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Incentives and Benefits for Farm and Ranch Workers

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Hired labor accounts for over one-fourth of the total labor supply on U.S. farms and ranches. The acquisition, training, and retention of workers can be costly in both time and money. Therefore, labor retention becomes a significant issue to agricultural managers.

While not a cure-all for labor management problems, incentives can, in the right situations, be very beneficial in increasing worker performance. Incentives may be categorized as either casual or structured. Casual incentives occur at the owner's discretion and workers do not know ahead of time when they will be given. An invitation to dinner, tickets to an athletic event, or a small amount of money when an employee's child graduates are examples of casual incentives.

Structured incentives are much more complex. With structured incentives, employees know in advance the exact relationship between performance and the amount of reward they receive. Employers can often see higher morale and in some cases even have cost reductions. Billikopf (1994) found that farmers generally react to structured incentives in one of four ways: (1) incentives work well, (2) incentives do not work, (3) incentives do not apply to my present situation, and (4) incentives are not used because I do not know how to set them up.

Most incentive plans are based upon producing a certain amount of output, reaching a predetermined level of performance, number of years worked, or a percentage of the gross or net income of the operation. Kay and Edwards (1995) suggest several basic principles that will increase the chances of implementing a successful incentive program.

1. The program should be simple and easily understood by employees.
2. The program should be based upon control of factors largely in the employees.
3. The program should aim at rewarding work that is in the best interest of the employer.
4. The program should provide a cash return large enough to provide motivation for improved performance.
5. An example of how the incentive will be computed should be made available in writing, using typical performance levels.

BENEFITS

In Nevada, the Department of Employment, Training, and Rehabilitation (1995) maintains data on benefits paid by position for farms and ranches participating in the state unemployment insurance program.

While the information in Table 2 shows that Nevada production operations offer fringe benefits that include housing, medical, vehicle, meat, gas, and paid vacation, it should be remembered that the population sampled included only 172 farms and ranches.

Fringe benefits will vary widely depending on whether one is referring to a permanent full-time manager or a seasonal laborer. The benefits can also make up a large portion of the total compensation package for agricultural employees. While Nevada data on the cost of employee fringe benefits is incomplete, Kay and Edwards (1995) found that in Iowa it averaged 12 percent. Full benefit packages such as those found in industry can add as much as 30 percent or more to total employee compensation.

There are several possible fringe benefits that can be offered to employees. Table 3 lists benefits, the percentage of employees receiving certain benefits, and the estimated cost of the benefits to the employer that were reported in a farm labor study in Iowa. While the situation in Iowa is undoubtedly different from that found in Nevada, it does provide a good picture of what benefits are being provided by other farmers and ranchers.

CONCLUSION

Pay incentives and benefit packages are becoming more common in agricultural settings. Much of this is in response to the higher levels of productivity and skills required by today's agricultural workers.

Some Nevada farmers and ranchers are providing benefits in order to retain skilled laborers. Some of these benefits include housing, medical insurance, a vehicle, meat, gas and paid vacations. While no figures are currently available to document the added cost of these benefits to Nevada's employers, data from Iowa indicates that benefits add at least 12 percent to the base wage of employees.

Incentive packages should have clearly established guidelines, direct linkages between performance and reward, and careful consideration of the outcomes.

Above all, employers need to maintain open communication channels with their employees. Employers want employees to take their responsibilities seriously and show concern for the welfare of the production operations. Employees hope that employers will value their feelings and opinions and provide positive feedback for work well done. Open communication should result in good labor relations and an efficient agricultural operation that will benefit both employer and employee.

REFERENCES

1. Billikopf, G.E. (1994). Labor Management in Agriculture: Cultivating Personnel Productivity. University of California Cooperative Extension, Modesto, California.
2. Gamroth, G. and Riggs, W.W. (1998). Understanding the Basics of Managing Ranch Labor. Cow-Calf Management Guide, University of Idaho Cooperative Extension, Moscow, Idaho.
3. Kay, R.D. and Edwards, W.M. (1995). Farm Management. 3rd edition. McGraw-Hill. Inc. New York. New York.
4. Nevada Department of Employment, Training, and Rehabilitation. (1995). Statewide Agricultural Wage Survey. Employment Security Division, Carson City, Nevada.

Table 2
1995 Nevada Agricultural Wage Survey Percentages of Positions Offered Benefits

Field Crops

	N=7	N-18	N-20	N=23
	Supervisor	Farm Worker	Machine Operator	Irrigator
HousingfRoom & Board	40	81	40	75
Medical	80	9	50	42
Vehicle	80	64	10	25
Meat	40	27	20	33
Gas	60	9	20	0
Paid Vacation	40	55	30	25

Livestock

	N-11	N=17
	Supervisor	Cow Puncher
HousingfRoom & Board	90	100
Medical	70	50
Vehicle	20	30
Meat	30	20
Gas	30	20
Paid Vacation	50	30

Nevada Department of Employment, Training, and Rehabilitation. (1995). Statewide Agricultural Wage Survey.
 Employment Security Division, Carson City, Nevada.

Table 3
Benefits Received By Farm Employees

Type	Percent of Employees receiving	Average cost per employee
Personal use of vehicle	19	\$966
Farm produce	43	\$380
Farm commodities	15	\$988
Meals	25	\$675
Clothing	14	\$258
Insurance (total)	47	\$2,298
Health	18	
Single	27	
Health	7	
Family	6	
Dental	10	
Optical	45	
Life	3	
Unemployment	6	
Housing (total)	36	\$1979
Mobile home		
Apartment	21	
House	30	
Utilities (total)	11	\$1326
Heat	25	
Electric	25	
Telephone	4	
Water, sewer	5	
Continuing education	14	\$243
Recreation		\$168
Retirement plans		\$2588
Other		\$1349

Farm Employee Management in Iowa, Iowa State University Extension Service Publication FM-1841,
June 1991, from Farm Management by Kay and Edwards, 1995.