

Farm Labour - covering the financial angles

**Teagasc Employing People
Conference
Thursday 15th June, 2017**

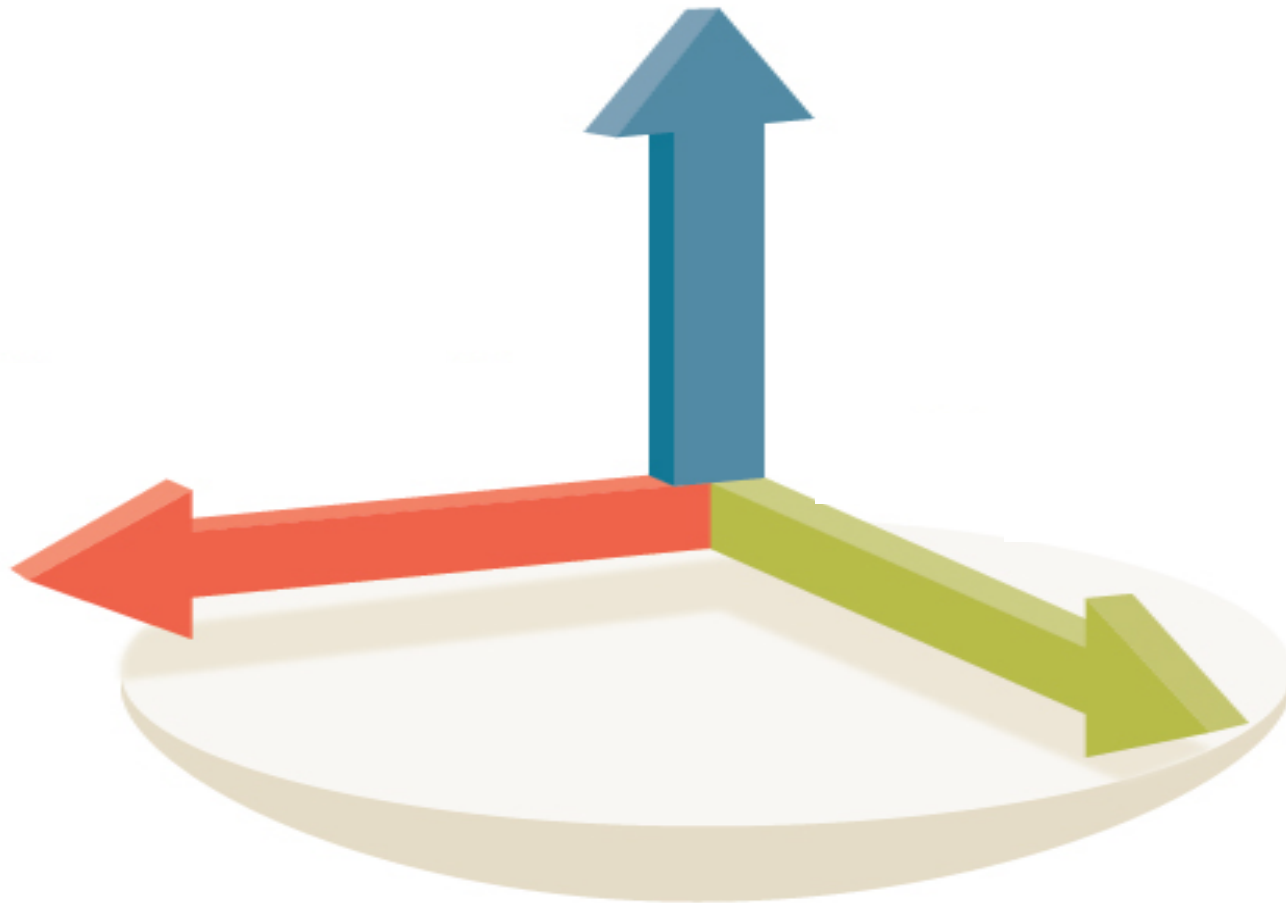
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Farm Labour –Angles to be discussed..



Farm Labour - The Costs

COSTS

Typical employment costs

- The obvious
 - Employees Pay as Wages OR Salary
 - » Including benefits, bonuses etc.
 - Employers employment taxes - PRSI
- The less obvious
 - Recruitment Costs
 - Employers Liability Insurance costs
 - Supply of necessary workwear/ equipment
 - Holiday / Sick pay
 - Training Costs
- The often hidden

Hiring the wrong person can result in additional costs around

 - Managing poor performance
 - Direct effects on farm production – quality, yields, future performance

Labour always brings a cost

- You need to quantify the **total** cost
- Look at affordability in the normal and worst case farm income scenarios
 - A financial projection will be needed
- Identify the benefits that you are expecting
 - Quantify in euro if possible
 - Assess how likely to occur

What can I afford to pay?

**Rate for
this type of work?**

**Will wages need to be
reviewed regularly?**

**Sometimes it's not
just about the
money..!**

Pay Definitions

- **Gross Pay for Tax** is the employee's pay of any kind **before** any deductions are made by the employer.
- **Net pay for tax purposes** is the amount of an employee's gross pay **less** any ordinary contributions made by the employee to a pension
- **Net Pay AFTER tax** – is the “**take home**” pay of the employee

Avoid the Net Pay Trap...



...always quote Gross Pay to a new employee.

For tax purposes

Pay =

- Wages/ salary
- Bonuses (regular or otherwise)
- Overtime
- Sick pay
- Holiday pay
- Plus any...
- Benefits-in-kind

Benefits-in-Kind

- a non-cash benefit given to employees
 - the private use of a car
 - free or subsidised accommodation
 - the payment of bills
 - medical insurance premiums on an employee's behalf.
 - preferential loans
 - club subscriptions
 - vouchers in various forms

**Small Benefits
(Non-Cash) max €500
may be given tax free**

Any amount not made good to the employer is taxed as a work reward to the employee

Taxes on Employment

| Tax | Employee Liable | Employer Liable |
|-------------------------------------|-----------------|-----------------|
| Income Tax – Pay As You Earn (PAYE) | ✓ | |
| Universal Social Charge (USC) | ✓ | |
| Pay Related Social Insurance (PRSI) | ✓ | ✓ |

As an employer you have an obligation to administer the **collection and transfer** of the above taxes to Revenue

Pay Related Social Insurance

| Weekly Wage | Employee | Employer |
|----------------|----------|----------|
| €38 - €352 | NIL | 8.5% |
| €352.01 - €376 | 4% | 8.5% |
| More than €376 | 4% | 10.75% |

A PRSI credit (Max of €12/ week) is available for employees earning between €353 and €424 per week. No credit for employers.

| | |
|------------------------|-----------|
| Hours per day | 8.5 hours |
| Wage rate per hour | €11.75 |
| Max Total Weekly Hours | 46.5 |

**5 Day Week
Plus additional
1/2 day Saturday for
30 weeks**

| | |
|------------------------------|------|
| Wage per 8½ hour day | €100 |
| Weekly Wage (incl. Sat Work) | €546 |

| | |
|--------------------------------|---------|
| 232 Full Working days per year | €23,200 |
| 30 ½ day Saturday | €1,410 |

| | |
|-------------------------|--------|
| 9 Public Holidays | €900 |
| 20 Days Annual Leave | €2,000 |
| Employers PRSI @ 10.75% | €2,957 |

**Adds €5,857(+ 25%)
to annual wage bill**

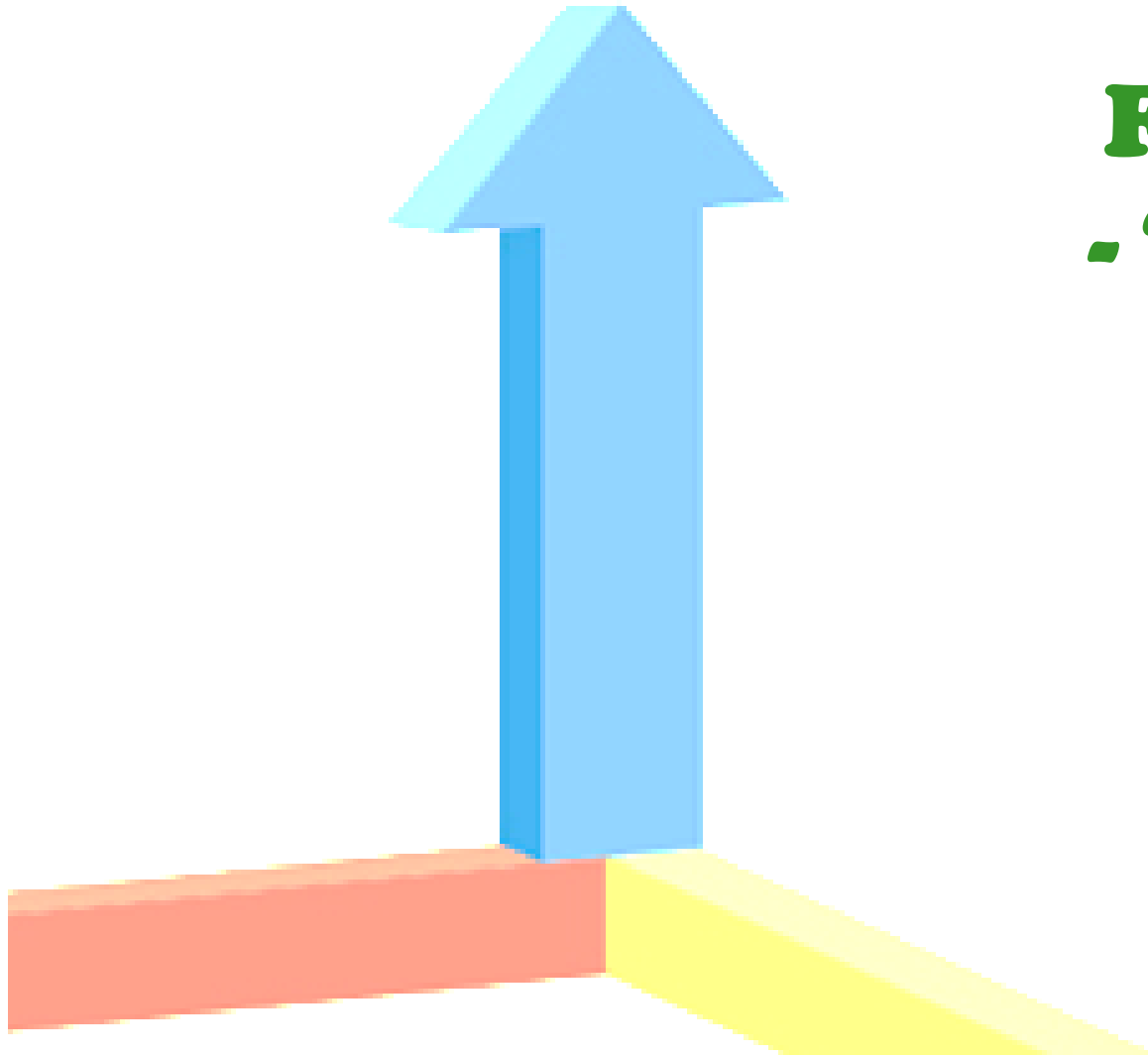
| | |
|-------------------------------|----------------|
| Total Annual Wage Cost | €30,467 |
|-------------------------------|----------------|

| | |
|---------------------------------------|--------|
| Wage Cost per working week (46 Weeks) | €662 |
| Wage Cost per working day | €123 |
| Average wage cost per hour worked | €14.60 |



BENEFITS

Farm Labour - The Benefits



Freeing up time for the owner/ manager can potentially deliver.....

- Better land & crop management
- Better stock management
- Increased time to research and source new technologies and farm inputs
- Increased planning / thinking time
 - Better work organisation & completion of tasks
 - Identify opportunities for the business
- More leisure/ family time

Health & Safety (H&S) Benefits

- Taking on an employee can prompt a close look at H&S
- Increased but necessary costs to ensure a safe working environment
 - Safety guards, equipment/ clothing
- Other costs
 - Employers liability insurance
 - H&S training – manual handling/ chain saw training etc.
- A safe workplace is VITAL for Employee retention
- Additional help conveys health and safety benefits
 - A spotter or backup for dangerous tasks
 - Another pair of hands
 - Reduces time pressure for task completion



**Farm Labour
- The Risks**

RISKS

Taxes on Employment

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|-------------------------------------|-----------------|-----------------|
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Payroll Administration

Options

- Do-it-yourself
 - Revenue worksheets available for by hand admin – complex calculations – care needed
 - Computer Software options available
- Outsource the task
 - Most accountants provide a fee based service
 - Farm Relief Service provide a full employee service covering sourcing and payment
- PAYE RTR (Real Time Reporting) is to be a Revenue requirement from 1st January 2019

Staff turnover

- a significant cost

- Loss in knowledge and skills
- Loss in productivity (production losses) during transition
- Cost of managers time tied up in training new staff
- Recruitment costs
- Redundancy costs

Solutions for high staff turnover

- Change the manager!!
 - Or look at how employees are managed.
- Be more rigorous in your recruitment policy
 - Are you selecting people that are the best fit?
- If a staff member is leaving have a chat with them to understand why

Satisfied employees who stay working with you are likely to:

- receive a **fair wage** plus appropriate non-financial benefits
- **know what is expected** from them each day
- feel they are a **valued cog** in the business (involvement in decision making)
- be able to **speak their mind** freely without repercussions
- use their existing skill set regularly and feel supported in **developing** new skills
- regard their workplace as **safe and fair.**

Wage Incentive Plans/ Performance Linked Bonuses

- Hard to design but they have been used to tackle problem areas
 - Milk quality, reproductive performance
- Cannot be a substitute for a fair wage
- Must be fair...
 - To employee and employer
- More applicable where the farm owner is not hands on day-to-day

Designing an incentive plan

- Establish **baseline performance** first
- Should be **attractive enough** to make it **worthwhile** for the employee to participate
- Plans must be **in writing** and set **realistic and attainable goals** within the employees control
- The means for determining the incentive should be **simple to understand** and be **clearly communicated**
- Plans should allow for **annual review and revision**
- Incentives should not foster unprofitable practices

Alternative options to taking on labour

- Look at task simplification and better time management at busy times
- Are contractors an option for some tasks?
- Have collaborative arrangements with other farmers, with their associated advantages, been examined?

In Summary...

- Taking on staff for the first time is a significant step for any business
- An awareness of the total costs, risks & benefits is important
- Different skills and new responsibilities are involved



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