

Increase Reimbursements by Managing Skillsets

Since the beginning of time, those of us working in the collision industry have been identified by body, frame, mechanical and paint labor rate categories. While these labels were appropriate for a long time, they, nor the A, B, or C technician label, no longer fit the current collision industry structure.

The Inter-Industry Conference on Auto Collision Repair (I-CAR) identifies five different skillsets for technicians: Refinish, Non-Structural, Structural, Electrical/Diagnostic and Mechanical in their professional development program, each having three levels of efficiencies. So why are we still identifying our technicians in A, B or C categories and charging for labor under rate identifiers such as body, frame, mechanical and paint?

I touched on this in the ABRN article [Improving Your Effective Labor Rate](#) in May of 2018 where I discussed using the different labor categories in the estimating data base labor rate tables. Since I am getting questions about using those different categories and creating new categories, along with feedback on shops who get push-back from their “partners,” I thought I would drill down on the process in this article.

As the complexity of the automobiles we repair increases the amount of training we have to complete, the equipment required to gain OEM certifications has also increased. I continually hear complaints from shop owners about how much they have to pay for these certifications, and when I look at their damage appraisals, I see why they are complaining. They are still using the basic labor categories of body and paint to bill their labor. When I tell them to adjust their rates to compensate for the skills and equipment required to complete the repair, they look at me like I have two heads.

Let's look at the A, B, and C technician labels. In the Collision Industry Conference [Collision Repair Provider Definition](#), it states that: *Provider must be trained, equipped and capable to perform all necessary replacement, welding, repair and refinish operations as required on steel vehicle body and structural components (including an operations required for bolt-on aluminum or composite panel replacement)*. That indicates to me that a shop would need technicians skilled in Non-structural, Structural, Mechanical, Electrical/Diagnostic, Mechanical and Refinish to complete repairs on today's vehicles, not an A, B or C.

Here is where the increasing reimbursement part comes in. Each of the I-CAR categories identified have specific skillset requirements. A structural technician will need more skills and training than a non-structural technician, and I feel confident saying that a technician who can perform electrical repair and diagnosis would need different skills than a mechanical technician. To increase your reimbursement, you will need to expand the labor rate table within your estimating database.

To help with understanding the labor rate categories, you can look at the procedure pages for your estimating database. I will use two tables found in the [Motors Guide to Estimating](#) to help reinforce your labor rate decisions. The first one explains the reasoning behind the (S) and (M) designators and the second defines what should be considered a structural component. Their definition would

lead anyone to believe that any component welded to a vehicle is structural and should be treated as such.

CLASSIFICATION INDICATORS ARE PROVIDED FOR YOUR CONVENIENCE AND MUST ONLY BE CONSIDERED A HELPFUL GUIDE.

MOTOR component classifications are defined as follows:

(M) Mechanical: Components that transform one form of motion or energy into another. Mechanical components would likely be serviced at a mechanical service facility rather than a body repair facility if that component failed during normal operation. Mechanical components will likely require a specialized technician skill level and/or specialized tools.

(S) Structural: Components that provide a load bearing foundation for the purpose of safety and/or stability

(no classification) Body: Components that do not fall under the mechanical or structural classification

STRUCTURAL COMPONENT IDENTIFICATION

Structural component identification information as presented in I-CAR Enhanced Delivery programs.

Welded structural parts can be made from different types of metal. Identification is not based on metal type. Replacement requires specific measuring equipment and vehicle dimensions must be correct. If improperly repaired, road performance and/or crashworthiness of the vehicle may be affected. Airbag deployment may also be affected.

Welded structural parts on a unibody vehicle typically include:

- APRONS/STRUT TOWER
- CENTER PILLAR
- CORNER PILLAR
- FRONT RAIL
- HINGE PILLAR
- LOCK PILLAR
- RADIATOR CORE SUPPORT
- REAR RAIL
- REAR STRUT TOWER
- ROCKER PANEL
- SUSPENSION CROSSMEMBER
- UPPER RAIL

Knowing how the components are identified will help you align skillsets to your labor rate categories. Using the tables above I would consider the body labor rate to cover the most basic of repairs or those completed by a non-structural technician. It appears the majority of the repairs would be handled by a structural technician that you would bill at a structural labor rate.

Suspension and related repairs would be handled by a mechanical technician using another labor rate while electrical repairs and diagnostic functions like Advanced Driver-Assistance Systems (ADAS) would be identified using an additional labor rate category. Applying this theory to a common repair with damage to the left front of the vehicle could have five different labor rate categories with five different labor rates associated with it. The body or non-structural for the basic R&I functions and repairs to bolt on parts, structural for repairs to inner components, mechanical for suspension repairs, electrical for ADAS repairs and refinish.

I haven't talked about refinish until now, but it also requires a labor rate that corresponds to the skillset required. I know it has *always* been the same as body, but why? Could a body technician go into the paint shop and refinish a vehicle with the same proficiency as a refinish technician? I believe with the complexity of colors on today's vehicles and the training required to develop the skillset needed to replicate those colors is more valuable than a basic labor rate.

This became more involved than the initial thought I had, and I used up a lot of space trying to illustrate my point that you need to develop labor rates that reimburse you for your expense. I'm not talking about the difference in a loaded or unloaded labor rate that includes employee benefits. I'm referring to the rate you pay your technician plus the expense you incurred to train and equip that technician to perform repairs in a particular category and maintain that skillset.

I like to add a percentage to the technician labor pay rate to determine the total labor cost. Depending on the skillset, I would calculate the training/equipment costs to be 8 - 10 % of the labor pay rate. This calculation would give you just over \$6,000 annually to spend on training and equipment per technician. If your amortized costs per year are higher you can increase that percentage to match your expenditures. Just divide your expenditures by effective labor hours for the technician in that particular skillset. To calculate the labor rate, I'll use a technician pay rate of \$22.00 and add 9% for training/equipment cost to reach a labor rate cost of \$23.98, then multiply that by a gross profit benchmark of 60% to create a \$38.37 labor rate. You can round the number to an even number, but I like to leave it as it calculates to further illustrate that you developed the rate based on costs.

The information I gave you in this article shows you the ability to gain reasonable reimbursement for the reasonable expenses you incur when repairing today's vehicles. While I can't negotiate your rates with your partners for you, knowing that different skillsets have different expenses enables you to use that information to communicate your reasoning behind your labor rate calculations. Use that information to your advantage and challenge the rates established by your partners that have been considered "prevailing." Countering them with calculations puts you in a better position to justify your rate and a higher likelihood of coming to an agreement that you are more satisfied with.