

Wages and Benefits for Farm Employees - Results of a 2011 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 conducted a random survey of large-scale Iowa farms that employed one or more persons full-time in 2011.

The following results describe 251 farm employees who worked at least 1,500 hours on the same farm in 2011, and were not related to the farm operator. Six percent of the employees sampled were female, and 16 percent were born outside of the United States. The average employee had 12.4 years of experience working on a farm, 7.2 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 \$33,320 per year, before deductions for taxes. However, this amount made up only 85 percent of their total compensation (Figure 1). Besides wages, employees received compensation in the form of fringe benefits and bonuses. The average value of all benefits received was \$4,185 per employee. In addition, an average of \$1,424 was paid to each employee as a cash bonus or incentive payment. The average value of all forms of compensation paid in 2011 was \$38,929, and varied from a low of \$15,000 to a high of \$81,345. In a similar survey conducted in 2005 the average farm employee received \$34,640 in total compensation. The increase of

\$4,289 over six years represents an average annual increase of 2.1 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 71 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 have more years of experience as a farm employee and longer tenure on the same farm. They also received more of their pay in the form of benefits and bonuses.

Hours worked. The average number of hours worked per year for full-time employees was reported to be 2,602, or about 50 hours per week. However, farm labor needs tend to be seasonal. During April and May employees worked an average of 54 hours per week, but

Figure 1. Sources of compensation

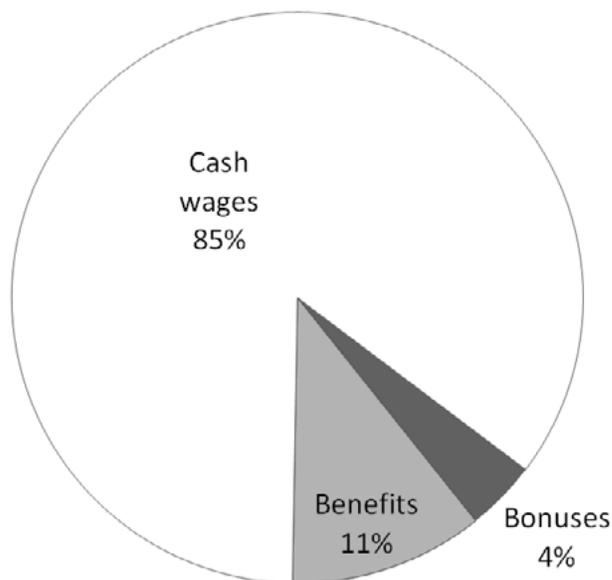


Table 1. Compensation and characteristics of employees by type of wage received.

	All full-time employees	Hourly wage	Fixed wage
Percent of employees	100%	71%	29%
Value of cash wages	\$33,320	\$32,646	\$34,964
Value of benefits	4,185	3,875	4,942
Value of bonuses	1,424	1,177	2,025
Value of total compensation	\$38,929	\$37,698	\$41,931
Years of experience as a farm employee	12.4	10.9	16.0
Years of tenure on farm	7.2	6.7	8.2
Total compensation per hour	\$15.05	\$14.63	\$16.10

during June through August they averaged only 48 hours per week. In September, October and November they worked an average of 58 hours per week, and from December through March they worked just 43 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 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 \$12.96. However, when

bonuses and the value of fringe benefits were added, the average total compensation was \$15.05 per hour. There was a considerable range for both of these, as summarized in Table 2.

Days worked. The length of the work week for farm employees varied. Nearly a third of the employees worked five days per week, 17 percent were on the job between five and six days per week, and 43 percent worked six days per week or more.

Figure 2. Hours worked per week

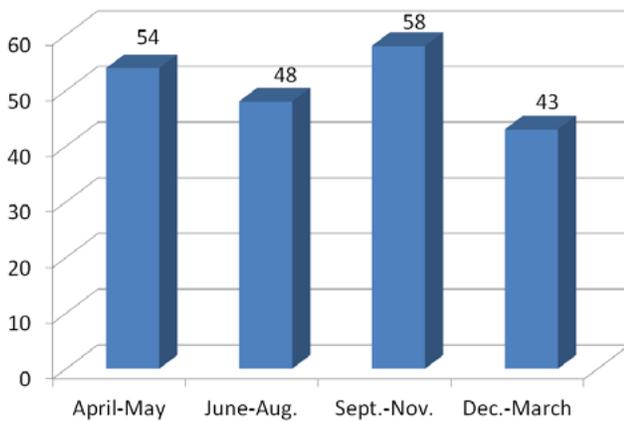


Table 2. Distribution of total compensation per hour.

Range, \$ per hour	Percent of employees
7.00 – 9.99	6
10.00 – 10.99	6
11.00 – 11.99	8
12.00 – 12.99	10
13.00 – 13.99	17
14.00 – 14.99	8
15.00 – 15.99	11
16.00 – 17.99	12
18.00 – 19.99	11
20.00 or more	11

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	8.0 days
Holidays	3.4 days
Sick days	5.3 days
Personal days	<u>1.8 days</u>
Total days off	18.5 days

Benefits. Most of the employees (88 percent) received some noncash benefits in addition to their wages. Such benefits can substitute for cash wages, and in many cases are not subject to Social Security taxation. 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, including those who did not receive that benefit. The average total

cost per employee for all benefits received was \$4,185 per year, or 11 percent of their total compensation. This does not include the employer's share of Social Security or other payroll taxes.

Thirty-five percent of the employees received some type of insurance plan, usually for health expenses, at an average annual cost of \$4,010 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-two percent of the employees received housing as part of their compensation, at an average

Table 3. Benefits provided to employees.

Type of benefit	Percent receiving the benefit	Average cost for employees receiving the benefit	Average cost for all employees
Insurance (total)	35	\$4,010	\$1,214
Health, single	18		
Health, family	15		
Life	8		
Disability	8		
Housing	22	\$4,560	\$999
Utilities	16	2,045	293
Meals	49	1,302	602
Personal use of vehicle	16	1,175	173
Farm produce to consume	38	515	189
Clothing	27	192	49
Continuing education	17	250	34
Recreation	32	1,160	305
Farm commodities	4	2,736	98
Retirement plans	17	1,712	252

annual value of nearly \$4,560, based on typical rental rates for rural houses. In 16 percent of the 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 four meals per week, with an annual value of \$1,302.

Personal use of a business **vehicle** was a benefit for 16 percent of the employees. Those who enjoyed this privilege drove the business vehicle an average of 2,116 miles per year for personal use. This benefit was valued at \$.555 per mile, the Federal rate in 2011. Many employees also received farm **produce** to consume, usually meat, and **clothing** needed for work duties.

One-sixth of the employees received some form of **continuing education** at their employer's expense, usually in the form of recertification workshops, seminars or vocational courses from community colleges. These opportunities can improve or certify 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 four 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 of 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, 17 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. About 65 percent of the employees received some type of incentive or bonus plan. The average bonus for the employees who received one was \$2,351. 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. Ag Decision File C1-61, "*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, 37 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 annual gross sales of more than \$2 million 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 2.0 to 5.4 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 crops or swine production had the highest annual compensation. Those who specialized in dairy production, generally milkers, earned the lowest annual and hourly compensation.

Education. Total compensation was also related to the employee's level of education (See Table 6). High school graduates (59 percent of the total) received the highest average annual compensation, \$40,433 per year. Those with a 2-year or 4-year college degree earned the highest hourly compensation, however, \$15.61. Employees lacking a high school diploma earned significantly less than average, \$32,089 per year and \$12.34 per hour.

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 \$750,000	12	2.0	\$36,260	\$14.21
\$750,000-\$1,000,000	12	1.8	37,776	14.70
\$1,000,000-\$2,000,000	32	2.9	37,273	14.79
\$2,000,000 - \$3,000,000	16	3.9	40,845	15.46
\$3,000,000 - \$5,000,000	9	2.4	40,249	16.51
Over \$5,000,000	19	5.4	42,912	15.49

Table 5. Compensation by duties of employee.

Duties	Percent of employees	Hours worked per year	Average total compensation	
			Per year	Per hour
Crop production only	14	2,501	\$40,270	\$16.25
Beef or beef and crops	30	2,652	39,899	15.11
Swine or swine and crops	26	2,536	40,584	16.09
Dairy or dairy and crops	16	2,621	33,311	12.67
General livestock and crops	9	2,838	39,301	14.06
Other	5	2,845	37,865	15.51

Table 6. Compensation by education.

Level of education completed	Percent of employees	Hours worked per year	Average total compensation	
			Per year	Per hour
Less than high school	9	2,591	\$32,089	\$12.34
High school	59	2,664	40,433	15.32
Some college, no degree	13	2,378	35,961	15.06
Two-year college degree	10	2,563	39,816	15.48
Four-year college degree	9	2,515	39,271	15.76

Table 7. Compensation by years of farm work experience.

Years of farm work experience	Percent of employees	Hours worked per year	Average total compensation	
			Per year	Per hour
0 to 5	33	2,473	\$34,457	\$14.09
6 to 10	26	2,676	38,170	14.56
11 to 15	14	2,571	41,259	15.72
16 to 20	10	2,725	42,411	15.64
21 to 30	10	2,821	46,255	16.69
Over 30	7	2,607	45,958	17.62

Experience. Wages and other compensation tended to rise according to the number of years of farm work experience the employees had. As shown in Table 7, total compensation rose steadily to about \$46,000 per year and over \$17 per hour for more experienced employees, on average.

Supervision. Employees who had supervisory responsibilities, i.e. managers, tended to be paid more. Those who supervised at least one other employee (23 percent) earned an average of \$44,574 in total compensation per year (\$16.63 per hour). The 77 percent of the employees included in the survey that did not supervise any other employees received an average annual compensation of only \$37,270 (\$14.60 per hour). Supervisors earned 20 percent more per year and 14 percent more per hour than non-supervisors.

When employees with supervisory duties were sorted by the type of enterprise in which they worked, supervisors working with crops only were found to receive the highest average compensation (Table 8). Among non-supervisors, employees working with dairy received the lowest compensation.

Country of birth. The 16 percent of employees who were born outside the United States earned significantly less than U.S.-born employees, averaging \$33,514 of total compensation per year and \$12.78 per hour. However, foreign-born employees had only 8.4 years of farm employment experience, on average, compared to 13.1 years for U.S.-born employees, and 44 percent had not finished high school. Most of them were carrying out duties with dairy or swine enterprises.

Table 8. Compensation for non-supervisors and supervisors, by enterprise.

Duties	Average total compensation for non-supervisors		Average total compensation for supervisors	
	Per year	Per hour	Per year	Per hour
Crops only	\$38,808	\$16.02	\$49,040	\$17.64
Beef or beef plus crops	39,625	15.23	39,996	14.55
Swine or swine plus crops	36,732	14.78	48,803	19.05
Dairy or dairy plus crops	30,658	12.03	39,844	14.51
General crops and livestock	39,123	13.84	40,483	15.56
All employees	37,270	14.60	44,574	16.63

Proficiency in English. Employers were asked to rate each employee's proficiency in English, as "native speaker," "average" or "below average." The 15 percent of employees who were rated as having "average" proficiency in English earned nearly the same wage as native speakers, but the 5 percent of employees whose English proficiency was rated as "below average" earned only \$29,330 per year, or \$11.77 per hour on average, significantly less than other employees. Not surprisingly, almost all of the employees with below average English skills were born outside the U.S.

Gender. Only six percent of the employees sampled were female. They earned 26 percent less total compensation per year than the male employees, \$29,089 versus \$39,554. They also worked fewer hours per year, however (2,309 versus 2,621), so their average hourly compensation (\$12.62) was only 17 percent lower than that of the male employees (\$15.21). Some of this difference could be explained by the fact that male employees had an average of 12.6 years of experience as a farm employee, compared to an average experience level of 7.8 years for female employees.

Location. Employees were grouped according to which of the nine crop reporting districts in Iowa they worked in. Annual compensation as shown in Table 9, did not differ greatly from one district to another, but compensation per hour was lower in west central and south central Iowa, indicating that employees worked more hours per year in those districts.

Table 9. Compensation by Iowa crop reporting district.

Crop reporting district	Average total compensation	
	Per year	Per hour
Northwest	\$38,666	\$15.09
North Central	\$38,503	\$15.35
Northeast	\$40,222	\$15.54
West Central	\$38,277	\$13.37
Central	\$40,367	\$15.80
East Central	\$36,962	\$15.39
Southwest	\$41,132	\$14.76
South Central	\$40,586	\$13.18
Southeast	\$38,279	\$15.48
Entire State	\$38,929	\$15.05

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 and Outreach **Ag Decision Maker** information files:

- File C1-61 Bonus Plans for Farm Employees
- File C5-100 Hiring Good Employees
- File C6-58 Checklist for Iowa Agricultural Employers



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