

Wages and Benefits for Farm Employees - Results of an Iowa Survey

More than 20,000 people make their living each year as full-time employees on Iowa farms. The level and type of wages and benefits they receive vary widely. Both farmers and employees want to be informed about how farm labor is compensated. To assist them, Iowa State University and the Iowa Office of National Agricultural Statistics Service conducted a survey of Iowa farmers who employ one or more persons full-time.

The following results describe 168 farm employees who worked at least 1,600 hours on the same farm in 2005, and were not related to the farm operator. Five percent of the employees sampled were female, and only 1 percent were born outside of the United States. The average employee had 15 years of experience working on a farm, 9 of which were with the present employer.

Compensation of Employees

Most employers and employees think first about cash wages or salary. Based on the information obtained in the survey, the average cash wage paid to all employees was \$28,256 per year, before deductions for taxes. However, this amount made up only 81 percent of their total compensation (Figure 1). Besides wages, employees also received compensation in the form of fringe benefits and bonuses. The average value of all benefits received was \$5,374 per employee. In addition, an average of \$1,010 was paid to each employee as a cash bonus or incentive payment. The average value of all forms of compensation was \$34,640, and varied from a low of \$12,920 to a high of \$70,300.

In a similar survey conducted in 1997 the average farm employee received \$26,914 in total compensation. The increase of \$7,937 over 8 years represents an average annual increase of 3.3 percent.

Wages. Wages were paid either on an hourly basis or as a fixed amount per week, month, or year. Hourly wages were received by 55 percent of the employees. As shown in Table 1, employees who were paid by the hour received slightly lower annual wages, benefits and total compensation, on average. Employees who received a fixed wage tended to be older and have longer tenure on the same farm, and received more of their pay in the form of benefits. Possibly a longer employment history makes it easier to predict the number of hours that will be worked, and to set a fair wage in advance.

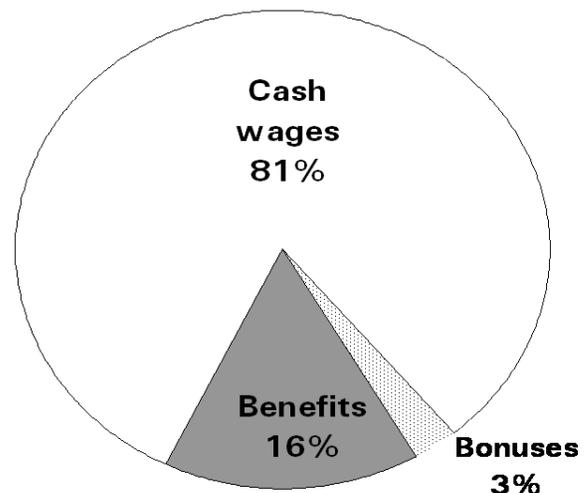


Figure 1. Sources of compensation

	All full-time employees	Hourly wage	Fixed wage
Percent of employees	100%	55%	45%
Value of cash wages	\$28,256	\$27,665	\$28,972
Value of benefits	5,374	4,066	6,958
Value of bonuses	<u>1,010</u>	<u>701</u>	<u>1,382</u>
Value of total compensation	\$34,640	\$32,432	\$37,312
Years of tenure on farm	9.2	8.3	10.3
Hours worked per year	2,575	2,597	2,547
Average wage per hour	\$11.12	\$10.61	\$11.74
Total compensation per hour	\$13.59	\$12.45	\$14.98

pay began after 40 hours of work per week, and amounted to a 50 percent higher hourly wage, that is, “time-and-a-half” pay.

Wages per hour. The average cash wage paid per hour worked was \$11.12. However, when bonuses and the value of fringe benefits were added, the average total compensation was \$13.59 per hour. There

Hours worked. The average number of hours worked per year for full-time employees was estimated to be 2,575, or about 50 hours per week. However, farm labor needs tend to be seasonal. During spring and fall, employees worked an average of 56 hours per week, but during the summer months they averaged only 48 hours per week, and in winter they worked just 42 hours per week (Figure 2). Only 14 percent of the employers increased the hourly wages of their employees after a minimum number of hours per day or week. In most cases overtime

was a considerable range for both of these, however, as summarized in Table 2.

Days worked. The length of the work week for farm employees varied according to the type of farm and the season. Nearly half (48 percent) of the employees worked 5 days per

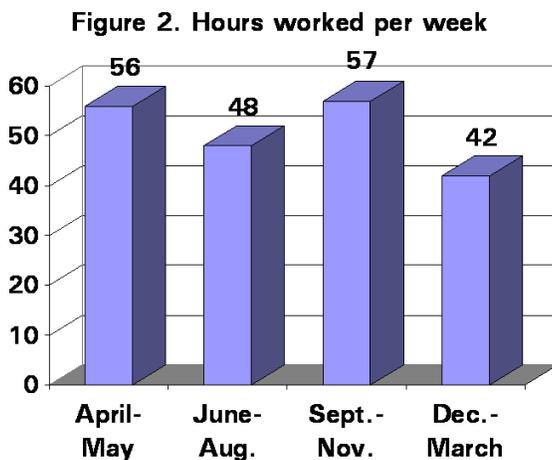


Table 2. Distribution of average wages and total compensation per hour.

Range, \$ per hour	Percent of employees	
	Cash wages	Total compensation
5.00 – 6.99	7	2
7.00 – 7.99	10	7
8.00 – 8.99	9	18
9.00 – 9.99	14	21
10.00 – 10.99	15	2
11.00 – 11.99	16	0
12.00 – 12.99	8	10
13.00 – 13.99	7	38
14.00 – 15.99	9	0
16.00 or more	<u>5</u>	<u>2</u>
	100%	100%

week, normally, while 46 percent worked 6 days per week, and 6 percent were on the job 7 days per week.

The number of days off granted to employees also varied widely. The average number of days not worked that would normally have been work days was reported as follows:

Vacation	10.0 days
Holidays	4.4 days
Sick days	4.1 days
Personal days	2.2 days
Total days	20.7 days

Benefits. Most of the employers (89 percent) preferred to provide some noncash benefits to their employees. Such benefits can substitute for cash wages, but in many cases are not subject to Social Security taxation. The value and type of nonwage benefits extended to farm employees varied widely. Table 3 shows the proportion of employees who received various types of benefits, the average annual cost for those who received each one and the average cost of the benefit for all employees in the survey sample. The average total cost per employee for all benefits received was \$5,374 per year, or 15 percent of their total compensation. This

Table 3. Benefits provided to employees.

Type of benefit	Percent receiving the benefit	Average value for those receiving the benefit	Average value for all employees
Insurance (total)	42	\$4,132	\$1,721
Health, single	31		
Health, family	15		
Life	18		
Disability	5		
Housing (total)	20	\$3,459	\$700
Utilities (total)		\$2,157	\$436
Electricity	17		
Water, sewer	14		
Heat	18		
Telephone	5		
Meals	45	\$1,273	\$583
Personal use of vehicle	20	1,224	300
Farm produce to consume	32	275	98
Clothing	24	142	34
Continuing education	14	266	36
Recreation	36	1,239	458
Farm commodities	4	3,318	242
Retirement plans	27	12,000	732

does not include the employer's share of Social Security or other payroll taxes.

Forty-two percent of the employees received some type of insurance plan, usually for health expenses, at an average annual cost of \$4,132 per worker covered. Health coverage plans were mostly individual plans, although some covered family members, as well. Some employees also received life insurance and disability insurance coverage.

Housing is often available as part of the existing farm property. Many employers prefer to provide housing to an employee rather than rent it to a third party. Housing also may be located near livestock or grain storage facilities that the employee oversees. Twenty percent of the employees received housing as part of their compensation, at an average annual value of nearly \$3,459, based on typical rental rates for rural houses. In many cases the employer paid part of the **utility costs** as well.

Nearly half of the employees received some **meals** at the expense of the employer. This is often done for convenience, when the employment site is not close to where the employee lives. Employees who were provided meals received an average of 5 meals per week, with an annual value of \$1,273.

Personal use of a business **vehicle** was a benefit for one employee in five. Those who enjoyed this privilege drove the business vehicle an average of 3,700 miles per year for personal use. This benefit was valued at \$.44 per mile. Many employees also received farm **produce** to consume, usually meat, and **clothing** needed for work duties.

One-seventh of the employees received some form of **continuing education** at their employer's expense, usually in the form of workshops and seminars, or vocational courses from community colleges. These opportunities can improve employees' abilities to carry out their assigned duties as well as improve their own self-image and confidence.

Some employers rewarded employees with paid **recreational opportunities**, such as a weekend at a resort or tickets to entertainment events. Since employees might not spend their cash wages for such perquisites, such gifts are often highly appreciated by them as well as by their families.

Only 4 percent of the employees received **farm commodities** as part of their compensation. These usually consisted of several hundred bushels of grain, which the employee could market. If the employee clearly has control over the disposition over the commodities, they are not included in taxable income for computation of Social Security tax. However, their value on the date they are transferred must be included in the employee's wages for calculating ordinary income tax.

Finally, 27 percent of the employees received contributions from their employers toward a **retirement plan**. The provision of this benefit has become more common in recent years.

Bonuses. Many farm employers like to tie part of an employee's compensation to production efficiency or some other criterion as a means to motivate and reward superior performance. More than 55 percent of the employees received some type of incentive or bonus plan. The average bonus for the employees who re-

ceived one was \$1,748. Many bonuses consisted simply of a cash payment made at the end of the year, not closely tied to performance. In some cases the bonus was tied to the profitability of the farm each year. ISU Extension publication FM 1840, “Bonus Plans for Farm Employees,” shows examples of specific bonus plans that were being used and discusses some of their advantages and disadvantages.

In addition to the types of compensation described above, 27 percent of the employees received free use of the employer’s crop machinery, shop and tools, snow removal equipment, feed grinder, tractor or livestock facilities. The value of these privileges was not included in the estimates of total compensation. However, in addition to being a convenience the use of such resources can provide a source of extra income to the employee, at little or no additional cost to the employer.

Factors Affecting Compensation

Not all employees received the same compensation—differences were quite large, in fact. Factors such as farm size, education, employee duties, years of farm experience and supervisory responsibilities all had a major influence on how much an employee was paid.

Gross sales. Farm size was measured by annual gross sales. Larger farms generally paid higher compensation, as shown in Table 4. In particular, farms with gross sales of more than \$500,000 paid significantly more than smaller farms did. On the larger farms some employees were probably supervising other employees or carrying out more specialized duties and thus merited a higher level of pay. The number of full-time workers employed per farm also increased with gross sales, from 1.8 to 9.5 employees.

Duties. Even on farms with more than one enterprise, some employees specialize in just one area. Data from Table 5 show that employees who specialized in beef production had the highest annual compensation, while those in swine production were the most highly compensated group by the hour. Those who specialized in dairy production, generally milkers, earned the lowest annual compensation.

Education. Total compensation was also related to the employee’s level of education. Graduates of four-year colleges (7 percent of the total) received the highest average compensation, \$45,122 per year. Those with less than 4 years of college education, including a

Table 4. Full-time employees and total compensation by gross sales per year.

Gross farm sales per year	Percent of employees	Full-time employees per farm	Average total compensation	
			Per year	Per hour
Under \$250,000	8	1.8	\$25,399	\$11.27
\$250,000-\$500,000	18	1.7	29,047	12.46
\$500,000-\$1,000,000	29	2.0	35,471	13.66
\$1,000,000 - \$2,000,000	19	2.1	33,001	13.64
Over \$2,000,000	27	9.5	40,619	14.69

Table 5. Compensation by duties of employee.

Duties	Percent of employees	Hours worked per year	Total compensation	
			Per year	Per hour
Crop production only	24	2552	\$35,791	\$13.97
Beef only	6	2813	37,643	13.23
Swine only	18	2313	33,305	14.69
Dairy only	3	2988	26,631	8.78
General livestock and crops	11	2892	35,774	12.35
Swine and crops	12	2553	34,092	13.53
Beef and crops	18	2479	33,738	13.76
Dairy and crops	2	3380	35,931	10.63
Other	6	2557	34,307	13.35

2-year degree (23 percent), earned an average of \$33,706 annually. Fifty-eight percent of the employees had only a high school degree, and averaged \$33,600 in total annual compensation, nearly the same as those with less than 4 years of college.

Experience. Wages and other compensation tended to rise according to the number of years of farm work experience the employees had, up to a certain point. As shown in Table 6, total annual compensation and hourly compensation both rose steadily until years of experience reached about 20, then leveled off for workers with more experience than this.

Supervision. Employees who had supervisory responsibilities tended to be paid more. The 81 percent of the employees included in the survey that did not supervise any other employees received an average annual compensation of only \$35,166. Those who supervised at least one other employee (19 percent) earned an average of \$37,677 in total compensation per year.

When employees with supervisory duties were sorted by the type of enterprise in which they worked, supervisors working with crops were found to receive the highest average compensation (Table 7). However, they accounted for only 3 percent of the total sample.

Table 6. Average total compensation by years of farm work experience.

Years of farm work experience	Percent of employees	Hours worked per year	Total compensation	
			Per year	Per hour
0 to 5	27	2,427	\$27,323	\$11.50
6 to 10	25	2,617	33,462	12.91
11 to 15	13	2,818	38,171	13.66
16 to 20	13	2,640	42,157	16.45
21 to 30	14	2,650	40,221	16.14
Over 30	8	2,836	40,998	15.77

Table 7. Average compensation for supervisors by enterprise.

Duties	Percent of employees	Total compensation	
		Per year	Per hour
Swine	3	\$34,372	\$16.25
Crops	3	45,090	17.79
Crops and swine	3	35,698	14.38
Crops and beef	4	32,159	12.40
Other supervisors	10	36,156	12.12

Summary

Many factors enter into the decision of how much to pay a farm employee and what benefits to provide. Each position requires a separate consideration. Skilled and experienced farm workers will have many employment opportunities. Before searching for a new employee, the employer should carefully define the duties of the position, the level of experience desired, and whether or not the new employee will be expected to supervise other workers. Then a competitive range of compensation, including possible fringe benefits and bonus plans, can be outlined. The final package should be the result of a mutual agreement that takes into account the individual employee's own personal situation, skills, and experience.

For more information about hiring and managing farm employees see the following ISU Extension publications: *Bonus Plans for Farm Employees* (FM 1840) and *Farm Employee Management in Iowa* (FM 1841). These publications can be ordered through any ISU Extension county office, online at <https://www.extension.iastate.edu/store/> or by calling (515) 294-5247.

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Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Jack M. Payne, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.

File Code Economics 1-8 and Agronomy 3-3