



Enterprising Rural Families™

This newsletter is an instrument of the *Enterprising Rural Families: Making It Work* program of the University of Wyoming Cooperative Extension Service. For further information concerning the Enterprising Rural Families program or on-line course contact information@eRuralFamilies.org or go to <http://eRuralFamilies.org/>.

TIP OF THE MONTH:

CHANGING STRESS INTO POSITIVE EXPERIENCES

1. Change your interpretation of the event. Instead of saying, "I can't do this," break it into small steps and find small solutions or negotiate options. Eliminate "hate," "can't stand it," "no way," etc. Replace negative words with positive.
2. Work to have fun at work. Talk with co-workers, listen to music, increase the tasks you enjoy. Try to get unenjoyable tasks done first.
3. Create job diversity. Change start times, change patterns, redecorate, ask for new tasks.
4. Be creative. Do things that bring compliments or positive comments. Think how to modify or improve your work and share them with your supervisor.
5. Ask for some control in your job. Ask your supervisor for complete control for a week and see if productivity increases. If they won't go that far, ask for control over one aspect of the job. Then slowly ask for more.

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Pay Grids Alleviate Awkward Money Dances

by John P. Hewlett*



It is like being 16 and trying to waltz for the first time. It does not matter whether it is a new farm employee or a manager who has been with you for 10 years. Every time the question of wages comes up, you have to go through this incredibly awkward dance. Figuring out how much to pay new employees or senior managers requesting a raise need not be so stressful. All you need is a pay grid.

Very simply, a pay grid is a matrix which outlines different pay rates for different jobs and recognizes employee performance and tenure. You can start by determining how much various jobs on your farm are worth. The base rate for each job should be based on objective criteria, such as the education, skill and experience required, the amount of responsibility that goes with the job, and the going rate or market value of the job.

Once you have established a base rate for each job on your farm, the next step is to create a "rate range" that will enable you to pay harder-working employees a little bit extra. Tying pay to performance alleviates a lot of awkwardness, ambiguity, and anxiety.

One farmer who believes

One disadvantage to pay grids is that after two to five years at one job, employees hit a glass ceiling. They reach the top of their pay scale and have no way of increasing their income, short of leaving and looking for another, better-paying job.

The glass ceiling is one of employees' biggest concerns, reports John Schroeder, owner of Valleybrook Gardens, which produces herbaceous perennials. And it becomes an issue when the employee has acquired lots of experience and is most valuable to you.

Schroeder employs 22 year-round and up to 120 seasonal employees and began using a pay grid in 1993. He soon realized he needed to give employees some way of continuing to ascend their career ladders if he was going to retain them and keep them motivated. Today, there are three ways Valleybrook employees can increase their wages:

*Improve their performance,
Take on a new job with more responsibility,
and
Profit sharing.*

Valleybrook's pay grid features four ranges for hourly employees and three ranges for salaried employees and managers. Within each range, there are five steps, which recognize and reward employees for above average performance.



strongly in grids is Richard Friesen. “Developing a pay grid is one of the best things we’ve ever done,” says Friesen, director of operations for the Friesen Group of Companies, a Canadian-based, family-run agri-business involved in poultry production. “Everybody knows what to expect.”

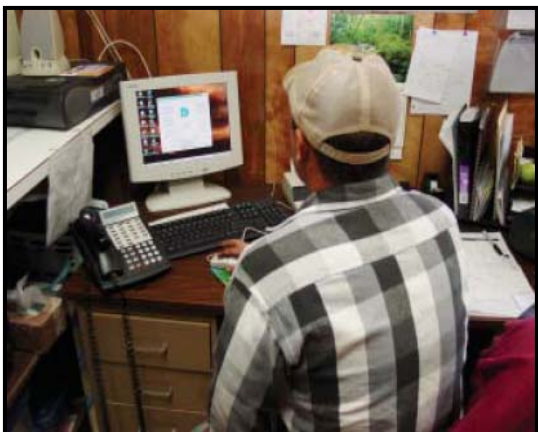
The pay grid for the Friesen Group features:

- (1) A different base rate for each job (for example, egg gatherers, farm technicians, managers)
- (2) Four different levels, which recognize duration of employment
- (3) Four pay rates within each level which reward superior performance.

People know before they start what they will be paid, how big raises can be, and when and how they can get them, says Friesen. “Everything is laid out in black and white.”

Rates and raises were not always so clear. Managers used to “ballpark” new employee wages and raises typically ranged from “25 to 75 cents per hour.” The results were inequities that irked staff and raises management could not necessarily afford. Ad hoc compensation policies were making employees and management uncomfortable. “Annual employee performance reviews were becoming difficult and time-consuming negotiation sessions,” recalls Friesen. “Both management and employees were tense. Neither side felt it was standing on firm ground.”

During the late 1980s, when the business underwent rapid growth and its workforce ballooned from six to 80 employees, time to sit down and develop a human resource management and compensation policy was difficult to find. When margins tightened and Canada’s supply management system came under attack, Friesen saw that a sensible, consistent compensation policy was essential.



In 1993, the company hired two independent consultants to review its human resource policies and procedures. First, Friesen had managers write job descriptions for all employees. Next, each job was valued and weighted based on such criteria as the education and experience required, the physical demands and hazards of the job, etc.

A natural hierarchy emerged and a grid which recognizes people’s qualifications and the level of responsibility attached to each job was developed. Today, there is a starting salary for each job, which all new employees receive. After three months, employee performance is reviewed and a raise reflecting their performance given.

Employees wanting additional responsibility (and income) can vie for promotions and new positions. They can upgrade their skills by taking appropriate courses. Valleybrook offers financial assistance to employees wanting to upgrade their knowledge and skills.

For managers and senior employees, “profit sharing incentives are built into their compensation packages,” explains Schroeder. The percentage of the profit pool that employees are entitled to should be spelled out in detail in advance. If profits are good, a manager might, for example, offer a 3-5 percent bonus for average work, 5-10 percent for above average performance, and 10-15 percent for extraordinary effort.

In addition to pre-planned bonuses, impromptu rewards for exceptional effort or team work are good for morale. If, for example, employees finish the harvest early, giving them all a 2 percent bonus or a day off will be greatly appreciated.

Making sure there are avenues that ambitious employees can use to get beyond the glass ceiling helps protect employers from losing good, experienced employees, says Schroeder.

For example, a farm technician who starts at \$7.91/hour may receive \$8.13, \$8.27, \$8.41 or \$8.54 after three months, depending on whether performance was (1) needing improvement, (2) average, (3) above average, or (4) exceptional. The same process is repeated at each annual review. After one year, rates go up depending on performance. After two years, they may rise again. See Table 1 for an example pay grid

Table 1. Farm Technician Hourly Pay Grid

Time in Position	Performance Evaluation			
	Needs Improvement	Average Performance	Above Average Performance	Exceptional Performance
Three Months	\$8.13	\$8.27	\$8.41	\$8.54
One Year	\$8.70	\$8.85	\$9.00	\$9.14
Two Years	\$9.31	\$9.47	\$9.63	\$9.78

Beyond one year of employment, an employee who remains in the same position will receive further increases if there are changes made to the pay grid. Friesen reviews the pay grid annually and may make changes to reflect the profitability of the company and increases in the cost of living.

Linking raises to performance gives employees an incentive to do their best. It also provides management an opportunity to say thank you for extra effort. Employees like pay grids, too. The number one benefit is clarity. It is followed closely by predictability and fairness.

Table 2. Same cost, different pay rates at Farms A, B, and C.

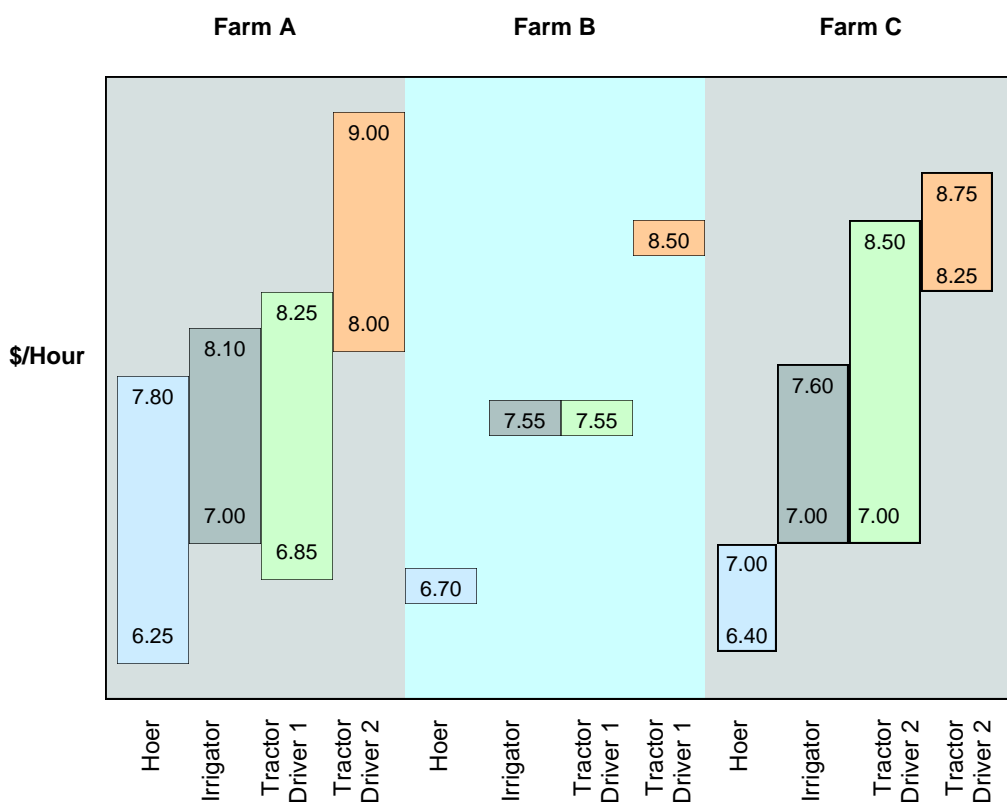


Table 2 provides an example of pay grids from three, different farms found in *Ag Help Wanted: Guidelines for Managing Agricultural Labor*. The rates used on farm A overlap quite a lot, where as farm B uses a single rate per job. Farm C uses an overlapping rate strategy but with generally narrower ranges than found on farm A. The grids result in the same labor cost to each farm. However, they represent a quite different working situation to their employees.

Employees know what is expected of them and what wages and raises they can expect to receive. Following such a strategy helps to reduce the risk that age, gender or other equity issues will arise. Employees know that if they want to make more money, they must work hard, upgrade their skills, or take on more responsibility.

Pay grids are good for morale. Employees tend to have two burning needs: (1) to know where they are going and (2) how they are doing. Pay grids and regular performance reviews give employees the framework and feedback they crave.

Although creating a pay grid takes time, using one saves time and, therefore, money in the long run. Compared to an ad hoc compensation system, a pay grid consumes much less administration time, says Friesen.

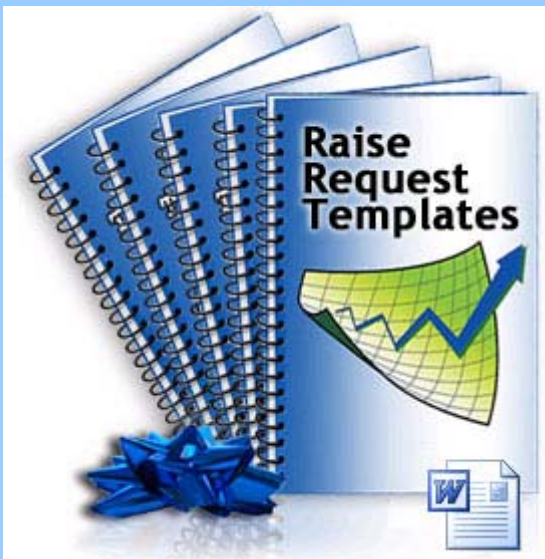
Pay grids may also seem somewhat impersonal, using one ultimately improves employer-employee relations. Neither management nor staff waste time or energy agonizing over rates or raises or learning to do some silly money dance.

(Communication techniques and problem solving in family businesses are covered in greater detail in the **Enterprising Rural Families: Making It Work™** on-line course.)

* Originally authored by Lorne Owen, Rural Advisor for Western Economic Diversification Canada, Alberta, and Judy Carter M.A.

References:

Rosenberg, H., R. Carkner, J.P. Hewlett, L. Owen, T. Teegerstrom, J.E. Tranel, and R.R. Weigel. (2002). *Ag Help Wanted: Guidelines for Managing Agricultural Labor*. Western Farm Management Extension Committee. <http://www.AgHelpWanted.org>.



Setting pay grids pay off because ...

- Employees know what is expected of them
- Employees know if they want a raise they must...
 - A. work hard
 - B. upgrade their skills or
 - C. take on more responsibility.
- Employees know where they are going
- Pay grids and performance reviews give employees the framework and feedback they need.
- Employees don't have to come up with their own grid for asking for, or receiving a pay raise.



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