

Keeping Ergonomic Balance

The balance that ensures high wage levels together with
affordable labour costs

The dilemma facing agriculture today is not just a matter of wage levels.

- The farmer rightfully believes that he cannot pay more because it will mean that his business will fail
- The worker rightfully demands a basic living wage because he cannot survive on what he is earning.
- Both parties have taken up the moral high ground. Both see their position as a fair reflection of their reality, and therefore the other is at fault.

The myths about “cheap” labour

- Machines are too expensive, and why mechanise if labour is cheap.
- We have a moral obligation to employ big labour forces.
- Our labour is not educated enough to operate complex machinery.
- The Rand is weak and so we cannot purchase imported machinery.

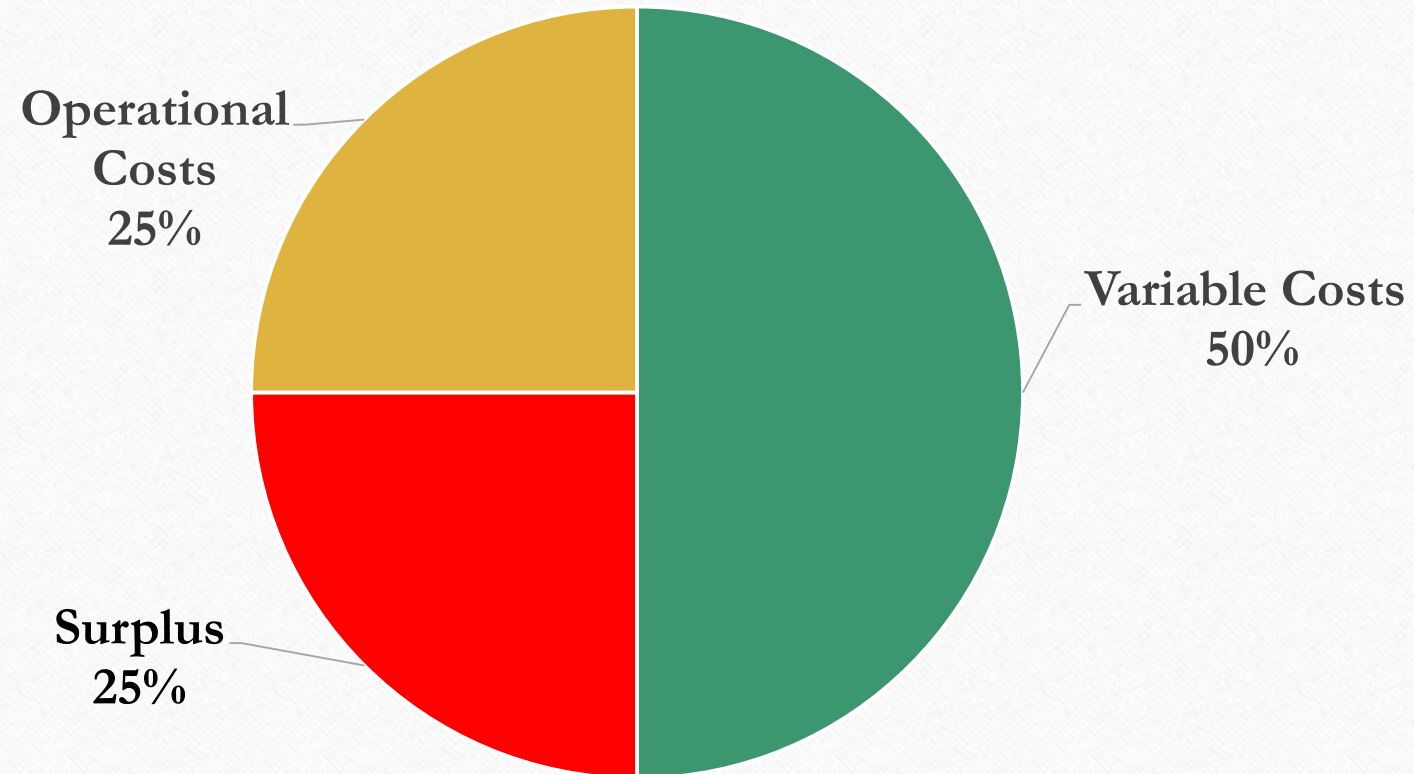
The questions that we are not asking

- What is my labour bill as a percentage of my turnover?
- What should this percentage be?
- What surplus should I be producing if my farm is to be sustainable?
- What is the contribution of a worker to annual turnover?
- What has happened to this figure over the last 10 years?
- What is the relationship between the cost of maintenance and cost of labour on my farm?

The answers of Greenway Farm in 1994

- Labour bill was 35% of annual turnover.
- What should it be? We did not know!
- What surplus is required to become sustainable as a business? We had never thought about it.
- What was happening to labour costs? They were out of control!
- Nothing made sense, it seemed as though there was no way out of the trap of low wages and high labour costs..... We were stumped.

What a balanced business looks like.



Variable Costs

- Seed
- Chemicals
- Electricity
- Fuel
- Rentals
- Packing Material
- Compost
- Road Tolls
- Consultants
- Insurance
- Transport
- Sales Commission

Surplus is used for....

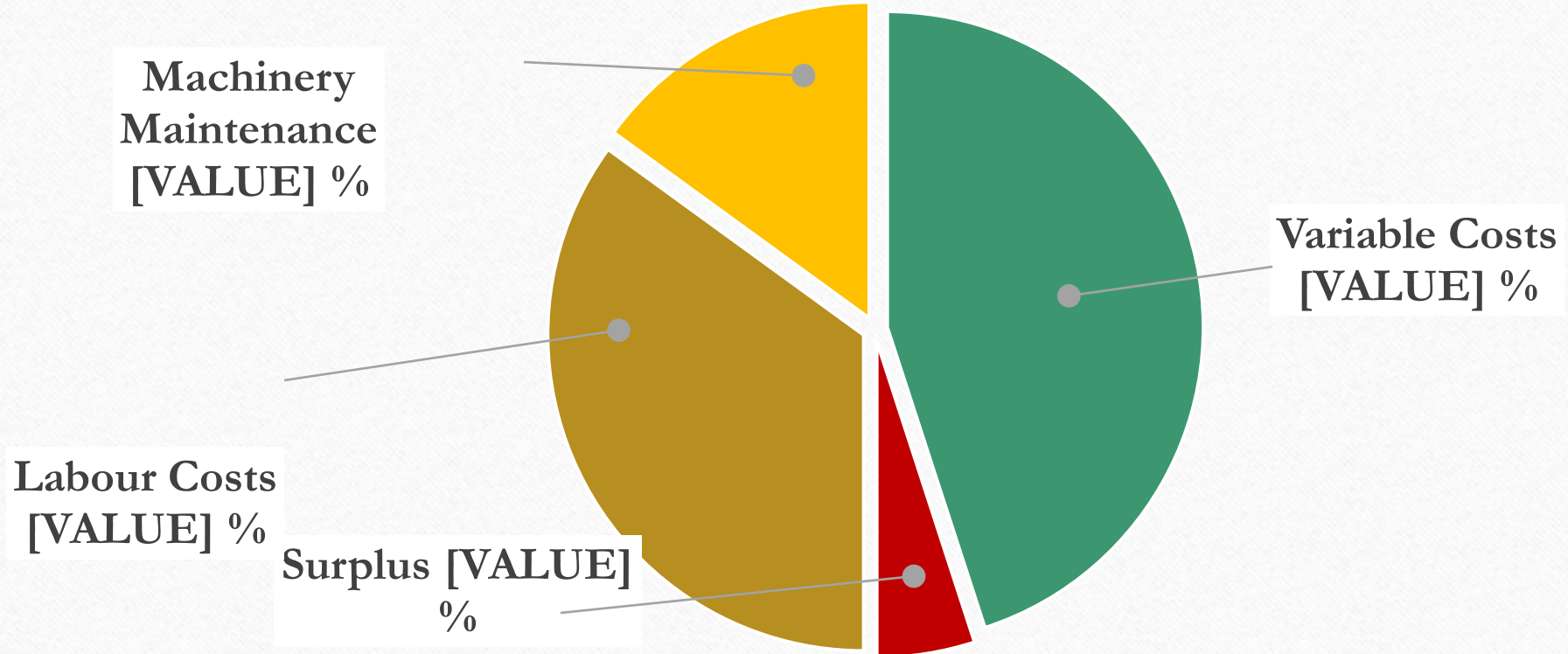
- Bond repayments
- Replacing old equipment
- Interest Payments
- Capital Expansion (Capex)
- Hire purchases / Leases
- Tax Payments
- Cash in the Bank
- Dividend Pay-outs
- Research and Development

Operational Costs are.....

- All machinery maintenance costs
- All costs associated with employing and paying people

When things go wrong!

(Greenway Farms in 1994)

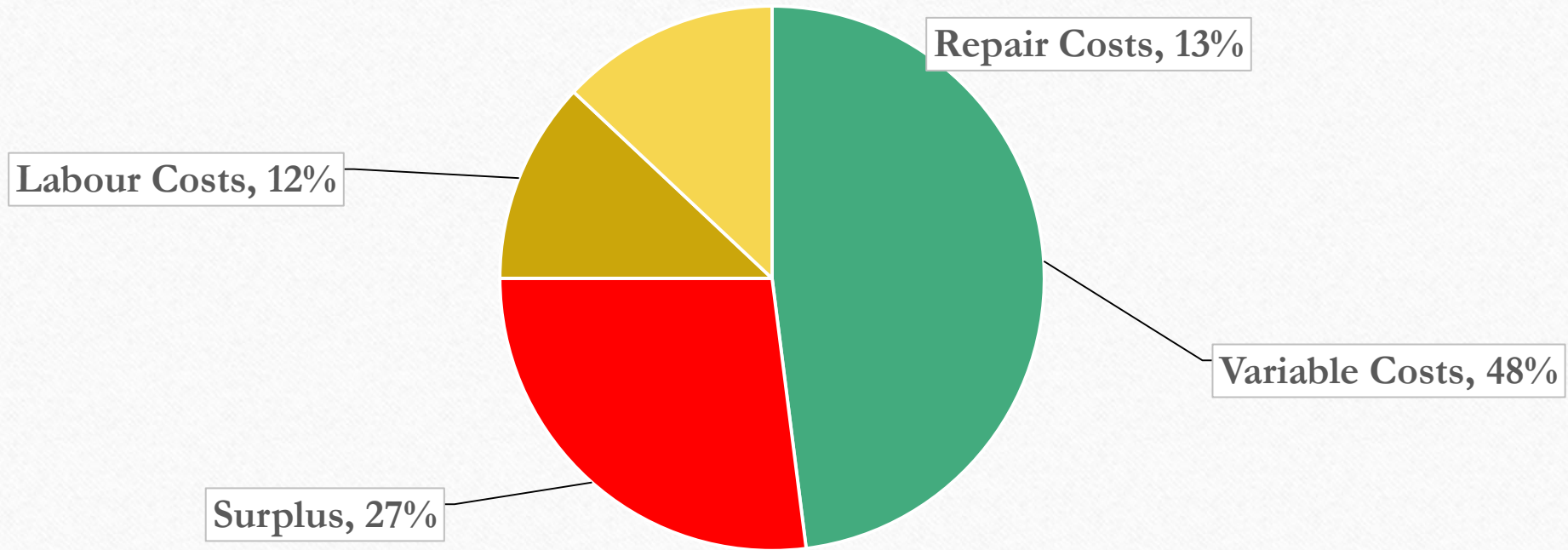


In 1995 these were the parameters....

- An employee contributed only R33000 per annum to the company's turnover. (R375/mth @13% or R960/ mth @ 35% of turnover)
- Staff turnaround was as high as 25% per annum, so training was difficult.
- Working hours were long and totally unacceptable.
- Wages were shamefully low, and we battled attract quality people.
- There was no surplus to talk about..... we were going bankrupt.

The Impact of Ergonomic Balance

(Greenway Farm from 2001 - 2014)



In 2014 these are the parameters....

- An employee now contributes close to R 1 000 000 to the annual company turnover. The productivity of a worker has gone up more than 30+ fold.
- The average wages of the business has gone up over 8 fold.
- Staff turnaround is below 1% per annum, and training is easier.
- Overtime is now the exception, and not the rule.
- We can now attract the best people in the labour market.
- The company has maintained a surplus in excess of 25% since ergonomic balance was achieved in 2001.

What are the lessons....?

- Don't be afraid of your own **mechanical illiteracy**.
- **Don't threaten people** with machines that will replace their jobs.
- **Don't** hire machines to **lay off people**, grow your business and keep your people..... Good staff is valuable and hard to replace.
- **Mechanisation improves productivity**, and therefore reduces hours, and empowers you to pay higher wages.
- Mechanisation is a win-win situation. **Lower wage bill at higher wages!**