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**WAGES AND BENEFITS OF FULL TIME  
NON FAMILY EMPLOYEES ON LARGER THAN  
AVERAGE NEW YORK STATE DAIRY FARMS**

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## I. SUMMARY

The purpose of this study is to obtain information regarding the wages and benefits provided to full-time, nonfamily dairy farm employees in New York state. A random sample was drawn from New York state dairy farms with 75 or more cows. The farm operators were contacted and data were gathered concerning the wages and benefits they paid their full-time, nonfamily employees.

The study examined wages, housing, utilities, health insurance, unemployment insurance, retirement programs, Social Security, Workers' Compensation, bonuses, incentives and farm produce. A value was placed on each component of the employees' compensation package.

Housing was often a sizeable component in the dairy farm wage and benefit package. Those farmers who did not provide housing generally offered higher weekly cash wages.

The New York dairy farmers in this study offered a variety of benefits to their employees. The majority of employers provided housing, Social Security, farm produce, Workers' Compensation and cash bonuses. However, less than 1/3 of the employers studied provided health insurance, unemployment insurance, retirement benefits, profit sharing or incentives to their employees.

The 88 dairy farm employees in this study worked many hours per week and had a limited amount of time off. Hours worked per week ranged from 30 to 84 hours with an average of 61 hours. Over 90% of the employees studied worked 50 or more hours per week. The average days of paid vacation provided to the employees was 8 with an average of 2 paid holidays.

The average annual value for the wage and benefit package provided to the full-time nonfamily employees was \$19,278. The average annual cash wage was \$12,812. The average values differed depending on the responsibility and skill of the employee, the length of employment, and the number of hours worked.

The study also confirmed that family labor continues to be important on New York dairy farms. Of 122 New York dairy farms, the full-time worker equivalent of family labor averaged 2.3 while the full-time worker equivalent of hired labor averaged 1.0.

## II. INTRODUCTION AND PROBLEM IDENTIFICATION

This study focuses on the wages and benefits provided to full-time nonfamily employees on larger New York dairy farms for the year 1988. A high priority concern of dairy farm employers and employees is compensation. How much employees should be paid is a common question. Unfortunately, there is a lack of readily available and reliable information on the compensation of dairy farm employees. However, if farm managers are to provide competitive wages and benefits to their employees, they need to be aware of what other employers are providing. Salary and benefit surveys can provide employers with information that can be helpful for wage and benefit decisions. Likewise, farm wage and benefit information can be helpful to individuals considering farm employment or those seeking to change farm jobs.

Recently, concern about employee compensation has increased for two reasons. First, a number of factors have combined to make it more difficult for managers to recruit and retain good dairy farm employees. These include: a lower rate of unemployment, a decline in the number of 16-20 year old employees entering the work force, and in some cases a negative image of farm jobs. Second, because the number of hired workers on many farms has increased, there is a greater need for formalization of personnel management practices. Farm managers are now requesting information on how to manage the human resource more effectively. Included in these requests are questions regarding how to design an effective wage and benefit package.

### PURPOSE AND OBJECTIVES

The purpose of this study is to provide farm managers, farm employees, Cooperative Extension staff members, and others, with information regarding the wages and benefits provided to full-time, nonfamily dairy farm workers in New York state.

This study builds on previous studies undertaken by the Department of Agricultural Economics at Cornell University to document labor practices used on New York farms. Cunningham (1966) conducted an economic study of regular hired labor on farms in New York State. The study focused on a random sample of 320 farms in 19 New York State counties. Information gathered in the study included employee recruitment methods, characteristics of regular employees, and employee wages and benefits.

Kohl (1975) studied the labor management practices on selected New York State dairy farms. The study analyzed 48 dairy farms in 14 New York State counties. The information collected included characteristics of employees, wages paid, value of benefits provided, hours worked and time

off. In addition Kohl examined farm business management factors and labor practices including labor efficiency, financial position, profitability and cost control. Information was gathered regarding concerns of farm employers and employees.

Bratton and Kwiatkowski (1982) studied labor management practices on New York dairy farms. They summarized Cooperative Extension agent interviews with 29 New York dairy farm employers and 24 New York dairy farm employees. The agents gathered information on employee characteristics, wages, benefits, hours worked and recruiting practices. Non-random samples were used. Also included in this study was a description of the labor force, wages, and hours worked on 130 dairy farms using the Cornell Agricultural Management Information System (CAMIS) record keeping system. This too was a non-random sample of farms.

The purpose of the present study was to obtain current information and details on dairy farm employee compensation on larger dairy farms in New York State.

The specific objectives of this study were to:

- 1.) Make available wage and benefit information that farm employers and employees can use in designing their own compensation packages.
- 2.) Provide dairy farm employee wage and benefit information that can be used to compare farm employees with employees in other occupations.
- 3.) Update the wage and benefit information gathered in previous studies.

## METHODOLOGY

A random sample of New York dairy farms was used for this study. Since the study focuses on full-time nonfamily employees, it was further decided that all farms with 75 or more cows could be used as the population for the study. A random sample was drawn by computer from a master list provided by the New York State Agricultural Statistics Service. The master list included 2363 farms with 75 or more cows. A sampling rate of 1:15 produced a sample of 151 farms for use in this study.

An advance letter was prepared to introduce the telephone survey. The letter informed the producer that his or her name had been drawn at random for the survey and that he or she would receive a telephone call within a few days. The letter also indicated the purpose of the study and provided a worksheet to be used in preparation for the survey call. The

worksheet served as an aid for getting needed information that is typically located in the farm files. (See Appendix I for the letter). The advance letter was sent to each farmer drawn in the random sample. Determining the value of the benefits provided was one of the objectives of the study. Therefore, detailed procedures were developed to obtain accurate data on the cash cost of benefits and the value of non-cash cost items.

Data were collected through telephone interviews with employers. A survey instrument was designed for use in collecting general information about each farm and each worker on the farm. The survey instrument also provided for the gathering of information about the value of wages and benefits provided to each full-time nonfamily employee.

The enumerator was very important in obtaining the data. A student raised on a dairy farm and majoring in agricultural economics at Cornell was employed to conduct the telephone interviews. Prior to doing the survey she was instructed in techniques for obtaining reliable data on labor practices.

The survey instrument was used by the enumerator for recording information reported by the dairy farmers. (See Appendix II for the survey). The instrument was carefully designed and pretested. Part I of the instrument was used to record general information about the farm and specifics on all individuals who worked on the farm in 1988. This provided the information necessary for determining which farms had full-time nonfamily hired employees. From this information the enumerator could determine whether to proceed with Part II or to terminate the interview.

For farms that had one or more full-time nonfamily hired employees, the enumerator continued to interview using Part II of the instrument. This portion of the instrument included spaces for recording the details on the wages and benefits received by each full-time employee. The farmer was asked to report the actual cash cost or an estimate of the value of each employee's wages and benefits. This was needed to compute the value of the total compensation package. A separate Part II was used to record information on each full-time nonfamily employee on the farm.

Determining which farms were employing full-time nonfamily persons was a key to proceeding to Part II of the survey. The labor inputs for each worker were determined by the enumerator in Part I of the survey. The inputs were based on months worked as reported by the farmer. Full-time was defined as working 12 months during the last year. It was also necessary to separate family from nonfamily workers. Family workers and workers with an interest in the business were not interviewed. Family workers were defined as all members of the operator's immediate family who worked in the farm business.

During each telephone interview the enumerator recorded the interviewee's responses on computer scan-sheets. After the sheets were scanned, data were entered into the Mini-Tab statistical computer program. The data were then transferred into the Lotus 1-2-3 spreadsheet computer program. The Lotus program was used to calculate the survey results reported in this study.

### SURVEY RESPONSES

Of the 151 farms in the sample, 122 provided useable data. There were 29 farms that could not be used: 13 were no longer shipping milk; 6 could not be contacted by the enumerator; and 10 refused to participate. The response rate was 89% and the completion rate was 80% (Table 1 ).

**Table 1.** SURVEY SAMPLE RESPONSES  
151 New York Dairy Farms, 1988

<u>Responses</u>	<u>Number</u>	<u>Percent</u>
Provided Useable Information	122	80%
No longer a Dairy	13	9%
Refusal	10	7%
Unable to Contact	6	4%
Total in Sample	151	100%

### III. GENERAL INFORMATION ON SAMPLE FARMS

The average number of milking and dry cows on the 122 farms was 106. The average number of workers was 3.2 including operator and family labor. Ninety-one percent of the 122 survey respondents grew corn for grain in 1988.

The majority of farms in the sample (37%) had fewer than 100 cows while 8% of the farms had 250 cows or more (Table 2 ). In this study 54% of the participants had stanchion barns (Table 3 ).

Table 2.

FARM SIZE  
122 New York Dairy Farms, 1988

<u>Farm Size</u>	<u>Employees</u>	
	<u>Number</u>	<u>Percent</u>
Under 100 cows	32	37%
100-124 cows	17	19%
125-174 cows	16	18%
175-250 cows	16	18%
over 250 cows	<u>7</u>	<u>8%</u>
	88	100%

Table 3.

BARN TYPES  
122 New York Dairy Farms, 1988

<u>Barn Type</u>	<u>Number</u>	<u>Percent</u>
Stanchion	66	54%
Freestall and Parlor	42	34%
Combination	<u>14</u>	<u>12%</u>
	122	100%

When the farm operator provided milk production information in the form of Dairy Herd Improvement (DHI) figures, the enumerator adjusted the DHI figures downward by 7.5% to more accurately estimate actual pounds of milk sold (Table 4).

Table 4.

POUNDS OF MILK SOLD PER COW PER YEAR  
122 New York Dairy Farms, 1988

<u>Milk Sold</u>	<u>Number</u>	<u>Percent</u>
Less Than 11,999	3	2%
12,000 - 14,999	33	27%
15,000 - 17,999	69	57%
18,00 or more	<u>17</u>	<u>14%</u>
	122	100%

All participants in the survey were asked to identify the number of months of labor provided by each worker on the farm, both family and hired. Worker equivalents were estimated on the basis of months of labor provided for the year. This was then computed to full-time worker units by dividing the total number of months worked by 12.

Family labor was an important component of the farm work force. Nearly 1/3 of the survey participants reported using only family labor to operate the farm business. This figure is significant because only dairy farms with 75 or more cows were surveyed, yet family labor accounted for 71% of the work force. Of the 122 dairy farms, family labor averaged nearly 2.3 worker equivalents and hired labor averaged 1.0 worker equivalent. Fifty-nine (48%) of the farms had at least one full-time employee (Table 5).

Table 5. LABOR INPUT ON DAIRY FARMS  
122 New York Dairy Farms, 1988

<u>Labor Input Patterns</u>	<u>Farms</u>		<u>Average Worker Equivalents</u>		
	<u>Number</u>	<u>Percent</u>	<u>Family</u>	<u>Hired</u>	<u>Total</u>
Only Family Members*	39	32%	2.9	0.0	2.9
Family Plus Part-Time Employees	24	20%	2.3	0.6	2.9
Family Plus at Least One Full-Time Hired Employee	59	48%	1.9	1.8	3.7
All Farms	122	100%	2.3	1.0	3.3

\* Spouse, parent, son or daughter of the farm operator plus the farm operator or operators.

#### IV. CHARACTERISTICS OF FULL-TIME EMPLOYEES

Of the 122 farms surveyed, 52% reported no full-time employees. There were 38 farms, or 31%, with one employee. A total of 88 full-time workers were employed on the 59 farms (Table 6).

Table 6.

FULL-TIME NONFAMILY EMPLOYEES  
122 New York Dairy Farms, 1988

Number of Full-Time Hired Employees on Farm	Farms		Full-Time Nonfamily Employees - All Farms	
	Number	Percent	Number	Percent
none	63	52%	0	0%
1	38	31%	38	43%
2	15	12%	30	34%
3	5	4%	15	17%
5	1	1%	5	6%
Total	122	100%	88	100%

**Age**

Sixty (68%) of the 88 full-time employees were under the age of 35. There were only 11 or 13% that were 46 years of age or older (Table 7). The 88 employees had been engaged in farm work an average of 13 years, and the average number of years with the present employer was 4.8.

Table 7.

AGE OF 88 FULL-TIME NONFAMILY EMPLOYEES  
59 New York Dairy Farms, 1988

Age in Years	Employees	
	Number	Percent
Less than 25	32	36%
26 - 35	28	32%
36 - 45	17	19%
46 - 55	7	8%
55 and older	4	5%
Total	88	100%

### Hours Worked

The 88 employees worked an average of 61 hours per week. Hours worked ranged from 30 to 84. Only 5% of the 88 employees worked less than 50 hours a week. In contrast, 18% of the 88 employees worked 70 or more hours per week (Table 8).

Table 8. HOURS WORKED PER WEEK  
88 Full-Time Nonfamily Employees  
59 New York Dairy Farms, 1988

<u>Hours Worked</u>	<u># of Employees</u>	<u>% of Total</u>
Less than 40 hours	1	1%
40-49 hours	3	4%
50-59 hours	23	26%
60-69 hours	45	51%
70 or more hours	<u>16</u>	<u>18%</u>
Total	88	100%

### Education

The employees on the 59 farms tended to have low levels of education (Table 9). As dairy farms grow in size and utilize more modern technology and equipment, greater employee knowledge and skills are required. Only 9% of the employees had formal education beyond a high school diploma, and 36% of the employees had not earned a high school diploma.

Table 9. EDUCATION OF EMPLOYEES  
88 Full-Time Nonfamily Employees  
59 New York Dairy Farms, 1988

<u>Formal Education</u>	<u>Number of Employees</u>	<u>Percent</u>
Less than High School Diploma	32	36%
High School Diploma	48	55%
Two year college degree	6	7%
Four year college degree	1	1%
Attended college - no degree	<u>1</u>	<u>1%</u>
	88	100%

## V. COMPENSATION

### TOTAL COMPENSATION

Compensation includes both cash wages paid to an employee and the variety of benefits or perquisites provided to the employee. This study was designed to value each component of the compensation package for each employee. The compensation package was calculated for all 88 employees (Table 10).

**Table 10.** SUMMARY OF WAGES AND BENEFITS  
88 Full-Time Nonfamily Employees  
59 New York Dairy Farms, 1988

	<u>Number of Employees Receiving</u>	<u>Percent Receiving</u>	<u>Average Value per Recipient</u>	<u>Average for all 88 Employees</u>
Cash Wage	88	100%	\$ 12,812	\$ 12,812
Social Security	87	100%	1,217	1,217
Workers' Compensation	87	100%	999	999
Farm Produce	68	77%	944	729
Housing	52	59%	3,495	2,025
Bonuses	48	55%	369	201
Utilities	41	46%	1,764	822
Health Insurance	30	34%	1,046	366
Incentives	11	13%	305	38
Retirement	6	7%	930	63
Unemployment Insurance	5	6%	200	<u>11</u>
AVERAGE VALUE OF WAGES AND BENEFITS				\$ 19,283

## COMPONENTS OF COMPENSATION

### Wages

The 59 employers in this study reported that the cash wages paid to the 88 dairy farm employees averaged \$12,812, with a range from \$7,200 to \$30,000. The average work week was 61 hours and the average hourly wage was \$ 4.03.

### Overview of Benefits

In arriving at values of benefits the enumerator developed techniques for assisting the farmer in making his or her estimates. A list of methods used to value the benefits is shown in Table 11 . Guidelines for determining the retail values of produce provided the farm employee were also developed. Beef was valued at \$1.59 per pound, pork was valued at \$1.49 per pound, milk was valued a \$1.90 per gallon, and gasoline was valued at \$.90 per gallon.

**Table 11.** METHODS FOR VALUATION OF BENEFITS  
88 Full-Time Nonfamily Employees  
59 New York Dairy Farms, 1988

<u>Kind of Benefit</u>	<u>Valuation Method</u>
Housing	Estimated rental value of comparable housing in the area
Utilities	Cost of utilities provided
Health Insurance	Premium paid
Unemployment Insurance	Premium paid
Retirement	Amount actually paid
Social Security	Tax paid by employer
Workers' Compensation	Premium paid
Bonuses and Incentives	Amount paid
Farm Produce	Estimated retail value

Some of the components of the compensation package differ from those typically provided by non-farm employers. Noteworthy examples

include farm produce, housing, and utilities. It is a common practice for New York dairy farmers to provide farm produce in the form of milk, meat, and vegetables. It is also common for dairy farm employers to provide housing and utilities for their employees.

Several of the benefits included in the employee compensation package may be required by law. Such benefits include Social Security, Workers' Compensation and Unemployment Insurance.

### Housing

Housing is an important component of the farm employee wage and benefit package. Providing housing for farm employees has traditionally been a common practice on New York dairy farms. Over half of the 88 full-time farm employees had housing provided for them. A house was the most popular structure provided, with house trailers the second most popular form of housing. Although it is common for the employer to supply housing, 16% of the employees owned their own homes (Table 12).

**Table 12.** HOUSING ARRANGEMENTS  
88 Full-Time Nonfamily Employees  
59 New York Dairy Farms, 1988

<u>Employee Housing Arrangement</u>	<u>Employees</u>	
	<u>Number</u>	<u>Percent</u>
Type of Housing Provided:		
Family House	32	36%
Trailer	15	17%
Apartment	3	4%
Room in Home	1	1%
Housing Allowance Paid	<u>1</u>	<u>1%</u>
	52	59%
No Housing Provided	22	25%
Live in Own Home	<u>14</u>	<u>16%</u>
Total All	88	100%

The average annual value of all the housing provided to the 52 farm employees was \$3495 (Table 13). The value of housing was estimated by each farm employer providing housing and represents the comparable local rental value.

**Table 13. RENTAL VALUE OF HOUSING PROVIDED**  
 88 Full-Time Nonfamily Employees  
 59 New York Dairy Farms, 1988

<u>Kind of Housing Provided</u>	<u>Annual Rental Value</u>	
	<u>Average</u>	<u>Range</u>
Family House	\$3,922	\$1,300-7,200
Trailer	\$2,832	\$1,200-4,800
Apartment	\$3,020	\$2,400-3,960

As illustrated in Table 14, wages vary based on whether or not housing is provided. Cash wages are higher for those employees who do not have housing provided.

**Table 14. ANNUAL CASH WAGES WITH AND WITHOUT HOUSING**  
 88 Full-Time Nonfamily Employees  
 59 New York Dairy Farms, 1988

<u>Housing Arrangements</u>	<u>Number of Employees</u>	<u>Average Cash Wages</u>
Housing Provided	52	\$11,775
Housing Not Provided	<u>36</u>	<u>\$14,350</u>
All Employees	88	\$12,812

### Utilities

In addition to housing, utilities are also included in many compensation packages. Of the 51 employees receiving housing, 41 have part or all of their utilities paid by their employer (Table 15). The average annual value of the utilities paid by the employers was \$1764. In most cases the utilities value included electricity and heat. In a few cases, only a portion of the utilities were paid by the employer and only this portion was calculated into the value of the employee's compensation package.

**Table 15.**

**VALUE OF CASH WAGES, HOUSING, AND UTILITIES  
88 Full-Time Nonfamily Employees  
59 New York Dairy Farms, 1988**

<u>Housing Arrangements</u>	<u>Number Employees</u>	<u>Average Value of Wages, Housing, Utilities</u>
Housing & Utilities	41	\$16,072
Housing - No Utilities	<u>11</u>	<u>\$14,216</u>
All with Housing Provided	52	\$15,576

**Health Insurance**

Of the 88 employees in the study, 34% received health insurance as a benefit. Sixteen of the employees who received health insurance had individual coverage while 14 had family coverage. Of those 30 employees receiving health insurance, 90% were in a group insurance plan. The average annual premium for the 30 covered employees was \$1,046 (Table 10).

**Social Security**

The Social Security Act covers all farm employees (including family members over the age of 18) unless the employer spends less than \$2,500 for payroll during a calendar year. If this annual payroll requirement is not met, the law covers those agricultural employees who were paid \$150 or more in cash wages during a calendar year. At the time of the study the employee and the employer were each required to contribute 7.51% of cash wages for a total of 15.02%. The reported annual value of the employer's share of the Social Security in this study was \$1,217 (Table 10). This figure is higher than 7.51% of the average cash wages paid and reflects the fact that some employers pay both portions of the Social Security contribution.

**Workers' Compensation Insurance**

Workers' Compensation provides weekly cash payments and medical care benefits to workers who are hurt on the job, or who develop an illness caused by their working conditions. Under New York law farmers must purchase Workers' Compensation insurance from a private firm or from the State Insurance Fund if their cash wage payments to farm employees totaled \$1200 or more in the previous calendar year.

The average cost of Workers' Compensation coverage for the 88 employees was \$999 (Table 10). The cost of Workers' Compensation insurance is commonly calculated as a percentage of the cash wages paid. In cases where the employer did not know the exact value of the employee's

Workers' Compensation coverage, the value was estimated by using the estimated employer's cost per \$100 of payroll.

### **Unemployment Insurance**

Agricultural workers receive unemployment insurance coverage if their employer is subject to the law. Agricultural employers must pay for unemployment insurance if they employ ten or more workers for 20 or more different weeks throughout the year, or if they have cash labor payments of \$20,000 or more per calendar quarter. Only 5 of the 88 workers in the survey were covered by unemployment insurance. The average annual cost was \$200 per worker (Table 10).

### **Retirement**

Many non-farm employers provide retirement program options in addition to Social Security. In this study 6 of the 88 employees received retirement benefits in addition to Social Security. Employer cash contributions to a retirement program averaged \$930 annually. One employee was provided with an individual retirement account (IRA). The remaining five employees had funds set aside for them each month by the employer. (Table 10).

### **Bonuses and Incentives**

Of the 88 employees in the survey 55%, received a bonus with an average value of \$369 (Table 10). The most common form of a bonus was a Christmas or year-end cash payment. Other types included cash at other times of the year and farm animals to raise and sell.

Eleven of the 88 employees in this study (13%) were involved in an incentive program on the farm. In most cases these incentive programs involved cash payments for meeting predetermined performance standards. Examples of incentives included \$5 per cow caught in heat, \$3 per cow bred, and \$3 per cow caught in heat and bred. The average annual value of the incentives for these 11 workers was \$306.

### **Produce**

Of the 88 employees studied, 68 or 77% received farm produce with an average annual value of \$944 (Table 10). The type of produce provided by the employer varied. The types of produce most frequently provided were beef and milk.

### Time Off

The average annual vacation provided to the 88 employees was 8 days with an average of 2 days of paid holidays (Table 16). The number of paid holidays provided can be misleading because on these days some employees are still required to do morning feeding or milking. The amount of paid vacation is usually related to the amount of time the employee has been working for the employer, with more time off after a specific duration of employment. Twelve of the 88 employees had sick leave provided.

**Table 16.** DAYS VACATION AND COMPENSATION  
88 Full-Time Nonfamily Employees  
59 New York Dairy Farms, 1988

Days of Vacation	Employees Reporting		Compensation Package		
	Number	Percent	Ave. Cash Wage	Ave. Benefits	Total
none	11	12%	\$11,336	\$3,672	\$15,008
1 to 7	51	59%	\$12,734	\$6,261	\$18,995
8 to 21	26	29%	\$13,592	\$8,604	\$22,196

### CHARACTERISTICS AND COMPENSATION BY JOB CLASSIFICATION

The employers in the survey were asked to categorize each farm employee based upon the type of work performed and the worker's responsibility. The following three classifications were used:

- 1.) Working Manager - Has management responsibilities including authority to make decisions and/or the supervision of employees.
- 2.) Independent Employee - Understands work requirements, works under limited supervision, possesses strong skills related to the job, and makes some decisions.
- 3.) Laborer - Works under close supervision, makes few if any decisions, possesses basic skills rather than advanced skills.

The employers classified over half of their workers as independent employees and nearly one-quarter of their workers as working managers (Table 17). Of the 88 employees studied, two were women. One was classified as an independent worker and the other was classified as a working manager. Larger New York dairy farms tend to utilize more mechanization and technology and require more management than can be provided by the owners alone. The high percentage of working managers and independent

employees found in this study suggests the need for high employee skill levels on larger, more mechanized New York dairy farms.

Table 17.

EMPLOYEE CLASSIFICATION  
88 Full-time Nonfamily Employees  
59 New York Dairy Farms, 1988

<u>Employee Classification</u>	<u>Employees</u>	
	<u>number</u>	<u>percent</u>
Working Manager	19	22%
Independent Employee	47	53%
Laborer	<u>22</u>	<u>25%</u>
Total	88	100%

A variety of worker characteristics is compiled and grouped according to the job classification designated by the employer (Table 18). There is little difference in the average age of the workers in each classification. Only the working managers had any education beyond high school, and only one of the 88 employees had a four year degree. Working managers and independent employees had worked an average of more than five years with their present employer. In contrast, those employees classified as laborers had only worked an average of 2.7 years with their present employers. When average years of farm work for the three classifications were compared there was little difference between the three classifications. When types of housing were compared by employee job classifications, there was no important difference between housing provided and worker classification. When cash wages and total compensation were compared by job classification, both values increased as the employees' responsibilities increased.

**Table 18. CHARACTERISTICS OF WORKERS BY JOB CLASSIFICATION**  
**88 Full-Time Nonfamily Employees**  
**59 New York Dairy Farms, 1988**

	<u>Job Classification</u>		
	<u>Working Manager</u>	<u>Independent Employee</u>	<u>Laborer</u>
Number of Workers	19	47	22
<u>Age</u>			
Average Age	33	31	32
Age Range	22-62	19-60	17-60
<u>Education</u>			
Less than High School	4	20	8
High School Degree	7	27	14
Two Year Degree	6	0	0
Four Year Degree	1	0	0
College, No Degree	1	0	0
<u>Present Employment</u>			
Years Present Employment	5.7	5.3	2.7
Range Present Employment	1-19	1-30	1-8
<u>Years of Farm Work</u>			
Average	11.8	13.7	13.8
Range	1-40	1-42	1-50
<u>Housing Provided</u>			
None	21%	30%	18%
House or Apartment	68%	51%	68%
Owns a Home	11%	19%	14%
<u>Cash Wages Paid</u>			
Average	\$15,147	\$12,968	\$10,463
Range: Low	\$10,000	\$7,200	\$7,800
High	\$30,000	\$20,000	\$16,500
<u>Total Compensation</u>			
Average	\$24,500	\$18,808	\$16,500
Range: Low	\$16,430	\$8,940	\$10,000
High	\$48,600	\$31,360	\$22,950

## COMPENSATION BY BUSINESS CHARACTERISTICS

The value of the compensation packages for the 88 employees in this study has been calculated and grouped by several farm characteristics. These characteristics include farm size, barn type, and pounds of milk sold per cow. (Table 19). There was no important difference in total employee compensation by size of farm. The compensation for employees working on farms with freestall/parlor facilities averaged \$2,625 more than those employees working on farms with stanchion barns. Total compensation for employees increased as the pounds of milk sold per cow increased. The average compensation for those employees on farms with less than 12,000 pounds of milk sold per cow was \$15,200. The average compensation for those employees working on farms producing 18,000 pounds of milk per cow was \$24,398.

**Table 19.** FARM CHARACTERISTICS AND COMPENSATION  
88 Nonfamily Employees  
59 New York Dairy Farms, 1988

Farm Characteristic	Employees		Compensation Package		
	Number	Percent	Cash Wages	Benefits	Total
<u>Farm Size</u>					
Under 100 cows	32	37%	\$11,701	\$6,755	\$18,456
100-124 cows	17	19%	\$11,653	\$6,185	\$17,838
125-174 cows	16	18%	\$12,800	\$6,166	\$18,966
175-250 cows	16	18%	\$15,413	\$7,898	\$23,311
over 250	7	8%	\$14,800	\$5,517	\$20,317
<u>Barn Type</u>					
Stanchion	39	44%	\$11,198	\$7,084	\$18,282
Freestall/Parlor	40	45%	\$14,553	\$6,354	\$20,907
Combination	9	11%	\$12,078	\$6,058	\$18,136
<u>Pounds Milk Sold/Cow</u>					
<11,999	1	1%	\$10,400	\$4,800	\$15,200
12,000-14,999	20	23%	\$12,000	\$5,500	\$17,500
15,000-17,999	54	61%	\$12,538	\$6,408	\$18,946
18,000 or more	13	15%	\$15,392	\$9,546	\$24,938

## COMPENSATION BY EMPLOYEE CHARACTERISTICS

The value of the compensation package for the 88 employees in this study has been calculated and grouped by characteristics of the employee. These characteristics include age, education, years of employment, and employee classification (Table 20). There were no important differences in total compensation for the age groups under 55 years of age. However, the difference between the average total compensation for employees over 55 years of age and those 55 and under exceeded \$4,000.

Total compensation for employees with college educations was \$23,743. This is more than \$3,000 higher than the other education levels. Employees working with the same employer for eleven or more years averaged \$23,989 in compensation. Total compensation for farm employees working ten years or less for the same employer averaged below \$20,000.

Employees were classified as either working managers, independent employees, or laborers. The working managers were the highest paid group, followed by independent employees and laborers. Compensation for laborers averaged \$16,500 in comparison to working managers who averaged \$24,500.

**Table 20. EMPLOYEE CHARACTERISTICS AND COMPENSATION**  
**88 Full-Time Nonfamily Employees**  
**59 New York Dairy Farms, 1988**

<u>Farm Characteristic</u>	<u>Employees</u>		<u>Compensation</u>		
	Number	Percent	Cash Wages	Benefits	Total
<u>Age (years)</u>					
25 or under	32	36%	\$12,660	\$5,544	\$18,204
26-35	28	32%	\$13,614	\$6,539	\$20,153
36-45	17	19%	\$11,382	\$6,962	\$18,344
46-55	7	8%	\$12,143	\$8,484	\$20,627
over 55	4	5%	\$15,675	\$9,633	\$25,308
<u>Education</u>					
< High school diploma	32	36%	\$12,071	\$8,024	\$20,095
High school graduate	48	55%	\$12,799	\$5,381	\$18,180
College	8	9%	\$15,872	\$7,543	\$23,743
<u>Years of Farm Employment</u>					
1 year or less	31	35%	\$12,876	\$5,804	\$18,680
2-3 years	20	23%	\$13,055	\$6,627	\$19,682
4-6 years	21	24%	\$11,937	\$6,606	\$18,543
7-10 years	8	9%	\$13,425	\$6,381	\$19,806
11 or more years	8	9%	\$13,650	\$10,339	\$23,989
<u>Employee Classification</u>					
Working Manager	19	22%	\$15,147	\$9,353	\$24,500
Independent Employee	47	53%	\$12,969	\$5,839	\$18,808
Laborer	22	25%	\$10,464	\$6,036	\$16,500

#### COMPENSATION BY QUARTILE

The level of compensation varied among employees studied. The average total compensation and average value of housing is calculated by quartile (Table 21). Total compensation for the lowest quartile was \$12,438 with an average housing value of \$2,051. In the highest quartile, average total compensation was \$24,446 with an average housing value of \$4,460.

**Table 21.** TOTAL COMPENSATION AND HOUSING VALUE BY QUARTILE  
 88 Full-Time Nonfamily Employees  
 59 New York Dairy Farms, 1988

<u>Quartile</u>	<u>Average Total Compensation</u>	<u>Average Value of Housing</u>
First	\$ 12,438	\$ 2,051
Second	16,405	2,891
Third	19,007	3,818
Fourth	24,446	4,460

Table 22 complements Table 21. It shows employee classification by quartile and percent of employees on farms with greater than 15,000 pounds of milk sold per cow per quartile. The first quartile is the lowest compensated quartile and there are no employees in the working manager classification.

In the highest compensated quartile, 46% of the employees were working managers while only 4% of the employees were laborers. In the lowest paid quartile, 68% of the employees worked on farms with greater than 15,000 pounds of milk sold per cow. In contrast, 91% of the employees in the quartile with the highest compensation worked on farms with greater than 15,000 pounds of milk sold per cow.

Table 22.

EMPLOYEE CLASSIFICATION AND PERCENT OF EMPLOYEES ON  
FARMS PRODUCING >15,000 POUNDS OF MILK BY QUARTILES  
88 Full-Time Nonfamily Employees  
59 New York State Dairy Farms, 1988

Quartile*	Employee Classification (Percent)			Percent of Employees On Farms with >15,000 Pounds Milk per Cow
	Working Manager	Independent Employee	Laborer	
First	0%	54%	46%	68%
Second	14%	63%	23%	68%
Third	27%	46%	27%	77%
Fourth	46%	50%	4%	91%

\*First is the lowest 25% by compensation and increases by quartile.

## VI. SUMMARY AND CONCLUSIONS

This study focuses on the total compensation provided to full-time, nonfamily employees. A random sample of dairy farms with more than 75 cows was used. This study was designed to obtain values for each component of the wage and benefit package. The total wages and benefits of full-time dairy farm employees provide a basis for comparing dairy farm workers' earnings with earnings in other jobs. By completely enumerating the compensation packages provided to dairy farm employees, this survey obtained information not previously available.

The conclusions of this study are:

- 1.) Benefits are an important part of the dairy farm employee compensation package. The average cash wage for the workers in this study was \$12,812 and the average value of the benefits provided to dairy farm employees totaled \$6,471.
- 2.) Housing is a major component in the dairy farm wage and benefit package. Unlike many other industries, housing is commonly provided to New York dairy farm employees. In this study of full-time employees, 58% were receiving housing with an estimated average annual value of \$3,495. Many employees receiving housing also had part or all of their utilities paid by the employer. This benefit

helps to make the wage and benefit package more competitive with other jobs and may help to attract employees to the job. The value of the housing benefit needs to be stressed in comparing dairy farm wages with those of other workers.

- 3.) Dairy farm employees generally work many hours per week. The work week for the 88 dairy farm employees ranged from 30 to 84 hours with an average of 61 hours.
- 4.) Time off for vacation, sick leave, and holidays is limited. The 88 employees received an average of 8 vacation days and 2 paid holidays in the previous year. Only 12 employees worked under an agreed upon sick leave policy.
- 5.) Farm employees are young and have low levels of formal education. The average age of the dairy employees in this study was 31. Over 1/3 of the employees had not attained a high school degree and only 9% had any formal education beyond high school.
- 6.) Family labor continues to be of major importance on New York Dairy Farms. As the size of dairy farms in New York increases, nonfamily hired labor generally becomes more important. However, this study of 122 dairy farms with 75 cows or more shows an average full-time worker equivalent of family labor of 2.3 while the full-time worker equivalent of hired labor was 1.0. Although the long term trend appears to be toward more hired workers on larger farms, family labor will continue to be a major source of labor on dairy farms in New York State.

#### IMPLICATIONS

The average wage and benefit figures reported in this study show a wide variation in the types and values of wages and benefits provided to New York dairy farm employees. Four of the better compensated employees were receiving cash wages in excess of \$20,000 as well as a variety of benefits including housing, health insurance, retirement programs, and paid vacation. Studies such as this provide valuable information for farm operators who want to compare their situations with others. A dairy farm operator can become a better labor manager by studying what the better managers are doing and then adapting progressive personnel management practices to his/her own situation. Although this study focused on compensation, there are other employee management issues that the farm manager must consider including working conditions, hours worked, time off, and career development.

The implications of this study are:

- 1.) Many New York dairy farmers are not offering some of the benefits that could make them more competitive in the labor market. The two most notable examples are health insurance and retirement programs. Only 35% of the 88 employees received health insurance and only 7% received retirement benefits in addition to Social Security. Farm managers should be aware of the advantages of the employer providing these benefits; for example, health insurance premiums cost considerably less under group insurance plans. Also, expenses for health insurance premiums and retirement plans are tax deductible as business expenses. Farm managers might well provide more benefits that meet the needs of the employee, and in turn make the job more attractive.
- 2.) One of the challenges dairy farmers face is to shorten the work week and provide more time off. Given the nature of the dairy business, this is a difficult problem. However, farmers who can work toward this goal will be in a better position to attract quality employees.
- 3.) Quality of housing may affect the quality of employees that the farm manager can attract. By upgrading housing the farm manager not only increases the value of the benefits provided to the employee, but may also improve morale and the opportunity to attract the best people.
- 4.) Employee characteristics deserve consideration. The employees in this study were young, had relatively low levels of education, and had short tenure in farm jobs. However, 75% were classified as either working managers or independent employees indicating a need for specific knowledge and skills. As dairy farming becomes more technology-oriented there may be a need for more highly trained workers who will remain in the same position over a longer period of time.

## SUGGESTIONS FOR FUTURE STUDIES

Many opportunities exist for future studies. This study focused on compensation of full-time nonfamily dairy farm employees. The same type of information on part-time nonfamily employees would also be useful. Also, studies of a larger number of workers would be beneficial in identifying innovative practices being used.

An important concern of most New York dairy employers is how to recruit and retain skilled workers. A study is needed to determine how dairy farm employee compensation compares with employee compensation in other industries. Another study might be made to determine what is the effect of long work weeks on the ability of managers to recruit and retain skilled dairy farm employees.

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Cornell  
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Appendix I

June 30, 1988

Dear Dairy Producer:

We would like your assistance with an upcoming telephone survey on wages and benefits of full-time farm employees. As more farm managers experience difficulty in hiring and retaining employees, there is a greater need for information on competitive wage benefit packages. As a result, the Cornell Department of Agricultural Economics is conducting a survey on dairy farm wages and benefits to gain greater insight into employee compensation on New York dairy farms.

Your farm is one of 150 New York farms selected at random to be included in the survey. Within the next four weeks you will be receiving a phone call from Sue Woodruff, who is conducting the telephone interviews. The length of the survey phone call will vary depending on the size of your labor force. We hope it will not take more than 25 minutes. If it is not convenient for you to respond to the survey at the time of the call, we will be happy to establish a more convenient time to call back.

In return for the time you invest, we will furnish you with a copy of the results when they are available. In addition, the dairy industry will benefit once the results are compiled.

Enclosed is a worksheet which will help you prepare for some of the questions we will be asking. All information you provide will be strictly confidential. Only the average data from all farms will be reported.

If you have any questions please don't hesitate to ask our interviewer or contact us by mail or phone at (607) 255-1628.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in cursive script that reads 'Thomas R. Maloney'.

Thomas R. Maloney  
Extension Associate

TRM/cf  
encl

*Helping You Put Knowledge to Work*

FARM EMPLOYEE WAGE AND BENEFIT SURVEY

Worksheet

The following checklist is intended to help you prepare for the upcoming telephone survey.

Following is a list of benefits which some employers provide. We would like to know the value of any you provide for each full-time employee.

Gross cash wage	\$ _____
Estimated rental value of housing if provided	\$ _____
Value of any utilities provided	\$ _____
Health insurance premium, if provided	\$ _____
Social Security contribution	\$ _____
Annual Workmen's Compensation rate (cost per hundred)	\$ _____
Cost of Unemployment Insurance, if provided	\$ _____
Annual cost of retirement plan, if provided	\$ _____

Farm Produce Provided to Employee

	<u>Amount</u>	<u>Estimated Value</u>
Meat	_____	_____
Milk	_____	_____
Gas or diesel	_____	_____
Other _____	_____	_____
_____	_____	_____

Annual Value of:

	<u>Value</u>
Incentives	_____
Bonuses	_____
Profit sharing	_____

Other Benefits Provided to Employee and Their Value

<u>Benefit</u>	<u>Value</u>
_____	_____
_____	_____

TELEPHONE SURVEY  
WAGES AND BENEFITS  
DAIRY FARM EMPLOYERS IN NEW YORK STATE

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

Date: \_\_\_\_\_

Introductory Information Provided to Participant:

- Reason for survey - The purpose of this survey is to gather information on employee wages and benefits on New York dairy farms. The results will be used in future Cornell Cooperative Extension programs in farm labor management.
- Review how long survey will take.
- Stress confidentiality - The information provided will be held strictly confidential. Only the averages of participating farms will be used in reporting the survey results.

PART I.

1-4 How many milking and dry cows do you currently have? \_\_\_\_\_

5 What is your barn type?

- A \_\_\_ Stanchion
- B \_\_\_ Freestall & parlor
- C \_\_\_ Combination
- D \_\_\_ Multiple barns

6 Do you grow corn grain every year?  Yes  No

7 What is your annual milk production per cow? (pounds of milk sold) \_\_\_\_\_

DHI Average ÷ 1.07 = \_\_\_\_\_ milk sold per cow

Range:

- A \_\_\_ less than 11,999
- B \_\_\_ 12,000 - 14,999
- C \_\_\_ 15,000 - 17,999
- D \_\_\_ 18,000 or more



## PART II.

For each full-time nonfamily (not immediate family) employee on the farm, please complete the following information:

Name: \_\_\_\_\_

## 14 Employee Classification:

I will read three farm worker classifications. Please indicate which classification this worker most clearly fits.

- \_\_\_ A. Working Manager - Has at least some management responsibilities including authority to make decisions or supervision of workers.
- \_\_\_ B. Independent Worker - Understands work requirements, works under limited supervision, possesses strong skills related to the job may make some decisions.
- \_\_\_ C. Laborer - Works under close supervision, makes few if any decisions, possesses basic skills rather than advanced skills.

15-17 What is the average gross cash wage paid? (multiply accordingly)  
Annual salary \$ \_\_\_\_\_

18 Is housing provided?  Yes (go to 19)  
 No (go to 27)

19 If yes:

Which of the following categories most accurately describes the housing provided?

- A \_\_\_ A room in home  
B \_\_\_ A trailer  
C \_\_\_ An apartment  
D \_\_\_ A house

20-22 What is your best estimate of what this living place would rent for?  
Annual housing value \$ \_\_\_\_\_

23 Do you provide any utilities?  Yes  No

24-26 If yes, what is annual value? \$ \_\_\_\_\_

If no:

27 Does the employee own their home?  Yes  No

28 Is a housing allowance provided?  Yes  No

29-31 If yes, annual value \$ \_\_\_\_\_

32 Is health insurance provided?  Yes  
 No (go to 41)

33-35 If yes:

What is the annual premium? \$ \_\_\_\_\_

- 36-38 What percentage do you pay? \_\_\_\_\_%
- 39 Is the policy: A \_\_\_ family B \_\_\_ individual
- 40 Do you have health insurance through a group?  Yes  No  
If yes, what is the group? \_\_\_\_\_
- 41-43 What amount of social security do you pay on this employee? \$ \_\_\_\_\_  
 \_\_\_ Employer's share only  
 \_\_\_ Employer's and employee's share  
 \_\_\_ None (not to be read by enumerator)
- Cash wage \$ \_\_\_\_\_ x 52 x 7.51% = \$ \_\_\_\_\_ Social Security paid/year  
 Use 7.51% for employer's share only. Use 15.02% for both shares

44 Do you provide farm produce to this employee?  Yes  No

45-47 If yes, please indicate what you provide and how much?

<u>Produce</u>	<u>Quantity/Time</u>	<u>Value/Year</u>
Meat	_____ lbs/side	_____
Milk	_____ gallons	_____
Gasoline or diesel fuel	_____ gallons	_____
_____	_____	_____
_____	_____	_____
	Total Value/Year	_____

48-50 What is your workmen's compensation premium for this employee?  
\$ \_\_\_\_\_

51 Do you provide unemployment coverage on this employee?  Yes  No

52-54 If yes, what is the annual cost? \$ \_\_\_\_\_

55 Do you provide a retirement plan for this employee?  Yes  No

56-58 If yes, what is the annual cost? \$ \_\_\_\_\_

59 Do you provide any additional cash to this employee in the form of:  
incentives?  Yes  No

60 bonuses?  Yes  No

61 profit sharing?  Yes  No

62-64 If yes, please describe and give annual value:

<u>Description</u>	<u>Value per Year</u>
_____	_____
_____	_____
_____	_____
Total Value Per Year	_____

65-67 If you provide any other benefits please describe and give the value:

<u>Description</u>	<u>Value</u>
_____	_____
_____	_____
_____	_____

68-69 How much paid vacation does this employee receive (in days)? \_\_\_\_\_

70 How many paid holidays does this individual get per year? \_\_\_\_\_

71-72 On the average, how many hours per week does this person work? \_\_\_\_\_  
(Help operator make calculation if necessary)

73 Do you have an agreed upon plan for sick leave for this person?

A  Yes    B  No

If yes, describe: \_\_\_\_\_

\_\_\_\_\_

74-75 What is the age of this worker? (If not known for sure, give your best estimate): \_\_\_\_\_

76 What age group does this person fall into?

A \_\_\_ Less than 25

B \_\_\_ 26-35

C \_\_\_ 36-45

D \_\_\_ 46-55

E \_\_\_ 55 & older

77 How many years of schooling has this person completed?

A \_\_\_ Less than high school diploma

B \_\_\_ High school diploma

C \_\_\_ Attended college, did not receive degree

D \_\_\_ Two year college degree

E \_\_\_ Four year college degree

78-79 How many years has this individual worked for you? \_\_\_\_\_ years

80-81 How many years has the individual been doing farm work? \_\_\_\_\_ years

Would you like a copy of the survey results when they are completed?

Yes     No

If yes, double check address.

Thank you very much for your time and effort.

Other Agricultural Economics Research Publications

No. 89-8	A Microcomputer Program for Projecting Annual Cash Flows, Debt Repayment Ability and Proforma Financial Statements	Eddy L. LaDue David B. Cook
No. 89-9	Diversification of the Cheddar Cheese Industry Through Specialty Cheese Production: An Economic Assessment	John C. Martin David M. Barbano Richard D. Aplin
No. 89-10	Management Strategies to Improve Profitability on Limited Resource Dairy Farms: A Linear Programming Analysis	B. F. Stanton
No. 89-11	A Risk Evaluation of Groundnut Genotypes in Drought Prone Areas of India	Elizabeth Bailey Richard N. Boisvert
No. 89-12	Dairy Farm Management Business Summary, New York 1988	Stuart F. Smith Wayne A. Knoblauch Linda D. Putnam
No. 89-13	Economic Losses to New York's Dairy Sector Due to Mastitis	Heiko Frick William Lesser
No. 89-14	Bovine Somatotropin: Its Impact on the Spatial Distribution of the U.S. Dairy Industry	Jork Sellschopp Robert J. Kalter
No. 89-15	Strategic Alternatives For the New York Apple Industry	Bruce Anderson
No. 89-16	Farming Alternatives: Experience in New York State	Lynn H. Miller Wayne A. Knoblauch Judy J. Green John R. Brake
No. 89-17	A Guide to Using the General Algebraic Modelling System (GAMS) for Applications in Agricultural Economics	Robert W. Jefferson Richard N. Boisvert
No. 89-18	An Analysis of the Investment Related Characteristics of New York Farmers	Eddy L. LaDue Joseph H. Kwiatkowski
No. 89-19	Manufacturing Costs in Ten Butter/Powder Processing Plants	Mark W. Stephenson Andrew N. Novakovic