

# Human Resource Management: Employee Compensation Guide

# Compensation Can be Linked to:

- Business Structure
- Employee Recruitment
- Retention
- Motivation
- Performance
- Feedback
- Satisfaction

# Compensation is a Total Reward System

➤ Non-monetary compensation

➤ Direct compensation

- ✓ Base pay
- ✓ Incentive pay
- ✓ Stock Options
- ✓ Bonuses

➤ Indirect compensation

# Indirect Compensation Alternatives

- Flexible working schedules
- Retirement programs
- Insurance (health, dental, eye)
- Paid leave (sick/holiday/personal days)
- Tickets to events (ball games, concerts)
- Boots and Clothing
- Wellness Programs
- Farm Produce/Foods/Meals
- Child Care
- Elder Care
- Moving Expenses
- Subsidized Housing
- Subsidized Utilities
- Magazine subscriptions
- Laundry service
- Use of Farm Trucks, Machinery
- Cellular phones/pagers
- Use of Farm Pastures and Gardens

# Fair and Equitable Compensation

- Internal equity: between employees in the same business
- External equity: relative to other farm businesses

# What Constitutes a Fair Wage?

- Informal survey – what are other producers paying
- Job evaluation technique
- Skill-based pay
- Broadbanding

# Checklist for Building and Implementing an Equitable Wage Structure

- Decide what you want your compensation package to do.
  - ✓ Recruit new employees
  - ✓ Motivate current employees
  - ✓ Reward well-performing employees
  - ✓ Minimize risk of violating federal laws
  - ✓ Build employee loyalty
  - ✓ Any combination
  
- Pick your compensation philosophy; either:
  - ✓ Job Evaluation
  - ✓ Employee Evaluation
  - ✓ Combination of both (like the Cornell Study)
  
- Determine your internal wage structure; either:
  - ✓ Evaluate the jobs
  - ✓ Evaluate the employees
  - ✓ Create Competency Groupings

# Checklist for Building and Implementing an Equitable Wage Structure (cont.)

- Talk to your employees about their indirect compensation needs:
  - ✓ Health Insurance
  - ✓ Paid Vacation
  - ✓ Housing
  - ✓ Child Care
  - ✓ Retirement Planning
  
- Structure your total rewards system; including:
  - ✓ Indirect compensation (based on your employee's needs and your compensation objectives)
  - ✓ Direct compensation (based on labor market information and your compensation objectives)



# Checklist for Building and Implementing an Equitable Wage Structure (cont.)

- Implement your new system, remembering to:
  - ✓ Communicate with your employees about their needs
  - ✓ Review your compensation package regularly. Make sure it is fair, equitable, and competitive
  - ✓ Be flexible and innovative to maintain a competitive advantage
  - ✓ Maintain both internal and external equity

# Bringing Out the Best in Your Employees

- If you want your employees to be innovative – reward them for new ideas.
- If you want your employees to stay with you for a long time instead of training new employees every season – offer bonuses or tie their wages to their tenure.
- If you need employees that show up on time, work hard, and can be trusted with the most challenging of tasks – recruit those people; reward those people; promote those people.
- The future of your business could depend on it.