

Worksheet: Farm Employee Compensation Plans

Compensation often drives whether a worker chooses to accept a job or look for other opportunities. Your current team members also consider compensation when they decide whether to stay with your farm or pursue employment elsewhere.

To make a compensation plan attractive to prospective and current employees, consider including four elements: base pay, benefits, nonmonetary compensation and incentive pay. In this worksheet, you'll outline the compensation plan elements you intend to offer to an employee. As farm practices change, the labor market evolves or an employee advances in your business, consider how to update the plan.

Employee Information

Name:

Job title:

Compensation effective date:

Compensation Element 1: Base Pay

Base pay generally refers to the salary or hourly rate an employee will earn. Below, choose whether you will pay an employee on an hourly or salary basis. Then, write the salary or rate you intend to pay per unit, such hour, week, month or year. If you're unsure about an appropriate level of base pay to offer, then check local labor market conditions. You want to set a competitive rate to attract and retain high-performing employees. Note, for some positions, law mandates that employees receive overtime pay. Find overtime pay guidance in section 4.2.2 of the [Missouri Farm Labor Guide](#).

List any expectations related to base pay, too. For example, describe expected work hours for a salaried employee or the hours per week you intend to schedule for an employee paid on an hourly basis.

Type of work: Salary Hourly

Base pay per unit:

Subject to overtime pay? Yes No

Expectations for base pay:

Compensation Element 2: Benefits

Farms may offer a variety of benefits to employees. Those include health, dental, eye and life insurance; retirement plans; and time off. Use the following table to document the benefits you'll provide and how employees become eligible for those benefits. For example, will you make health insurance or retirement contributions available immediately to a new hire, or will benefits be made available after an employee works for a certain amount of time?

Also, indicate whether the farm will cover certain benefits, such as health insurance, for employee family members and whether the employee holds any responsibility for sharing the cost of benefits.

Benefit	Eligibility requirements	Who's eligible	Benefit cost and who pays
<i>Life insurance policy</i>	<i>Work in good standing for a six-month period</i>	<i>All farm employees</i>	<i>\$1 million coverage; employer and employee split annual premium 50-50</i>

Compensation Element 3: Nonmonetary Compensation

Sometimes, you may choose to offer forms of compensation that don't have a clear cash value but will nevertheless motivate your farm employees. These items may cost little or leverage resources you already have available on the farm. However, they can distinguish your farm's compensation plan from the compensation plans offered by other local employers that compete for labor.

Nonmonetary compensation examples include access to farm equipment or tools; farm-raised meat, milk or produce; meals; farm apparel; on-farm housing; and hunting and fishing privileges.

To identify nonmonetary compensation to offer employees, ask yourself what items your employees will enjoy and what unique resources your farm has available to share. As you brainstorm and choose forms of nonmonetary compensation to offer, use the table to document and communicate your ideas.

What activities or “perks” do your employees enjoy?

What unique assets does your farm have available to share with employees?

Nonmonetary compensation plan

Benefit	Rules for access or use	Estimated value
<i>Farm-raised beef</i>	<i>¼ side of beef after 6 months of employment.</i>	<i>\$500</i>
<i>Hunting rights</i>	<i>Right to hunt on farmer-owned property during deer and turkey season (rifle and bow)</i>	<i>\$2,000</i>

Compensation Element 4: Incentive Pay

Incentive pay recognizes employees for achieving performance-related production, marketing or financial goals. Examples include bonuses, profit sharing and stock ownership. To create an incentive program, first choose performance standards you want to reward. For example, you could reward employees for having no safety-related infractions in a year, implementing a cost-saving plan or reaching a sales or profitability goal. Then, choose the incentive employees are eligible to earn if they meet a goal.

An accountant, attorney, consultant or extension professional can help you design an incentive plan. Use this table to outline ideas for a farm incentive pay plan. In addition to noting performance goals and related incentives, set a deadline for each goal. You should periodically monitor progress toward the goal and keep records that demonstrate this progress.

Incentive pay plan

Performance goal	Incentive	Deadline to reach goal
<i>Achieve a sales record at farmers market booth</i>	<i>\$1,000 cash payment</i>	<i>End of market season</i>

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