

DEALERSHIP PAY PLAN CHECKLIST

Pay Plan Structure

- The pay plan is written.** You will be surprised how few know what “everybody knows” if the pay plan is disputed.
- The pay plan must be dated.** Make sure pay plans are dated to know which one is effective for a time period in question.
- The pay plan has an effective date.** Employees must know when the pay plan goes into effect.
- The pay plan must be signed by the employee.** Dealership rule of thumb: if it was not signed, it was not seen.
- Time Records.** State and federal law require time records and so should the pay plan to keep accurate record of all hours worked for minimum wage requirements. Require approval by the GM for any excess hours worked than what the employee is scheduled for. If employees are required to work all scheduled hours to earn full commissions or bonuses, it should be clearly stated.
- Have a disclaimer of contract.** All pay plans should note that the employee is employed at will and that the pay plan is not a contract of employment for a specific term. An employee can leave employment at any time, and the dealership can terminate an employee at any time.

Basis of Payment

- Define the components of the employee’s earnings.** Does the employee earn salary? A commission? A draw against commission? A bonus? The pay plan should clearly define the elements of the employee’s pay.
- For salespeople, define the basis for calculating commission.** A salesperson should earn “commissionable gross profit” based on a “commissionable base”. Are there exclusions such as rebates, “dealer processing fees” and other costs? The pay plan should make clear that the dealer determines the commissionable base in **its sole discretion**, it includes costs in the sole discretion of the dealer, and it can be changed from time to time as determined by the dealer.
- For managers define the base on which commission is earned.** Is it based on specific accounts of the dealership financial statement? Certain elements of revenue less certain expenses? Define it.
- For other employees who earn commission or bonuses, define the basis on which it is calculated.** Be specific about the constituents of the base against which the percentage is applied.

- Define when commission is earned.** For salespeople, is it when the vehicle is delivered or when the deal is complete? What does a “finalized sale” mean? For managers and others, is it when revenue is booked to the statement? Be clear.

Payment Details

- State when the employee will be paid.** The 10th of the following month or another date? Be specific about the date when the employee can expect to be paid.
- State any conditions to payment.** Is pay enhancement dependent on meeting certain goals, such as CSI attainment? For bonuses or spiffs, when do they “vest” (i.e., the employee must be employed at the time of vesting to receive such additional compensation). Detail any conditions.
- For salespeople, be clear about split commissions.** If another salesperson must become involved in the sale, it may be appropriate to split commissions. The document should reserve the right to split commissions.
- Reserve the dealership’s right to carry forward any deficit.** If the dealership wants to recoup overpayments (**the dealership must pay minimum wage for each hour worked but those draws may exceed commissions**), the pay plan should specify that any deficit may be recaptured in future pay periods.
- Include a provision for correction of errors and changes.** The plan should provide the dealer the opportunity for correction of errors in future pay periods. And the dealer should protect its right to make changes in the pay plan with notice to the employee.

Benefits

- State whether the employee is full time or part time.** If the employee is going to be part time, there should be a limit on hours worked.
- Identify the employee’s right to benefits.** Your benefits are spelled out in your personnel handbook or other document describing benefits for employees. If the person is eligible for benefits, state that and note where the employee may obtain benefit information.
- State whether there is a demonstrator benefit or a vehicle allowance.** If an employee may use a demonstrator, state that and make clear that the continuation of the benefit is in the sole discretion of management, as is the choice of the type of demonstrator. If the employee is entitled to a vehicle allowance, detail that.