

Employee Benefit Packages in the Swine Industry

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Summary and Implications

Benefit packages and working conditions are important to employees in the swine industry, just as is the salary level. Employees indicated that there are trade-offs between salary levels and the benefit packages and working conditions. For example, they indicated that incentive plans, on average, were equivalent to about \$3,873 in salary to employees (Table 1). They also indicated that the provision of insurance as part of the employment conditions was important. The trade-off was that \$1.00 of insurance premium was equivalent to about \$2.59 in salary. While this level of trade-off was higher than expected, it does indicate that workers do value both salary and benefits and trade one for the other in evaluating compensation offers. There are two possible reasons for the high level of trade-off, one being the tax benefits of insurance premiums which are provided by the employer, and the second being that the employer may be able to obtain benefit packages in group policies such as major medical, dental, etc., at a lower rate than what the individual employee could receive on a single or family policy.

Employee working conditions in the facilities were found to be important and significant. The value of working in a facility that had excellent environmental conditions in terms of dust and gases was worth about \$10,000 over that of working in a facility that was ranked as good. The value of working in a good versus a fair rated facility was \$7,900. Again, here, the values seem to be inflated, but the bottom line is that employees value working in facilities that have better environments and are willing to accept lower salaries in order to work in safer environments. Employees also indicated that the mere presence or availability of masks or respirators to wear in the production facility had a positive benefit.

Introduction

During the winter of 1995 the National Pork Producers Council, along with *National Hog Farmer*, conducted a survey to take a look at the job market and employee situation in the swine industry. Producers/employers, and employees were surveyed. To conduct the survey the *National Hog Farmer* qualified mailing list was used. In 1995 there were 1,482 employees that responded to the survey, while there were about 3,900 producers who responded. Producers were surveyed if they had indicated they marketed 2,000 head or more market hogs in a typical year,

or their herd size was 100 sows or more.

The goal of the survey was to obtain up-to-date information on the employee-employer relationships, as well as salaries, benefits and other information in the swine production labor market. To track this information the survey was structured to collect information on salary and benefit concerns, levels of experience and education of employees as well as employers in the swine production industry, ways in which the job could be made more appealing, weaknesses perceived in personnel management in the industry, and overall levels of job satisfaction of the employees.

This report will focus on the benefit packages and some other descriptive characteristics of the labor market of the swine industry.

Results and Discussion

Benefit packages are important for employees. These packages can be an important component of employee retention. For employees, the issues of receiving a fair and competitive salary and good communications between the offered employee and employer ranked above the benefit package as items that they considered important to their job. Considerations such as fewer hours, more responsibility, personal recognition and improved work plans were of lower importance.

Information presented in Table 2 shows the percentage of the employees that indicated they received various benefits. This table also provides information on the percentage of producers that indicated they provided the respective benefit to their employees. About eight out of 10 employees indicated that they received paid vacation. The average number of days of paid vacation in 1995 was 10 days. About one half the employees indicated that they received the equivalent of seven or fewer days of paid vacation, while about a third of the employees indicated that they received from three to four weeks of paid vacation or from 11 to 21 days. About six in 10 employees indicated that they also received paid holidays off. About one half of the employees indicated that they received sick leave on a paid basis, as well.

Major medical coverage was received by eight out of 10 employees. Note that there was a wide discrepancy between the percentage of employees (80%) who indicated they received major medical and the percentage of producers (45%) who indicated they provided major medical coverage for the employees. The reason for this is that there is a high correlation between provision of benefits such as major medical coverage and size of pork production operation. Larger operations have a much higher tendency for providing these benefits. Moreover, most employees are from larger operations since the smaller operations have few or no employees. Thus, the discrepancy between employer and employee response simply reflects the different distribution

of producers and employees by size of operation surveyed. For some benefit packages, such as major medical, there are economies of scale in offering the packages. The larger producers or operations with more employees can obtain the packages at lower cost per person. This conclusion applies to many of the benefit packages that are shown in Table 2.

Dental coverage was received by slightly less than half the employees, but only provided by 7.5 percent of producers. Disability insurance coverage was received by slightly more than half (54.6%) of the employees, while life insurance and worker's compensation was received by 65% of the employees. About 35% received unemployment insurance and had a pension/retirement plan. About one in four received paid utilities, a vehicle, and continuing education. About one in five employees indicated that they were part of a profit sharing plan. In general, larger operations offered more of the benefit packages than did the smaller operations. Because of this, a larger percent of the employees received a benefit package than the percent of producers who offered them.

Along with fringe benefits, incentives can be an effective method for improving employee job satisfaction and productivity. In 1995 about one third of the employees indicated that they received an incentive based on pigs weaned per sow per year. About 9% indicated that they received an incentive based on pigs farrowed per sow per year. Another 8% indicated that they received an incentive hinged on pounds of pork produced per year. In general, the use of incentives declined from 1990. This may reflect the difficulties with establishing an effective incentive plan. To be effective, a plan needs to be based on factors which the employee controls.

The working environment in hog production facilities is also an important part of employee job satisfaction. Employees in facilities with low dust levels were much more satisfied than those in facilities with high dust levels. Of those working in low dust levels, 53% were very satisfied, compared to only 20 percent very satisfied for those working in facilities with high dust levels. Response levels were similar for high and low gas levels.

Table 1. Salary versus benefits and working condition tradeoffs.

Item	Dollar Value of Tradeoff
Fringe Benefits	
Incentive Plan Provided	\$ 3,873
Paid Time-Off	\$ -290
Insurance Premiums	\$ 2.59**
In-Kind Transfers	\$ 1,429
Retirement Plan	\$ 1,806
Working Conditions	
Excellent to Good	\$-10,352*
Good to Fair	\$ -7,938**
Fair to Poor	\$ -1,615
Mask or Respirator	\$ 6,807**

* Significant at the 1% level.

**Significant at the 5% level.

ground to prepare them for advancement. Seven in 10 employees indicated that they intended to make a lifelong career in working in swine production operations. They are in the career they prefer and had selected as their occupation. Fifty-five percent of the employees indicated they wished to own a hog operation someday. This had declined from 75% in 1990. Fewer are looking to the industry for an ownership position. In general, employees indicated they are satisfied with the jobs they have, but there is room for improvement. However, there do not appear to be any major employer-employee problems. The problems are very manageable.

Table 2. Percentage of respondents indicating availability of a benefit in 1995.*

Benefit	Producer	Employee
Paid Vacation	62%	78.6%
Paid Holidays	43.6%	63.4%
Paid Sick Leave	30%	51.9%
Major Medical Coverage	45.2%	80.2%
Dental Coverage	7.5%	46.4%
Disability Insurance	14.7%	54.6%
Life Insurance	15.1%	65.5%
Worker's Compensation	39.7%	65.4%
Unemployment Insurance	17%	34.3%
Pension/Retirement Plan	10.7%	35.8%
Profit-Sharing Plan	11.4%	18.1%
Housing	36.5%	37.9%
Paid Utilities	24%	22.9%
Vehicle	21.1%	23.4%
Processed Meat	46.4%	39%
Continuing Education (Tuition/Travel)	16.5%	26.3%
Other	11.2%	8.6%
Number Responding	2,073	1,296

*This table is restricted. Respondents who did not report the operation's annual hog production, number of full-time employees or reported zero full-time employees are excluded from the sample.