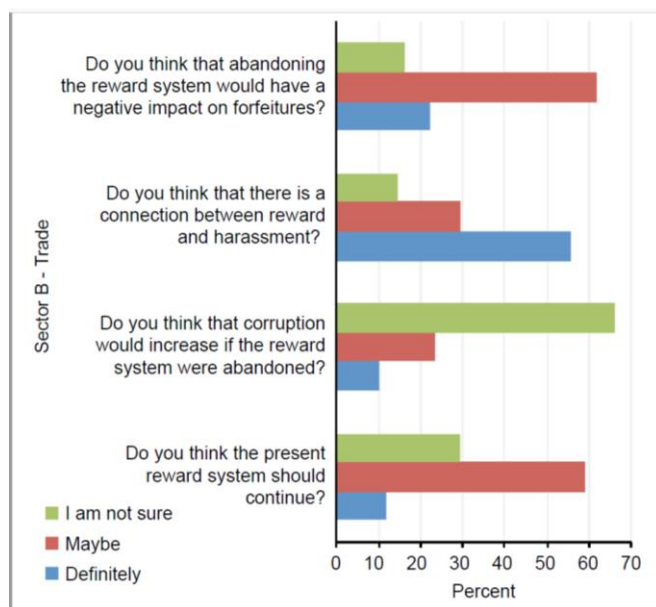


Figure 3. Survey analysis sector B - trade representatives (developed by the author)

To Q1, 81.97% of the Customs officers answered positively, and it may be inferred that as they are direct beneficiaries, they would naturally prefer the reward system to continue. Among the trade representatives, 58.82% answered negatively, while 11.76% responded positively that the reward system should continue.

To **Q2**, 82.51% of the customs officers responded that corruption may increase if the reward system is scrapped, while 10.29% of the trade representatives responded that corruption would definitely increase, 23.53% to 33.82% agreed, and 66.18% were not sure how to answer; this is unfortunate.

To **Q3**, while 10.38% of the Customs officers boldly agreed that there is a connection between reward and harassment, 84.70% did not agree but answered 'maybe'. This question received a better response from the trade representatives, with 55.88% boldly stating that reward and harassment are definitely connected, while 29.41% partly agreed, bringing the total of those with a positive answer to 85.29%. This could mean that the trade representatives either speak from their own experience or have knowledge of others' negative experiences.

To **Q4**, 16.39% of the Customs officers partly agreed and 79.78% fully agreed; i.e., 96.17% stated that forfeitures would suffer if the reward system were abandoned. Though this answer could go in hand-in-hand with the answer to Q1, looking at this answer independently, one would agree that the officers feel that only the reward maintains the existence of cases and forfeitures.

The answers support our argument that it is in fact a bounty hunter reward system; that is, forfeiture is dependent on or originates from the attraction of reward. In other words, if such a reward system did not exist, then Customs officers would not be inclined to 'go all out' to catch or prosecute cases resulting in forfeitures. On the other hand, 22.06% of the interviewed trade representatives fully agreed, along with 61.76% who partly agreed that forfeiture is dependent on Customs reward, inferring that they too understand the impact of the reward on Customs forfeitures. This does not show that they support the reward, and on the contrary, trade representatives may think that the forfeitures are higher because of the reward.

The aim of this research was not to seek a concrete answer to these sensitive questions involved with reward payment but to understand the views of the society we live in or at least to draw attention to the in-depth issues associated with the reward system. In that sense, it can be taken as a successful exercise. However, to learn more about this subject, more analysis may be necessary. Another lesson is learned in that if a concrete answer is needed, then a four-tier answer should be used, and the vague answer 'maybe' should be replaced.

6. Reforms and Challenges

6.1 Can Automation Provide an Answer?

Major suggestions made in recent times could be summarized as follows:

- 1) To reduce corruption, the man-to-man connection must be severed. Only a full automation such as that existing in many developed countries would be the answer.
- 2) To reduce 'violations' that lead to registering cases, the changes in procedures and related laws with their impact must be publicized and readily available to the trade representatives, probably through an updated web information system.
- 3) To avoid 'violations' a computer-assisted warning system with inbuilt intelligence may be devised.
- 4) Full implementation of the International Trade Facilitation Agreement sponsored by the WTO may be beneficial.

Basically, all the suggestions lead to full automation, toward which Sri Lanka Customs has struggled for several years. The Customs administrations in many developed countries moved to that stage many years ago. Full automation could eventually take over even the possible detection or timely warning process, where the management's dependency on the officers' intelligence could be shifted to the timely assistance of the computer system itself. However, it is unfortunate that the management currently maintains the system of offering a surprising amount as a reward, which may be called a management evil.

However, Sri Lanka Customs is gearing for the implementation of a paperless system with the Single Window concept connecting allied public and private organizations. It is hoped that one day, a paperless system would lead to a people-less system (Note 20) for processing documents in Customs.

6.2 Customs Reforms

Reward is only a cherry on the top of the cake to be considered for customs modernization and reform. Nevertheless, it is a very important factor affecting the root, namely, employee satisfaction and operational performance, which are indispensable factors in an institution with the noble duty of collecting 50% of the state revenue of a struggling developing country in the current highly competitive world (Wulf & Sokol, 2004). Analyzing the reward factor alone, it can be concluded that many types of reform are needed, namely, management reforms, legal reforms and procedural reforms (Dann, 1996).

6.3 Management Reforms

In short, management reforms could address the possibility of reducing the percentage of rewards payable to the employees in the range of 20% - 30%, where as a revenue collector, the State would get a larger share of the revenue. On the other hand, management could consider other nonfinancial avenues to satisfy an employee who provides such an extra contribution. This reward system cannot be done away with overnight, but it can be phased out over time. However, it must be borne in mind that reward would in any case remain an essential element needed for better enforcement, and therefore, the only option would be to increase the portion of revenue that could accrue to the state. The reward system cannot be abandoned, as our survey results indicate that there would be a tremendous uproar and the system's abandonment would seriously affect employee satisfaction (Corte-Real, 2008).

6.4 Legal Reforms

Long-needed legal reforms should focus on and treat smuggling and revenue leaks or frauds as serious separate functions that damage the Customs system as a whole. The reforms should design an inescapable web to punish the offenders, abettors and those who assist them. Blacklisting and more severe punishments for repeat offenders identifying the corroborative and insider dealings are some of the necessary factors to consider. Serious study could also be made of the legal systems of other administrations in search of the best practices of other administrations (Keen, 2003).

Legal reforms aiming at a completely rewritten customs law were proposed in the government budget proposals of 2015 and 2016 and presented in the Parliament. Recently, a system of rewriting the law was put forward with the acronym '**RADAR**' (Note 21), '*Retentions, Amendments, Deletions, Additions and Rewriting*', and a complete draft of law to the Ministry of Finance was approved by the Director of the Board of Sri Lanka Customs. Interestingly, *inter alia*, the draft also suggested reducing the reward payment from 50% to 30%.

6.5 Procedural Reforms

Procedural reforms are essential even at this juncture of the imminent implementation of a new WTO international agreement on trade facilitation. The problems developing countries will face when they lose influence must be considered in view of the opposition between the enforcer and facilitator roles, where effective risk management techniques can be built into the system.

The purpose of this case study was to expose to the management world the success and the concerns, queries and the criticisms of a 150-year-old reward system. The purpose was also to show the reluctance of the management to make changes to the system, although many direct and indirect attempts have been made recently.

6.6 Employees' Resistance Towards Reforms: The Trade Union Factor

The trade unions representing the officers' grade are very concerned about any discussions related to the rewards since the officers' grade lifeline is said to be the rewards scheme. The government at the ministry level has always worried about the higher percentage allocated to the present reward scheme, while the government share has been reduced to a mere 30%.

Although the recoveries from penalty / forfeiture are not a targeted amount annually, the ministry's argument is that in any recovery, a minimum of 50% should be sent to the government coffers. It is also the view of the government auditors, mainly the Auditor General's department, that a 50% minimum should be mandatory for any recovery of the government. The trade unions often indirectly threaten to go on strike if any attempt is taken by the government to reduce the rewards Customs officers enjoy. In 2016 and 2017, the Customs trade unions were very concerned, fearing that any change would sabotage the rewards they presently enjoy, and continuously voiced protest against the new Customs Act drafted by the government based on the budget proposals (2015-2016) approved by the Parliament to replace the 150-year-old Customs Ordinance.

7. Conclusions

7.1 Theoretical Contribution of the Study

The interrelations of the four main elements involved are summarized in the simple diagram above (Figure 4). Reward management studies thus far have not observed a similar phenomenon in a small country that is successful in the public sector enforcement of a tax-related organization. Management studies on incentives and rewards based on the existing literature, we believe, have never observed a successful example such as that in this case study. It is presumed that researchers could re-evaluate their findings using this case study, although this example is limited to a low-level economy (Magd & Curry, 2003).

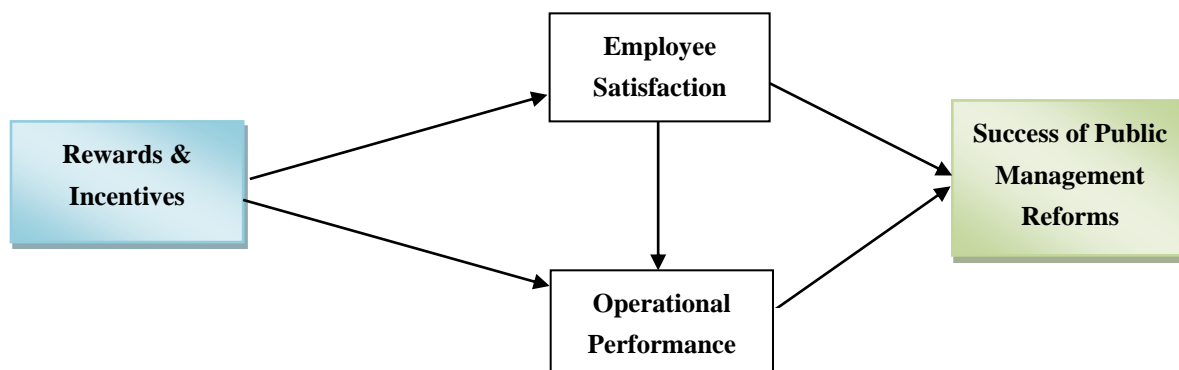


Figure 4. Interrelations between rewards and reforms
Source developed by the author

However, it should be reiterated that this study concerns a one-to-one performance reward and should not be confused with not a routine incentive.

Moreover, could this public sector example be useful for the corporate world? These questions can be answered positively in the sense that the current private sector works in a competitive world. A reasonable tangible reward based on a percentage of the quantum of the ultimate benefit resulting from an innovative action can encourage employee effort, as it does in the organization selected for this case study. It remains to be seen whether these findings could help an organization reformulate its theories related to rewards and incentives and lead to the success of management reforms (Fugate, Kinicki, & Prussia, 2008).

7.2 Practical Contribution of the Study

The announcement of a bounty need not be specific to the case but can also work in general on a percentage basis. In that sense, in any organization, a bounty can be applied provided that it is properly controlled without creating an inner monster or a resident evil to destroy the interest of employees who do not seek such a bounty. It could be limited to a competitive situation such as software development or the development of strategies to win a tender.

At first glance, such a 50/50 reward scheme may appear to be an unreasonable system that could only exist in a struggling developing country. However, on the other hand, new types of smuggling activities have begun to threaten even the developed world, and it is a distant possibility that even the major developed country administrations may consider this bounty hunter reward method to try to curb the new menace they are faced with.

In any case, any reform including automation and modernization needs to be carefully pushed like a 'needle through a banana', while the employees are ready to sabotage the effort out of fear that such reforms may destroy the reward system they consider to be their underlying lifeline. As it is presently perceived by many, the reward system is a plague in Sri Lanka Customs where ordinary employees tend to sleep well unless they encounter an opportunity to detect a case even accidentally.

Therefore, it is generally felt that some form of serious discussion and reform or application of change management strategies is needed in this very important public sector entity, like a serious medical operation is forced to cure a long-existing wound before the entire system becomes extinct. Until such reforms are fully in place, we could safely conclude that in a developing country, where a 'stick and a carrot' system is essential to motivate employees, this bounty hunter reward system will stay for many years to come, and the management has no choice but to learn how to 'sleep with this resident evil and live happily ever after'.

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Notes

- Note 1. The target was raised in 2017 to SLR. 850 billion, according to government sources.
- Note 2. In the early customs law (from 1833 to 1988), it was referred to as 'one moiety'.
- Note 3. The popular phrase about the mission of the Starship ‘USS Enterprise’ from Gene Roddenberry's Star Trek (US Television series of the 1970s) and its motion picture re-makes in 2013.
- Note 4. Sri Lanka Customs Departmental Order No.DOPL 118.
- Note 5. The scheme was the subject of a Supreme Court case filed in 1996, and the Supreme Court recognized the scheme, although at that time the Finance Ministry sanction was not received.
- Note 6. Reference to be made to the new WTO sponsored International Agreement on Trade Facilitation (TFA), which came into effect in February 2017.
- Note 7. Recently commented on very harshly by the Hon. Chief Justice in a Customs case in the Supreme Court of Sri Lanka.
- Note 8. Under this scheme, a limited amount of reward is paid not as routine but in exceptional cases to a maximum amount of SLR 200,000 (US\$ 1500).
- Note 9. Mr.W.D. Amarapala, Assistant Collector of Sri Lanka Customs and Mr. SujithPerera,a decorated efficient Preventive Officer of Sri Lanka Customs.
- Note 10. These roles were originally identified during “Strategic Management for Sri Lanka Customs”, a five-day residential program in 2008 with the participation of almost all the senior Customs staff, including the author. The program was coordinated by Professor David Widdowson, Chief Executive officer of Centre for Customs Excise, University of Canberra under the Fiscal Management Reform Programme (FMRP) of the Finance Ministry.
- Note 11. World Trade Organization (WTO) based in Geneva, Switzerland.
- Note 12. World Customs Organization (WCO) based in Brussels, Belgium.
- Note 13. November 08, 2012 by His Excellency the President.
- Note 14. Customs (Amendment) Bill 2013.
- Note 15. Customs Act No. 9 of 2013.
- Note 16. A serious offence under sections 129 - 131 of the Customs Ordinance (Chapter 235).
- Note 17. The last attempt was in 1996, where only a small portion (3 books) was published.
- Note 18. A detailed list of these departmental orders over 25 years and arranged by subject is found in this publication.
- Note 19. Customs union records point out a massive outflow due to retirement during the period of 2010-2018.
- Note 20. Proposed by the newly inducted Director General of Customs, Ms. P.S.M.Charles.
- Note 21. Prepared by the Law Amendment committee and presented to the Director General of Customs.

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