

# **Farm Labour - covering the financial angles**

**Teagasc Employing People  
Conference  
Thursday 15<sup>th</sup> June, 2017**

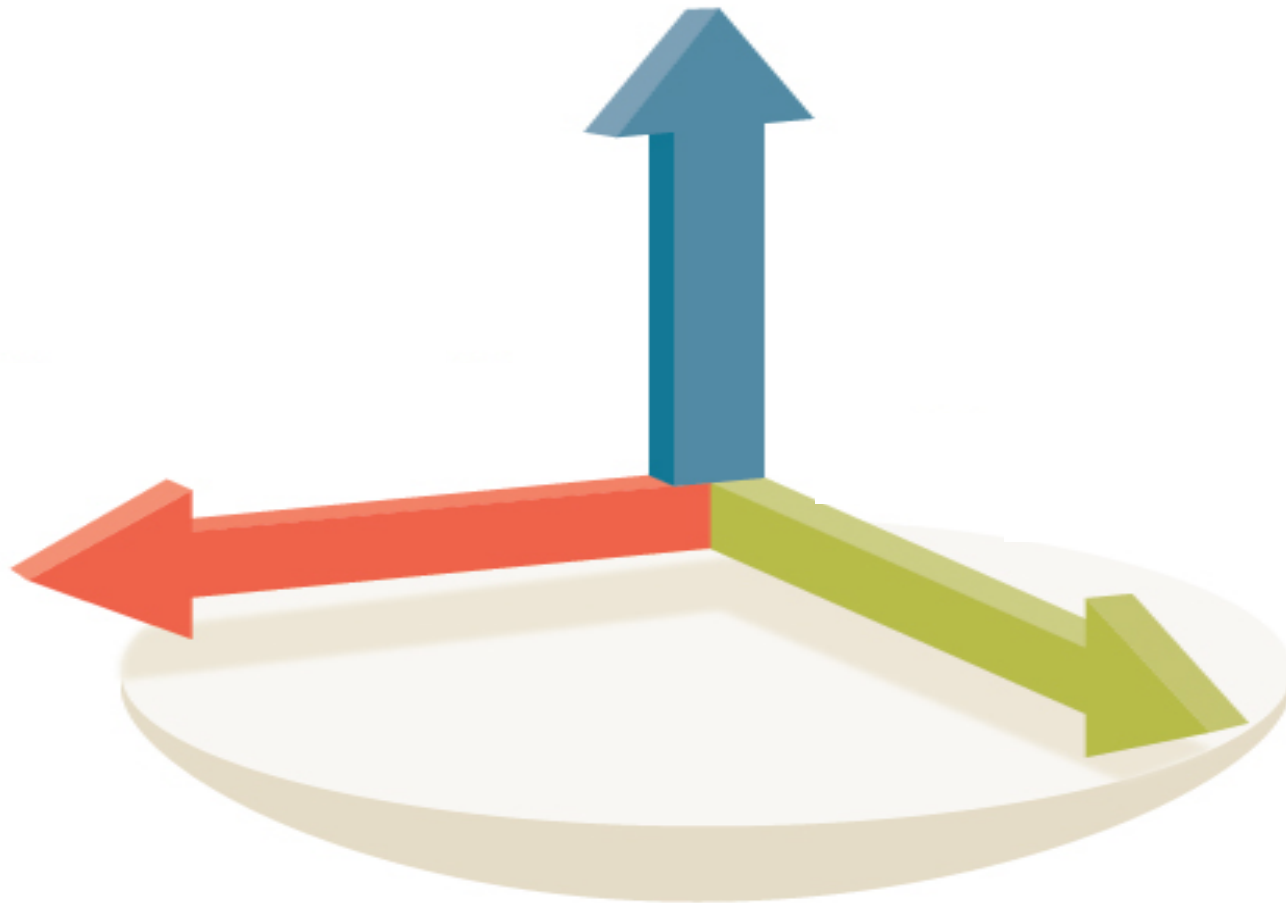
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# Farm Labour –Angles to be discussed..



# 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  
½ 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**

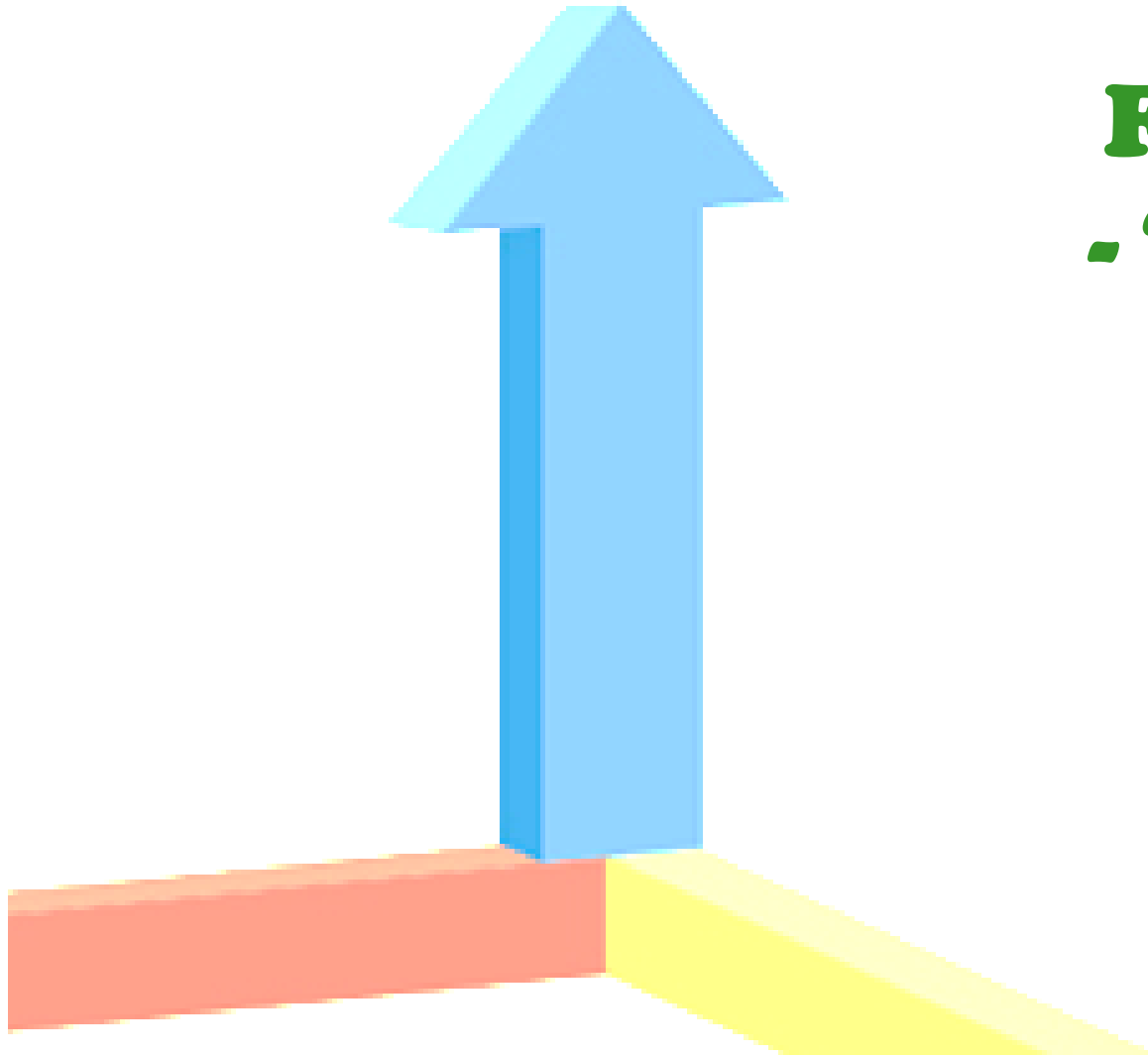
<b>Total Annual Wage Cost</b>	<b>€30,467</b>
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Wage Cost per working week (46 Weeks)	€662
Wage Cost per working day	€123
Average wage cost per hour worked	€14.60



# 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**

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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 1<sup>st</sup> 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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