

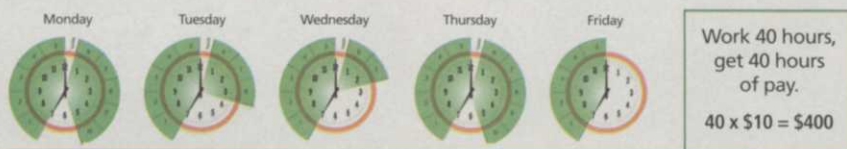
PIECEWORK— does it pay?

When this landscape company began paying based on production not hours, management discovered a whole new world of good and evil

BY CHARLES SIMON

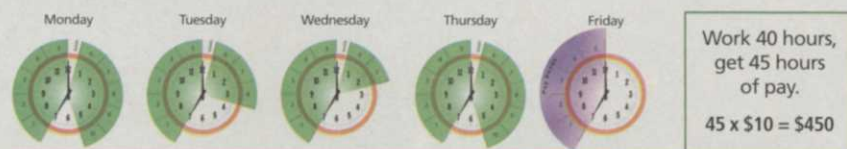
FLEXIBLE WORK WEEK

Finish 40 billable hours in 40 hours



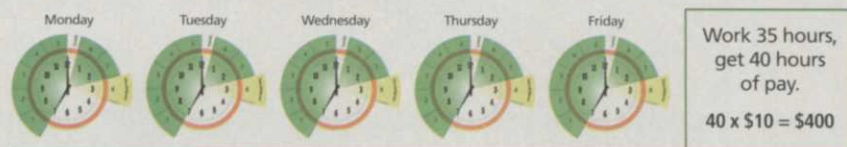
GET A PAY BONUS

Finish 45 billable hours in 40 hours



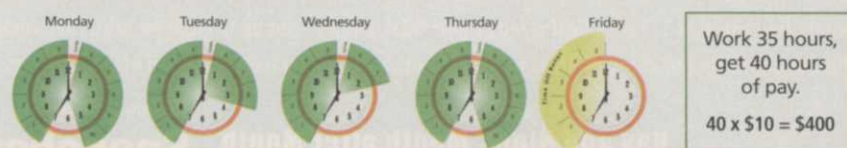
GO HOME EARLY EVERY DAY

Finish 40 billable hours in 35 hours



TAKE FRIDAY AFTERNOON OFF

Finish 40 billable hours in 35 hours



Would you like to increase productivity by 30%? Would you like your workers to

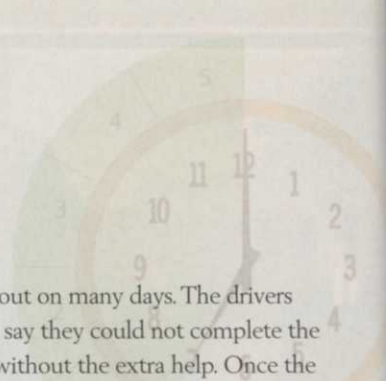
make smarter decisions? How about controlling labor costs at the same time?

A piecework pay system may be the answer. Piecework pay is also called standard hour pay, incentive pay, variable pay, pay for results or pay for performance. Regardless of its name, though, it's based on work completed instead of actual hours worked.

A standard amount of time is set to complete a specific job, and the employee is paid that set time — even if the work is completed in less time. For example, auto repair shops might set the standard time for a brake job on an F-350 at 1.5 hours. If the mechanic completes the work in less time, he still gets 1.5 hours of pay. If it takes more time, the mechanic is paid the normal hourly rate for the time spent.

Using a piecework pay system for landscaping is straightforward. You charge a customer 50 minutes in labor to mow, trim and blow a property. You pay the workers 50 minutes even if they finish early. It's possible for a worker to complete 40 hours of billable time in 35. The

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worker still gets 40 hours of pay even though he actually worked 35.

The workers are happy because they get to go home early, but still get a full 40-hour paycheck. Employers are happy

because the work was completed efficiently without paying overtime.

Real-world results

Here's what happened when we tried it: It was our practice to send three-man

crews out on many days. The drivers would say they could not complete the work without the extra help. Once the new system was in place and they had to split the pay with the third worker, they decided they didn't want any extra help. Two-man crews ruled.

We were amazed by how quickly the work was completed. One crew achieved savings of 30%, another about 25% and the rest between 5% and 10%.

We knew we had some slow workers. Now drivers would not accept these men on their crews. We had to let to workers go because no crew wanted them. Our efficiency improved dramatically.

Drawbacks, too

It did not take long, however, for the complaints to start coming in. "Your driver cut me off," complained one caller. "Why aren't they mowing my whole yard?" asked a customer. "Stop racing your mowers," demanded another.

We found our best workers worked a little faster than normal and did a good job as always, no matter what the pay system. Other workers, though, were a little too highly motivated. They finished quickly by mowing at the highest speed, cut only areas that really needed it, skipped string trimming and raced back to the shop.

Our solution was to send the crew back to a job when we received a complaint. They didn't get any billable time credits for the return visit. If they messed up, they had to go back on their time. Unfortunately, many customers either called days later or didn't call at all. In the end, quality issues cost us four good customers.

We found out later that some of the workers believed their piecework pay rate would be cut if they mowed too many lawns in a day. Others were afraid they

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Take-homes from our experiences

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would be fired if they were not as fast as the best crews. One driver believed we were trying to get more than a fair day's work and that we were just trying to speed up production.

Bad feelings arise

Also, we learned that the competition between the crews was leading to bad feelings. This became clear when a crew had an equipment breakdown and a nearest crew didn't want to help because they were finished and wanted to go home. The workers were bound by piecework pay, and saw no reason to help.

Back in the office, the paperwork necessary to pay on a piecework basis was overwhelming. Getting payroll completed was consuming two full days each week.

Some of the gains in productivity we experienced came from workers doing more work, and some of the gain was the result of the management necessary to make such a plan work.

In the end, we kept the management and tossed the piecework plan. Perhaps you can learn from our mistakes to make piecework pay work for you. Here is what went wrong for us, along with a solution suggestion to make it work for you.

1 We didn't set goals. We had hoped to become more efficient and profitable by getting the crews to work faster, but we really didn't set specific goals.

Solution: Set your goals. If you just want to get rid of the laggards, it's a lot easier to dismiss them now than go through the trouble of a new payroll system. If you want efficiencies, set a specific goal that can be measured.

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So which is better, piecework or hourly? It depends on your business, including back office skills, the type of work you do, quality issues, safety issues and morale issues. But whatever you do, keep it simple — these systems can consume a lot of your time.

If you decide to make incentive pay work, it will, in one form or another. For

us, we decided to stick with GPS tracking reports, visiting sites for quality control and praising work well done. In this way, we have achieved better results than we did with a piecework pay system. **LM**

— *The author is a certified landscape professional and manages an East Coast landscape operation. Contact him at cs@charlessimon.com.*

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2 **Morale suffered.** Sadly, we didn't know how strongly our workers felt about the change until after we ended the program. They claimed we had favorites and gave the best and fastest equipment to them. They also believed some of the routes were much more profitable than others and that we had favorites there, too.

► **Solution:** Experiment with the piecework system without telling the workers. Run both payrolls, one hourly, the other a mock piecework payroll for at least three months. Be sure to get the piecework pay time even and fair for all types of properties and all seasons. Carefully balance the workloads among the crews. Your goal is to give each crew an equal chance to do well.

3 **Quality suffered.** A customer called and asked why our crew was mowing at high speeds in the pouring rain. Our crews made bad decisions. They were so motivated to finish their routes each week that they mowed even during heavy rainstorms.

► **Solution:** Do not rely on customer complaints for quality control. In the first few months after starting a piecework pay program, check the work at each and every property each week. It's necessary to achieve 100% quality control.

4 **Safety suffered.** One worker drove the mower so quickly onto the trailer that he broke his leg when he pinned it against equipment stored by the hitch.

► **Solution:** Establish a safety committee before starting a piecework program. Consider installing a passive GPS system in your trucks to control speeding and harsh braking.

5 **Shop work was left undone.** Workers did not want to do shop work because they viewed it as an unpaid or poorly paid job.

► **Solution:** Decide who will do the shop work up-front. Let the crews know exactly what is expected of them regarding shop work, including pay rates.

6 **T&M projects suffered.** We are often asked to remove dead shrubs, pick up storm debris, make small landscape repairs and do other projects. These are normally assigned to the crew that services the property. The crews did not want this time & materials work because it took extra time.

► **Solution:** Let the crews know up-front that T&M work is expected. Everyone must know that you will not add extra time to T&M work. It is just that, time and materials, and it is part of the job.

7 **Loss of control.** Team leaders wanted to decide who was on their team, what properties were on their route, what

equipment they would use and when they wanted to work. It almost felt like we had a union.

► **Solution:** Be up front, explaining that you are still very much in control. You will assign crews, equipment and routes. Let them know they will have to train new workers as well.

8 **Department of Labor Audit:** We made a mistake on a form and ended up with a DOL audit. Fortunately, we kept the time clock and had time cards for everyone. However, when workers get variable pay each week, their overtime rate also varies. This was OK when workers had less than 40 hours for a week and their pay exceeded a formula calculated by DOL. But when they went over 40 hours in one week, their overtime rate is based on that week's pay.

► **Solution:** Keep the time cards. Whenever there is overtime, calculate the correct rate for the week to avoid DOL fines. You must make sure their piecework pay exceeds their total pay if they earned hourly and overtime pay. Our payroll company refused to change the overtime rate each week, so be sure to check with your payroll team before starting piecework pay.

— CS

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