Precision Body & Paint

West Coast Small to Medium-Sized Enterprise Leader
Contracts to attract and keep skilled talent in the pipeline

“I have 100 employees. They’re buying homes. They’re buying washers and dryers. They’re putting their kids through college. To grow somebody into that is meaningful. If I can give them a skill set, no one can ever take that away from them.”
- Ron Reichen, owner of Beaverton, Oregon-based Precision Auto Body & Paint

Pressure—and years of experience—drives a lot of what happens in auto-body shops. To repair cars, teams of highly skilled technicians must know how steel responds to pressure.

“There are soft metals and hard metals in every car, and differences in the ways the energy is absorbed at different crash zones,” explains Ron Reichen, owner of Beaverton, Oregon-based Precision Auto Body & Paint, which employs 98 workers at two locations and books $10 million in gross sales annually. “There’s a tremendous amount of physics involved in what we do.”

But finding workers with that level of expertise was putting pressure on Reichen, whose profit margins were being squeezed by insurance companies. Hiring an unskilled worker, investing in years of training and then having that person depart just as he or she was about to generate profits for the company was too great a risk for Reichen.

So, nine years ago, he developed a novel contract-based system to attract and train promising young workers. A long-term commitment to their education, combined with financial incentives, would keep his company’s pipeline full in an industry fighting to produce and retain master technicians—the most skilled workers in the shop.

Such a system would also generate the most value. Reichen’s gross labor margin on a master technician is about 40 percent. For every $1 of work the master technician does, the company earns 40 cents after paying the technician 60 cents. The gross labor margin on a new worker, by contrast, is slightly negative or zero for a few years, Reichen says, so it’s crucial not to lose the investment in training if a worker leaves before becoming a master technician.

Contracts bring comfort
The contract system, launched in 2006, works because young workers get free on-the-job training and paychecks as long as they work for Precision while being trained over five years. The
company provides training through an unsecured loan of $4,000 a year that requires no collateral from the employee. If a worker leaves before five years, he or she is contractually obliged to repay the cost of training received (valued at $4,000 a year for the purposes of the contract). Workers also sign a non-compete agreement stipulating that they will not leave for a competitor in their first two years of training. (The company spends $115,000 per year on its overall training, including the training for young workers. Precision takes advantage of economies of scale to offer training to everyone.)

Precision has never had to enforce the contract because no worker has ever left, although in a few cases the company modified the agreement if a worker stayed with the company but didn’t become a master technician.

**Targeted recruiting; personal trainers**

To find high-potential employees, Precision works with Portland Community College’s two- and one-year auto-collision programs. Some job seekers have also arrived through word-of-mouth as the program’s reputation has grown. Reichen will also accept students from high school or trade schools before they have graduated, depending on the person’s aptitude.

During interviews, he looks for passion and creativity in problem solving. “You ask them if this is what they want to do as a career path,” he says. “And you ask them things like, ‘in high school, did you take Shop?’”

Precision does not ask applicants’ ages, to avoid age discrimination issues. But most of the nine people recruited have been in their early-to mid-20s, Reichen says. Youth unemployment in Oregon stood at more than one in six in 2013.

Trainees are paired with experienced mentors—including a 67-year-old craftsman who personally guides young trainees—to be systematically trained. They’re also assigned to teams that include a midlevel and a master technician. Because trainees work side by side with seasoned experts, Reichen is assured that his youngest workers will master sophisticated skills that can keep his company competitive and profitable.

Auto-body repair is a highly technical welding occupation and requires continuing certification by automakers and insurers that pay for collision repair. Technicians earn certifications to work on particular cars, which they can then take with them when applying to work at other factory-certified shops. So, the training these young people receive at Precision benefits them for their entire careers.

**More than a living wage**

Trainees start at $10 to $11 an hour. Reichen boosts their pay by 50 or 75 cents an hour after their first year on the job. After five years, trainees graduate as either a midlevel or master technician.

Midlevel technicians earn between $30,000 and $45,000 a year, while master technicians earn between $55,000 and $85,000. Depending on the number of hours worked, a master technician, who is paid by a system of commissions and bonuses, can make more than $100,000 annually, so
trainees can potentially quadruple their wages within five years. Precision provides insurance benefits, paying for 50 percent of the costs to cover full-time employees.

Many of Precision’s recruits are preparing themselves for a more financially secure future. One of the workers, Rob Leeds, 44, entered the program as a trainee in his mid-30s and is on an upward track toward administration. He serves as an example to younger workers, like Justin Mason, 24, who has been in the program for three years.

“I knew it wouldn’t be an overnight thing and that I needed to prove myself, which I did in detail for a couple of months,” says Mason, who makes $10.50 an hour but stands to earn much more as he moves up the ranks to his goal of becoming a master technician.

Mason’s ability to develop a career is even more meaningful because he spent time in prison when he was younger, before he attended community college. Reichen has no problem hiring former inmates; he feels that he is giving them a second chance.

After trainees complete the five-year training program, Reichen continues to invest in his workforce, providing training on new car models and repair protocols.

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A playbook from Europe
Reichen’s trainees are paid while they work—first as helpers and then as midlevel technicians in the shop—and study. Their work helps to offset the costs of their training.

Reichen says this approach, inspired by European apprenticeships, is less-expensive than running a shop that’s short of skilled auto-body technicians and makes the program financially sustainable. If he doesn’t have enough master technicians, he’s not able to break even. Depending on the economy, he scales the program up or down. During the last economic crisis, for instance, Reichen put trainee-hiring efforts on hold for 18 months.

His investment makes long-term sense, too, he says. Since he began the program, the average age of his workers has fallen by 20 percent, which reassures him about the future.

Reichen says his approach would be best adapted by other businesses facing shortages of technically skilled employees, provided they leverage creative incentives to find and retain skilled workers after they are trained.

Others agree. After learning about Precision’s program, Ken Madden, a member of the Oregon Workforce Investment Board, began considering ways to introduce and expand the idea of a long-term scholarship combined with training to other employers.
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<th><strong>Why hire youth?</strong></th>
<th>To fill a pipeline with young workers in an industry facing chronic shortages of highly skilled technicians.</th>
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<tbody>
<tr>
<td><strong>Innovation:</strong></td>
<td>Uses contracts to secure an affordable and skilled long-term workforce.</td>
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<tr>
<td><strong>Investment:</strong></td>
<td>$4,000 per trainee per year, or a total of $20,000. Precision spends a total of $115,000 per year on training company-wide. The contract assures precision that skilled workers are at the ready as demand picks up. Contracts also provide comfort that investments made will be recouped over a reasonable timeframe.</td>
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<tr>
<td><strong>Investment sources:</strong></td>
<td>Operating revenue</td>
</tr>
<tr>
<td><strong>Social impact:</strong></td>
<td>Youth acquire valuable and transferable skills for jobs that pay more than a living wage. As master technicians, they have valuable certifications that enable them to move to other companies if necessary. Many workers have a passion for what they do; the training has given them a career, not just a skill.</td>
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<td><strong>Youth trained:</strong></td>
<td>9</td>
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<td><strong>Retention rate:</strong></td>
<td>89%</td>
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<td><strong>Future plans:</strong></td>
<td>Precision’s Reichen will scale up the program as economic conditions permit; local champions are spreading the word, to replicate and scale up his model.</td>
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Sources: [The Economist Intelligence Unit](https://www.economist.com) and [The Rockefeller Foundation](https://www.rockefellerfoundation.org). 2015.