



# Remuneration

Discusses a range of payment variables such as job sizing, salary vs wages and timesheets

- Determining fair remuneration
- Job sizing
- Salary or wages
- Timesheets
- Non cash options
- Annual increases
- Incentives and bonuses
- Multi-week individual time recording form template
- Group time recording form template
- Time + task recording form template

## 4.5 Remuneration Strategies

### Why this is important

Cash and non-cash rewards for work need to be fair for both an employee and employer for an employment relationship to remain strong and effective. Fair pay is a prerequisite to good work performance.

#### This fact sheet will cover

How to determine fair remuneration

- Salary or wages?
- Time sheets and recording
- Making remuneration transparent
- Incentives and bonuses
- Time recording templates

### How to determine fair remuneration

Remuneration rates must be at least the current minimum wage rate (see the Department of Labour [www.dol.govt.nz](http://www.dol.govt.nz) for the latest rates). However, paying the minimum wage is not likely to attract the best applicants to a job.

When determining what to pay employees remember that remuneration is influenced by:

- The knowledge, skills and abilities required to perform the job (see Job Analysis Fact Sheet 1.6)
- The value of the job to the business (see Job Analysis Fact Sheet 1.6)
- 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 as a result of the supply and demand for labour.

### Job sizing

Job sizing is about determining the value of a job compared to other jobs on other farms and to similar jobs in the outside labour market. Unfortunately this sort of information can be hard to find as people do not readily share wage or salary details.

When looking to other farming operations to get an idea of the wages to pay remember to compare like jobs. 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 others a shepherd may be responsible for planning the feed rotation.

Be sure to clarify what the employee will be doing and also clarify what the comparison employee is doing before making any judgements about pay. It can be useful to get an idea of wages paid in other industries for a similar level of work, but once again be sure the job carries a similar level of responsibility and skill. For information about current market wage and salary rates refer to the Federated Farmers remuneration survey.

## Salary or wages?

Salary is an annual remuneration package 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.

Wages refers to payments that are made to an employee on an hourly basis. This means that employees and employers keep track of the number of hours worked and the employee is directly remunerated for those hours.

- Hourly rates often work well for people because employees can see more clearly that they are being fairly paid for the hours they have worked and therefore they do not begrudge working long hours
- In some cases employees may push to work long hours because they know it will mean more money in their pockets.

The down side of hourly rates is situations where an employee may extend the amount of time it takes to do the job, in order to be paid more. Alternatively, an employee may choose to work longer hours than they safely should, in order to get more money. All staff paid on hourly rates should be closely monitored.

## Time sheets and recording

### Time sheets

Time sheets need to be kept where people are paid an hourly rate. However, it is also good practice to keep time sheets where a person is paid by salary. This will help ensure minimum hourly rates are being met. Time sheets can also be used to check that employees are not working excessive hours.

Time sheets can also be used to help an employer decide if it is best to get a permanent employee to do a job or to contract the job out, if it is significantly more effective. For example, time sheets may highlight that an employer is spending a large amount of money on staff to control weeds and that this job is more cost-effectively achieved by bringing in a contract weed sprayer.

They are also useful for tracking the total hours worked to ensure people are not working excessive hours; understanding where time is spent versus where it was expected to be spent. This provides the opportunity to identify areas for training and for identifying areas where new processes or infrastructure could be introduced to your system.

### Recording

All remuneration must be recorded in a wages and salary book. Help in setting up recording systems can be found from the following sources:

- The Inland Revenue Department has a number of pamphlets available to employers to help farmers set up recording systems that will meet the legal responsibilities of an employer.
- Inland Revenue also has a free advisory service available to farmers. Advisory officers will come to the employer's house and help set up their cashbook and all wages and salary record systems. These people are employed by IRD to help employers and are a service well worth using.

See the Individual and Group Time and Task Recording Sheet Templates 4.7.2, 4.7.3.



## Making remuneration transparent

Remuneration can become complicated in the sheep and beef industry when there are several parts to the remuneration package. For example people frequently have housing or livestock as part of their remuneration package. It is important to employers and employees that they understand exactly what value the remuneration package holds, otherwise perks and bonuses associated with working on a sheep and beef farm can go unrecognised and unappreciated.

For this reason it is useful to talk in terms of total package values (TPV) when working with remuneration. Total package value is the total value of the remuneration package when all components are taken into consideration.

### Example:

Cash salary	\$32,000
House value (\$150/week)	\$7,800
Meat (1 cattle beast/year)	\$900
Total package value	\$40,700

Most non farming businesses quote their remuneration in this way, so adopting this technique as common practice will help avoid underselling the true value of a job in the sheep and beef industry and contribute to recognition of the sheep and beef industry as a worthwhile career option. Using TPV will also help employers meet their legal obligations in terms of taxing employees correctly for perks and bonuses associated with their remuneration package.

## Non-cash options for remuneration

Employers may choose to provide some of these non-cash rewards to their employees:

- Accommodation
- Meat
- Firewood
- Dog food and vet expenses
- Electricity
- Phone line rental
- Mobile phone
- Farming newspapers.

All of these non-cash rewards are taxable and will incur fringe benefit tax (FBT) if not incorporated into remuneration and taxed with PAYE. Talk to an accountant to be sure of the tax implications of these bonuses, or refer to the booklets referenced at the end of this fact sheet.

Note: Where a house is provided to an employee in conjunction with their employment the Residential Tenancy Act must be considered through the use of a service tenancy agreement (for more information on this refer to the Legal Responsibilities 1.1 and Accommodation 1.4 Fact Sheets or contact the Federated Farmers).

## Annual increases

It is not necessary to always give an employee an annual increase in their salary or wage. Employers must consider the value the position brings to the farm and either give the remuneration package an upper limit, or consider adding other responsibilities, to increase the value of the employee, before offering a wage increase. Employers should also consider the current market for wages.

## Incentives and bonuses

Incentives are usually part of the employment agreement and work best for management staff who have control over the performance of the farm.

Bonuses are one-off payments that are unexpected, generally come “out of the blue” to reward staff and do not need to be financial.

For incentives and bonuses to work effectively, they need to be carefully managed to ensure they are driving the right behaviour and do not adversely impact another area of the work performance. For example rewarding a staff member 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 and care.

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

When using incentives and bonuses it is important to differentiate between rewarding behaviour that is meeting the normal standards that are required by the job, or a behaviour that is exceptional performance. A fair wage should be paid for a fair job, before starting with incentives and bonuses.

Incentive and bonus systems can be difficult to make effective. A poorly implemented incentive can work as a disincentive and cause frustration and disgruntlement for both the employer and the employee. It is recommended employers stay away from incentives and bonuses unless they have advice or experience.

## Other notes regarding remuneration

Remember that all employees have the right to be paid in cash unless other arrangements have been agreed upon. Employers are not allowed to deduct money from an employee's wages without their written permission.

## Useful references

### **Inland Revenue Department help:**

*The First Time Employers Guide (IR333).*

Phone (0800) 775 247 for further information including access to the free advisory service.

Remuneration Survey and Fact Sheets, The Federated Farmers of New Zealand phone (0800) 327 646 (members only).



## 4.7.2 Template – Group Time Recording Form

**Week Starting:**

**Name:**

Time	Mon		Tues		Wed		Thurs		Fri		Sat		Sun		Total	Other Details
	Am	Pm	Am	Pm	Am	Pm	Am	Pm	Am	Pm	Am	Pm	Am	Pm		
<div style="position: absolute; bottom: 0; right: 0; width: 100%; text-align: right;"> <p><b>Total Actual Time</b></p> </div>																

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## 4.7.3 Template – Time and Task Recording Form

**Name:** \_\_\_\_\_ **Week starting:** \_\_\_\_\_

Task:	Time							Total	Other Details
	Mon	Tues	Wed	Thurs	Fri	Sat	Sun		
Fencing									
Moving stock									
Weed spraying									
Pasture management									
Feed budgeting									
Administration									
Personal development									
Rostered time off									
Annual leave									
Sick leave									
Statutory holiday									
Annual leave									
<b>Total actual time</b>									

Timesheet

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