

**15. Getting the Job Done:
Employee Wage Rates and Compensation Packages on
Kansas Farms**

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Kevin Herbel has served as the Administrator of the Kansas Farm Management Association (KFMA) program since June of 2007 and Executive Director of the K-MAR-105 Association since May of 2008. He has extensive experience assisting Kansas farm decision makers manage their resources efficiently, primarily through one-on-one contact with farm families and individuals. This work has included record keeping assistance, in-depth whole-farm and enterprise analysis, benchmarking, labor management, tax planning and transition planning, with a goal of improved decision making. He received his B.S. degree in 1988 and his M.S. degree in 1991 both in Agricultural Economics at Kansas State University. Currently, Kevin provides leadership to the state-wide KFMA program and directs the data management at the K-MAR-105 Association.

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Abstract/Summary

What do you think of when someone mentions employees on the farm? Waste of time, pain in the neck, or can't do without them? Labor management is becoming increasingly important on Kansas farms. Attracting and retaining quality employees presents unique challenges that are difficult for many of us. This session will look at preliminary data from a Kansas Farm Management Association survey examining wage and benefit packages on Kansas farms and comparing this data to a similar survey completed in 2001. What does it take to recruit and retain employees? What are other farm managers doing? Should family and non-family employees be compensated differently? What can be done to improve working relationships on the farm?

Getting the Job Done:

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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.

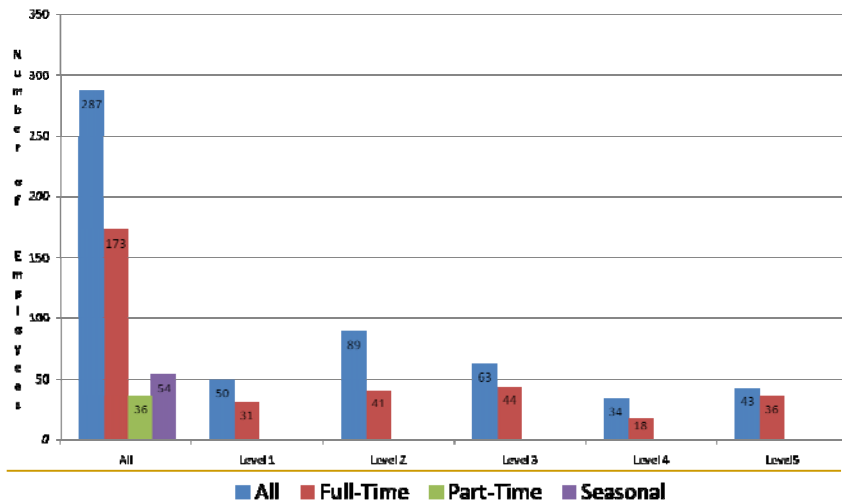
Employee Competency

- 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.

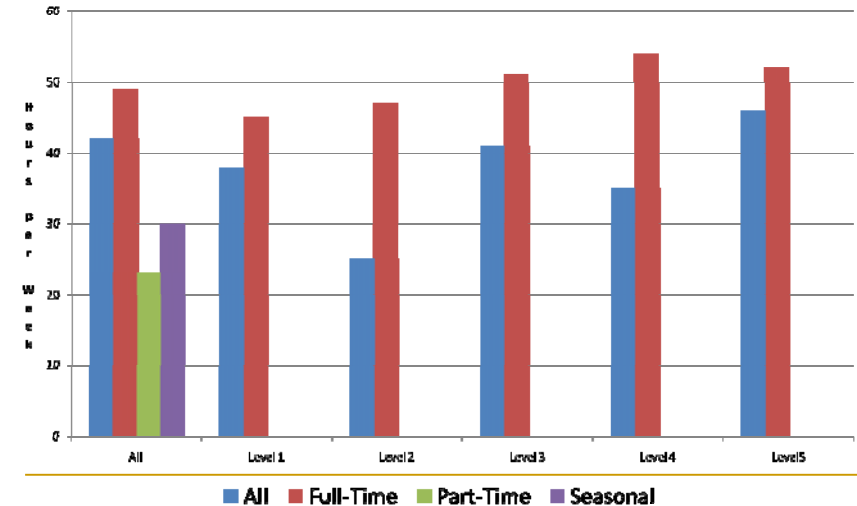
Non Owner/Spouse Employees

- 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

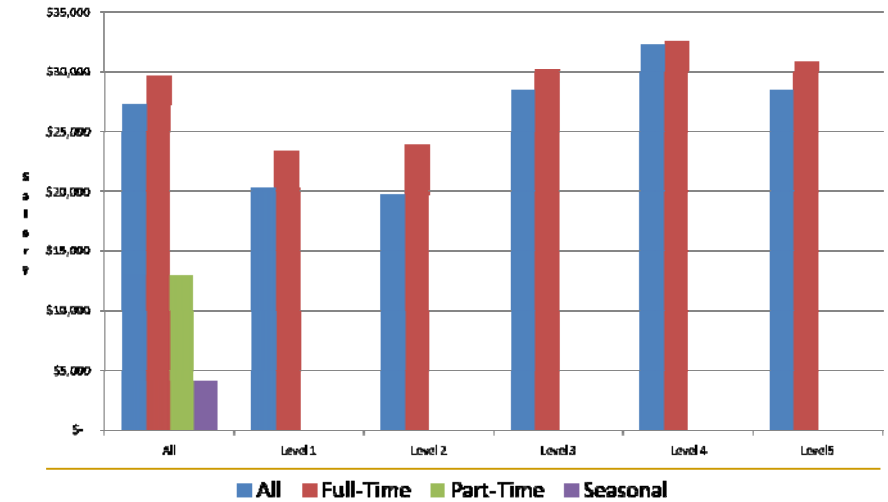
Overtime

- 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

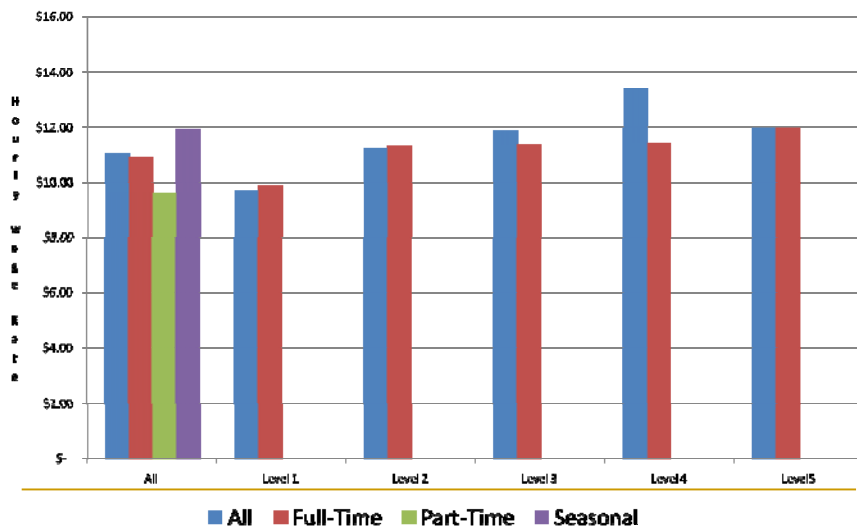
Sick and Vacation Leave

- 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

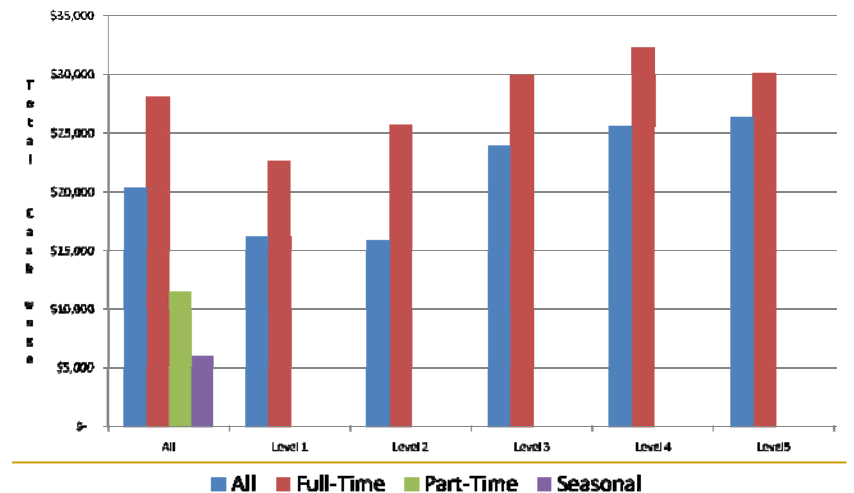
Average Salary



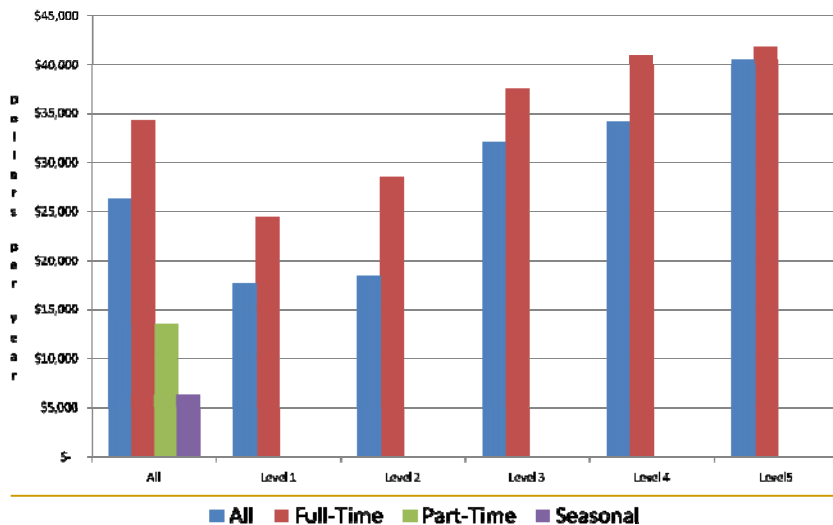
Average Hourly wage



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

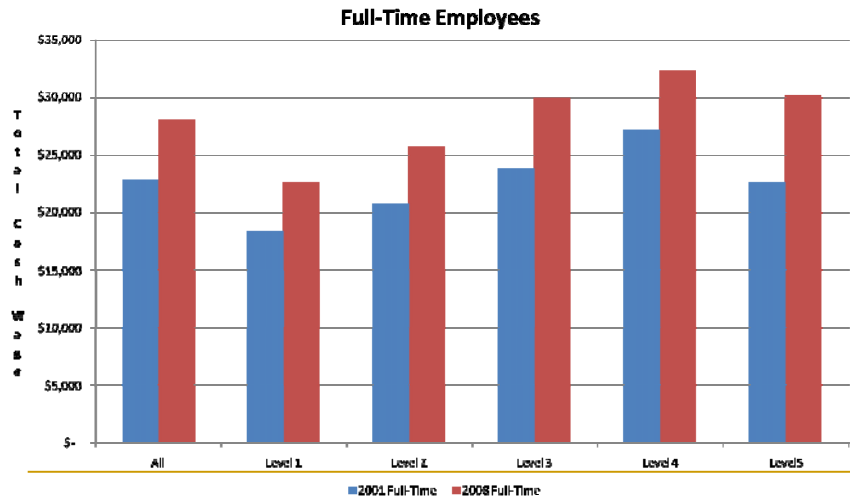
Full-Time Employee Compensation

- 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

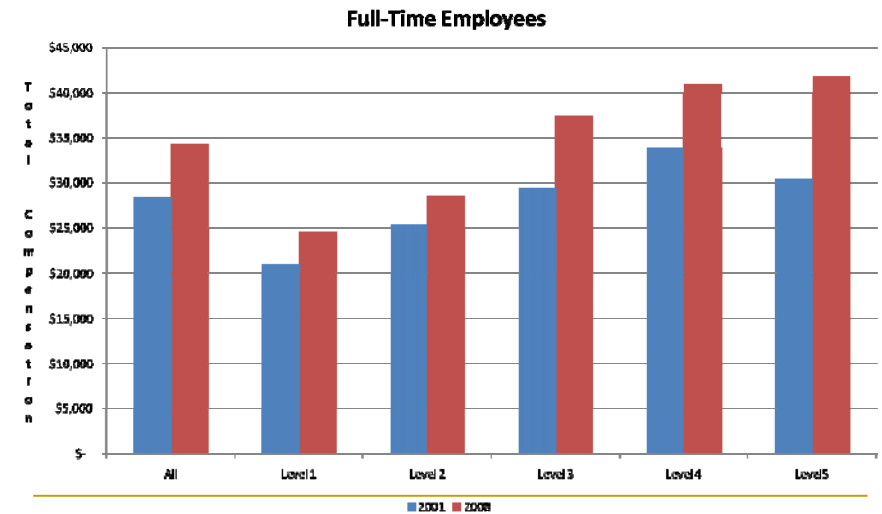
2001 Survey

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

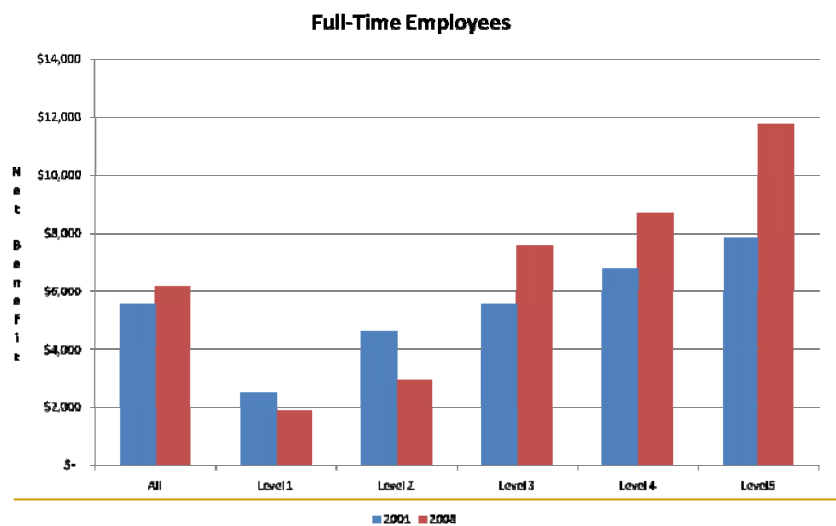
2001 vs. 2008 Total Cash Wage



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

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?
-

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
-

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?
-

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
-

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

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
-

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
-

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
-

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
