

Personnel Management

Choosing the right people to meet and serve customers is an important decision when you establish and operate a farm-direct business. When you choose and train employees, remember that your customers expect a cordial atmosphere and friendly service. You want employees who are alert for opportunities to be of service, who know about the products for sale, and who present a friendly image—all of these will contribute to building customer confidence.

It is common practice to start up the business with family members as the main employees. This approach can reduce both out-of-pocket cash costs and time spent finding, selecting, and training other employees. However, once the enterprise begins operating long hours, 7 days a week, it often becomes necessary to hire outside labor.

Complying with Labor Laws

It is important that you comply with all federal and state labor laws. Federal labor laws include the Migrant and Seasonal Agricultural Protection Act (MSPA), the Fair Labor Standards Act (FLSA), Occupational Safety and Health Act (OSHA), and workers' compensation. There are also state and federal tax laws.

For the purposes of federal law, anyone who works for your business is an employee if you exercise control over their work activities, such as directing their work, providing tools, requiring particular methods to achieve a task, etc. Typically, we think of employees as people from outside of your family who come to the farm to work on a regular or seasonal basis, but your family members are also your employees if they are contributing labor to the farm operation. Therefore, you should be sure that you are complying with labor laws for all of your employees, including family members and “volunteers” who offer to work without pay or formalities. Labor law does not allow volunteers on for-profit operations.

State labor laws, such as workers' compensation insurance, may have limited exceptions in your state. For example, Washington State does not require workers' compensation insurance for defined “**student volunteers**” but allows optional coverage. Oregon has a list of exceptions that may apply to a farm, such as work done by a **sole proprietor or member of an LLC**. Idaho has similar exceptions for **farm owners** and extends exceptions to some family members of a sole proprietor.

If you have any employees who contribute labor to your business under your direction, be sure that you take the required steps to be in compliance with the laws. Important steps include:

- Obtain an Employer Identification Number (EIN) from the IRS (www.irs.gov).

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The Farm-direct Marketing Set

A farm-direct marketing business provides both attractive opportunities and unique challenges to farm families. The farm-direct marketing series of Extension publications offers information about establishing and developing a range of farm-direct enterprises.

Other publications in the series are:

- An Overview (PNW 201)
- Costs and Enterprise Selection (PNW 202)
- Merchandising and Pricing Strategies (PNW 203)
- Location and Facilities for On-farm Sales (PNW 204)
- Financial Management (PNW 206)
- Legal Guide to Farm-direct Marketing (PNW 680)
- Food Safety and Product Quality (PNW 687)

To learn more, consider one of the online courses offered by Oregon State University, Washington State University, and University of Idaho:

In Oregon—Growing Farms: Successful Whole Farm Management <https://pace.oregonstate.edu/catalog/growing-farms-successful-whole-farm-management>

In Washington—Cultivating Success™ Sustainable Small Farms Education Program: <http://cultivatinguccess.wsu.edu>

In Idaho—Cultivating Success™ Sustainable Small Farms Education Program: www.cultivatinguccess.org

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- Complete all recordkeeping for withholding employment taxes, such as:
 - Federal Income Tax Withholding (W-4) when hiring
 - Federal Wage and Tax Statement (W-2) annually
 - Register, withhold, and report your state tax and any other state requirements that apply (check with your state revenue agency).
- File all federal and state taxes as required on an ongoing basis.
- Obtain workers' compensation insurance as required in your state.
- Register for Unemployment Insurance as required in your state.
- Comply with workplace safety practices as required by the federal Occupational Safety and Health Administration (<https://www.osha.gov>).
- Comply with state rules for reporting new employees (for example, Washington state requires reporting to the Department of Social and Health Services). Check with your state labor department; see page 3 for resources.
- Recordkeeping is essential to show that you have complied with all labor laws.

Some labor laws contain exemptions for agricultural operations, such as overtime, breaks, or minors working on the farm. These laws vary by state and only apply to the agricultural work performed by your employees. Farmers who also have business lines in value-added food processing or farm-direct sales must understand exactly which work activities are not “agricultural” because exemptions to labor laws do not apply to employees while they are doing non-agricultural activities. Note that these exemptions have received more attention from state labor agencies in recent years.

If you have farm-direct marketing businesses with diverse activities and product lines, consult a labor attorney or other knowledgeable advisor to be sure that you are complying with the appropriate laws for all of your employees.

Internships are a great way for young people to get training in farm practices and for you to get affordable labor. Interns are exempt from federal labor laws, including minimum wage and overtime, **only** if they meet six criteria in federal law. Essentially, interns work on the farm for their own educational benefit by gaining generalized skills in the field. Although not explicitly required, an internship is usually connected to an academic institution (for example, an intern receives college credit for the hours worked). Alternatively, the farm can have an approved curriculum for the educational benefit of the interns. If all conditions are met, interns are not considered “employees” for the purposes of state and federal labor laws.

Farms in the Pacific Northwest states have come under scrutiny from state labor agencies because former interns complained that they did not receive minimum wage or other protections required by labor laws. Because these workers did not meet the internship criteria, farmers have had to pay back wages either because they did not pay minimum wage or because they did not keep sufficient records to show that they did.

It is acceptable to pay employees in the form of room, board, and stipends, but you must keep good records to show that employees were paid the equivalent of minimum wage for the number of hours that they worked. Necessary records include timesheets showing the number of hours worked and the fair market value of room and board, along with the stipend or other benefits received. You should also be able to show that the employee accepted the value of non-cash benefits as payment for his or her work. You must also comply with all other labor laws that protect employees, such as carrying workers' compensation insurance, OSHA regulations, taxes, and any others.

Apprenticeships are more formal educational programs that require compliance with all labor laws and may not be available in every state. Check with your state labor department if you are interested in farm apprenticeship programs.

Be sure to have the most current information both on federal labor laws and from the state agency that enforces labor laws in your own state. States are recognizing the burden of labor law compliance for small farms and are developing innovative programs to place young people on farms in legally allowable internships or apprenticeships (for example, see [Washington State's Farm Internship](#) pilot program).

Labor law resources

Idaho

Idaho Department of Labor <http://labor.idaho.gov/>

The *Guide to Idaho Labor Laws* provides a good overview: <http://labor.idaho.gov/pdf/wagehour.pdf>

Oregon

Oregon Bureau of Labor and Industry <http://www.boli.state.or.us/>

“Frequently Asked Questions and Fact Sheets” http://www.oregon.gov/boli/TA/Pages/T_FAQ_Tafaq.aspx

These contain information specific to agricultural operations. Be aware that agricultural exemptions may not apply to a food processing or service portion of your business. Consult an attorney or other advisor to get specific advice for your operation.

Washington

Washington State Department of Labor and Industry <http://www.lni.wa.gov/>

Links to specific information: <http://www.lni.wa.gov/main/ForBusiness.asp>

Washington State Department of Agriculture: “Handbook for Small and Direct Marketing Farms: Labor on the Farm” <http://agr.wa.gov/marketing/smallfarm/greenbook/8.aspx>

Finding Employees

There are several ways to find good employees.

- Get recommendations from current employees who are doing good work. They know the job to be done and the type of person who can do it.
- Hire capable neighbors. If neighbors are not available, they may know someone local who is. Local people tend to promote a rural, friendly atmosphere that attracts local business.
- Check the “job wanted” ads in the classified section of the local newspaper. This is a good source to find individuals with flexible work schedules and may be ideal for part-time help.
- Advertise in local newspapers. Your help-wanted ads should be specific about job and employment requirements so you don’t spend time screening applicants who are looking for something else.
- Check with your state unemployment office or with local job agencies. They may be able to provide a list of qualified people who have been prescreened to meet your specific needs.
- Job boards or school-to-work counselors at your local high school or community college may provide some useful leads.

When recruiting prospective employees, be very specific about job duties, expectations for work hours per day and days per week, and experience required.

If you need or want special skills, make that clear. You don't need to use a formal application form, but doing so ensures you get the same kind of information from each applicant.

Once you identify qualified applicants, set an interview place and time. Interview each applicant before making a decision. It is a good idea to have one interviewer in addition to yourself; you can share reactions. It's also a good idea to bring back top candidates for a second interview before making an offer.

Consider applicants' personality, appearance, intelligence, enthusiasm, experience, background, and, above all, ability to learn your business. Experience may not be the most important factor in choosing your employee. Attitude, a good work ethic, and willingness to learn are valuable traits to consider.

After interviewing candidates, verify the information provided by the ones you are still considering. It is a good idea to call previous employers, schoolteachers, or others who may be familiar with the applicant. Some, especially previous employers, may hesitate to give much, if any, information. However, you may get interesting hints from those you are contacting.

When evaluating candidates, remember that a good employee can build sales volume and save the business money. On the other hand, unsatisfactory employees can waste time and materials and, worse yet, drive customers away. It is important to take enough time to make the best choice.

When you decide on the best applicant, notify all applicants of your decision and thank them for their interest, time, and trouble to interview. You may benefit from keeping a list of other qualified applicants. The next-best applicant may be just the right pick at some time in the future.

Orientation and Training

For employees to be efficient and effective, you must educate and supervise them adequately. The employees must understand what, when, where, why, and how you want things done. Any doubt in the employees' mind will only lead to frustration—yours and theirs.

Ensure that new employees understand all work policies such as hours, breaks, wages, tardiness, and procedures for checking in and out. Review all safety regulations and procedures as well.

Teach each employee the production process for your products in addition to retail sales procedures. The salesperson needs to understand that it costs money for land, seed, fertilizer, irrigation, plowing, cultivating, weed and insect control, harvesting, grading, sorting, storage, labor, and the like. Only then can the employee become cost conscious and concentrate on loss prevention while fulfilling job requirements. Also, understanding where the product comes from, how it is grown, how it is used, and what it costs will give the employee confidence in dealing with customers' questions.

Educating employees can take from a few hours to weeks. It depends on the size of your operation and the complexity of assigned tasks. No matter how long it takes, new employees should receive an adequate orientation before starting work. Some operators go so far as to take new employees on a tour of the entire farming operation, associated selling enterprises, and competing businesses. It is important

Teach each employee that they are not only selling the product but the production process as well.

for new employees to understand how each major area or activity fits into the overall scheme of things.

New employees must also understand the importance of customer flow through the displays and selling areas on into the checkout area. In addition, it is important to tell new employees how to encourage impulse purchases and repeat sales, and how to do “companion selling”—pointing out to customers the products that naturally go together.

Employee Policies

You can improve your new-employee orientation with an employee policy handbook. While not required, giving a handbook to new employees on the first day of orientation can be a big plus. It is a vehicle for discussion and can help to minimize misunderstandings between you and your new employee. If your business is small and employees few, then perhaps a simple handout, hand-lettered sign, or poster will suffice. Regardless, your policies and rules should be very clear and detailed, and always documented.

Typically, policy handbooks state that not all situations or questions are covered and that you may change handbook content at a later date. If you change a policy, it is important to give all employees advance warning before it goes into effect. It is appropriate to state that the handbook doesn't constitute a contract between you and your employees. Yet, all employees are expected to read, understand, and comply with all the provisions of the handbook.

A typical policy statement or handbook covers a wide range of topics, such as:

- Your operation's mission statement and business philosophy
- Compliance with state laws, such as immigration and equal employment opportunity
- Attendance, punctuality, and personal-appearance rules
- Benefits, for example, use of company vehicles and other business assets, insurance, vacation and holidays, sick and bereavement leave, jury or witness duty leave, and educational assistance
- Working hours and conditions, scheduled breaks, timekeeping, payroll deductions, and payday procedures
- Safety and conduct concerns for both employees and customers
- Progressive discipline system, for example, verbal and written suspension procedures prior to termination, grounds for immediate dismissal
- Conflict resolution procedures

You don't have to create a handbook from scratch. Instead, other businesses or associations in your area may be willing to share their ideas and handbooks with you. Even a Web search, using keywords such as “employee handbook,” may allow you to see some interesting examples. With all this information, you can develop a handbook that meets your specific needs. Be sure that your handbook is clear; it is a good idea to have others, whom you trust, review your drafts and help you improve the narrative.

Depending on your specific type of farm-direct marketing business, you might want to consider including some of the following details in your handbook.

Giving a handbook to a new employee on the first day of orientation can be a big plus. It is a vehicle for discussion and can help to minimize misunderstandings between you and your new employee.

Working hours, punctuality, and absences

- Typical hours of operation
- Hours of shifts, if any, for specific types of employees
- Basis for rotating employees from one shift to another
- Tardiness policy—This is an important aspect of keeping employee morale high. Punctual employees typically will be disturbed if others are routinely late. Employee tardiness can quickly create a management problem for you.
- Absence policy—such as, permitted reasons for absence, whether absences are paid or unpaid, and how much advance notice is required. Advance notice, if at all possible, should be required of all employees. Good communication between you and your employee is important to ease your management burden.

Safety rules and regulations

List and explain basic safety rules and regulations. Examples include:

- Fire and water hazards at stands and markets
- Ladder concerns in U-pick fruit orchards
- Control of product pathogens
- Avoiding sick employees on the job

Lunch and rest breaks

- Length of each type of break
- Where employees may spend breaks
- Importance of scheduling breaks to ensure proper customer service
- Whether breaks are allowed for personal phone calls (some employers forbid calls; others consider it a nonissue if customer service is not impeded and the employee has a personal phone)

Employee appearance

- Policy on personal cleanliness and grooming
- Detailed description of acceptable and/or required dress. Consider providing a hat, shirt, and/or apron that distinctively identifies your employees as belonging to your farm-direct business. Creating a logo can be a great help in this regard.

Behavior on the job

- Emphasis on “customer first” and the importance of becoming acquainted with customers and their needs and preferences
- Warnings against daydreaming, gum chewing, horseplay, boisterous conversation, and other disruptive or distracting conduct
- Perhaps give examples of things *not* to do, such as taking care of displays while customers wait for help. Customers seeking help become quickly agitated if they perceive that employees have more important concerns than customer service.

Smoking

Increasingly, farm-direct marketers prohibit smoking by both employees and customers. Smoking detracts from the healthy image that farm-direct marketers attempt to cultivate. If you allow employees to smoke, designate a smoking area that is far away from the sales area and require employees to use it. Be sure that your smoking area conforms to municipal and state rules that restrict smoking in public areas.

Honesty

- Policy on proven theft of cash or product (for example, grounds for immediate dismissal)
- Policy on employees giving free products to friends or family. This can disturb paying customers who see this happen.
- Policy on accepting tips from customers

It is a good idea to make a suggestion box available to all employees. It provides another outlet for employees to share ideas with you. Sometimes employees are hesitant to talk with you, especially if the comment has an element of criticism. You may receive ideas that can improve your operation.

Putting your policy handbook in a loose-leaf binder can help you incorporate changes without reprinting the entire handbook. Some employers number their handbook copies and ask new employees to sign them as an indication that they have read, understood, and agreed to abide by the policies of the business. If the handbook is loose-leaf, asking employees to return it when leaving your employment can save you the expense of printing new ones.

Employee Management

It is important to show a continuing interest in employees' well being. Be sure to keep them informed on potential changes. Solicit feedback from them on various aspects of your business. Good ideas, not readily apparent to you, may be forthcoming.

Express your satisfaction in employees' good work and progress. Likewise, it is important to take corrective action at the first sign of a continuing mistake, a critical oversight, or failure to meet realistic management goals and policies. On-the-spot correction that is constructive and delivered quietly and privately (not in front of other employees or customers) will be acceptable to good employees.

This approach also eases your job as a manager. Each individual deserves respect for their feelings. If your employees feel respected and valued, they will work hard to please both you and your customers.

Employees want to improve themselves, so find ways to provide continuing education and training for them. The cost will be well worth it to you. Find ways to make your employees proud of their work and offer incentives for them to assume greater responsibilities.

As employee education continues, so should employee evaluation. Evaluations should be a regular part of your employee management. All employees should have an opportunity for an evaluation on a regular basis, such as a yearly performance review. In particular, you may establish a 3-month probationary period for new employees so you can provide them feedback as they gain experience in your operation. By making evaluations or performance reviews a regular occurrence for every employee, no one feels singled out, and all employees can see it as an opportunity to check in about how they are doing.

As managers and teachers, employers are responsible for letting employees know how they are doing, how they have excelled, and how they can improve. It is important to find ways to offer constructive suggestions for improvement. Evaluation,

Emphasize to new employees the importance of putting the customer first.

if carried out correctly, is an important part of the ongoing educational process. The payoff to you can be substantial. Try to make this a mutual exchange by soliciting ideas from your employees for business improvements.

For employees, regular evaluations and continuing education and training provide an avenue for promotion, a new title, greater fringe benefits, or more pay. Some operators use bonuses, profit sharing, or commissions as work incentives. Both employee and employer can see performance reviews or evaluations as an opportunity to build a stronger partnership to benefit the business. Proper attention to personnel management can well be the difference between success and failure for your farm-direct marketing business.

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