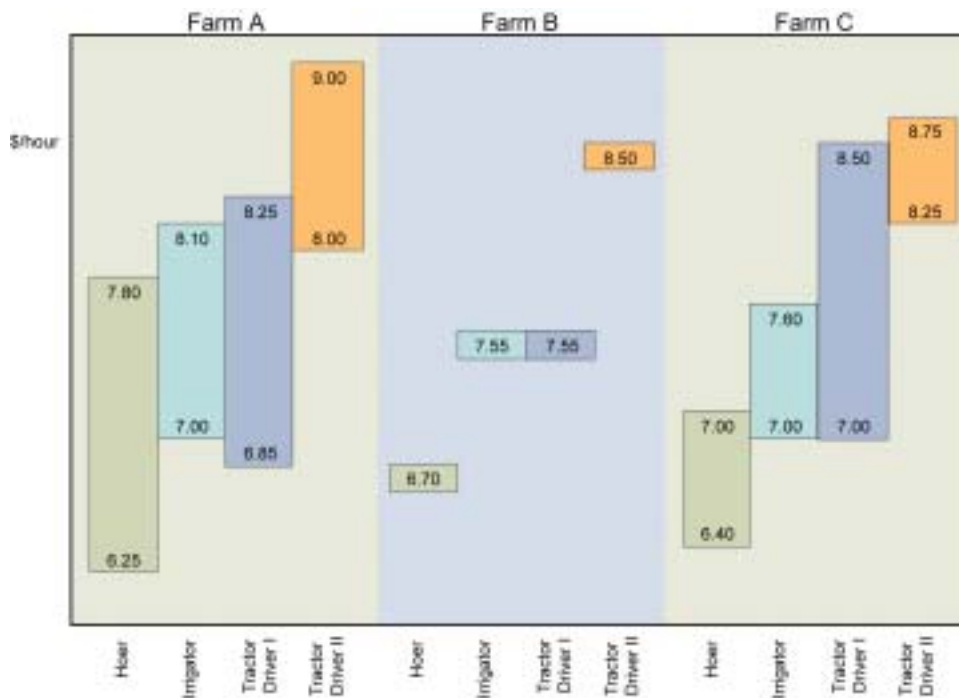


Figure 5.5. Same cost, different pay rates at Farms A, B, and C.



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



***Incentive pay plans make an employee's current pay at least partly contingent on production results.***

not compatible, however, with every job and production system. Even where feasible it can present difficulties. Fortunately, there are varieties of output-based plans that may fit different circumstances, and the broader family of incentive pay plans extends beyond those tied solely to output quantity.

#### **Individual Piecework**

Piecework is probably the oldest, most widely used incentive plan. Multiplying the piece rate by the number of units (cartons, bins, or tons) produced, yields a pay amount clearly related to the performance of each worker. Commission systems, under which most outside sales people work, are similar, except they relate pay to total dollar volume rather than numbers of units. The evident equity of piece rate systems is not obscured by complex computations and explanations. As long as employees perform at least well enough to earn the statutory minimum wage, employers paying piece rates have the advantage of reasonable certainty about their unit costs for direct labor. If piece rate earnings do not amount to at least the statutory minimum for hours worked, however, the employer must make up the difference.

There are disadvantages to piece rate pay, however, and the most common one is not limited to the lettuce crews that the previously mentioned harvest manager could not understand. The rush for quantity, which pays off to employees, can lead to neglect of quality. Additionally, before the work begins in earnest, rate-setting games may set farmer and workers against one another. Since conditions affecting production ease vary widely from field to field and time to time, farmers often wait to set piece rates until after an initial day or so of work. For their part, workers put on some remarkable huff-puff sweat-groan performances while producing well below their capacity.

Even after rates are set, workers' fears of what might happen if they do perform to their best abilities can defeat the purpose of output incentive pay. Some workers have seen and others have imagined that employers would cut rates if earnings were consistently high or would fire the slower workers within a crew. Other objections to piecework are based on concerns that the system leads to overexertion and illness and that it only compresses the time in which a fixed amount of work is to be done, so total earnings are the same regardless of speed. And traditional pay differences between employees on piece rate (such as pickers and pruners) and more highly skilled hourly workers (such as mechanics, supervisors, and tractor drivers) can be upset when the former perform well and, consequently, are paid at higher levels than the hourly employees.

Piecework, in addition to other individual incentive plans, may threaten another status hierarchy within the worker group. Older, more senior-level workers may not be able to work as fast as the younger employees. In that case, there may be social pressure on the younger workers to produce below their capacity. Cohesive crews informally establish a level of individual output considered proper or safe. Employees who overproduce relative to that level are often ostracized as "rate busters." Their quest for higher income can only be fulfilled at the cost of social acceptance.