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Planning for Labor

Time is one of the key constraints on your business.

- Plan your own time to ensure you are able to do the tasks only you can do.
- Plan to outsource tasks you can outsource as soon as possible as you grow.

Understand the legal requirements for who must be on payroll and who may be paid as an independent contractor. Be sure to budget for all legally required labor costs.

Labor Can Cause Cash Flow Issues

Once you hire payroll labor, you are required to pay every two weeks. If the labor you hire is not directly related to generating cash receipts, you may find that you owe wages and payroll taxes before the related revenue has been received. Careful cash flow planning and planning for what type of labor to hire can help with this.

Hire first for work directly related to income so you have immediate incoming cash to cover wages.

- Planting short term crops
- Weeding
- Harvesting
- Sales deliveries

Do not hire for labor that does not relate to immediate revenue unless you have a cash flow plan to cover labor. Examples of labor with a longer-term payoff include:

- General maintenance
- Planting long-term crops
- General marketing
- Asset construction or development

Budgeting for Labor

To budget accurately for labor you will need a detailed list of tasks and an estimate of time for each task. The best way to estimate time for a task is to time yourself doing the task. You can also ask others, or look at University Extension studies.

Your cost per hour for payroll labor includes:

- Hourly Wage
- 15% for FICA and Medicare
- 5% for unemployment and other state taxes
- 5-10% for workers compensation insurance

Many businesses budget a standard 25% on top of hourly wages to factor in all costs including vacation and sick leave.

Planning to Manage Labor

California has strict laws protecting workers. If you employ anyone other than your legally married spouse or your children or parents to help you in your business, they must be covered by a workers compensation policy. Most workers on a farm or ranch are required to be on payroll with state and federal payroll taxes paid. In addition, you are required to keep detailed records showing that you are in compliance with laws covering hours worked, breaks given, the time, manner and amount of payment, safety training, heat and illness prevention, and a number of other protections.

Before you hire you will also need a plan to manage labor including:

- Basic employee records including I-9s
- Legally compliant payment practices including:
 - Providing required notices to employees
 - Tracking earned sick/vacation leave
 - Making timely payroll tax deposits
 - Filing timely W-2s
 - Documenting hours worked and breaks taken
- Creating a safe and respectful workplace
- Policies and procedures covering physical safety, general conduct, discrimination, harassment, etc.
- Training and documentation of training
- Preparing for audits, inspections, and raids

Be sure you understand the essential requirements of an employee before you hire. Once you do hire, be sure that you have all required and recommended records and that they are secure and easily accessible to you in the event of an audit.