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Hourly tech pay plans - automobile mechanics

[Ward's Dealer Business](#), [April, 1996](#) by [Ed Kovalchick](#)

They may not be the best solution for quality service work.

I have had the fortunate experience, of consulting and training service personnel in over a thousand dealerships and independent automotive mechanical and body shops, since conducting my first training session shop in 1972. During this time, I have experienced just about every type of technician compensation plan imaginable in both non-union and union environments, in small towns and in large cities, in two-tech shops and in 60-tech shops.

In making a perusal of tech compensation history and from my own experience, I found these four plans primarily utilized:

1. Clock Hour. Probably the most common plan before WWII, and it essentially was a direct descendent of the typical bicycle shop and hardware hourly pay plans, which is where dealerships often began. The first auto "mechanics" were required to be multi-talented, and able to perform mechanical, body and upholstery repair, all in the same stall! Although vehicles were not as sophisticated in those years, their repair required the unusual talents of items like "pouring rod and main bearings," crafting leather straps, machining parts on a lathe, and rebuilding, rather than replacing just about every component on the vehicle. I have worked with some of these skilled craftsmen, and I was very impressed with both their abilities and the quality approach they practiced. However, shop labor rates were extremely low, and so were the mechanic wages. Certainly, shop managers expected performance, and those that did not perform quickly found a home elsewhere. I am told that most mechanics felt very fortunate to have a job at all, particularly one they enjoyed, and consequently they performed well to protect their position. Some union stores still use this plan; however, most have added some type of performance compensation out of necessity.

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2. 50/50 split. This is an even percentage split of the dollars generated between the tech and the shop. I found this to be a popular plan used after WWII, and it remained so until it began to fade in the 1960s. Commission plans developed from both management and labor. Management wanted more performance, and labor wanted more money. After the war, thousands of ex-soldiers attended the many auto repair tech schools made available with government assistance. It was the beginning of the era of fast cars, and every kid wanted one. Unfortunately, of the thousands who graduated from tech schools in that period, many were not craftsmen, nor did they possess the attitude of quality of the prior generation. So many vehicles hit the road that parts became plentiful, including aftermarket parts, and long drawn-out repairs became less accepted as society moved toward a faster pace of life. Management soon found that parts replacement, rather than rebuilding, was both quicker, more profitable, and yielded fewer quality problems. Besides, management's bottom line for mechanics was: work hard and get paid; don't work and don't get paid... it's simple.

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3. 55/45, 60/40 splits. As the number of dealerships dropped in number, while sales kept rising, shops grew aggressively along with the resulting overhead increases. In the late '50s, until flat rate became the prevalent pay type in the '70s, the split moved gradually in favor of the company. Management also faced having to provide both government legislated and market benefits, such as health insurance for mechanics, and the costs kept rising. Labor rates remained very low during this period.

4. Flat Rate Hour. By the middle 1970s, this was the most common compensation plan utilized. It doesn't take much calculating to realize that flat rate is nothing more than a different way of measuring the split. As you might guess, mechanics generally didn't embrace the flat rate hour system, but it ultimately became an excellent way to compensate different skilled technicians by various rates. It's my understanding that General Motors invested significantly in the early 1960s to study various mechanic compensation possibilities, and hence the "shop track" compensation theory was born. Some will remember it well. Flat rate is currently the most common "technician" compensation method in use in the 1990s, and it is administered in most individual, group and team system plans.

There are, of course many variations on the above plans, such as hourly plus bonus and flat rate with a 75 percent guarantee. But, just about every one is a variation of these four.

So why not go back to the hourly rate pay plan for technicians again? Quality should increase because the tech won't feel pressured to hurry and not complete the job right, and isn't fixing it right the first time the

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profession because they would feel secure with a known weekly income.

Sounds good, but is there a downside to the straight hourly rate? Having personally experienced numerous transitions from hourly rate to flat rate and visa versa, I will tell you this emphatically: the quality of repair eventually goes down using the hourly rate with no incentives, particularly when moving from straight flat rate to hourly.

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