



DIBS

**Dairy
Issue
Briefs**



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Plummeting prices in the dairy industry are creating critical cash-flow and long-term survivability issues on Ohio's 3,328 dairy farms. Cost-cutting decisions must be made with full awareness of both short and long-term production and economic consequences. OSU Extension's Dairy Working Group, a collaboration of OSU Extension Educators and Specialists discuss:

Reducing costs to improve short term cash flow

How to Keep Employees When Cash is Short: The High Cost of Employee Turnover

With the financial crunch being experienced in the dairy industry, many farms are analyzing every aspect of their business to see where money can be saved. One area that farm managers are examining is their labor efficiency.

A variety of research studies have stated the number one issue facing businesses is finding and keeping good employees. It is not unusual for a farming operation to experience a 25% turnover rate. Some turnover is actually good. No one is perfect in hiring employees. Mistakes happen and there are just some employees that you will never be able to motivate to complete job responsibilities efficiently and according to your farm's operating procedures.

While some employees are busts, it is important for farms to develop strategies to reduce employee turnover. Employee turnover can hurt the overall productivity of a farm and is often a symptom of other difficulties.

Turning over employees has several costs. These costs include: separation costs for the former employee; recruiting costs for new employees; interviewing time; administrative work associated with a new hire; training and supervisory time; and, overtime pay for employees who have to fill in for the departed employee. There is also a cost for lost production associated with getting a new employee up to speed with their new job. Sarah Smith, an organization leadership supervisor specialist at Purdue University estimates a loss of \$2,000 for farm employee turnover (2008).

So, what are some strategies to reduce employee turnover?

- Hire better qualified employees (you get what you pay for)
- Establish a training protocol for new employees
- Develop an employee manual
- Have job expectations clearly defined for employees
- Develop goals with each employee
- Use a probationary period for all new employees
- Place employees in jobs they like
- Have flexible employee compensation programs
- Give employees an opportunity for time off
- Hold regular staff meetings to discuss farm issues, goals, and operational strategies
- Several dairy farmers could share one or more relief milkers or seasonal labor
- Conduct periodic worker satisfaction surveys
- Have clearly defined grievance policies
- Conduct exit interviews to determine why employees are leaving
- Invite your Extension Educator or other key farm advisor to complete SWOT (Strengths, Weaknesses, Opportunities & Threats) analysis of your farm employee management system.

Chuck Schwartau, Regional Extension Educator in Minnesota shared that having the right employees (family and non-family) has several benefits including: increased operational efficiency; more owner/manager time for marketing, pricing and financial activities; an increased likelihood of completing tasks on time; more efficient use of capital and overhead; increased production for profit; more opportunities for growth; reduced stress and pressure; increased flexibility of time for leisure, health, family activities; and, a safer work environment created by better trained and skilled workers.



Bottom Line: Having the right employees, developing a good employee management program and keeping hold of key employees can save you money and help your business run more smoothly. The OSU Extension Dairy Team is available to help you in this area. Give us a call!

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More DIBS are posted on-line at <http://dairy.osu.edu>.

References

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