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## Compensation of farm employees

**Abstract:** *Iowa farm operators were surveyed to learn what type and level of compensation they paid to full-time employees in 1997. The average total compensation paid was \$26,914, of which 79 percent consisted of cash wages. Benefits accounted for 18 percent of the compensation, and bonuses and wages in kind amounted to 3 percent. Housing and insurance plans were the most significant benefits provided.*

**Principal Investigator:**  
William Edwards  
Economics  
Iowa State University

**Budget:**  
\$18,000 for one year

### Background

Past research has considered the roles of farm operators, landowners, agribusiness managers, and consumers in the production, distribution, and consumption of agricultural products. A key group usually overlooked in calculating agricultural employment statistics is full-time farm employees, who numbered 21,779 in Iowa during the 1992 U.S. Census of Agriculture.

Traditionally, Iowa farm operators have employed small numbers of salaried employees supplemented by part-time workers in busy seasons. As farm businesses grow to be economically competitive, operators may need to hire more laborers. However, many potential employers are not knowledgeable about wage rates, benefits, and bonuses paid to farm employees, nor are they well-versed in typical working hours, vacation time, and other employment conditions.

Objectives of this project were to supply current information about these aspects of full-time farm employment in Iowa:

- Wages,
- Non-wage compensation,
- Working hours, and
- General employment conditions.

With this knowledge, both employers and employees will have a clearer picture of the farm labor market and will be able to negotiate fair and competitive employment agreements.

### Approach and methods

The Iowa Agricultural Statistics Office was contracted to select a random sample from a list of 18,988 Iowa farm operators who reported having one or more employees in the past. A mail questionnaire was sent to 3,441 farm employers, and 289 reported having one or more paid employees in 1997. They supplied information about 197 full-time employees.

### Results and discussion

Key questions addressed in the survey were: what kind of compensation was paid to full-time farm employees and what was the value of that compensation? The type of compensation was divided into three categories:

- Cash wages,
- Bonuses, and
- Fringe benefits.

Nearly 79 percent of the compensation was cash wages, averaging \$21,194 for each employee in the sample. The average value of benefits provided was \$4,852 and bonuses amounted to \$868. Total 1997 compensation from all sources was \$26,914 per employee.

The benefits category included several types of services. Among them were housing, utilities, insurance, meals, use of vehicle, retirement plan, paid recreation, farm produce, clothing, and continuing education.

Table Benefits provided to employees.

Type of benefit	Percent receiving the benefit	Average value for those receiving the benefit	Average value for all employees
Personal use of vehicle	39	\$ 745	\$ 250
Farm produce to consume	39	225	79
Meals	45	1,610	687
Clothing	23	198	45
Insurance (total)	43	\$2,638	\$1,138
Health, single	21		
Health, family	18		
Life	9		
Disability	5		
Housing (total)	37	\$2,951	\$1,109
Utilities (total)	30	\$2,130	\$638
Electricity	25		
Water, sewer	21		
Heat	19		
Telephone	8		
Farm commodities	12	\$4,331	\$440
Continuing education	20	230	43
Recreation	34	695	162
Retirement plans	11	2,131	227

*Factors affecting compensation* Several characteristics of both employers and employees were examined to see how they affected the total value of employee compensation. One of the more significant factors affecting compensation was the size of the farming operation. Farms with higher annual gross sales tended to provide higher levels of compensation for their employees.

Farms that specialized in livestock production also offered higher compensation packages to employees than did other operations. Employees on livestock farms received an average of \$28,459 in 1997, compared with \$26,581 for crop farms, and \$26,401 for farms that raised livestock and crops. These differences may occur because specialized livestock farms are

more likely to keep their employees fully occupied year-round, and these operations may offer more opportunity to learn and apply technical agricultural skills. The highest compensation totals were paid to those who worked for operations engaged in beef production or beef/crop production.

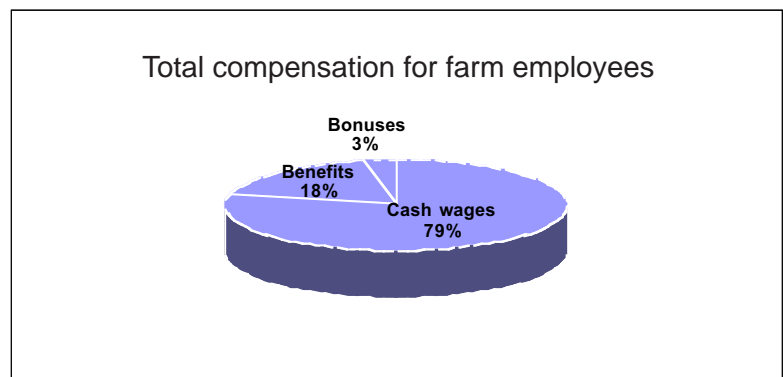
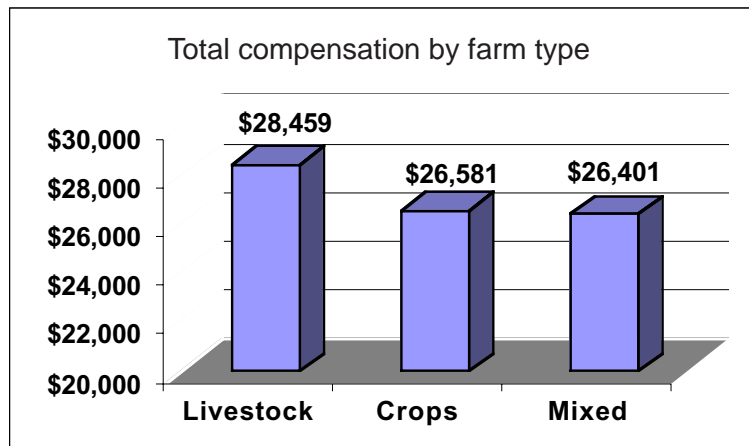
Years of experience was thought to be a positive factor that affected the level of total compensation, and this proved to be true, up to a point. Employees with 11 to 15 years of farm work experience received the highest levels of compensation, while employees with more than 30 years of work experience received the lowest average annual compensation. However, the veteran 30-year workers tended to work fewer hours per year.

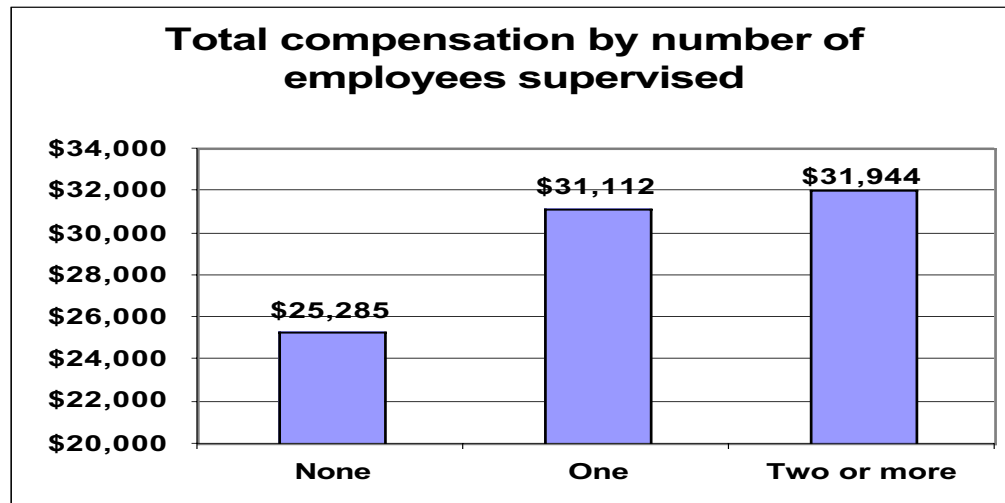
Logically, the employee's level of responsibility should affect the amount of compensation offered. In production agriculture, precise measures of employee responsibility are difficult to gauge. Job titles such as supervisor, herdsman, foreman, or coordinator are not applied in a consistent or clearly defined manner.

Researchers tried to judge level of responsibility by asking how many employees were supervised by the employee being surveyed. The majority (77 percent) did not supervise anyone and their average compensation was \$25,285. A smaller group (11 percent) supervised one other employee and received an average of \$31,112 annually. The group supervising two or more employees (12 percent) was paid \$31,944 per year, which suggests that supervising other workers was considered worthy of an increased salary and benefits.

Most of the employees in the survey were Caucasian males. The few female employees in the sample appeared to earn significantly lower levels of compensation. The average salary for the 185 males was \$26,976, while the nine females earned only \$23,000. Caucasian employees received an average of \$26,959 compared with \$27,589 for the eight employees identified as being of Hispanic or other ethnic origin. Further analysis needs to be done to determine if other factors affecting total compensation also differed by gender or ethnicity.

More than half of the employees in the survey had a high school degree, but no further education. The average level of compensation among those with no further education was somewhat lower than that of employees with more education.





## Conclusions

Full-time farm employees in Iowa are compensated primarily through cash wages, although fringe benefits such as housing and insurance also make up a significant portion of the total compensation package. Larger farm operations tend to offer higher compensation, as do farms specializing in beef production. The level of responsibility, as measured by the number of employees supervised, also has a positive impact on compensation.

## Impact of results

Both farm employers and farm employees will have more complete information about the level and type of compensation paid in Iowa. This will enable them to reach a fair employment agreement taking into account the characteristics of the farming operation, the duties assigned, and the qualifications of the employee.

## Education and outreach

Information from the Iowa farm employee compensation survey will be disseminated through Iowa State University Extension bulletins, news releases, radio interviews, and via Web sites. The results will be incorporated into educational workshops on managing human resources to be presented in 1999 and 2000.

*For more information contact William Edwards, Economics, Iowa State University, Ames, Iowa 50011; (515) 294-6161; email: wedwards@iastate.edu.*

Further analysis of the survey data will provide information about the number of hours worked by employees by season and annually; the number of holidays, sick days, personal days, and vacation days granted; and more details about bonuses and benefits provided.