These beliefs describe a much more capable, developable, trustworthy, and ultimately valuable resource than Theory X describes. Theory Y suggests that the major limitation to personnel performance in business organizations is not human nature but rather managerial ingenuity. Theory X provides an easy rationalization for poor performance on the farm—it is due to the nature of the people in the organization. Theory Y, in contrast, puts problems squarely in management's lap. If employees appear lazy, indifferent, uncooperative, unwilling, or unable to shoulder responsibility, and if they are truly characterized by Theory Y, management methods are at fault.

This book by no means relies on a universal view of people in line with either Theory X or Y. It strongly advocates, however, that every agricultural manager try to discern his or her own general assumptions about people, to continually reassess their accuracy as descriptors of individuals within the business, and to adjust practices if warranted to better deal with employees as they really are. The book and its companion website are intended to assist by adding to your sources of information, knowledge, and inspiration as a manager.

Recognizing and Managing Risks

Agricultural managers stand to gain in several ways from periodically examining their own human resource management methods and options. Doing so can help to keep employee relations compatible with ownership philosophy and values, to adjust to changes outside the business, to reduce the potential for dysfunctional conflict and other wastes of resources, and to improve overall efficiency and market competitiveness. All can be seen as reducing labor-related risks.

From a producer's perspective, employing personnel carries risks of various conditions and outcomes that translate into lower revenues, higher costs, or both.

Regardless of the commodity grown or shipped and the choices made in cultivating it, results flow from the work of the people in the operation. Agricultural production in western states, especially with their large labor-intensive fruit, vegetable, and horticultural sectors, depends heavily on the work of hired employees, even more so than in the rest of the nation. Likewise, expenses for farm labor are relatively greater in the West than across the United States, averaging nearly three times as much in total operating costs and exceeding half of production expense in some commodities. Despite the illusion of certainty that averages in crop budget models may suggest, two farms with the same crops and equal payrolls may have very different business results. Returns from labor expenditures are quite variable.

Some of the forces that affect labor costs and production outcomes are external to the farm—i.e., part of its business environment—and others are internal—i.e., part of the business organization. In either case, the risks they present can be managed. "Managing" the external risks most often means knowing about and adjusting to (rather than controlling) outside factors such as the legal and regulatory environment and the farm labor market. Internal risks are much more

controllable, through organizational design and human resource management practices within the business.

In plain terms, risk can be seen as the chance that something will go wrong, that something "bad" will happen, or, more precisely, the expected cost of such an event. With respect to labor, unfortunately, there is a rich assortment of possibilities. From a producer's perspective, employing personnel carries risks of various conditions and outcomes that translate into lower revenues, higher costs, or both. Among these risks are: (1) insufficient labor to perform tasks when needed; (2) poor quality work that raises per unit costs or lowers product value; (3) excessive turnover and absenteeism, avoidable injuries, and high indirect-labor expenses; (4) conflicts with and between employees, whether expressed in formal complaints and litigation or hidden in quiet disgruntlement; and (5) fines and other penalties imposed by government agencies for violations of law.

Labor availability

The classic labor-related risk, the first one most farmers think of and the one that's always lurking, is the chance that essential tasks will not get done. Fields might be left unplanted, plants not protected or cultivated at critical times, or ripe crops left in the field or orchard. This could happen if there are fewer workers than jobs in the local labor market, specific jobs are not attractive to workers who have alternatives, ineligible employees are abruptly removed from the workplace or depart in fear, or workers take a collective job action. Not having people around to do the work certainly alleviates your costs, but it is murder on your revenues.

Work quality

A second risk is that the work will be completed but poorly or not on time, raising unit labor costs or lowering product value. Physical results take such forms as bruised produce in the bin, wilting transplants, a mastitis epidemic in the dairy herd, and butchered trees and vines. The possible causes? Instructions may be unclear, workers lack essential job skills, tools are outdated or lousy, the pay system is designed to reward the wrong kind of performance, or employees try to get even for a real or perceived injustice.

Non-wage expense

Third is the risk of incurring high indirect-labor expenses, often associated with turnover, absenteeism, or mandatory benefits. Instability of the workforce increases total costs of finding, hiring, orienting, and supervising personnel. In addition, frequent turnover and accidents raise experience ratings that affect workers' compensation and unemployment insurance premiums for years. Indirect costs more subtly connected to labor management may take the form of avoidable equipment damage, wasted feed or chemicals, and missing tools.

Internal conflict

While risks in the fourth category—conflict with employees—may lead to or accompany any of the previous three, they are worthy of being identified separately. Workers have many legal grounds on which to base charges of employer wrongdoing, and defending against them is costly, win or lose. Furthermore, discord does not have to develop into a formal complaint or litigation, or to otherwise involve a third party, to be expensive. Even quiet disgruntlement takes its toll in employee performance, overall workforce stability, and managerial time. Inattention to employees' needs for basic information, lack of or blockages in communication channels, unrealistic performance expectations, abusive first-line supervisors, and ignorance of legal mandates and prohibitions can all give rise to dysfunctional conflict.

Legal infraction

Finally, and often linked to other types, is the risk of the government taking your time, requiring physical changes on the ranch that you see as useless, assessing fines, or imposing other penalties for a violation of laws and regulations. Some penalties are corollary to complaints filed by employees, and others are strictly between employers and agencies. You know this kind of risk has been realized when, for example, you receive a notice of missed or improper tax reporting, repeated visits from an inspector, or a letter implying that you should dismiss certain employees with bogus social security numbers.

Management decisions and practices can change both the odds of these outcomes occurring and the costs of bearing those that do. They determine who is on board to do the operational work that implements your management plans, and their capability, as well as motivation to work well.

How to formally engage labor—through direct employment, farm labor contractors and other service providers, or independent contractor agreements—is a basic choice. When staffing with direct employees and family members, key decisions include which tasks and duties to combine into jobs, how to group jobs within crews or other organizational units, what rates of pay and fringe benefits to offer, and how to select employees for specific positions and assignments. Once employees are hired, managers and supervisors decide (by intent or default) how to orient them to work conditions and expectations, help them to develop skills, tap their efforts in farm operations, keep them informed, act on their ideas and complaints, and correct performance problems. Such decisions can be made rather casually or through variously structured methods.