



Pay and Performance

Most people think of money and motivation as closely related in businesses. Employers pay dollars and expect employee motivation in return. But many employers feel they are not getting what they pay for, and many employees have problems with what they receive. Pay is not simply a cost, however; it is also a management tool for influencing the performance of employees on the job.

Just because money is a valued incentive to action for workers does not mean that it always stimulates the action that managers want. What a compensation system actually pays for is what rational people work toward. Pay systems are often inadvertently set up to reward one thing (e.g., time on the job), while managers are hoping for another (e.g., many trees pruned). For pay to motivate performance, the compensation system must be structured to provide more dollars for the desired performance.

A study by the Public Agenda Foundation several years ago found that only 22 percent of American workers saw a link between how hard they worked and how much they were paid. Nearly three-quarters said that they had actually decreased their level of effort because of seeing no consequence in terms of pay. Fully 61 percent said that they wanted to have their pay tied to performance.

- A boysenberry grower who hires up to 600 people for his three-week harvest was complaining that most of the pickers were unmotivated. To do what? *“To fill up these cartons fast enough so that I can complete this harvest within budget.”* What difference does it make to them? How are they paid? *“They get a good wage for this area – \$6.10 per hour.”* Does that rate vary according to how fast they pick? *“Well...no.”*
- Lettuce harvest crews of 35 people were sharing in a crew piece rate. Every time a packed carton went up onto the truck for delivery to the cooler, the crew got \$1.10. The harvest manager was not pleased. *“There is something about cutters and packers that I simply can’t comprehend. These guys are just not motivated. Look at this lettuce—leaves are hanging out, butts are facing all directions, and some cartons even have rips. This is*

Pay systems may not reward what managers want.

a lousy pack. If the crew put up better quality, we would be able to sell more cartons and probably also get a premium price. How are we going to market this stuff?" Do they know how to put up a good pack? "Sure they do. Every single one knows exactly how to select heads, cut, and pack them right." Health problems? "I would like to have the same strength and stamina." How's the pay? "Probably the best in agriculture. They average \$10 to \$18 per hour." Isn't that a big range for an hourly rate? "Oh, it is actually what they earn in an hour, based on a piece rate, not an hourly wage. Every one shares in the crew piece rate." Now wait a minute. Suppose I laid dollar bills down in this row, as far as the eye could see. Then suppose that I gave you a bag and seven hours to spend in the field. What would you do? "I'd race my little fanny down the row as fast as I possibly could picking up those dollar bills and stuffing them in the bag." Would you care whether George Washington's head was right side up or facing you? "I'd worry about that when I got home." So who is it that is not motivated?

- A nursery manager was positive that a particular planter was working much slower than she really could. *"Why isn't she motivated? Can you help me? I don't really want to fire her. It is too complicated to fire people these days." Are you sure that the planter has the ability to be more productive. "Oh, yes. On occasion, when we need to get a big order out, I tell her that if she finishes up a stack of flats, she can go home and still get credit for the whole day. You have never seen anybody go so fast in your life. The thing is, she even knows that I know what she can do if she tries, but normally she just goes very, very slow." What about her pay? "She gets paid real well. We pay a cut above anybody else in this region. She makes about \$8 per hour." That's pretty good. And does she make more when she works faster? "No, but her wages are good and secure. She can count on her pay every week. And she knows that she is getting paid well, so I just don't see why she is not motivated."*

Does pay motivate agricultural workers? The picker, cutter, and planter certainly seem motivated, but not always to do what managers want. The planter on a good hourly rate was motivated to stay in her job and collect her good pay, neither of which seemed to depend on how fast she worked. The lettuce crew on a piece rate and coworkers depending on them to keep up the pace were motivated to produce rapidly. A forklift operator getting \$6 per hour in the same company where all the others get \$7 is motivated to complain. A mechanic making \$8 hourly in a region where most companies pay \$11 for similar work is motivated to look for another job. Regardless of their sheer amounts, wages are often not effectively spent. In pay administration, how much is important but so is what for and compared to whom.

The relationship between the sheer amount of wages paid and operational results on a farm is not a given. It is strongly shaped by decisions that managers make in structuring and administering pay. Key choices involve:

1. **External equity.** What is the overall pay level in the organization, relative to others in same labor market? A policy of “keeping up with local norms” is common, but some employers like to stay a cut above or below.
2. **Internal equity.** What are the relationships between rates at which people in different jobs within the company are paid? Are mechanics, for example, paid the same as drivers or managers? If not, how much more or less?
3. **Pay basis.** From what is the periodic paycheck calculated? Is a rate applied to units of time (hours or weeks) or to output (trays, cartons, sales, or vines)?
4. **Individual wage determination.** Do all people in the same or similar jobs receive the exact same rate of pay, or do individual rates vary within a specified range? Can one service worker, for example, make more than another? If a range is used, what determines where an individual’s rate falls within it? Seniority and past performance can be systematically considered.
5. **Indirect compensation.** What deferred or non-dollar wages (e.g., pensions, health insurance, living quarters) supplement current pay, and who is eligible to receive them?
6. **Communication.** How much and by what means are employees told about the overall pay structure? In some businesses, employees understand quite well how their pay is computed and how they can earn more. In others, the pay system is a mystery, possibly because of poor communication, possibly because there is no consistent system, or possibly because management believes the employees will work harder if the reward system is kept a mystery.

Cases where employers pay for one thing but expect another are too common. Pay and benefit increases intended to stimulate better employee performance often only serve to motivate membership—joining or staying with the business. Employers who want to get more of what they are paying for need to think about whether they are paying for what they really want.

Time-Based Pay Structures

Agricultural employers can structure the time-based wages in their businesses to encourage good work. Better performance may be recognized and translated into higher future earnings through two types of movement within a wage structure: (1) advancement in a pay range for a given job (or family of jobs with the same range), and (2) promotion to a higher paying job. A structure that is carefully designed, maintained, and communicated to workers has strong motivating potential.

Wage differences across employees on a ranch—and changes for a given employee—may reflect both “job factors” (e.g., knowledge or license needed to

