Objectives
Participants will be able to:

• Identify key factors in building an effective total rewards package for their operation's success.
• Determine appropriate wages based on equity and employee performance.
• Use the appropriate bonus program to incent the right behavior.

The Goal of Compensation: The Total Rewards Package
A successful compensation - or total rewards package - is one that supports the performance of the business. Its purpose is to help attract, motivate, and retain committed employees who will deliver the results your hog operation needs to achieve its business goals.
For that reason, an employer needs to:

• Understand the total value an employee gets from his or her employment.
• Use the total rewards package to motivate and reward performance appropriately.
• Manage the overall costs of the total rewards package effectively.

Building an Effective Total Rewards Package
The total rewards package is the total benefit or reward employees receive from their work. It includes:

• Monetary components: base pay and other case rewards, as well as benefits.
• Non-monetary components such as scheduling flexibility, working conditions, management behavior, training and development, and opportunity for advancement.
• Different benefits have different values to different employees

To build a competitive total rewards package, you need to understand:

• The __________ of your ______________.

• The current ______________ ____________.

• The total amount of ________ available for your total rewards program.

To make the most of your compensation package, you should communicate the value of the package often and regularly to employees.

Discussion
1. What does your operation's total rewards package include?
   • Monetary components
   • Non-monetary components

2. Why is it important to consider non-monetary benefits, particularly if your operation competes against larger companies for employees?
3. What values and needs do the monetary and non-monetary benefits meet in the following examples: (scenario 1)

- One farm worker knows that she could probably get a higher hourly rate by working at a job downtown, but she'd have to drive a 70-mile round trip each day.
- Another worker can flex her schedule to attend her children's teacher conferences or take her children to their doctor's appointments.
- A third worker can work four 10-hour days and three days off in a row.
- The manager does not need the health insurance the company offers because his wife carries coverage through her job; instead, his company provides him with an extra $1,000 a year.
- And yet another worker seldom uses his vacation days. Under his benefit plan, he can redeem part of his unused vacation time for extra cash, which he sends home to help his family.

4. Periodically, an organization reviews its total rewards package to see if changes are needed. How would you go about identifying employee needs and values? How would you get information about the current market place?

5. How effective do you think your total rewards package is in supporting the performance of the business and why? What, if anything, do you think needs improvement?

6. How do you communicate your total rewards package to your employees?

Using Equity and Performance to Determine Cash Wages

In setting wages, the manager must also consider both internal and external equity. Equity focuses on the wage rates for equal work on jobs that require equal skill, effort, and responsibility and are performed under similar working conditions.

- External equity means that individuals in different businesses doing similar jobs should receive similar wages.
- Internal equity means that company employees doing basically the same job should be paid basically the same wage.

In determining annual base pay increases, the manager should evaluate performance first to determine if an increase is merited. For that reason, it's important to have clear, documented performance goals and expectations as a basis for the evaluation.

Discussion

1. Why is equity important?

2. What role does equity play in the annual base pay decision?

3. How could you address a situation of internal inequity?
Scenario 2: Making the Annual Base Pay Decision

One worker has been working on the hog farm for 10 years with steady and consistent performance. His base wage is already close to the top of the pay range for his position. He has no desire to move to a management position. He does his job well and is comfortable in the position. Another employee, started with the company just two years ago, and is in the same position as the long-time employee. Already his performance is at the same level as the senior employee, though his base wage is 15 percent less.

Based on both workers’ annual performance evaluations and the amount of compensation budget available, the farm manager wants to provide the long-term worker with a two percent increase in base pay, and the other worker with a 10 percent increase. The manager believes the highest increase for the younger worker is justified because of his performance, and that this increase would help bring his pay in line with his performance results.

The manager intends to review performance expectations with these two employees and set higher performance goals for both of them for the coming next year. As he does annually, he will also discuss development needs and goals with each of them. Given the newer worker’s high performance in only two years, the manager could start developing him to take on additional responsibilities, which could lead to a different position with the company.

Discussion
1. What’s more important in determining a person’s wage - how long they’ve been with the company, or how they perform?
2. What is your reaction to the farm manager’s decision to provide Gonzalo with a 10 percent increase for his performance?
3. How could the manager respond to Will if he complained that his salary increase for the coming year was too low?
4. How could the manager provide non-monetary benefits for Will, as he is at the top of the pay scale for the position he has?

Using the Right Bonus Program to Incent the Right Behavior

- "What gets rewarded gets done," so think through cash bonuses carefully.
- To get the right behavior, you need the right incentives.
- In planning, look for the conflicts the program might generate.
- Lay out guidelines in detail.
- Set bonus goals that are challenging and realistic.

Discussion
1. What bonus programs have you created or participated in?
2. How effective were they in delivering results aligned with business goals?
Scenario 3: Farrowing Bonus Plan

The Director of Sow Farms and the company vet decided to pay the farrowing unit manager a small bonus for every live pig sent out the door. The farm manager was a little skeptical, but after a few weeks, I was pleased to see a marked improvement in pre-weaning mortality of his farm. However, after a few more weeks, a worker in the nursery unit was complaining about how hard it seems to get the weaned pigs on feed. “Pigs coming in now are not as uniform. I’m pulling more pigs for the sick pen. There seems to be more slower doers now. What’s happening in farrowing?” The farm manager saw that vet and medication bills for the nursery had skyrocketed and post-weaning death was headed up.

The farrowing workers had delivered more live pigs to the nursery - which is the goal of the bonus program. They had followed the “carrot” and did what gets rewarded. However, the end result did not meet the overall philosophy of the business.

Discussion
1. What did the owner hope to accomplish through the bonus plan?
2. How did the farrowing manager achieve the goals and earn his bonus?
3. What should the owner have included in the bonus plan to ensure results aligned with the business philosophy?
4. What advice would you give to an owner wanting to use a bonus plan?

My Action Plan
To help ensure that your total rewards package is an effective tool in attracting, retaining, and motivating your employees,

- Review your total rewards package regularly.
- Ask for employee input and collect information from the market place.
- Build your total rewards package to meet the needs of your employees and your business.
- Communicate, communicate, communicate with your employees so they see and understand the value of their package.

What could you do more, better, or differently that would make your total rewards package more effective?

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Other resources:

Employee Compensation in Pork Production