BY DON DILLON, RMT

RMT Working Agreements

Let's come to fair terms

I am frequently asked how to set fair terms in a working agreement between an RMT and a massage therapy business owner (RMT or otherwise). What percentage should I pay (or charge)? What amenities should be included? Who should provide the marketing, operations and business management? In this article I'll discuss a few factors to consider when coming to your preferred terms within the business you hope to set up practice in, and address some common (and unsustainable) rationalizations epidemic in the RMT culture.

DEFINE THE WORKING RELATIONSHIP FIRST

Whether a practitioner looking for a work opportunity, or an owner/manager offering one, you must first establish what kind of working relationship you want. Will practitioners in that business be employed, on commission or entirely independent? Those who are truly independent completely manage their own operation – marketing and sales, billing, administration, accounting, maintenance of equipment and supplies, and provision of care. The leaser offers space based on her/his own real estate costs, property taxes, building maintenance and utilities, and expects a profit or return on investment for brokering the opportunity. Other than the physical space, and perhaps utilities, the lessor provides nothing else.

Alternatively, employees, or those RMTs who work on commission (i.e., percentage agreements), have greater reliance on the host business for marketing and signage, operation systems, equipment, income tax deductions, and established reputation and location. Because more is provided to these RMTs by the business owner, the RMT employees or contractors can expect to pay much higher rates than the independent practitioner. Interestingly, many RMTs who claim to be self-employed or independent actually rely considerably on the business owner to drive business to them and provide some business administration.

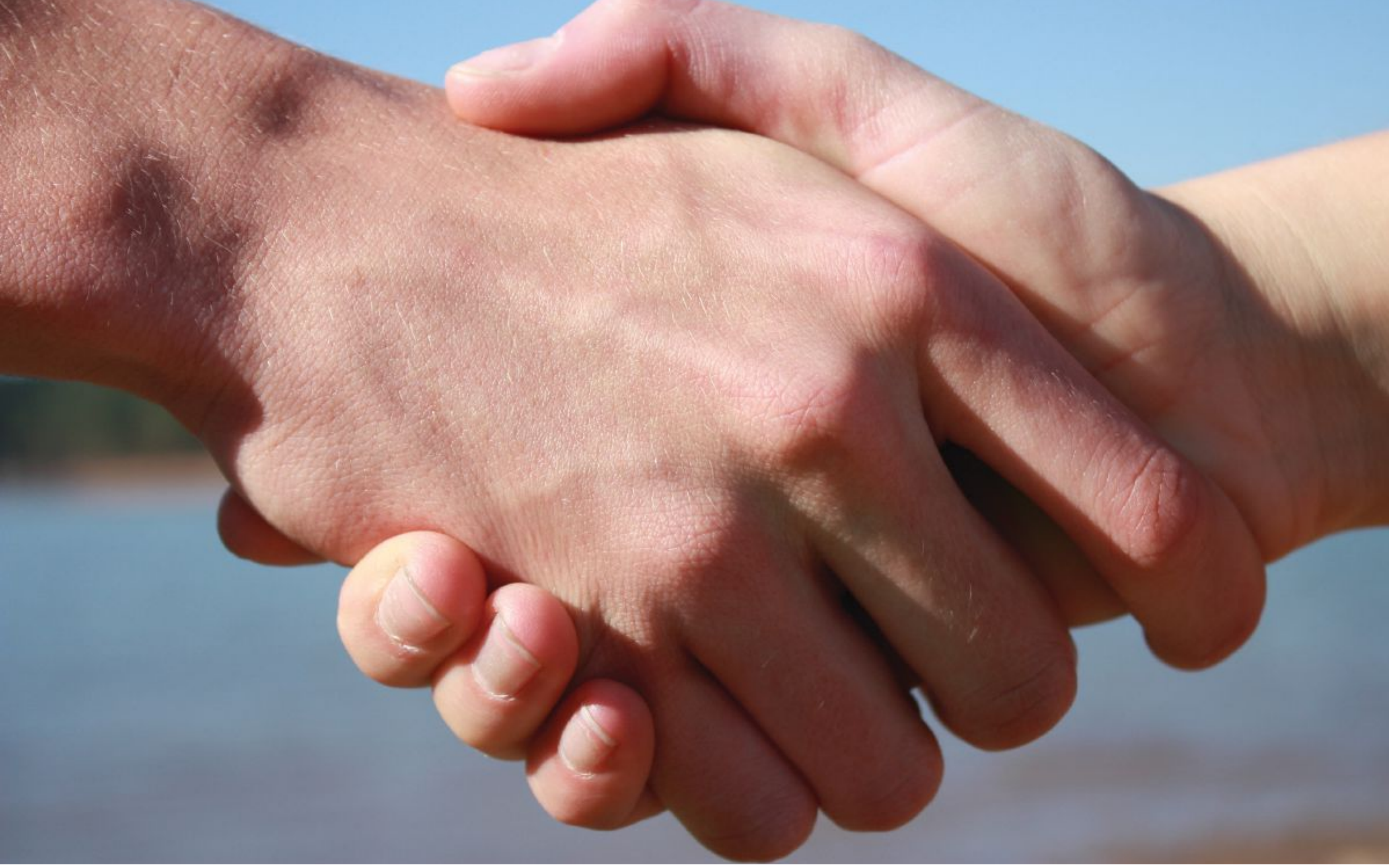
Percentage agreements are problematic for RMTs other than temporary or locum relationships (or as a three-month working trial, prior to switching to less variable terms upon acceptance of employment). Percentage agreements don't work in the long term because the percentage paid may not cover the business owner's monthly expenses. For example, if the required monthly rent for a space is $1,000 and the commission paid varies between $700 and 1,000/month, in the months below $1,000 commission paid the difference will come out of the business owner's pocket!

Further, the productive, successful practitioner on commission will look for greener pastures once they accumulate a mass of followers, because in a percentage agreement there's no room to grow and the commission will eventually appear to exceed the value provided by the host. So percentage agreements encourage less productive RMTs to stay, and more successful RMTs to go . . . that's a bad business model!

VALUE: THE FOUR C'S

Assess the relationship benefit: what value does each party bring to the working relationship? A practitioner's value reflects capital (to invest), contacts (to draw business from) and cranial currency (knowledge and actual business experience). We'll add a fourth "c" – commitment, the can-do attitude to take daily action and grow the practice.

Practitioners who present with these four qualities can fetch better terms because they provide more value to the business. The more the business has to do for the practitioner, the more the business charges for those services and, consequently, the less the practitioner gets paid. The more risk the owner takes on, the more assets (capital investment, reputation and location, equipment, customer acquisition and retention costs) the business owner puts forward, the higher the rate she/he can charge for brokering the opportunity for practitioners. These practitioners would otherwise have to put up their own money and time, and invest the resources necessary to develop reputation and location. When you come on as an employee or associate, you are essentially buying into the systems, space and public face already



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created for you. Many business owners/managers undervalue their assets, and undermine their business!

Many entry-level practitioners have little capital or cranial currency, and few contacts, as described, and so as in any industry, they start at the bottom. For a college-equivalent, non-gatekeeper health profession such as massage therapy, rates posted on Service Canada hit a median of $21.63/hour in, for example, in the Niagara/Hamilton region.[1] If you don't possess the four "c's", you're not entitled to high pay.

The good news for practitioners who apply the four c's, who invest time and attention in the business, cultivate contacts and develop business and technical (hands-on) knowledge and experience is that you will increase your value to the business owner and can negotiate better earnings for yourself come next contract negotiation. It's hard to find good employees/associates, and the business owner would be foolish not to consider incentives, bonuses and profit sharing for solid, proven RMTs. You get paid for the value you bring to the table.

WHAT YOU SPEND AND WHAT YOU KEEP

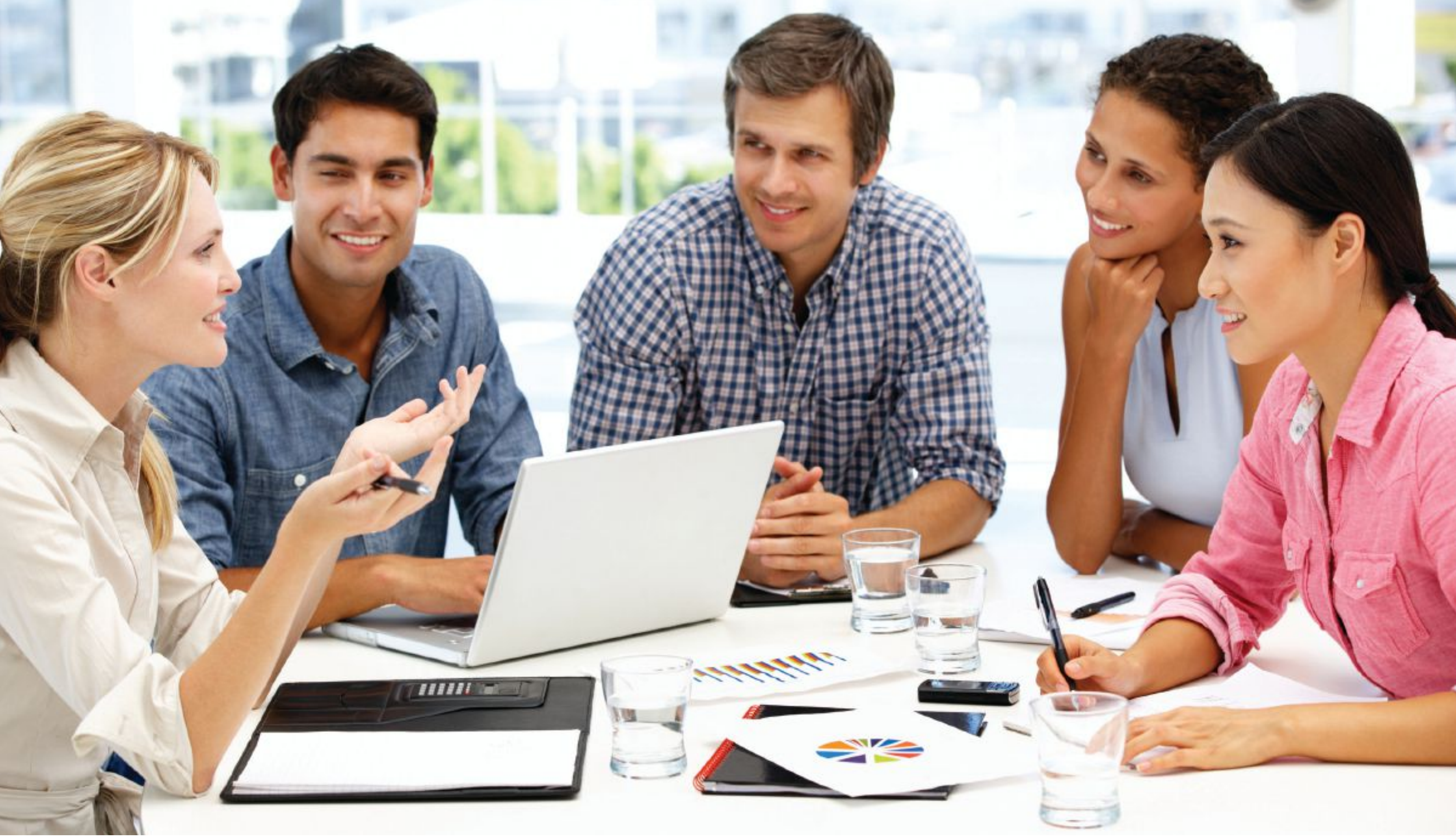
In my lectures, when I survey massage-therapists-turned-business-owners about how they arrived at their agreement's financial terms, they often state "it felt right." Although a tremendous asset when providing care, intuition is not a replacement for accounting when it comes to setting financial terms!

The business owner must know his/her monthly operating costs and the costs of bringing on an employee or associate, and ensure a profit margin as salary for his/her management of the business. Businesses must profit to fund expansion, cover contingencies (for example, staff member becomes ill/leaves practice), and serve as a reward for putting up capital, taking on risk, and putting reputation and location on the line. Forget about percentage agreements: operating expenses + profit margin = sustainable financial terms.

Practitioners aren't trained in business typically and likely don't know the owner's costs of running a business. When these practitioners-turned-business-owners decide to take on associates, they're often ill-informed or ignorant of what's needed to sustain their business.

Further, the delivery model of massage taught in many training institutions is time and labour intensive. Statistically, RMTs are providing 15-19 hours/week of direct care [2,3] – what equates to part-time work. Here's the elephant in the room: it is the mistaken belief that one can make a full-time wage working part-time hours. RMTs need to know what to clear for take-home pay – that is, earnings above expenses – and apply a working model that ensures they earn enough to live on. If RMTs insist on applying the same time- and labour-intensive model taught to them, they'll need to seek secondary sources of income in their off-practice hours.

Our profession can do a better job of fostering innovation, including the incorporation of remedial exercise and modalities to make full use of our scope of practice, increasing our workload capacity 50 per cent or more while reducing our strain, and hence increasing our income potential. It's not that the business owner charges too much rent; it's that the model of delivery is not profitable.



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CAUSE FOR CONCERN – 'EXTERNALITIES'

Alarmingly, many RMT business owners report they are afraid to charge what's necessary to cover costs and make a profit. The political culture in the massage therapy profession discourages examining the accounting facts and figures, and proposes instead magical percentage terms such as 50, 60 or even 70 per cent of the service fee to the practitioner. No business can put up the capital, take on the financial risk, cover operating expenses and make a profit while giving the lion's share to the service contractor. This is another tenet of a bad business model!

According to Dictionary.com, an externality is "an external effect, often unforeseen or unintended, accompanying a process or activity." Externalities pass costs and consequences on to others for decisions we (or governments, corporations or other bodies) make. For example, cigarette and junk food companies pass harmful health effects on to citizens in the form of respiratory illnesses and obesity, without the companies paying directly for those effects. Those costs are passed on to the health-care system and the taxpayer, and not borne by the companies producing the harm.

When the cost of starting and operating a practice is not fully borne by the employee/contractor practitioner, it is passed on as an externality to the host business manager/owner. These costs are not borne appropriately when the business owner sets terms at below market value and fails to make a profit, or even to fully cover operating costs. The net result is bright, ambitious business owners who broker a tremendous opportunity for budding practitioners, only to find themselves woefully in debt and with fragmented, damaged businesses.

COMMON RATIONALIZATIONS IN RMT CULTURE

Business Owner: "If I offer a good deal, the RMT will stay on."

Maybe, but if you're not covering costs, then you're going into debt and brokering a dysfunctional business relationship at your own expense. A bad agreement forces unmet expenses as an externality on you as the business owner. I suggest you create an agreement that's amenable to both parties and build in incentives such as health and dental benefits, financial bonuses, profit sharing and opportunity for future partnership for your most productive employees. The good RMTs will stay, and the poor ones will be encouraged to leave.

Practitioner: "The rent is too much."

More likely, your model of delivery caps your income because it's time and labour intensive. Part-time work (15-19 hours/week) only provides for part-time income. Explore the use of remedial exercise, modalities and other innovations to increase your workload capacity, or find a business owner willing to rent for just the hours you need and find part-time work in another field that isn't so physically taxing. Business owners may be able to split the space use between two practitioners[4] so their expenses are duly covered, and you can work at the capacity you're comfortable with.

Business Owner: "What if I keep the percentage high for my associates, and provide the equipment and linen but not the marketing or administration?"

This is a compromise by the business owner to offset some of the cost of a bad working agreement. Ultimately, it's still unprofitable and creates fuzzy lines in the working relationship. Be careful not to breach the lines between employee and employer or contractor and contract provider. Canada Revenue Agency uses specific criteria to discern whether a working relationship presents as employee/employer or self-employed.[5] There are fines and penalties for an improperly defined relationship.

Business Owner: "Isn't some cash flow better than having the office sit dormant?"

Not necessarily. There's the cost of lost opportunity – you could be renting that space to a practitioner who values your development of reputation and location, operating systems and marketing campaigns and is willing to pay a fair price for them. Talk with your accountant, find out what you need to cover costs and profit, and set up negotiations with your practitioners. When I finally acknowledged my accounting ignorance and blind following of the RMT cultural custom, I approached my associates, explained the situation and found they agreed to my terms. They relied on the business continuing as much as I did.

Practitioner: "This isn't fair . . . how am I supposed to earn enough to live on?"

This is an excellent point and the true issue we should focus on. Surveys and empirical evidence suggest providing massage therapy exclusively limits work capacity and therefore income. It's time to open a discussion about working models and innovation, and the supportive infrastructure needed from our training institutions, professional associations and regulatory bodies. I believe massage therapists can earn a reasonable income from the vocation they love, but it requires some different thinking and it shouldn't be at the expense of the business owners who provide the work opportunities.

CLOSING

The "ideal percentage" is a red herring, and chases away your best practitioners. Base your RMT working terms on:

1. the type of working relationship (employer/employee, commission or self-employed);
2. the value each party brings to the table; and
3. knowing your operating costs and take-home earnings requirements.

Business owners should reward productivity and value in their practitioners, and practitioners should use models of delivery that maximize their workload capacity and income potential. Our massage culture has done us a disservice by breeding financial ignorance and bullying entrepreneurial RMTs. It's time for a cultural shift.

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2. *www.amtamassage.org/articles/2/PressRelease/detail/2545*
3. *www.cmto.com/cmto-wordpress/assets/CollegeStandard_2004_July.pdf*
4. *See chapter 2, Massage Therapist Practice: Start, Sustain, Succeed for a description of this model*
5. *www.cra-arc.gc.ca/E/pub/tg/rc4110/*