



## Evaluate & Improve Technician Productivity

The *Technician Productivity Tracking* form on the next page enables you to keep track each day of the amount of time billed to the customer and the actual amount of time it takes the technician to complete the work on each job.

Even when you are paying technicians a flat rate, it is important to track how long it takes each technician to complete the service or repairs. Remember, *you are in the time-selling business*. Even though you may only pay a technician for 2.7 hours, if it takes the technician 4.0 hours to complete the work, you have lost 1.3 hours that could have been billed to another customer.

If you are paying your technicians an hourly or salaried wage, you will have not only lost 1.3 hours of billable time, but you will also have incurred a higher labor cost on that job.

Fill out a separate form for each technician.

During the day, record the:

- Date.
- Work Order # (to refer to later if there are questions about why the job took a certain amount of time).
- The Type of Job performed.
- The (labor) Hours Billed to the Customer.
- The Actual Hours to Repair by the technician.

Date	W.O. #	Type Job	Hrs Billed to Cust.	Actual Hrs To Repair	Productivity Percentage
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Calculate the technician's *Productivity Percentage* by dividing the *Hours Billed to Customer* by the *Actual Hours to Repair*.

EXAMPLE:  $2.7 \text{ Hours Billed to Customer} \div 4.0 \text{ Actual Hours to Repair} = 68\% \text{ Productivity Percentage}$ .

At the end of each day, total up the number of *Hours Billed to Customer* and the *Actual Hours to Repair* for the technician. Then divide the *Total Hours Billed to Customer* by the *Total Actual Hours to Repair* to get the technician's *Productivity Rate* for the day.

EXAMPLE:  $4.75 \text{ Total Hours Billed to Customer} \div 7.5 \text{ Total Actual Hours to Repair} = 63\% \text{ Productivity Rate for the day}$ .

At the end of each week, repeat the process to get the *Productivity Rate* for the week.

EXAMPLE:  $29.50 \text{ Total Hours Billed to Customer} \div 48.75 \text{ Total Actual Hours to Repair} = 61\% \text{ Productivity Rate for the week}$ .

Now, ask yourself the following questions:

1. Does the technician's average daily billed hours meet your shop's Required Standard of Performance to meet Labor & Operating Overhead? (Will be determined in a later formula.)
2. On what type of jobs does the technician have the highest productivity rate? The lowest productivity rate? Is some adjustment needed in assigning work to this technician?

## Technician Productivity Tracking

Keep track of the amount of time billed to the customer and the actual amount of time it took the technician to complete the work on each job. Calculate the technician's productivity rate by dividing the Billed Time by the Actual Time ( $1.25 \text{ Billed Hrs} \div 1.75 \text{ Actual Hrs} = 71\% \text{ Productivity Rate}$ ).

At the end of each day, total up the number of Billed Hours and the Actual Hours for the technician, then divide the Total Billed Hours by the Total Actual Hours to get the technician's overall Productivity Rate ( $4.75 \text{ Total Billed Hours} \div 7.5 \text{ Total Actual Hours} = 63\%$ ). Repeat this step at the end of the week.

1. Does the technician's average daily billed hours meet your shop's billed hours required to meet Labor & Operating Overhead?
2. On what type of jobs does the technician have the highest productivity rate? The lowest productivity rate? Is some adjustment needed in assigning work to this technician?

Technician's Name: \_\_\_\_\_

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## Technician Productivity Tracking

Keep track of the amount of time billed to the customer and the actual amount of time it took the technician to complete the work on each job. Calculate the technician's productivity rate by dividing the Billed Time by the Actual Time (1.25 Billed Hrs ÷ 1.75 Actual Hrs = 71% Productivity Rate).

At the end of each day, total up the number of Billed Hours and the Actual Hours for the technician, then divide the Total Billed Hours by the Total Actual Hours to get the technician's overall Productivity Rate (4.75 Total Billed Hours ÷ 7.5 Total Actual Hours = 63%. Repeat this step at the end of the week.

3. Does the technician's average daily billed hours meet your shop's billed hours required to meet Labor & Operating Overhead?
4. On what type of jobs does the technician have the highest productivity rate? The lowest productivity rate? Is some adjustment needed in assigning work to this technician?

Technician's Name: David

Date	W.O. #	Type Job	Hrs Billed to Cust.	Actual Hrs To Repair	Productivity Percentage
10/12	780550220	R&R Brakes/ resurface front-rear	3.80	3.80	100%
10/12	780550224	R&R Valve Covers	1.00	1.50	66%
Total			4.80	5.30	91%
10/13	780550227	R&R Water Pump	2.70	3.70	73%
10/13	780550230	R&R Exh – manifold gasket both side	2.50	4.00	63%
Total			5.20	7.70	68%
10/14	780550234	R&R Condenser	3.40		
		Evac / Recharge	1.40	7.00	74%
		Recovery	0.40		
Total			5.20	7.00	74%
10/15	780550237	R&R Valve Covers	1.00	1.80	57%
10/15	780550241	R&R Lower control arm bushing	2.70	5.00	50%
Total			3.70	6.80	54%
10/16	780550245	Electrical	2.50	5.20	48%
10/16	780550251	4-wheel Alignment	2.60	3.00	87%
Total			5.10	8.20	62%
		WEEK TOTALS	24.00	35.00	
		WEEK AVERAGE	4.80	7.00	69%

The *Actual Hours to Repair* does NOT include time away from the job for:

- Lunch and breaks.
- Assisting another technician.
- Talking to a customer, supplier or other shop staff people.
- Waiting for parts.

Whenever a technician's productivity on a job is less than 100%, you need to evaluate the reason(s) why. Some questions to ask yourself are:

1. Are there certain types of jobs this technician consistently takes too long to complete? Is this technician not qualified to perform these jobs?
2. Does this technician need additional training to improve performance overall or with specific types of jobs?
3. Is our estimate of the time it should take to complete a job (book rate) still accurate – particularly for our part of the country?
4. Are there outside factors influencing this technician's productivity (especially if productivity is dropping off)?
5. Is the technician being managed effectively?

To get an accurate *Productivity Percentage* on each job and technician, you will need a "Time in – Time out" system to track ONLY the time actually taken to work on the job. Some service centers use a time clock with time tickets. Technicians clock in and out of a job in process. Other service centers use time stickers or time sheets (in 5 minute increments) that can be attached to the back of the work order.

Keeping track of in and out time not only enables you get an accurate *Productivity Percentage*, but it also enables you tracks technicians' non-productive time.

## Technician Minimum Standards of Production

The technician Minimum Standard of Production is the minimum productivity requirement to remain with the shop. This is particularly important for shops that pay hourly wages to technicians instead of flat rate wages only for work performed.

The absolute minimum standard for any technician to remain with the shop is:

**Technician-generated revenue must at least equal the technician's share of ALL shop costs and expenses.**

To determine costs and expense allocations for individual technicians, divide all costs (labor, parts and sublet costs) plus expenses (operating expenses) by the number of bays. Then determine the number of bays (full or partial) each technician is responsible for.

$$\begin{aligned} \text{Technician Allocation} &= \\ &\text{Costs} \\ &+ \text{Expenses} \\ &\div \text{Total \# Bays} \\ &\times \text{\# Bays Technician Is Responsible For} \end{aligned}$$

The minimum standard is tracked weekly and/or monthly, and averaged over a 90-day period. If over a 90-day period a technician has not at least produced the minimum to meet overall breakeven (labor, parts and sublet costs plus operating and personnel expenses), the technician should be placed on probation.

If his/her production does not rise to the minimums over the next 90 days, he/she should be terminated because it is costing you more to have the technician working for you than you are even billing to customers. The technician's dollar production doesn't even cover his/her share of the shop's expenses

Minimum Standard of Production Calculation Sheet

Technician Name:	_____
\$ _____	Total Shop Labor Cost for Period
+ \$ _____	Total Shop Parts Cost for Period
+ \$ _____	Total Shop Sublet Cost for Period
+ \$ _____	Total Operating and Personnel Expense (less labor cost) for Period
= \$ _____	Total Expenses for Period
÷ _____	Bays
\$ _____	Expense Share Per Bay for Period
x _____	Bays Technician is Responsible For
\$ _____	Expense Share Allocated to Technician for Period
	<u>Revenue Needed in Period</u> to Meet Minimum Standard of Production
÷ _____	Total Revenue Per Billed Hour
_____	<u>Billed Hours</u> Needed in Period to Meet Minimum Standard of Production
÷ _____	Number of Days in Period
_____	<u>Billed Hours Needed DAILY</u> to Meet Minimum Standard of Production

Technician Name:	<u>BILL EDWARDS</u>
\$ 13,025.00	Total Shop Labor Cost for Period
+ 11,200.00	Total Shop Parts Cost for Period
+ 1,500.00	Total Shop Sublet Cost for Period
+ <u>22,215.00</u>	Total Operating and Personnel Expense (less labor cost) for Period
= \$ 47,940.00	Total Expenses for Period
÷ 6	Bays
\$ 7,990.00	Expense Share Per Bay for Period
x 1.5	Bays Technician is Responsible For
\$ 11,985.00	Expense Share Allocated to Technician for Period
	<u>Revenue Needed in Period</u> to Meet Minimum Standard of Production
÷ 106.86	Total Revenue Per Billed Hour ( <i>Total Revenue ÷ Total Billed Hours</i> )
112	<u>Billed Hours</u> Needed in Period to Meet Minimum Standard of Production
÷ 22	Number of Days in Period
5.1	<u>Billed Hours Needed DAILY</u> to Meet Minimum Standard of Production

**Required Productivity for Incentive Bonuses**

Incentive bonuses must be tied to shop profitability. The production requirement that must be met in order for technicians to earn incentive bonuses is different than Minimum Standard of Production.

- Incentives are only paid when the shop's labor revenue exceeds Labor & Operating Overhead expense. Incentives are paid out of low or no expense / high profit funds.
- Incentives are earned monthly, based on actual Labor & Operating Overhead, calculated at the end of each month, and paid out the 10<sup>th</sup> of the following month. (Employees may be given an estimate of needed performance levels for the

upcoming month, but are compensated on the month ending's actual L&OO.)

*Employee Requirements to Earn Incentive Bonus:*

1. No employee receives incentive pay until the total shop achieves the minimum billed hours needed for the shop to meet its Labor & Operating Overhead expenses.
2. Technicians only receive incentive pay when they reach their individual share of the minimum needed billed hours per technician.
3. Service Advisors only receive incentive pay based on the production of technicians who have reached their individual share of the minimum needed billed hours per technician.

4. Any non-part failure comeback labor hours are subtracted from a technician's qualifying billed hours.

*Technician Labor Cost Allocation for estimating the Total Shop Labor Cost for Period (see next page):*

- Hourly / Salaried Technicians: Use the weekly or monthly regular wages (excluding any overtime).
- Flat Rate Technicians: Use the dollar amount of weekly or monthly guarantee.

*Example Incentive Program:*

- **Technicians:** After all 4 requirements are met, technicians earn 20% of the Labor Door Rate that applies to them for all billed hours

OVER the minimum needed billed hours per technician PLUS their regularly hourly pay rate (\$60 x 20% = \$12 incentive + \$16 Reg. Pay Rate = \$28 Total Hourly Pay After Minimum Billed Hrs.)

- **Service Advisor:** Earn the same incentive amount that each technician they supervise earns.
- **Owner:** The owner allocates 40% of the labor revenue over Labor & Operating Overhead to cover any overtime pay for hourly technicians and over-guarantee wages for flat rate technicians. The owner retains the other 20% of the labor revenue PLUS all parts profit.

### Technician Production Required to Earn Incentive Bonus

*(For hourly/salaried wage – not flat rate – technicians)*

Technician Name: _____	
\$ _____	Total Shop Labor Cost for Period
+ \$ _____	Total Operating and Personnel Expense (less labor cost) for Period
= \$ _____	Total Labor & Operating Overhead Expenses for Period
÷ _____	Bays
\$ _____	L&OO Expense Share Per Bay for Period
x _____	Bays Technician is Responsible For
\$ _____	Expense Share Allocated to Technician for Period ( <u>Labor Revenue Needed in Period</u> to Earn Incentive Bonus)
÷ _____	Labor Revenue Per Billed Hour ( <i>Labor Revenue ÷ Total Billed Hours</i> )
_____	<u>Billed Hours Needed in Period</u> * to Earn Incentive Bonus
÷ _____	Number of Days in Period
_____	<u>Billed Hours Needed DAILY</u> to Earn Incentive Bonus

\* Needed Billed Hours for the entire shop must also be met before individual technicians earn incentive bonuses.

Technician Name: <u>BILL EDWARDS</u>	
\$ 13,025.00	Total Shop Labor Cost for Period
+ 22,215.00	Total Operating and Personnel Expense (less labor cost) for Period
= \$ 35,240.00	Total Labor & Operating Overhead Expenses for Period
÷ 6	Bays
\$ 5,873.00	L&OO Expense Share Per Bay for Period
x 1.5	Bays Technician is Responsible For
\$ 8,810.00	Labor & Operating Expense Share Allocated to Technician for Period ( <u>Labor Revenue Needed in Period</u> to Earn Incentive Bonus)
÷ 60.00	Labor Revenue Per Billed Hour ( <i>Labor Revenue ÷ Total Billed Hours</i> )
148	<u>Billed Hours Needed in Period</u> * to Earn Incentive Bonus
÷ 22	Number of Days in Period
6.67	<u>Billed Hours Needed DAILY</u> to Earn Incentive Bonus

## SHOP PRODUCTION INCENTIVE PROGRAM

**Shop Name:** \_\_\_\_\_ **For the Month of** \_\_\_\_\_

The *Shop Production Incentive Program* is designed to reward technicians and Service Advisors for high profit performance.

**Incentive Program Shop Provisions:**

- Incentives are only paid when the shop's labor revenue exceeds Labor & Operating Overhead expense. Incentives are paid out of low or no expense / high profit funds.
- Incentives are earned monthly, based on actual Labor & Operating Overhead, calculated at the end of each month, and paid out the 10<sup>th</sup> of the following month. (Employees may be given an *estimate* of needed performance levels for the upcoming month, but are compensated on the month ending's actual L&OO.)

**Employee Requirements to Earn Incentives:**

1. No employee receives incentive pay until the total shop achieves the minimum billed hours needed for the shop to meet its Labor & Operating Overhead expenses.

Your shop's Labor & Operating Overhead needed billed hours this month is: \_\_\_\_\_ hours.

2. Technicians only receive incentive pay when they reach their individual share of the minimum needed billed hours per technician. Service Advisors only receive incentive pay based on the production of technicians who have reached their individual share of the minimum needed billed hours per technician.

Based on this month's Labor & Operating Overhead, your shop's **NEEDED Billed Hours Per Technician** is:

\_\_\_\_\_ Total Needed Billed Hours ÷ \_\_\_\_\_ # of Bays = \_\_\_\_\_ Needed Billed Hours Per Bay

**Bay**      Techs: \_\_\_\_\_ # Bays \_\_\_\_\_ x \_\_\_\_\_ Needed Billed Hrs Per BAY = \_\_\_\_\_ Needed Billed Hrs Per TECH

**Allocations:** Techs: \_\_\_\_\_ # Bays \_\_\_\_\_ x \_\_\_\_\_ Needed Billed Hrs Per BAY = \_\_\_\_\_ Needed Billed Hrs Per TECH

Techs: \_\_\_\_\_ # Bays \_\_\_\_\_ x \_\_\_\_\_ Needed Billed Hrs Per BAY = \_\_\_\_\_ Needed Billed Hrs Per TECH

Techs: \_\_\_\_\_ # Bays \_\_\_\_\_ x \_\_\_\_\_ Needed Billed Hrs Per BAY = \_\_\_\_\_ Needed Billed Hrs Per TECH

3. Technicians must have no more than 2%-4% comebacks in the month (excluding part failures).
4. Any non-part failure comeback labor hours are subtracted from a technician's qualifying billed hours.

**Incentives:**

- **TECHNICIANS:** After all 4 requirements are met, technicians earn 20% of the Labor Door Rate that applies to them for all billed hours OVER the minimum needed billed hours per technician PLUS their regularly hourly pay rate (\$60 x 20% = \$12 incentive + \$16 Reg. Pay Rate = \$28 Total Hrly Pay After Minimum Billed Hrs.)

Labor Door Rate #1: \$ \_\_\_\_\_ X 20% = \$ \_\_\_\_\_ Incentive + \$ \_\_\_\_\_ Reg. Pay Rate = \$ \_\_\_\_\_ Total Hrly Pay After Minimum

Technicians' Names: \_\_\_\_\_

Labor Door Rate #2: \$ \_\_\_\_\_ X 20% = \$ \_\_\_\_\_ Incentive + \$ \_\_\_\_\_ Reg. Pay Rate = \$ \_\_\_\_\_ Total Hrly Pay After Minimum

Technicians' Names: \_\_\_\_\_

Labor Door Rate #3: \$ \_\_\_\_\_ X 20% = \$ \_\_\_\_\_ Incentive + \$ \_\_\_\_\_ Reg. Pay Rate = \$ \_\_\_\_\_ Total Hrly Pay After Minimum

Technicians' Names: \_\_\_\_\_

- **SERVICE ADVISORS:** Earn the same incentive amount that each technician they supervise earns.
- **OWNER:** The owner retains 20% of the labor revenue over Labor & Operating Overhead.

The remaining 40% of the labor revenue is allocated to pay regular labor wages.

The shop owner also retains all parts profit.

## Review Quiz

Answers to quiz at the bottom of this page.

### Volume 3, Segment 4

#### Circle Your Answers

1. The *Actual Hours to Repair* does NOT include time away from the job for:  
A) Assisting another technician.  
B) Talking to a customer, supplier or other shop staff people.  
C) Waiting for parts.  
D) All of the above.
2. Whenever a technician's productivity per job is below 100%, the technician may:  
A) Be under-qualified.  
B) Need additional training.  
C) Need to be managed better.  
D) All of the above.  
E)
3. The technician Minimum Standard of Production is the minimum productivity requirement to remain with the shop.  
A) True  
B) False
4. Incentive bonuses for hard work are given even if the overall shop wasn't profitable.  
A) True  
B) False
5. The Service Advisor earns the same incentive amount that each technician they supervise earns.  
A) True  
B) False

**The next issue of *Learn To Earn* will discuss evaluating productivity through analysis of comebacks, repair order profitability, elimination of critical failure factors, plus how to increase net profit before taxes.**

#### **Don't miss out on 25 TSP bonus points! Here is how to add 25 TSP bonus points to your account!**

- Complete the above quiz by circling your answers.
- Completely fill out the information below:(Please print. Information must be legible to receive credit)

Account Name: \_\_\_\_\_ Date: \_\_\_\_\_

TSP Account #: \_\_\_\_\_ Phone Number: \_\_\_\_\_

- Fax this page to the following number 1-800-550-2654.
- Keep for your records.