

2020 | AGRISMART WHITE PAPER

24 CRITICAL THINGS THAT PAYROLL COMPANIES HAVEN'T BEEN TELLING YOU

A Guide for Horticulturists & Viticulturists



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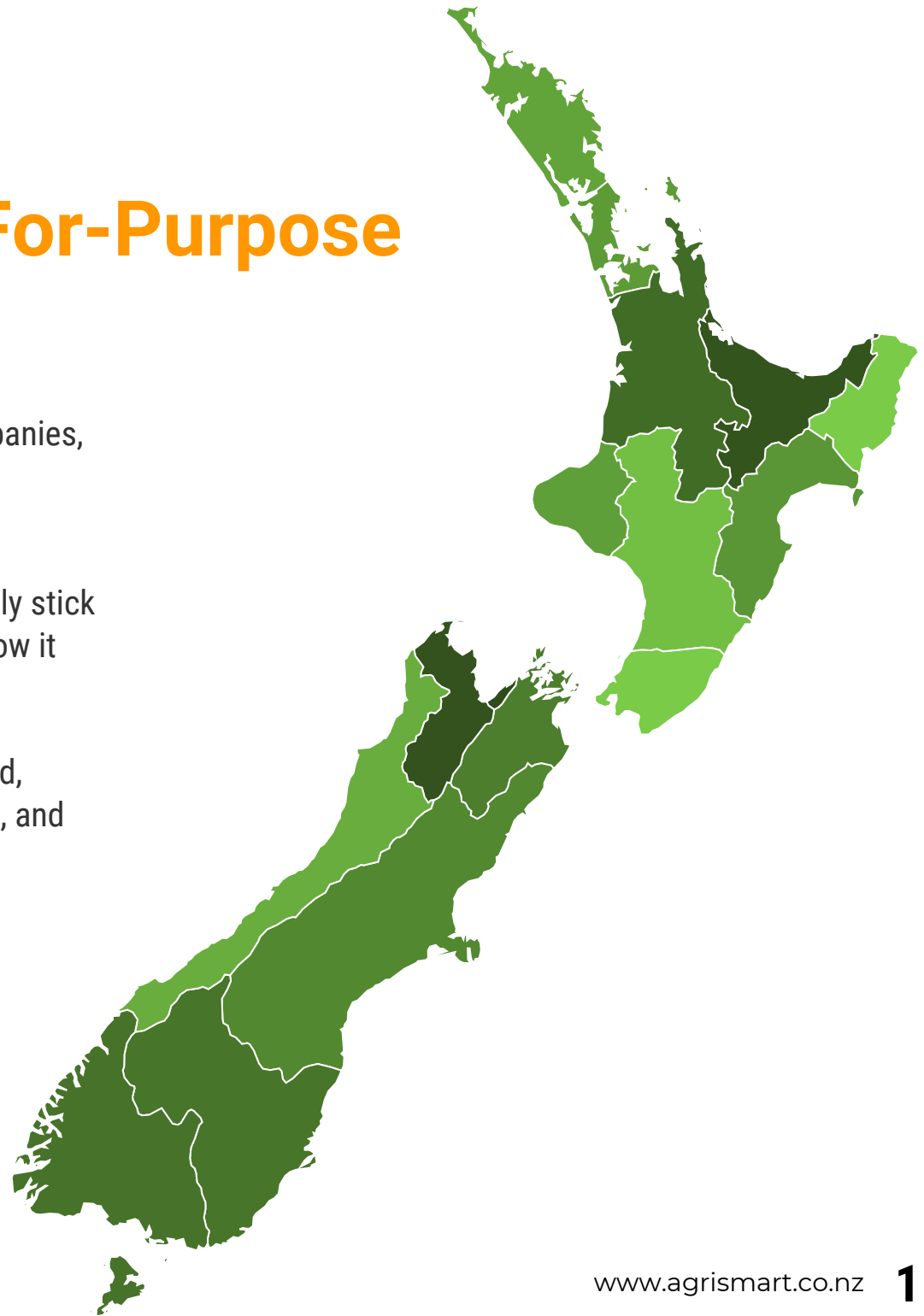
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Introduction to a Fit-For-Purpose Payroll System

Currently in NZ there are over 90 payroll software companies, so how do you know which software to use for your orchard/vineyard?

Do you simply make a decision based on cost? Or simply stick with a system because you have always used it and know it well?

The decision, like all decisions on your orchard/vineyard, should be based on whether a system is fit-for-purpose, and whether or not the benefits exceed the cost.



How to Determine if a System is Fit-For-Purpose



Functionality

Does your current system cater for all the core functions in your industry, and more? i.e. Hourly rates, piece rates, paid breaks, bonuses, and minimum hourly top-ups.



Capability

Do you have to do any workarounds in your current system? A complete system will ensure you do not need to use paper timesheets, spreadsheets, and/or manually calculate any part of your payroll process.



Peace of Mind

Do you have confidence that your data is being recorded correctly? And are you certain that your staff are getting paid the right amount?



Application

Does your system have an application that matches the work processes of your team? Business processes will be streamlined as data is recorded more efficiently and accurately.

Everything we spend in a business should add some value to our business. There are, however, certain things that we spend on that can provide exponential returns. A modern fit-for-purpose timesheet and payroll system is one of those investments that can provide you exponential benefits.

Impact of Stock Standard Software

Historically, payroll software was written for commercial businesses where everything was relatively stock standard. Orchard owners' needs were not considered, impact of variable work patterns were not catered for, the Holidays Act 2004 was not understood properly, and payroll providers simply turned a blind eye to it as it was all too hard. It is no wonder that there is currently an estimated \$2.3bn in outstanding Holiday Pay.

Orchard/vineyard owners, up until recently, have had no choice in regards to fit-for-purpose timesheet and payroll software, and have simply had to adapt to the available software as best they could to meet their needs. However, this has cost some orchard/vineyard owners significant sums of money in the long run, due to lump sum payments for historical underpayments, penalties, and adverse publicity.



“Labour cost is often the biggest cost in all businesses, so why is it that businesses accept status quo payroll systems to deal with such a significant item?”

Implications of Lacking Key Functionality

In addition to underpayments, penalties, and adverse publicity, payroll software that lacks key functionality(ies) has even more financial implications on your bottom line.

See the below results from a 1991 study on **pruning speed and cost per acre as a function of pay method and grape type** conducted by California University.

Pruning speed and cost per acre as a function of pay method and grape type

	Hourly pay	Hourly pay	Piece-rate pay	Piece-rate pay
	Man-hours per acre	Cost per acre	Man-hours per acre	Cost per acre
Table	27 (n=9)	\$133 (n=9)	34 (n=4)	\$192 (n=5)
Raisin*	26 (n=11)	\$121 (n=11)	16 (n=31)	\$86 (n=36)
Wine*	26 (n=62)	\$168 (n=62)	19 (n=32)	\$134 (n=34)
Average for total sample*	26 (n=82)	\$158 (n=82)	19 (n=67)	\$115 (n=75)
* Highly significant at 0.01 or better.				

Table highlights:

- It took an average of 26-man hours per acre when paid on an hourly rate, compared to 19-man hours when paid on a piece rate
- The respective average labour cost per acre was \$158 and \$115
- How a worker was paid did not seem to affect the quality of work, as perceived by two-thirds of the respondents. The remaining one-third tended to be more satisfied with the quality of work paid for at an hourly rate

This study highlights that if you do not have the functionality of using different payment options, such as the ability to pay your team on a piece rate, you are limiting your options of maximising on your orchard/vineyard returns. Although this study was conducted in 1991, the principles remain the same today.

4 Benefits of Using a Fit-For-Purpose System



Save on labour costs

Seasonal workers are there for only one reason - to earn as much money as they can. As per the California University study, if you are able to provide a structure (piece rates, bonuses, etc) where you can reward them for working fast, whilst ensuring that your overall cost per ha is below that of a payment using the hourly rate basis, then both parties win.



Attract staff

In the heavily competitive market for seasonal labour, the flexibility of payment options that could be triggered at any time of the year to attract staff, can determine the difference between getting top dollar for your produce, or a poor return. Competition to attract staff in this sector will become a bigger issue as horticulture and viticulture operations expand.



Transparency

If you are operating a Labour Contracting service for orchard management, (where the payment you receive from growers is a percentage over your labour cost) having clear, transparent timesheet and job cost records that can be forwarded daily to the orchard owners will create transparency in the whole process.



Increase returns

The administration cost of recording hours worked and paying your team will reduce significantly, allowing those in admin roles to work in other areas, thereby increasing their return in the business.

10 Key Functionalities Needed to Maximise Return



Piece Rates

Handle unlimited piece rates



Paid Breaks

Calculate these automatically



Method of Paid Breaks

Flexibility to pay paid breaks within piece rate, or on top of



Minimum Hourly Top-Ups

Automatic top up if the minimum hourly rate is breached



Hourly Rate & Piece Rate

Pay an employee a combination of piece rate & hourly rate within the same pay period



Specify Other Hourly Rate

Use an employee's normal hourly rate, or specify a new one for a particular activity



Flexible Piece Rates

Ability to change piece rates on a daily basis



Cloud-Based

Access the system from anywhere, anytime, on any device



Job Costing

See the cost of each produce per block, per activity, per annum



Bonuses

Record the number of units per activity to enable automatic bonus payment criteria

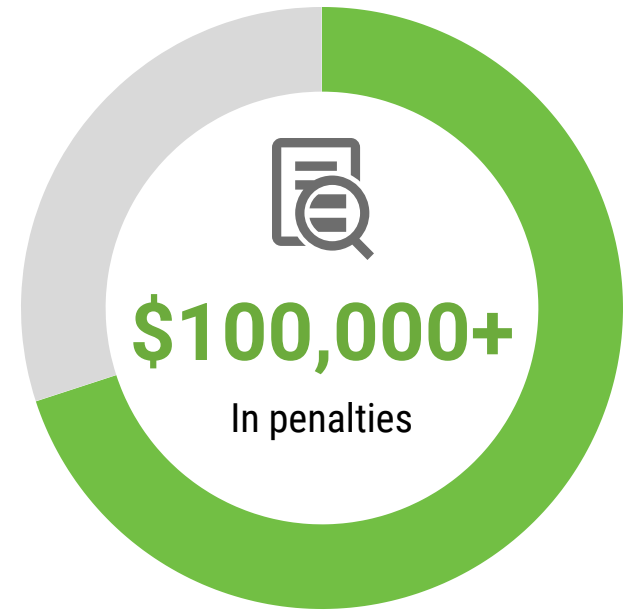
Timesheet & Record Keeping

As an employer, you must keep wage & time, and holiday & leave records that comply with the Employment Relations Act 2000 and the Holidays Act 2003. In particular, you must be able to show that you've correctly given your employees all minimum employment entitlements such as the minimum wage and annual holidays.

Good record-keeping makes sure that an employee's pay and leave are correct, prevents misunderstandings, and protects the employer and the employee if there is a problem. Your employees have the right to know everything you are recording on their file, and have the right to access these records.

It is a requirement to keep timesheets for all employees. You therefore, need to have a very robust timesheet module integrated with your payroll system to ensure you are being compliant. Your timesheet module is of critical importance as significant efficiency gains will be made here. With all good software, data should only be entered once into the system, and it should flow on from there without any further manipulations.

Reference: Employment New Zealand



If accurate records are not kept by the employer, the ERA or Labour inspector may impose a penalty of \$100,000 or more (for a company)

“All record-keeping requirements may not seem necessary, however, they're needed to show a clear picture of each day in an employee's working year”

10 Key Components Your Timesheet Module Must Have



Integration

Integrated Timesheets & Payroll to achieve maximum time savings and error mitigation



Cloud-Based

Accessible from anywhere, anytime, on any device



Offline Capability

Timesheets accessible offline for when there is no WiFi/Data on the orchard/vineyard



Timesheet Types

Timesheet requirements differ between Horticulture & Viticulture - ensure your exact specifications are met



Multi Timesheet Options

Ability for individuals to enter their own time & ability for supervisors to enter the team's time on behalf of them



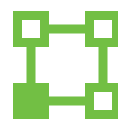
Bulk Timesheets

Ability for supervisors to easily record start and end times for groups of people quickly & efficiently



Unpaid Time

Bulk timesheets entered by supervisors should have the capability to record unpaid time within the start and end times



Number of Units

Bulk timesheets entered by supervisors should have the capability to record units



Assigning Units

Units recorded for groups should be automatically assigned to employees based on the hours worked, with flexibility to edit them if required




GPS Location

Ability to retrieve the coordinates of where a team member has logged in and out from, both online & offline (if provided for in their employment agreements)

A Final Word

A fit-for-purpose and integrated Timesheet & Payroll system will reduce your data input time significantly. It will minimise handling and calculation errors, whilst simultaneously creating greater transparency and auditability. A fit-for-purpose system will provide you with the best tool to maximise returns from arguably one of the biggest operating costs in your business - Labour!

Contact us at info@agrismart.co.nz for an award-winning Timesheet & Payroll system designed specifically for Horticulturists and Viticulturists.



Proud winners of the 2017 Fonterra Farm Source Activate 2.0 competition for the "business that provided the most value to Fonterra Farmer Suppliers".