

# Getting the Job Done:

## Employee Wage Rates and Compensation Packages on Kansas Farms

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## Labor Management on the Farm

- Labor is an important resource
  - Drives many decisions
  - Main purpose of machinery/equipment has always been to make labor use more efficient
- Farm size continues to increase
- Agriculture is a unique industry—those working together are often family members
- Most farm managers have very little training in managing human resources

## Survey and Study

- Winter 2008/09 survey to examine labor management practices on Kansas farms
- Similar survey in 2001/02
- Kansas Farm Management Association member farms
- 162 Farms and 327 employees in the survey
- Focus of this study is on non-owner/spouse employees
  - 87% of total employees in 2008
  - 91% of total employees in 2001

## Outline of Presentation

- Employee characteristics and demographics
- Employer provided benefits
- Employee wages and total compensation
- Comparison between 2008 and 2001 survey results
- Employer/employee relationships on the farm

## Employee Status

- Full-Time
  - Employee who works more than 1,800 hours in one year
- Part-Time
  - Employee who works 12 months per year but fewer than 35 hours per week
- Seasonal
  - Employee who works fewer than 12 months per year

## Employee Competency

- Level one
  - Employees with little to no experience or those having no advanced skills. Tasks assigned to them require very little training or experience.
- Level two
  - Somewhat specialized employees performing tasks that require training. No supervisory or decision making authority.
- Level three
  - Highly specialized employees in at least one area. Supervisory and decision making authority is limited to specialized areas.

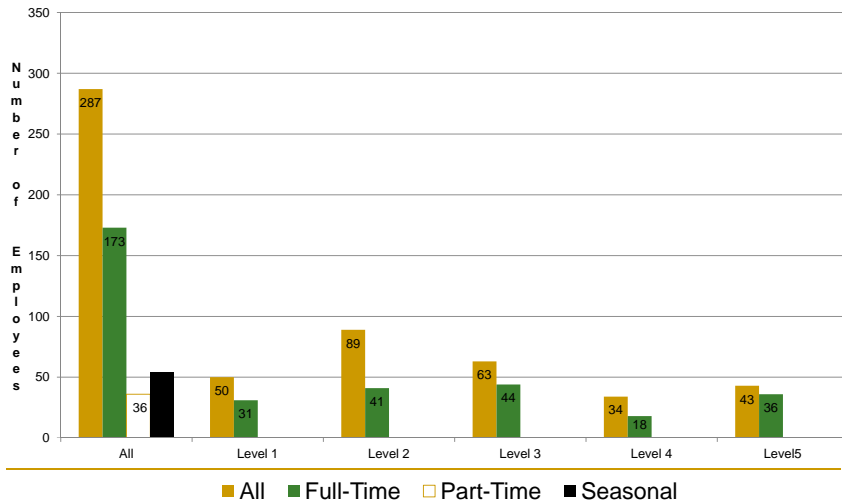
## Employee Competency

- Level four
  - Highly skilled in many areas. May make decisions that impact entire operation. Large supervisory authority.
- Level five
  - The most skilled and qualified employees. Complete authority over employees and a high level of decision making authority over the operations of the farm.

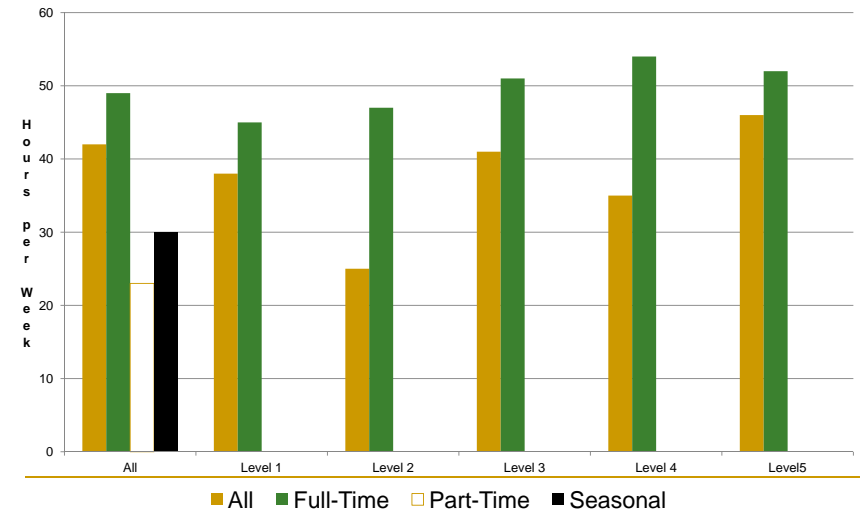
## Non Owner/Spouse Employees

- Owners and their spouses were removed from this data set
- Often have different pay structure than a true hired employee
  - Often motivated by tax planning
- By removing this group we get a better picture of employee compensation
- All information will have the owners and spouses excluded (including the 2001 data)

## Number of Employees



## Average Hours Worked per Week



## Employee Demographic Information

- 9% own part of the business
  - 44% of level five employees
  - 0% of level two and only one level one employee
- 29% related to the owner
  - 50% of level four
  - 10% of level one
- 93% of farm employees are male
  - 98% of level one
  - 90% of level three

## Employee Demographic Information

- Average age of 39
  - Range from 12 to 80
  - Steady increase from level one through four
    - Drops from 46 to 43 from level four to five
- Average of 12.6 years of education
  - Trends from 12 to 14 years across competencies
  - Range of 8 to 18 years

## Tenure of Employees

- Average of 15 years in agriculture
  - Range 5-23
- 9 years with the current business
  - Range 4-18
- 6 years in the current position
  - Range 2-12
- Tenure increased steadily across competencies

## Common Benefits

- These benefits are common among many employers in multiple industries
- Include:
  - Health Insurance
  - Retirement Program
  - Profit Sharing
  - Bonuses

## Common Benefits

	All	Full-Time	Part-Time	Seasonal
Health Insurance	21%	30%	6%	2%
Retirement Programs	14%	18%	6%	4%
Profit Sharing	2%	3%	3%	0%
Bonuses	21%	30%	11%	6%

## Full-Time Common Benefits

- One third of level three, four, and five employees receive health insurance
- Over 20% level three, four, and five employees receive retirement program contribution
  - Level five has largest contribution
- Profit sharing very uncommon
- 50% of level three employees receive a bonus

## Farm Specific Benefits

- These benefits arise from special situations unique to agriculture
- They include:
  - Housing
  - Utilities
  - Farm Products
  - Personal Use of Vehicle
  - Use of Equipment

## Farm Specific Benefits

	All	Full-Time	Part-Time	Seasonal
Housing	18%	25%	3%	2%
Utilities	12%	17%	3%	0%
Farm Products	28%	36%	19%	4%
Personal Use of Vehicles	10%	16%	0%	0%
Equipment	8%	11%	6%	2%

## Full-Time Farm Specific Benefits

- Housing is common across all competencies
- Utilities are paid for over 25% of level three, four, and five employees
- Farm Products are the most common benefit
  - Low cash value
  - Equally common across all competencies
- 23% of level three employees are provided personal use of vehicle
- 14% of level three employees are provided use of equipment

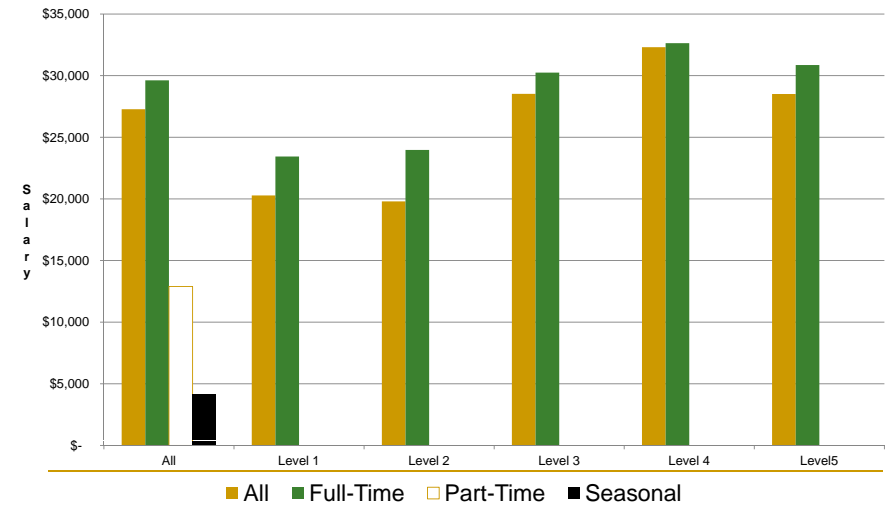
## Overtime

- 11% of all employees receive overtime
  - 34% of level one employees
- 15% of full-time employees receive overtime
  - 42% of level one employees
- Overtime applies after an average of 43 hours
  - Range of 40-50 hours

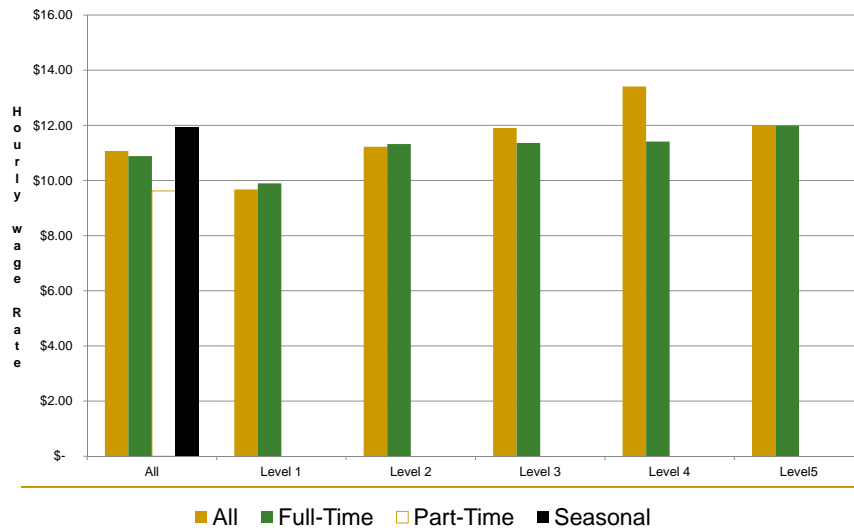
## Sick and Vacation Leave

- 16% of full-time employees receive sick leave
- 51% of full-time employees receive vacation leave
- Sick and vacation leave are most common in level two and three employees

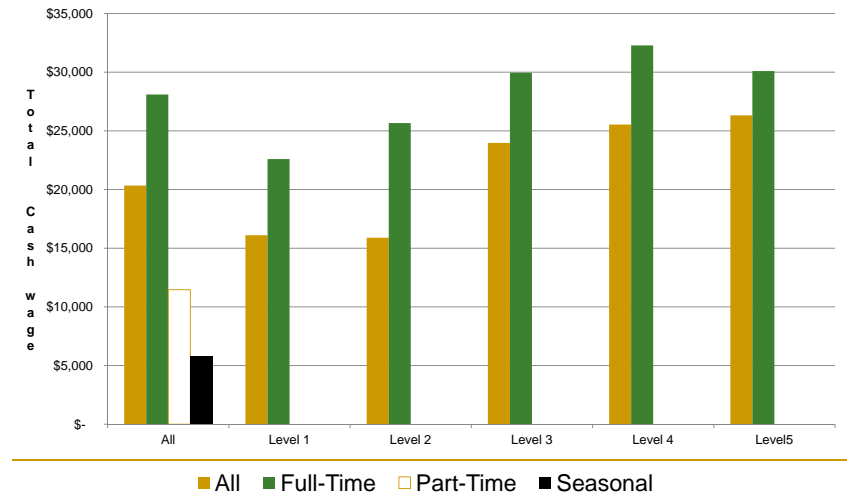
## Average Salary



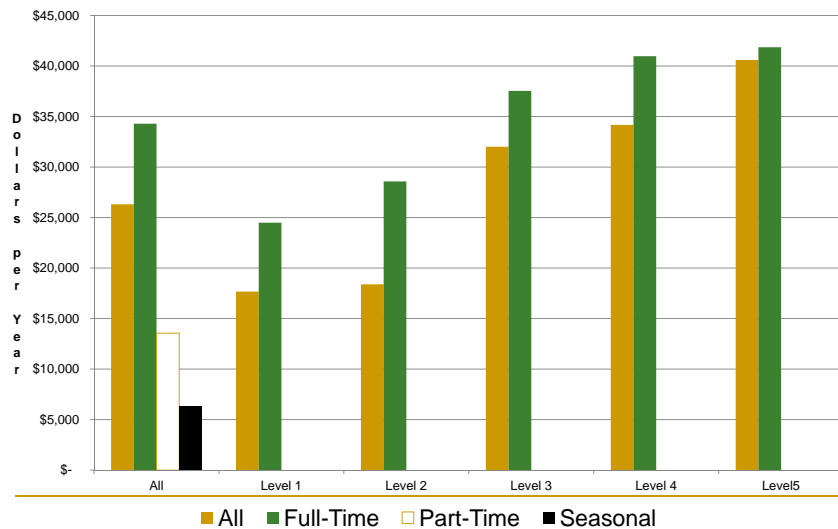
## Average Hourly wage



## Total Cash Wage



## Total Compensation



## Full-Time Employee Compensation

- \$6000 jump in average salary between level two and three employees
- Salary decreases when moving from level four to level five
- \$1.42 increase in hourly wage rate after level one
  - Steady increase throughout rest of competency levels

## Full-Time Employee Compensation

- Total cash wage increases steadily
  - Slight drop in level five
- \$4000 jump in total compensation from level one to two
- \$9000 increase from level two to three
- \$3000 increase in level four over level three
- Less than \$1000 increase from level four to level five

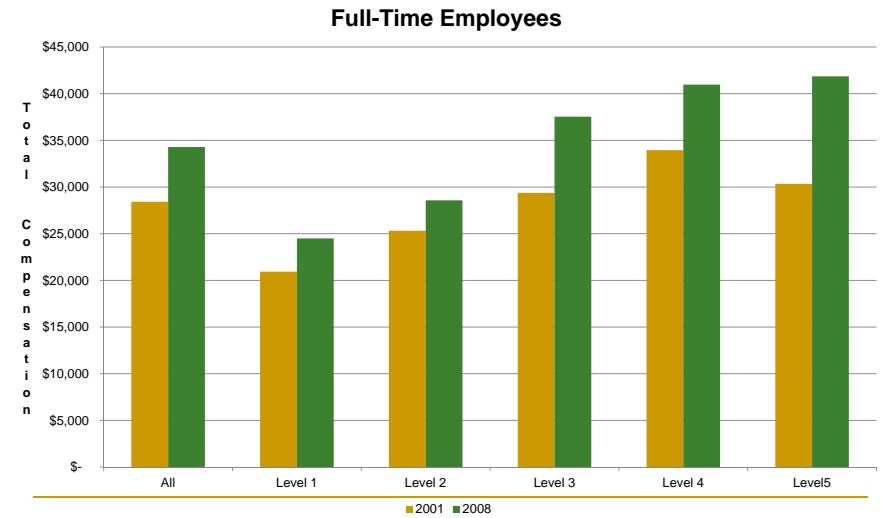
## 2001 Survey

- 408 total employees in the non owner/spouse category
  - 221 full-time employees
  - 51 part-time employees
  - 113 seasonal employees

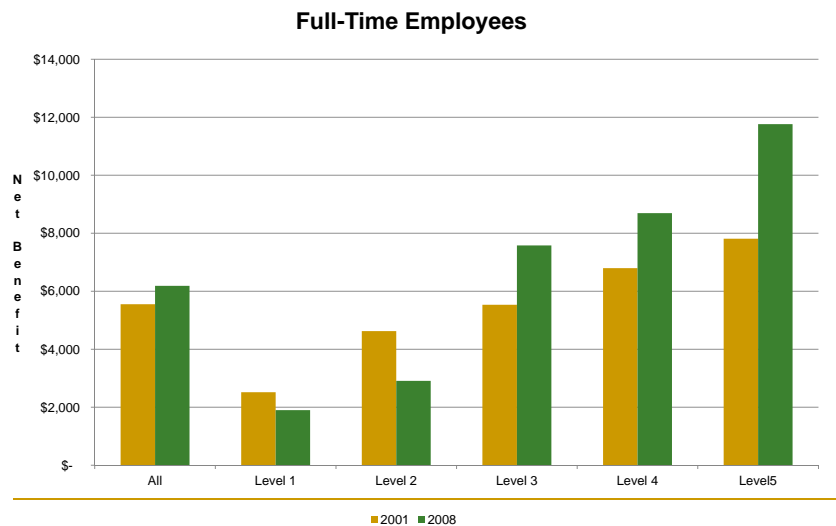
## 2001 vs. 2008 Total Cash Wage



## 2001 vs. 2008 Total Compensation



## 2001 vs. 2008 Net Benefits



## Employer/Employee Relationships

- Pain in the neck or can't live without them?
  - Employees are vital to the success of many operations
- 5 Topics
  - Assessing the need and recruitment
  - Training
  - Evaluation
  - Communication
  - Dealing with conflict



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## Assessing the labor need

- Do I need an employee or additional employees?
  - Why do I think I do (don't)?
    - Do I get things done on time?
    - Is the quality of work or decision making suffering?
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## Assessing the labor need

- Can I make effective changes without hiring an employee?
    - Machinery/Equipment
    - System of operation
    - Use of custom hire
  - What type of employee do I need?
    - General labor
    - Highly specific skill set
    - Full-time, Part-time, Seasonal
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## So I've Decided to Hire an Employee: Employee Recruitment

- Have a detailed job description
    - Communicate what the expected roles will be
    - Be open—Do not sugar coat their responsibilities
  - How long do you intend to employ them?
  - Are you an attractive employer?
    - Focus on the strengths of your business
    - Are there potential roles that can be unattractive?
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## Employee Training

- How much training will be required?
    - Highly skilled employee should require less
    - General labor employee may require more
    - Ask what experience they have
  - Everyone learns differently
    - Ask employee what works best for them
    - Make it clear that questions are welcome
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## Employee Training

- Have clear written instructions
- Trainer should have proper knowledge and skills to train
- Proper training will prevent future problems
  - Small mistakes
  - Major safety issues
- Do not rush the process
  - May take significant amount of time

## Employee Evaluation

- Two types
  - Ongoing Feedback
    - Constant
    - May not be private
  - Formal Evaluation
    - Structured
    - Private
- Allow for feedback from employees in both types

## Feedback

- Positive feedback, as well as, negative
- Correct mistakes early and quickly
- Very simple
  - “Next time try and do it this way”
  - “Looks good, can’t do it any better myself”
- Quality employees want to know when a mistake is made!
- They also appreciate recognition for a job well done!

## Formal Evaluation

- Very uncommon in agriculture
  - Does not imply that it is not necessary
  - Builds better relationships
- Have formal evaluation on paper
  - Still positive and negative
  - Private
- Pick correct times
  - Perhaps after busy season
    - Harvest
    - Calf weaning

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## Communication

- Strong employer/employee relationships cannot be achieved without good communication
  - Schedule time for communication
    - Coffee, lunch, Sunday afternoon
    - Catch up, discuss future plans
  - If can not physically meet—use technology
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## Communication

- Discuss the future of the business
    - How well is the business doing?
    - Communicate goals/objectives for the operation
    - Will there be any changes in roles/responsibilities?
  - Communication goes beyond speech
    - Nonverbal
    - Listening
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## Dealing with Conflict

- Conflict will happen
  - Likely cause—poor communication
    - Well I thought.....
    - I didn't know that.....
    - Acting on assumptions often results from lack of communication
  - Do not ignore conflict
    - Identify the cause
    - Takes steps to minimize
      - Cannot be eliminated
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## Other Employee Management Considerations

- Payroll recordkeeping
- Tax withholdings and deposits
- Federal and State reporting requirements
- Commodity in lieu of wages
- Employee vs. independent contractor

**Seek assistance so that you appropriately handle these issues**

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# Questions

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