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**Logistics Management Consultants**

## HOW NOT TO PAY DRIVERS

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To sum up the worst possible payment system for drivers, it is appropriate to define it as: "A system that pays an uncontrolled amount of money for doing an uncontrolled amount of work". This would include driving the least possible distance, carrying the minimum amount of payload in the longest possible time! The bad news is that it is not necessary to invent such a system, it already exists. Indeed, it is being used on a regular basis by distributors up and down the country. This system is called 'time and overtime'.

To examine the application of time and overtime, we must first look at its sole aim. That is, the payment of monies in direct proportion to the time spent carrying out a function. This presupposes that Time equals Effort. It could well be argued that in a highly controlled environment, this equation could well be true. Supervision exists to set targets, encourage and help the workforce. The loss of production through wasted time, or poor methodology, becomes quickly obvious over a short period. Extra work can be quickly allocated where allotted amounts are completed. In short, higher productivity can be achieved by the constant Presence of management. This is hardly the case in the Transport Section.

To look at time and overtime from a driver's point of view, its disadvantages quickly become obvious. A driver might say that the more effort he puts in, the less he gets paid. For example, by reducing his time on the road by greater effort, he cuts his payment (overtime) in direct proportion to the amount of extra effort he puts in. For a driver, therefore, the slower he works, the more money he gets paid. This is undoubtedly not what a Company sets out to achieve!

It is possible to argue that a good Transport Manager will have sufficient knowledge to check on each journey and set targets for the driver to achieve. In practice, however, even the shrewdest Manager will have difficulty in guesstimating the actual conditions that prevail on each individual run. In any event, this will be a time consuming exercise, and can give rise to poor industrial relations, as the drivers feel spied on, and/or mistrusted. The fact remains also that the basic premise of the payment system is flawed and has the opposite effect or emphasis to what most Companies are trying to achieve.

For those who are now worried that they may be forever linked to this system, there is some hope, as DMA have designed a payment system specifically for transport. This system moves completely away from the traditional pitfalls of the time and overtime payment system. The STANDARD HOUR PLAN is designed to reward drivers for the effort they put in and is basically self policing in terms of control. Once a work measurement program has been carried out, each task of the driver can be allotted a time standard. These standards would normally cover items such as Driving, Calls to Customers, Unloading, Loading, etc. The driver is then paid according to the application of each standard time to the amount of work he has carried out in that category. The basic aim is therefore summed up as:

High Workload = High Money;      Low Workload = Low Money

This idea usually appeals to drivers and management alike as the driver is recompensed for his efforts and management receive good value for the money spent.

A typical driver's day using time standards to calculate earnings might look like this:

				<u>Standard Hours</u>
LOAD	1000 Cases	@	1.1 Standard Hours per 1000 Cases =	1.10
DRIVE	300 Kilometres	@	20.0 Standard Hours per 1000 K.M.s	6.00
CALL	10 Calls	@	150 Standard Hours per 1000 Calls -	1.50
UNLOAD	1000 Cases	@	1.5 Standard Hours per 1000 Cases =	1.50
			Total Standard Hours =	10.10

The total Standard Hours are then multiplied by an agreed monetary rate to give the driver his daily earnings. For example, if the wage rate per Standard Hour was, say, 6 Euro then the day's earnings would be E50.50 (i.e. 10.10 x E6.00).

DMA calculate that this payment system can reduce costs by as much as 20% and is also more acceptable to most drivers.

**A far cry from the worst payment system!**

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The Standard Hour Plan has been applied to drivers delivering a wide range of goods including general grocery products, wines & spirits, newspapers and periodicals, beers, hardware, motor spares, electrical . goods, motor oils, soft drinks, frozen and chilled products, cigarettes, confectionery, flour and sugar in fact, virtually everything that moves!

**DMA** are specialist consultants to the distributive trades. They are extensively concerned with productivity improvement projects covering both warehouse and transport operations. For further information please contact: Patrick Madigan at [dma2000@eircom.net](mailto:dma2000@eircom.net)

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