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INCENTIVES FOR YOUR DAIRY EMPLOYEES

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The duty of a manager of a dairy farm is not to "whip the horses," but, instead, to get the jobs done by others. He must instill in his employees the desire to want to do the job because they feel it is their work, their responsibility, and that they will be properly rewarded for a task well done. This "will to do" must come from within the workers; it cannot be forced on them.

A definition of modern management has been given as "Management is the art and science of combining the human, physical, and financial resources of an organization in order to reach a set of predetermined objectives."

Incentives for the employee may be one way to harness this human resource to meet the objectives. Incentives, however, may mean many things to many people. Before discussing specific monetary incentives, let's consider several other factors contributing to worker satisfaction. These may be classed as working conditions but could be incentives that make for a satisfied employee.

Personal Relationship: Everyone has problems! Mine are bigger than yours! My problems are more important to me than are any of yours. Has anyone ever admitted that these statements are not really the way they feel? Furthermore, everyone has a need for ego building; for a feeling of importance; a pat on the back, especially when they feel that these things are deserved. A job well done and going unnoticed by your superiors does little to boost your ego.

What implications can we draw from these truisms? Every person wants to be treated as a human being, with feelings, emotions, thoughts, abilities, skills, and personal problems. Everyone has certain wants and needs and will be satisfied only when he can see these being fulfilled. All of us have different wants and needs, or we put different emphasis on them and the order of emphasis changes from time to time.

Management will be successful only if it recognizes these wants and needs of each employee and is successful in helping each person fulfill his own personal feelings. Certainly, this is not easy and, in fact, cannot be accomplished with some people for an extended length of time. But, the more successful management is in meeting this challenge of personal relationship, the longer his employees will stay with him and do productive work.

Michigan State University workers have summarized some characteristics of personal treatment to which workers respond favorably:

1. People like to be treated with dignity and understanding by their associates.
2. First or early impressions tend to be lasting.
3. People will not tolerate sharp words.
4. People like to be productive.
5. People have a tendency to "join a bandwagon" or "leave a sinking ship."
6. People like to be encouraged to have ideas and make suggestions.
7. People like to feel that they can advance.
8. People need training (or re-training).
9. People like recognition.
10. People like to be requested to do something rather than be told to do something.
11. People like to feel a sense of belonging.
12. People need to have community ties.

They summarize their article by posing this question: "How would you like to work for you?"

Working Conditions: On dairy farms there are many different jobs to be done, both daily and a few times each year. Some jobs have higher degrees of prestige in the eyes of the employees. The high prestige jobs usually have the better qualified, higher salaried, and longer-time employees than the less desirable jobs. On smaller farms with 1 or 2 hired employees, all the jobs must be done by the same individuals. Managers of dairy labor must recognize the more desirable jobs and be able to keep morale high among those employees who are doing the least-liked jobs.

Milking is one of those routine twice-a-day jobs that is also wrought with early hours, split shifts, and weekend work with never a let-up. Harvesting the milk crop constitutes almost 80% of the total work load, excluding field work. Furthermore, it is the most important job on a dairy farm.

Much research, experimentation, and trial and error studies have gone into milking systems from hand milking to automatic milking units that are removed mechanically when the cow is milked. Also, many innovations in parlor design, size, units, number of men, and other considerations have been tried. Many of these changes and new systems have met with some success; however, work and thinking is still going on.

Manure hauling, routine cleaning, feeding, and cow and calf care are other areas of work which must be done daily and routinely. How much automation can a dairyman justify to get these jobs done?

Employees must feel important when talking about their job with their friends, and must hold a high prestige job in the eyes of their family and relatives. Thus, if they can brag a little and feel proud of their job, then they will be better employees. What equipment, kind of parlor, working hours, days off, paid vacation, insurance programs, and other special benefits can a dairyman justify to keep the ego of his employees high? Each manager of labor must make a decision on the importance of these factors.

Changing schedules to a straight shift for milking has been very successful in herds of 200 cows or more. On these farm, dairymen and employees alike would not want to return to the split shift.

Removing all concentrate feeding from the parlor and going to a mixed complete ration fed outside with automatic mixing wagons has been successful in reducing total labor demands. This feeding system can be applied to include dry cows, heifers, calves, and even the un-weaned calf using the automatic milk feeding systems.

Incentive Ideas

Incentives for dairy employees may have limited use for many dairymen, but some have been successfully applied. Programs that work for one may not work for another. An incentive program must be designed to compensate the worker for excellence of performance, and return to the manager more than the bonus paid to the worker. A bonus plan should not be offered to just ordinary employees. He must have either proved himself as a dependable, productive individual who has an interest in the operation and one who is a team worker, or his credentials should indicate that he is this kind of a worker.

Before discussing any specific incentive plans, let's look at some principles that must be followed if the program is to be successful.

1. It must be fully understood by both parties.
2. Criteria that determines bonus must be measurable with records, preferably by a third party.
3. A complete contract must be written and properly recorded.
4. All conditions must be spelled out in detail.
5. A time should be designated when the bonus will be paid.
6. Incentive programs must be a reward to the person or persons for their individual performance. This means distinct areas of responsibility must be clarified.

Many choices of incentive plans and when they are paid are available. A manager should study, discuss with employees, and choose the one(s) that fit his conditions. The following examples are for illustration purposes only. Amounts and conditions should be altered to suit the situation.

Incentive Ideas

Example I: Change in Net Farm Income

This is designed for a manager-absentee owner operation and a complete financial accounting, including inventory change, is necessary. Amounts are for illustration only and should vary depending upon size of operation and many other conditions. This is for annual payments.

<u>Total Net Income</u>	<u>For Each Increase of:</u>	x	<u>Bonus Paid (%)</u>	=	<u>Bonus Paid (\$)</u>	<u>Total Bonus</u>
\$ 1,000	\$ 1,000		1%		\$ 10	\$ 10
2,000	1,000		2%		20	30
3,000	1,000		3%		30	60
4,000	1,000		4%		40	100
5,000	1,000		5%		50	150
6,000	1,000		6%		60	210
7,000	1,000		7%		70	280
8,000	1,000		8%		80	360
9,000	1,000		9%		90	450
10,000	1,000		10%		100	550
11,000	1,000		11%		110	660
12,000	1,000		12%		120	780
13,000	1,000		13%		130	910
14,000	1,000		14%		140	1050
15,000	1,000		15%		150	1200
16,000	1,000		16%		160	1360
17,000	1,000		17%		170	1530
18,000	1,000		18%		180	1710
19,000	1,000		19%		190	1900
20,000	1,000		20%		200	2100

(continue at similar or accelerated rate)

Example 2: Improving Reproductive Performance

This may have to be divided between or among 2 or more employees, depending upon areas of responsibility. Amounts should be changed to fit the situation. The system is for use after the employees have been working for a minimum of one year since the average days open are based upon a rolling 12-month herd average. A veterinarian should be contracted to routinely examine cows post-partum and to diagnose pregnancy.

	<u>Example</u>	<u>Your Herd</u>
1. Number cows in herd (Sept. 1973)	100	_____
2. Annual decrease in days open:		
(a) days open in (Sept. 1972)	125	_____
(b) days open in (Sept. 1973)	<u>120</u>	_____
(a-b) decrease in days open	5	_____
3. Annual bonus: (paid annually)		
(a) decrease in days open	5	_____
(b) times number cows in herd	100	_____
Total days decrease	<u>500</u>	_____
(c) times 10¢ per day	<u>.10</u>	_____
Annual bonus	\$50	_____
4. Monthly bonus: (paid monthly)		
(a) number cows in herd	100	_____
(b) bonus per cow (Table 1)	<u>\$3.00</u>	_____
Total bonus	<u>\$300</u>	_____
(c) divided by 12 for monthly payment	\$25	_____

Table 1. Bonus paid per cow for various annual herd average "days open."^a

<u>"Days Open"</u>	<u>Bonus</u>	<u>"Days Open"</u>	<u>Bonus</u>	<u>"Days Open"</u>	<u>Bonus</u>
100	8.00	110	5.50	120	3.00
101	7.75	111	5.25	121	2.75
102	7.50	112	5.00	122	2.50
103	7.25	113	4.75	123	2.25
104	7.00	114	4.50	124	2.00
105	6.75	115	4.25	125	1.75
106	6.50	116	4.00	126	1.50
107	6.25	117	3.75	127	1.25
108	6.00	118	3.50	128	1.00
109	5.75	119	3.25	129	-0-

^aAny cow to be culled for any reason and not to be bred should be mutually designated by owner and employee and "reported" as "c" (reproductive cull) at the next DHI program test day so she will not be included in the "Herd Avg. Days Open." The "c" designated cows could be deleted from the total if the incentive is paid on a per cow basis.

Example 3: Calf Raising

<u>Death Losses</u>	<u>Bonus per Month</u>
Under 5%	\$15
Under 3%	\$30

Example 4: Lactation Averages or DHI Record Averages

<u>305 Day ME or DHI Record Year</u>	<u>Bonus per Worker</u>
Under 15,000 lb.	\$ 0
15,000-15,999	\$10
16,000-16,999	\$20
17,000-17,999	\$30
18,000-18,999	\$40
19,000-19,999	\$50
20,000-20,999	\$60
Etc.	Increasing Rate

Example 5: Monthly Financial Statement on Increased Milk Per Cow^a

<u>Milk Lbs/Day</u>	<u>Value of Milk Over 40 Lbs. @ \$6/cwt.</u>	<u>Incentive^b</u>		=	<u>Difference^c</u>
		<u>Worker</u>	<u>Total</u>		
41	\$ 180	\$ 15	\$ 45	=	\$ 135
42	360	30	90	=	270
43	540	45	135	=	405
44	720	60	180	=	540
45	900	75	225	=	675
46	1080	90	270	=	810
47	1260	105	325	=	935
48	1440	120	370	=	1070
49	1620	135	415	=	1205
50	1800	150	450	=	1350

^aAny bonus should pay management, in terms of increased net income, more than the bonus costs. This table illustrates how a large bonus to workers will return even more to the owner. An incentive program like this calls for team cooperation of workers.

^bAssuming 3 workers totally responsible for milking, feeding and care of 100 animals. Feeding level, culling, breeding, and health programs must be supervised by management, but workers should be involved in establishing the guidelines. Bred heifers and dry cows should be cared for by others.

^cThe difference would be available to pay for extra feed and other costs such as marketing, hauling, etc.

Example 6: Mastitis Control and Quality of Milk^a

<u>DHIA-C.M.T. % of Cows With +1 and +2</u>	<u>Bonus (Monthly) Per Worker</u>
15 and up	None
12-14.9	\$ 15
10-11.9	\$ 30
<u>Bulk Tank C.M.T.</u>	
+1 and +2	None
Trace	\$ 15
Negative	\$ 30

^aBe sure to establish which employee(s) are to receive the bonus. Consider relief milkers on regular milker's days off.

Example 7: Care of Cow and Calf at Freshening

A bonus for the employee who cares for cows at calving is to give every other bull calf born to the employee. He could sell or raise (at his expense) as he chose.

These example incentive suggestions may be of value in helping to keep a good man working on the farm. Any incentive program must be re-evaluated periodically and changed when necessary so that it continues to accomplish the purpose for which it was intended. Often, after a bonus is given, the employee expects it to be repeated, regardless of his performance. A review of the situation and conditions may keep this from happening.

Hired dairy farm workers are essential to get the work done on the larger-than-family sized farms. We must face this fact! The problem won't be solved by "poor-mouthing" the dairy business or by "cussing" the workers that would rather be on the welfare program than to work.

Managing dairy farm labor is a challenge! We have met other challenges and have come out on top. The labor situation can be solved! What other choice do we have?

