

classification gets pretty much the same annual raise, regardless of performance. Where performance appraisals do not reliably distinguish better from worse performers, the range of possible pay increases is often set too small for the system to have a motivating effect.

Influences of Wage Structures

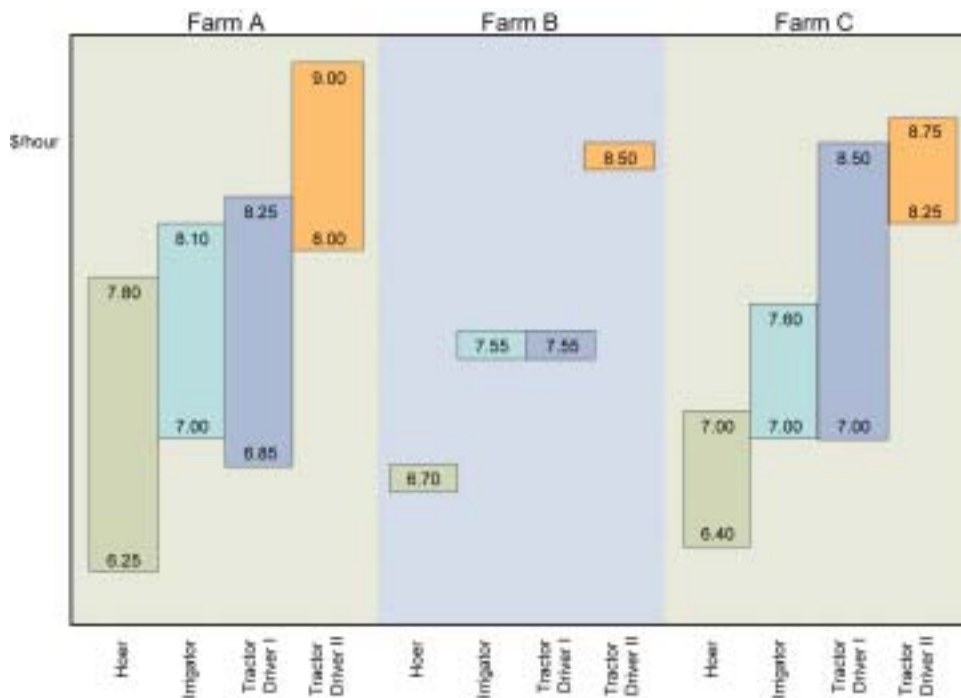
Pay structures affect both short- and long-term decisions by employees. In addition to revealing how jobs and individuals are currently valued, they inform employees, as well as applicants, about routes and limits of salary advancement. The example of Farms A, B, and C illustrates how three farms with the same total wage expense distribute it differently through their respective arrays of rates. Which farm would be more attractive to a prospective employee? Which structure would it be easier for a manager to administer?

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

Farms A, B, and C are independent operations producing a similar mix of vegetables, melons, and grain on about the same total acreage. During the summer, all have the same field staffing pattern, which includes 10 general laborers, 3 irrigators, 4 tractor drivers I (basic), 2 tractor drivers II (advanced), 2 mechanics, and 3 supervisors. Total wages for the three were exactly the same last year. Pay rates for workers on all three farms are indicated on the chart below:

Employees	Farm A	Farm B	Farm C
Hoer, General Laborer			
1	\$6.35	\$6.70	\$6.50
2	6.35	6.70	7.00
3	6.35	6.70	6.60
4	6.35	6.70	6.90
5	6.35	6.70	6.50
6	7.80	6.70	7.00
7	7.25	6.70	6.80
8	6.25	6.70	6.70
9	7.10	6.70	6.40
10	6.85	6.70	6.60
Irrigator			
1	7.00	7.55	7.60
2	7.00	7.55	7.00
3	8.10	7.55	7.25
Tractor Driver I			
1	6.85	7.55	8.00
2	8.25	7.55	8.50
3	8.25	7.55	7.50
4	6.85	7.55	7.00
Tractor Driver II			
1	8.00	8.50	8.25
2	9.00	8.50	8.75

Figure 5.5. Same cost, different pay rates at Farms A, B, and C.



Farm A pays various rates within each job category, and its rate ranges overlap quite a bit. Three of the general laborers are earning more than the lowest-paid irrigators and tractor drivers. In contrast, Farm B has a single rate for all employees in a job type, so that a pay raise can only be obtained with a move to another classification. Farm C also has a variety of pay rates for each category of employee but smaller, less overlapping, more logically related ranges than A.

A person interested in only short-term employment would probably favor the higher entry rate at Farm B over the growth opportunity within job type at Farms A and C. Factors not specified in this example that would affect how employees respond to the three structures include (1) criteria for moving up within a range in Farms A and C, (2) the type and amount of bonus opportunity and fringe benefits in each farm's compensation package, and (3) how much employees actually know about the structure of pay where they work, other than their own rate.

Incentive Plans to Strengthen the Pay-Performance Linkage

A device for directly tapping employee motivation and rewarding current performance is "incentive pay." Incentive pay makes an employee's current pay at least partly contingent on production results. Piecework is the most common but by no means the only form of incentive plan in agriculture.

Farmers have told of productivity gains in the range of 20 to 50 percent after moving field workers from time-based to output-based pay. Output-based pay is