

## FACTSHEET

# Remuneration – paying employees, from cash to benefits and everything in between

September 2023

**Remuneration** is the fair pay or other financial compensation provided by an employer to an employee in exchange for work or services performed by the employee. There are several remuneration mechanisms that are increasingly popular such as allowances, reimbursements and non-financial considerations in addition to salary or wages.

Remuneration in the food and fibre sector is unique. In this module we will work through best practices as well as the different components of remuneration to demonstrate how allowances, reimbursements and non-financial considerations are incorporated into Total Package Value.

## Minimum Wage

An employer must pay its employees at least the relevant minimum wage set under the Minimum Wage Act 1983. The minimum wage must be paid for each hour worked on the farm. This link from Employment New Zealand provides further information: [www.employment.govt.nz/hours-and-wages/pay/minimum-wage/agricultural-industry/](http://www.employment.govt.nz/hours-and-wages/pay/minimum-wage/agricultural-industry/)

Wages cannot be averaged over a season, however, can be averaged over a pay period.

Employees must be paid their wages in money and cannot be paid through other non-cash benefits except deductions from their wages agreed by the employees for accommodation or other goods or services.

Unless for an entry level role, paying the minimum wage is unlikely to attract the best applicants to a job. When determining what to pay employees take into consideration that remuneration is influenced by:

- The knowledge, skills and abilities required to perform the job.
- The value of the job to the business.
- The physical demands of the job.
- The amount of training or experience required.
- The working conditions associated with the job.
- The amount of responsibility associated with the job.
- Current market rates because of the supply and demand for labour.

## Components to Remuneration

Remuneration can be complex in the food & fibre industry as there may be multiple components factored into the total remuneration package. It is becoming industry practice to talk in terms of total package values (TPV) when working with remuneration. TPV is the total value of the remuneration package when all components are taken into consideration. Using TPV will also help employers meet their legal obligations in terms of taxing employees correctly for allowances, reimbursements and non-financial considerations associated with their remuneration package.

It is common for employees to have accommodation and other allowances and reimbursements included as part of their total remuneration package. A full breakdown of these components is listed in this Factsheet, and should be recorded in the Individual Employment Agreement to ensure both parties clearly understand the total remuneration and associated value of it.

## Taxable Remuneration

### Salary vs Wages

Salary is annualised remuneration that is usually paid in even amounts at various intervals over the year – for example, a salary may be divided into 26 equal payments and paid fortnightly. Salaries are usually paid in the same amount when a person is on annual leave subject to any changes in hours, salary or bonuses paid.

Wages refer to payments that are made to an employee on an hourly rate basis. This means that employees and employers keep track of the number of hours worked on a timesheet and the employee is directly remunerated for those hours at an agreed interval.

Hourly rates can work well for employees given the transparency of recorded hours as they can see more clearly that they are being fairly remunerated for the overtime hours they work.

The potential downside of hourly rates can be situations where an employee may extend the amount of time it takes to do the job, to be paid more. Alternatively, an employee may choose to work longer hours than they should, at times compromising their safety to earn more money. All staff paid on hourly rates should be closely monitored.

### Allowances, Reimbursements & Non-financial Considerations

There are a wide range of allowances, reimbursements and non-financial considerations that may be included in an employee's total remuneration package in the food and fibre sector. Some of the more common industry examples of these have been provided in the table and further information found here - <https://www.employment.govt.nz/hours-and-wages/pay/minimum-wage/agricultural-industry/>

Allowances are the additional benefits associated with the role that would be considered an allowance across any industry. The employer should check with IRD on the payment of allowances, and which ones are taxable and non-taxable.

Reimbursements are costs incurred by the employee on behalf of the business. These are generally specific costs associated with the food and fibre sector, should the employee be employed in another industry these costs won't have been incurred. For example, dogs, wet weather gear.

Non-financial Considerations – allowances, salaries, and reimbursements are not the only factors that will attract and retain employees within your business. Potential employees are becoming increasingly aware of conditions of employment, an employer's reputation, the location, accommodation/living conditions and whether the position is family-friendly, and they are often completing their own background checks on employers before applying for jobs.

When providing anything additional to employees whether they are financial or non-financial it is important to consider fairness across the team as this may create division. In larger teams be mindful of who may be receiving anything additional and how this may be perceived across the team. In all cases, try make these decisions in good faith. For example, a free product that has come with purchasing drench and given to a certain employee can be seen as unfair by other employees.

Talk to your accountant or go to [Paying tax on non-exempt benefit allowances \(ird.govt.nz\)](https://www.ird.govt.nz/employers/allowances/) to be sure of the tax requirements of these allowances. Some allowances are taxable and will incur fringe benefit tax (FBT) if not incorporated into remuneration and taxed with PAYE. For further information on fringe benefit tax can be found here [Fringe benefit tax \(FBT\) \(ird.govt.nz\)](https://www.ird.govt.nz/employers/allowances/).



<b>Allowances</b>	<b>Comment/Industry trend</b>
Kiwi Saver	Inclusive/exclusive of salary employer contributions.
Accommodation	Valued at market rates is a requirement. The Income Tax Act sets out to tax the market value of the accommodation provided. Further resources relevant to providing employees with accommodation are here - <a href="https://www.employment.govt.nz/hours-and-wages/pay/minimum-wage/agricultural-industry/">https://www.employment.govt.nz/hours-and-wages/pay/minimum-wage/agricultural-industry/</a> Employers need to comply with the Residential Tenancies Act 1986 for any accommodation provided.
Power	Not generally provided unless there is a home office. Over the years this has dropped from full cover to 20% or not at all.
Internet	Internet may be provided if required for work purposes.
Vehicle and/or Fuel	Need to determine full/reasonable/personal use.
Meat/Firewood	Determine an amount per month/year or at employers' discretion.
Training and personal development	Professional development to be agreed with employer prior. With the understanding that if the employee leaves within a certain amount of time this training is reimbursed.
Relocation costs	An agreed fair amount with the understanding that if the employee leaves within 12 months this cost it to be reimbursed.
Payment of overtime	Need to determine if/how this will be paid.
Education assistance	Boarding assistance for children on more remote properties. Becoming less common.
Incentives/Bonuses	More information in this Factsheet.
<b>Reimbursements</b>	<b>Comment/Industry trend</b>
Wet weather gear/PPE	Wet weather gear can be provided, or an allowance given. Eg. \$600 per annum, paid proportionately each pay period.
Dogs	Feed and/or registration and/or insurance and/or vet bills may be covered for a set number of working dogs.
Communications	Landline may be provided for work related calling if there is no cell phone coverage. Becoming more uncommon. Mobile phone with sufficient minutes and data can be provided otherwise a plan with sufficient minutes and data.
Fuel/mileage	Some fuel or mileage by way of allowance can be provided to employees or fuel is available on farm and reimbursed.
<b>Non-financial Considerations</b>	<b>Comment/Industry trend</b>
Weekend work	Either limiting weekend work or being able to take time-off in lieu is favourable for an employee.
Health & Safety	Have a safe working environment.
Environmental	Being environmentally positive proactively is becoming more favourable in the industry.
Workplace culture	Positive workplace culture through mutual respect and manners go a long way in the industry.
Location	Proximity to schooling, recreation, and secondary employment are all considerations.
Job Title	Titles can be tricky in the industry however for minimal changes to key responsibilities a certain title can be preferable.
Internet	Access to reliable internet for social media and gaming.

## Benchmarking

Benchmarking is about determining the value of your job compared to what other employers are offering for similar roles in the market. When deciding upon fair and competitive remuneration, it is important to have a full understanding of the role at hand and the total package value. For that reason, it is good to invest in one of the following resources for up-to-date industry specific benchmarking data:

- Baker Ag Remuneration Survey - <https://www.bakerag.co.nz/remuneration-survey>
- Federated Farmers - Farming Salaries - [Farming Salaries \(fedfarm.org.nz\)](https://www.fedfarm.org.nz)

To ensure competitive remuneration is being offered it is recommended you take the following factors into consideration:

- Size of property - both area (hectares) and stock units (SU).
- Location - where is the closest town for amenities, schooling and/or partner work opportunities.
- Job Title.
- Personal development & growth potential available in the role/business.
- Internet access.

If you are wanting to benchmark against other farming roles remember to compare like for like jobs rather than just a job title. For example, a “Shepherd” role can vary hugely from one farm to another. In some situations, the Shepherd may simply be responsible for just moving stock as instructed. In some operations a Shepherd may be responsible for planning the feed rotation as well as managing the stock shifts. Be sure to clearly document what the employee will be doing and understand what the comparison employee is doing before making any judgements and benchmarking decisions about remuneration.

## Offer of Employment

Once you have chosen the person you want to employ, you need to make an offer of employment. This should be done in writing, but you can let the person know on the phone or email that you are likely to make the offer and what the offer will look like. An offer of employment should reflect what will be in the Individual Employment Agreement:

- Start date
- Whether there will be a trial or probationary period
- Hours and place of work
- Remuneration package - the Sheep & Beef industry vary greatly with remuneration packages. Accommodation should be valued at commercial market rates and other benefits/incentives of the job should be clearly documented. Some examples may include - PPE gear/Wet Weather gear, meat, firewood, dog feed, insurance, registration, and vet bills. We would recommend that the business Accountant has input into some aspects of how the total employment package is structured.
- Annual leave entitlements.

Employment NZ have some great sample letters of offer to suit the needs of your business and employees <https://www.employment.govt.nz/starting-employment/sample-appointment-letters/>



## Accurate Records

As an employer, you must keep wage and time, and holidays and leave records that comply with the Employment Relations Act 2000 and the Holidays Act 2003. You must be able to demonstrate that you've correctly given your employees all minimum employment entitlements.

## Timesheets

It is a legal requirement for timesheets to be kept where employees are paid on an hourly rate basis. For salaried employees you must keep records of additional hours worked. It is also considered good practice to keep timesheets where a person is paid by salary for the following reasons:

- To ensure minimum hourly rates are being met.
- It is useful for tracking the total hours worked to ensure employees are not working excessive hours and as an employer you are meeting your health and safety obligations.
- Timesheets may highlight efficiencies or inefficiencies in an employee's working week. For example, an employer could be spending a large amount of time and money on employees doing weed control and the use of timesheets may determine that this job is more cost-effectively managed by bringing in a contract weed sprayer.
- The use of timesheets can provide tangible information for farm owners and managers to assess the seasonal input of hours required to run the business. For example, an employer may be paying a casual staff member and after the review of hours may be able to justify an additional permanent employee to join the team.
- To identify areas for training and for establishing where new processes or infrastructure could be introduced to your farming system for efficiency gain and to avoid waste.

## Payroll

The employer must keep accurate records of hours worked, wages payable (and paid), and leave taken. With the advancement of technology, there are now excellent tools and systems available to manage your payroll obligations. These range from apps, online platforms and resources to hardcopy timesheets. However, you decide to manage this aspect of your business compliance requirements you should educate your employees on your preferred method.

In the food and fibre sector employers are managing payroll numerous ways, some of which include the accountant, excel spreadsheets, PaySauce, Smartly, Xero, MYOB, iPayroll among others.

Employers do not have to provide an employee with a payslip (unless it's provided for in the individual employment agreement), but these are useful tools (whether on paper or electronic) to make sure employer and employee have the same understanding of how the remuneration is made up - [Payslip » Employment New Zealand](#)

## Leave Entitlements

Your employees leave entitlements will be outlined in the individual employment agreement, as an employer you must keep records of leave taken and paid. An employee will become entitled to annual holidays, public holidays, sick leave, bereavement leave, parental leave and other types of leave as long as they meet certain conditions. Employees must be paid the right amount at the right time for holidays and leave. Annual holidays and worked Public Holidays are paid differently from other leave and holidays. Follow this link for resources on leave requirements - <https://www.employment.govt.nz/leave-and-holidays/>





## Performance Reviews

There is no specific legal obligation to conduct a performance review or to provide a pay increase to your employees, unless it's agreed to in an individual employment agreement or stated in your workplace policies. However, it is best practice to review performance within the initial 90-day trial period (if applicable) or probationary period of employment and then (at least) annually.

It is a good idea to have some form of performance feedback system and criteria in place that both you and your employee understand. These can be both formal and informal. There are Recruitment & HR companies such as Rural Directions that can assist with resources for this process - [www.ruraldirections.co.nz](http://www.ruraldirections.co.nz).

Employers should consider the value of the position under review in terms of what it brings to the business. The remuneration package may be given a salary band with an upper limit and before offering a salary or wage increase you can consider adding additional responsibilities to increase the value of the position and employee to your business.

Employment NZ have some good performance review resources - [www.employment.govt.nz/workplace-policies/employee-performance/growing-performance/good-communication/performance-reviews/](http://www.employment.govt.nz/workplace-policies/employee-performance/growing-performance/good-communication/performance-reviews/)

## Bonuses

### Performance Incentives (Non-discretionary)

These are a component of potential earnings for management level employees who have influence over the performance of the farm. The ways these are implemented and measured are usually recorded in an individual employment agreement. Non-discretionary or performance bonuses are included in annual leave calculations.

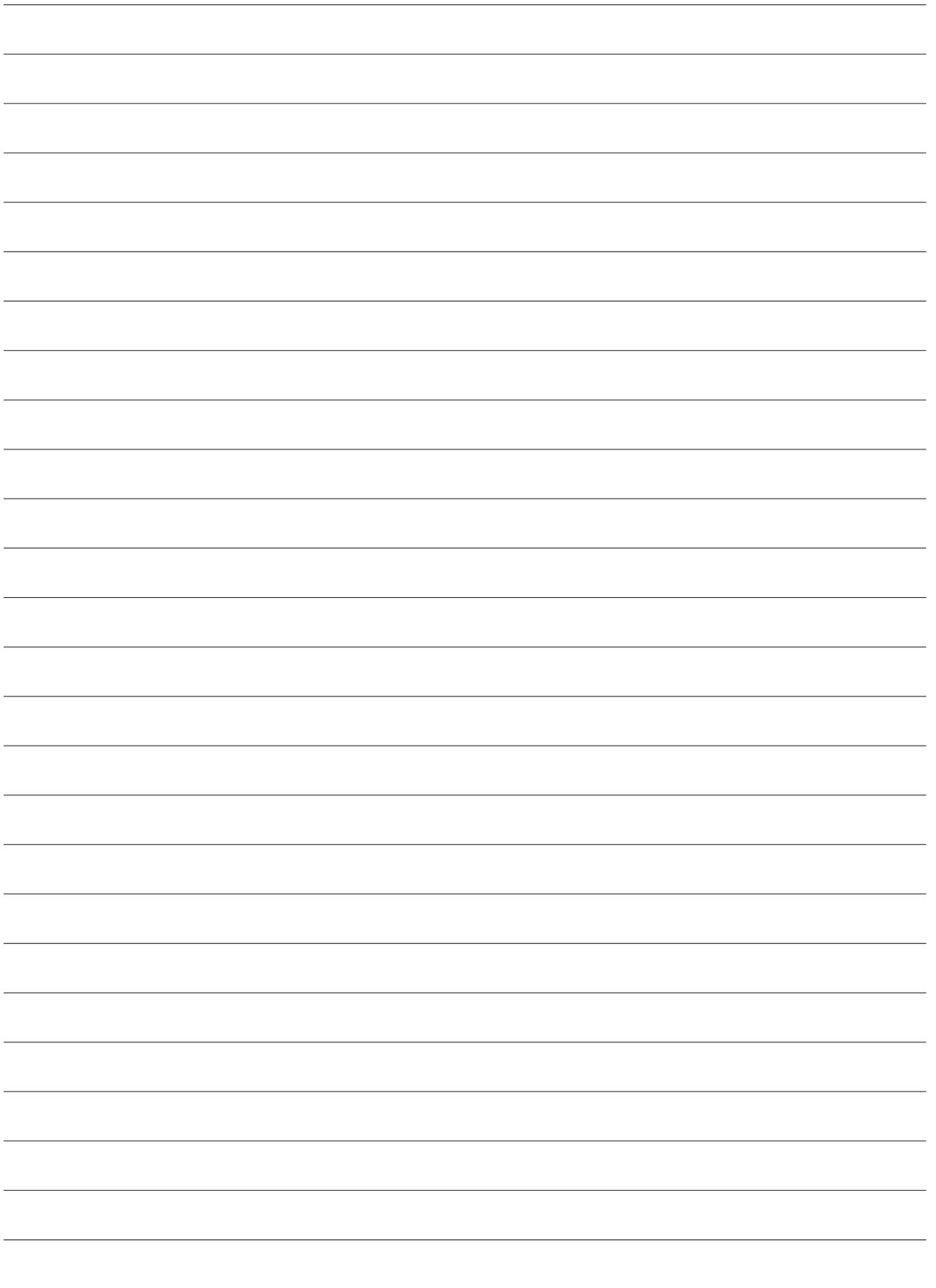
### Bonuses (Discretionary)

Bonuses are one-off payments that are not shown in the employment agreement, these are unexpected by employees and generally come "out of the blue" to reward an employee and do not need to be financial. Discretionary bonuses are not included in annual leave calculations.

For performance incentives and bonuses to work effectively, they need to be carefully managed to ensure they are driving the right behaviours and do not adversely impact another area of the employee's performance. For example, rewarding an employee by allowing them to rear bull calves may compromise the quality of care the ewe flock receive over lambing as they are in direct competition for time, care and eventually pasture.

Some employees enjoy having incentives in their remuneration package while others do not. Incentives will only work if an employee views them as achievable and fair, so consultation with the employee is essential to make an incentive system work.

B+LNZ's Factsheet 'Performance Incentives' has valuable information <https://beeflambnz.com/knowledge-hub/PDF/performance-incentives.pdf>



**Additional resources:**

- Beef + Lamb New Zealand's Employment Hub  
<https://beeflambnz.com/knowledge-hub/employment-hub>
- [Rural Directions](#)
- [Federated Farmers](#)
- [Baker Ag](#)
- [IRD](#)
- [Employment.govt.nz](#)
- [Home – business.govt.nz](#)
- [Careers.govt.nz](#)
- DairyNZ TPV and minimum wage calculator -  
[TPV and minimum wage calculator - DairyNZ](#)

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