Pig Farm Employee Incentive Programs

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I was asked to visit a farm a few weeks ago that was struggling with very high stillborn rates. I completed a thorough review of the status of the farm and sat down for a visit with the farm owner. I explained that I hadn't found any obvious management-related or health-related explanations for the high stillborn rate but I suspected that I knew why the rate was so high. Total Born/Litter was quite good and Pigs Weaned/Litter was about what I would have expected. The stillborn rate was about twice the normal rate and the pre-weaning mortality was remarkably low. I asked the farm owner if he offered employees a bonus for low pre-weaning mortality rates. I wasn't surprised when he confirmed that yes, employees received a very significant portion of their compensation in the form of performance incentives and that a major metric used to calculate the bonuses was pre-weaning mortality.

I explained to the farm owner that I had seen this situation many times and that most likely, employees were recording weak pigs or pigs they thought might die as stillborn pigs but weren't euthanizing them. Any of those pigs that survived would cancel out a pig that died and they would be able to maintain very low pre-weaning mortality rates. Not only does this result in the farm owner paying out inflated bonuses, it also makes it difficult to diagnose problems because we don't have accurate records.

The idea of employee incentive programs for pig farm workers is attractive. Farm owners want to reward employees for good performance and employees want an opportunity to make some extra money. In practice, however, the result is more like the example I gave above. The reality is that it's very difficult to develop an employee incentive program that rewards employees for good performance without sending them mixed signals such as encouraging them to do things that are ultimately not good for the farm's performance (like falsifying records).

While I don't have a perfect solution to the problem, here's some suggestions for farm owners/managers to consider:

1) **Stop doing incentive programs**: Some of the farms I work with have simply eliminated employee incentive programs. They've raised the base pay rates to be very competitive with other employment options in the area and clearly explained that they expect good performance

in exchange for good pay. Non-monetary incentives like extra time off can be considered for incentives for excellent performers and in some cases, farm level incentives have been provided (see number 4 below). This is not necessarily the right option for everyone, but it's certainly something to consider.

2) **Reduce the percentage of compensation coming from incentive programs**: The higher percentage of the employee's total compensation that comes from production bonuses, the bigger the incentive to falsify records or take other actions that may not be in the best interest of the farm. I've seen incentives as high as 60-70% of total compensation. Even for a very honest person, if the difference is being able to provide basics for your family, they will be tempted to cheat. I suggest no more than 20% of total compensation should come from production incentives and around 10% is much better in most cases.
3) **Focus on more meaningful metrics**: Too often, the metrics we choose to use to calculate bonuses are just the ones that are easy to measure or understand. There are two factors that farm owners consider when building incentive programs. The first consideration is the need to identify metrics that are meaningful to the farm's bottom line, that is, they have a direct effect on profitability. The other consideration is the need to use metrics that employees can easily connect with their daily work. Oftentimes, these two considerations work against each other. As metrics become more meaningful to the business' profitability, they become less connected to the work of individual workers. For example, the metric "kg of pork per farrowing crate/year" is a meaningful metric when it comes to determining the efficiency and profitability of a sow farm. To an individual working in the farrowing house, however, it may be difficult for them to understand how their daily work is contributing to the goal. Likewise, a 1% difference in pre-weaning mortality is something that a farrowing house worker can easily see they can affect, but when you look at the farm as a whole, 1% better pre-weaning mortality is relatively unimportant.
4) **Focus more on team goals and less on individual goals**: Many of the problems with incentive programs are related to mixed signals that result in an individual or a small group of people being rewarded for actions that are actually detrimental to another individual or small group within the same farm or system. For example, if the farrowing house has a bonus on total pigs transferred to the nursery, they have an incentive to send even poor-quality pigs in the hopes that they'll be accepted by the nursery. The nursery manager may have an incentive around mortality rate and he or she will not be happy to receive poor quality pigs that have little chance of survival in the nursery. So, the farrowing house is rewarded for actions that have a negative impact on the nursery team. If the goal was to maximize the number of good pigs transferred to finisher, the nursery and farrowing teams would have an incentive to work together towards a common goal, a goal that has the added benefit of being more impactful on farm profitability.

These are just a few suggestions to consider. Every farm is different and every farm will find different solutions work in their situation. The important thing is for farm owners, managers, employees and their advisors to work together to come up with a system that will reward good performance and improve the profitability of the farm without sending confusing mixed signals to workers.

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