

MU Guide

Hiring and Managing Farm Labor

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Farm labor management involves hiring and keeping quality farm labor. This means farmers must compete with nonfarm employers for skilled workers. This guide provides farm and agribusiness owners with an overview of the following aspects of farm labor management: (1) finding the right employee, (2) compensation and incentives, (3) training the employee, (4) working conditions, (5) employer-employee relations, and (6) external benefits beyond relieving work duties on the farm. It also provides an introduction to labor laws and documentation for employing workers. This guide provides farm/agribusiness owners with an overview of the farm labor management process.

No two workers are alike — they differ in capabilities, work habits, attitudes, personality, ambitions and willingness to accept responsibility. Each farm business unit is different in organization, management and labor needs. Attracting quality workers may require updating the wage package and could result in increased costs. The goal of farm labor management is to use labor effectively so that increased costs can be justified.

Sourcing labor

Locating and obtaining suitable labor has always been a difficult task for agricultural producers. Low unemployment rates and a decrease in the rural population have compounded the producer's difficulty in obtaining suitable employees. Traditionally, farm managers have found labor through word of mouth, classified ads in the local newspaper, or inquiries from individuals seeking employment. As the rural environment changes, the sourcing of agricultural employees has also changed. The traditional methods of sourcing labor are still viable, but other methods may be required. Two possible sources for labor in the future are seasonal labor and the older generation.

Seasonal labor includes college students or local educators who have periods during the year when they are available for employment. The older generation includes baby-boomers who may have been raised on, or have an interest in, the farm. They may be looking to rural areas for residence after retiring, and this can provide farmers an opportunity to recruit them as farm

employees. A retired person may not need a competitive salary because of the potential impact on Social Security benefits. An older person may not want full-time employment or may not want to work during certain times of the year. Additionally, an older employee may not be able to undertake all physical tasks, and some physical tasks may require more time to complete.

To make farm employment more attractive, the farmer must be flexible and work to accommodate the employee. Neither seasonal labor nor retired workers may meet the needs for labor-intensive enterprises such as dairy but may help ease the workload if employees can be assigned simple tasks. Additionally, a change in management practices may be needed to better organize tasks and set priorities. For instance, if you employ seasonal labor, you may need to set aside large tasks for those times when seasonal laborers are available.

It is important to recognize that not every prospective employee has adequate knowledge of farming. There is no problem in hiring employees who tell you they know little about production agriculture; you can teach them. The problem arises when you hire a person who claims, but does not have, the necessary experience. Therefore, choosing the right employee is as important as finding an employee.

Choosing the right employee

Hiring a new employee for the farm is a risky adventure. Stories are often told of employees who claimed to have knowledge of agriculture but did not. Examples include the individual who claimed experience in harvesting grain but caused major operational difficulties on the combine the first time out. Another individual claimed to know about hogs, but one month into the employment agreement was responsible for an overwhelming death loss. These events occurred because employees misrepresented their experience to obtain employment. Could this have been avoided? Yes.

Take time to evaluate the credentials of prospective employees. The cost of hiring an unqualified person may far exceed the time requirements of finding out if the person is right for the job. As is common in industry, ask for references that you may contact. Ask questions

pertaining to specific farm-related situations and see how the person responds. For instance, ask prospective employees what they would do if a sow was having trouble during labor, or ask what they would do if the combine plugged. A simple test, if you truly question the abilities of the prospective employee, ask to have your diesel-powered tractor refueled and give a choice between diesel fuel and gasoline. Many stories are told of a new employee who filled up the diesel-powered tractor with gasoline — a true sign of inexperience and lack of judgment in knowing when to ask for advice.

Legal requirements for hiring labor

Adding an employee brings a number of additional responsibilities, liabilities and legal requirements. Some regulations apply to all employers, while others exempt

small employers or various types of employment. The number of different government agencies that enforce laws and regulations makes it difficult to ensure that all have been complied with. Table 1 is a checklist of requirements for agricultural employers. The first section lists tax reporting and legal requirements that must be met by all agricultural employers. The second section lists requirements that may or may not apply to all agricultural employers. You should review both sections and contact the appropriate agencies to ensure compliance with all legal and reporting requirements.

All employers are required to get both a federal Employer Identification Number (EIN) and a state Tax Identification Number. Employers must then withhold state and federal income taxes along with Social Security and Medicare taxes from employee wages. Employees

Table 1. Checklist of requirements for agricultural employers.

Required for all agricultural employers		
Law or regulation	Where to obtain forms	Requirements and use
Employer Identification Number (EIN)	IRS Form SS-4 1-800-TAX FORM Obtain EIN by phone: 816/926-5999	Required for all employees. Reporting and paying withheld taxes and employer matching for Social Security and Medicare.
State Tax Identification Number	Missouri Tax Registration Application, Form 2643 Missouri Department of Revenue P.O. Box 840 Jefferson City, MO 65195 1-800-877-6881	Required for all employers withholding and reporting Employee State Income Tax.
Employment Eligibility Verification	INS Form I-9 U.S. Immigration and Naturalization Service 1-800-870-FORM	Required for all employees. Completed and kept on file for 3 years after employee leaves.
Employee Withholding Information	IRS form W-4 1-800-TAX FORM MO W-4/MO Department of Revenue 1-800-877-6881	Required to be completed by all employees. Used to determine withholding amounts. MO W-4 meets Federal New Hire Reporting Requirements.
Division of Employment Security	Contact Employment Security or Job Service locally.	Form 2699 Determines if unemployment tax required.
Annual Tax Return	Missouri Form MO 941 - Employer's Report of Income Taxes Withheld; 1-800-877-6881 IRS Form 943 - Employer's Annual Tax Return for Agricultural Employees; 1-800-TAX FORM	Must match total of W-2's.
Other requirements: May or may not apply to all agricultural employees		
Law or regulation	Who is subject	Requirements
Federal Unemployment Tax Act (FUTA)	Employers who paid cash wages of \$20,000 in any calendar quarter, OR Employed 10 or more farm workers	Deposit taxes at an authorized financial institution. Report on IRS Form 940 1-800-TAX FORM
Worker's Compensation	Not required for agricultural employers but worth considering if 5 or more employees. Provided by private insurance companies.	Missouri Division of Worker's Compensation P.O. Box 58 Jefferson City, MO 65102 1-800-775-2667
Minimum Wage Law	Employers who hire more than "500 man-days" of agricultural labor in any calendar quarter. (Man-day = at least 1 hour in any day). Family members exempt - Sole proprietorship only.	Meet federal minimum wage or the 90-day training wage for newly hired 16- to 19-year-old workers.
Child Labor Laws	Workers on other than parent's farm: Under age 16 - not during school hours. Under age 14 - only with parent's written consent. Under age 12 - may only work on parent's farm.	Restrictions for hazardous activities: Under age 14 – not permitted; under age 16 – must be trained by an agency giving certification. Hazardous activities include operating farm machinery, work with chemicals, work with breeding animals.
Occupational Safety and Health Act	All agricultural employers are responsible; 10 or more employees can be inspected.	Standards cover many aspects of agricultural work. Some safety training required.
Environmental Protection Agency (EPA)	All employees who mix, load, apply or may otherwise be exposed to pesticides.	Worker Protection Standards to protect and inform employees.
Earned Income Credit (EIC)	Required for employees wanting advance EIC.	IRS Form W-5. Tax payments reduced by amount of EIC.

must complete Internal Revenue Service Form W-4 and W-4/MO so that withholding amounts can be determined. Form W-4/MO also meets the Federal New Hire Reporting requirements in Missouri. Annual employer state and federal tax returns are also required (IRS Form 943 and MO 941).

Other tax laws may or may not apply. Farmers are subject to Federal Unemployment Tax (FUTA) only if they pay \$20,000 or more in wages during a calendar quarter or employ 10 or more farm workers. Employers may also be required to advance IRS Earned Income Credit (EIC) if qualified employees want it.

The U.S. Immigration and Naturalization Service (INS) requires that INS Form I-9 be completed and kept for all employees.

A common misconception is that farm employers are not subject to regulation by the Occupational Safety and Health Administration (OSHA). All agricultural employers are responsible, but only those with 10 or more employees are subject to OSHA inspections. OSHA regulations apply to many aspects of farm work, including work with anhydrous ammonia, logging, slow-moving vehicles and safety shields on equipment.

Worker compensation is not required of agricultural employers, but you should consider it from a liability standpoint, especially if you have five or more employees.

Other laws applying to employers include the minimum wage law and child labor laws. Minimum wage applies to employers with more than “500 man-days” of agricultural labor in any calendar quarter. The Federal Labor Standards Act defines “man-day” as “any day during which an employee performs agricultural labor for not less than 1 hour.” Child labor laws apply to employees under age 16 and restrict the types of jobs they can do.

The U.S. Environmental Protection Agency (EPA) developed Worker Protection Standards (WPS) that require employers to protect employees from pesticide exposure. The standards apply to all employees who mix, load, apply or otherwise might be exposed to pesticides.

In addition to the above laws and regulations, other responsibilities exist. Civil rights legislation provides for equal opportunity and civil rights responsibilities. Employers also face legal liability for employees and liability for some employee actions. Any fringe benefits provided for employees who are family members may also have to be offered to all employees.

Salary, fringe benefits, incentives

Money is a big consideration in labor management, although other factors may be equally important. As a farm manager, you should reappraise both the size and the composition of the “wage package” you offer employees. Do you find yourself thinking, what can I provide employees that industry employers cannot? This question can be broken down further by asking

yourself these questions:

1. Is the wage I pay competitive with wages paid by industry and other agricultural employers?
2. What would it cost me to train and hire someone to replace a worker?
3. How should I pay employees — by the hour, the week, or the month? What about overtime?
4. What does a competitive fringe benefits package look like?
5. What should my incentive plan be?

Cash wages

Industries have been successful in attracting many good farm workers by offering full-time employment, bonus schedules, overtime, and, most important, an attractive fringe benefits package. Unwritten and unspecified hours are likely to promote employee dissatisfaction. However, farm owners who pay an hourly rate with a stated number of hours per week and overtime pay have some added management responsibilities. An hourly wage system will demand careful management and planning of jobs to eliminate busy work and “rainy day” jobs in favor of work that returns more than the cost of wages.

Cash wages/flexibility trade-off

Fringe benefits. Farm employers traditionally have provided fringe benefits in housing, utilities, meat and other items from the farm. On the other hand, the industrial package will likely include sick leave, paid vacation, medical insurance, life insurance and a retirement plan. Although benefits to the farm worker may be comparable to industry in total value, the worker may not fully understand the similarities.

Providing a worker a side of beef has less value to the worker now than in years past. It may be that a cash bonus payment similar to the cost of providing a side of beef would provide the worker greater purchasing flexibility. Though health insurance can be costly, you may be better suited to acquire insurance than the employee. Additionally, the advantage of insurance is a necessary selling tool for a full-time employer.

Incentive plans. Some farm owners are using incentive plans as a part of the total wage package. These plans are usually one of three types: (1) a physical production plan with payment based on number of bushels, pounds or livestock produced; (2) a gross income plan based on a percentage of total sales or income; or (3) an end-of-year bonus.

Each of the three types of incentive plans has advantages and disadvantages. Carefully analyze each plan before deciding on one. Use these principles in considering any plan:

- The plan should reward the employee for working in your interest.
- It should be paid for by something within the worker’s control.

- The amount should be based on performance, easily computed, and promptly paid.
- The plan should not hamper you in managing your farm.
- It should not be a substitute for other pay methods or labor management practices.
- It should be in writing and signed by both parties.

Training the employee

It is important to train the employee who is working with expensive machinery or animals. Training should cover operating procedures and safety. Each person approaches tasks differently and each farm and farmer has a certain way of doing things. It is important that both employer and employee understand each other. It is also important to learn that there is more than one way to accomplish most tasks. For example, some crop producers always begin to plant from a certain side of the field — because that is the way it has always been done. When training an employee, if it really matters which side to begin working the ground on, say so. Training can help clarify the differences between the right way, the wrong way, and your way.

Working conditions

Farm employment offers some people the opportunity to live close to their work, and typically the employee is not confined to indoor activities. The high degree of mechanization on modern farms has reduced the level of physical work. Of course, farm employment can not offer the equivalent of an air-conditioned factory, carpeted stores and background music in offices. Dust from crops, odor from livestock, and some hard work are typical. However, work on the farm is not monotonous; it changes from day to day.

Following are some of the ways you can improve farm working conditions:

- Keep work schedules within reasonable hours per day and days per week.
- Provide good buildings, tools, machinery and equipment.
- Be concerned about the safety of employees by eliminating hazards.

Employer-employee relations

Employer-employee relations are the human side of labor management, and the principles involved are psychological. People consider more than wages, hours and fringe benefits of a job. So, good employer-employee relations are important. As in any job, loyalty to the business is a two-way street. The employer must believe in

and support employees in their decisions and be willing to accept that employees will err. In turn, employees are more likely to devote themselves to jobs in a “happy” working environment than in an unhappy environment, even with higher wages and fringe benefits.

Employees desire good “mental wages” — such as recognition and respect from their employer. On the other hand, the employer wants employees to show initiative and pride in their jobs and to contribute to a profitable business. Each employer-employee relationship is different, and any set of principles can’t be applied universally. However, knowledge of some basic characteristics of behavior can help the employer promote wholesome attitudes, motivation, pride, respect and loyalty:

1. Employees desire and appreciate respectful and dignified treatment. The farm worker must feel his job is important in the eyes of the employer. The popular image of hired farm workers is less than desirable. Farm owners need to do everything they can to raise the dignity and status of their employees.

2. Employees like to feel they belong. Not unlike other people, farm employees want to be a part of a successful team. Owners must let employees know that they are essential to a team effort. Using the word “we” and exploring the ideas of employees are small ways of conveying the message they are indeed a part of the business.

3. Most employees want the opportunity to advance. Opportunities must be provided for learning and for growth in job status. The employee may be interested in special training or education in developing skills. Owners should encourage participation in extension meetings, short courses and other educational meetings. Suitable rewards can be provided to stimulate self-improvement of the employee.

4. Employees respond to good supervision. Planning the job, explaining what the job entails and how it is to be done, and seeing that the job is carried out are part of the employer’s supervisory responsibilities. The owner needs to “communicate” in such a way that employees know exactly what is expected of them. Carefully planned routines, clear explanations, and pleasant, but businesslike supervision can pay off in increased productivity from employees.

5. Employees like recognition. A word of praise or recognition for the job well done is often neglected by employers. When workers do a good job, tell them so. And if the opportunity presents itself, praise their work in the presence of others. Owners can often receive more employee loyalty and motivation by simple expressions of gratitude than by monetary rewards.

