

California Farm Labor 2017

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California's farm labor market may be at an inflection point. Average farm worker employment has been increasing, topping 420,000 in 2015, while farm workers are aging and settling with families that include US-born children. More workers are brought to crop farms by nonfarm support services such as FLCs than are hired directly. A lack of affordable housing means that some workers travel up to four hours a day, making housing and transportation major issues.

A major new development in California agriculture is growth in the H-2A program, which is likely to approach 200,000 US jobs certified to be filled with guest workers in FY17 and 20,000 in California. Mexican H-2A workers are the fresh blood entering the farm workforce, but we lack information on their demographics and US earnings.

The next decade is likely to be marked by more guest workers, rising imports of labor-intensive commodities, and more labor-saving and productivity-increasing mechanization. The combination of guest workers, imports, and mechanization that results will be determined by consumer demand, migration and trade policies, and technical progress with plants and machines as well as decisions of farmers and current farm workers.

Farm Employment and Farm Workers

California had farm sales of \$47 billion in 2015, about 12 percent of the \$379 billion in US farm sales. Fruits and nuts (\$18 billion), vegetables and melons (\$9 billion), and nursery and other crops including floriculture (\$6 billion) were 70 percent of the state's farm sales. Many of these FVH commodities are labor-intensive, including grapes (worth \$5 billion in 2015), lettuce (\$2 billion), berries (\$2 billion), and flowers and foliage (\$1 billion).

Agricultural employment has expanded with the state's expanding FVH sector. The average employment of hired workers in California agriculture (NAICS 11) rose over 10 percent between 2005 and 2015 to over 421,000, when a full-time equivalent (FTE) employee would have earned \$30,300, implying an hourly wage of \$14.55 for 2,080 hours of work. However, most of the 850,000 workers who had earnings from California farm employers did not work full time or earned less than \$14.55; average

earnings were \$20,500 in 2015. The average earnings of workers whose major or primary source of earnings was a FLC were \$9,900.

The farm workers who fill farm jobs are mostly unauthorized men who are aging and settling. Migrancy, including workers newly arrived in the US, those who shuttle between homes in Mexico and jobs in the US, and those who travel at least 75 miles between farm jobs in the US, has decreased to less than 20 percent of crop workers. The NAWS portrays a California crop workforce that includes a higher share of foreign-born and unauthorized workers than the US crop workforce, and has 40 percent of workers employed by FLCs rather than 20 percent for the US.

USDA's NASS collects employment and earnings data from 14,000 US and 1,000 California farm employers and reports these data for mid-January, April, July and October. In 2016, Farm Labor reported an average 158,000 directly hired workers who were paid an average \$13.80 an hour, or \$12.45 an hour for field workers. The Census of Agriculture, done for years ending in two and seven, will provide detailed county-level data for 2017 early in 2019.

There are farm labor data gaps, including little data on persons employed in agriculture by occupation (SOC 45-2092.02 is farm workers and laborers, crop), the absence of demographic and employment data on animal workers and H-2A workers, and USDA's limited coverage of agricultural services. All surveys of farm employers are coping with declining response rates.

H-2A Guest Workers

The H-2A program allows US farm employers to request certification from the US Department of Labor to have foreign workers admitted "temporarily to the United States to perform agricultural labor...of a temporary or seasonal nature" if there are not sufficient workers who are able, willing, and qualified to do the work and the presence of guest workers does not adversely affect the wages and working conditions of US farm workers.

DOL certification involves three major steps: trying and failing to recruit US workers, offering H-2A and out-of-area US workers free housing, and paying the Adverse Effect Wage Rate, which is \$12.57 in California in 2017, \$2 more than the state's \$10.50 minimum wage.

California farmers are requesting more H-2A workers. There were 11,000 farm jobs certified to be filled by H-2A workers in FY16, and 12,300 in the first three quarters of FY17. Most employers who request H-2A workers are FLCs. and most H-2A workers are employed in Central and South Coast berries and vegetables.

Agencies that administer and enforce H-2A regulations report an upsurge in complaints involving US workers. They allege that some employers prefer H-2A guest workers, offer poor quality food and housing, and make unlawful deductions from worker wages or do not credit them for all hours worked. H-2A workers are “loyal” because they are tied by contract to a single US farmer, but this can also make them vulnerable, since losing their job also means losing their right to be legally in the US. Some H-2A workers pay prohibited fees in Mexico to be selected, which is hard to prevent because the payments are made outside the US.

Housing and transportation are issues for all workers, including H-2A guest workers. California’s coastal counties have some of the highest housing costs in the US. The median fair market rent in Monterey county in 2017 for two bedrooms is \$1,400 a month, so that a worker employed 160 hours a month at \$12 an hour would earn \$1,920, making it difficult for one-earner families to afford rental housing.

HCD inspects and certifies housing for five or more employees to ensure that, e.g., workers have at least 50 square feet per person. Many H-2A guest workers are housed in motels and other housing that was built for short rather than extended stays.

Lack of affordable housing in high-wage areas makes transportation a major issue. Some thought that the availability of driver’s licenses to unauthorized foreigners after January 1, 2015 would reduce interest in van pools, but there is great interest in Cal Vans, which provides 360-15 passenger vans to worker-drivers who transport workers, including H-2A workers.

The Cal Van program is self-supporting. At an average cost of \$1.25 a mile for 300 miles a six-day week, the \$375 a week cost to operate the van is \$25 a week per rider; the driver collects the fee from passengers. Employers pay transport costs for 85 percent of the workers who ride in Cal Vans, reflecting their interest in obtaining a reliable supply of workers.

Farm Labor Contractors

FLCs are the links between many farm workers and the farms on which they work. FLC intermediaries emerged with the beginnings of commercial agriculture in the 1870s, and today employ almost half of the state’s farm workers.

There are 1,500 to 1,700 FLCs in California, and half serve only one farmer. It is not clear how many of these one-farmer FLCs are “captives” of the farm that they serve, created by the farming enterprise as a separate firm to provide labor, as with RC Packing providing workers to Dole in the Salinas area. There are 465 FLCs with annual payrolls of more than \$2 million.

The largest FLCs account for the most FLC wages and employment. In 2016, some 1,200 FLC establishments paid UI taxes on the \$3.5 billion they paid in wages. The largest 215 FLC establishments, less than 20 percent of the total, paid over 75 percent of the FLC wages paid; the largest 28 FLC establishments paid a third of total FLC wages.

The dominance of large FLCs has increased over the past two decades. FLCs with average employment of 500 or more accounted for almost half of FLC employment in 2016, compared with 20 percent in 1994. Some of these large FLC establishments have clients in multiple counties, but all of their employment may be attributed to the county in which they are headquartered; the 1,200 licensed FLCs in 2016 were licensed in an average 2.7 counties. Many FLCs operate other businesses, and some are not reporting their wages and employment under the FLC category.

The Salinas area has labor-intensive berry and vegetable crops, high-cost housing, and increasing competition between settled Mexican-born farm workers and Mexican H-2A workers. The settled workers have families with US-born children, and some resent the arrival of younger H-2A guest workers who receive free housing and transportation from their employers.

Labor and Immigration Enforcement

DOL enforces federal labor laws in California, and DHS enforces federal immigration laws. DOL is encountering more issues with transportation, especially as some raiteros use minivans each carrying eight workers each rather than 15-person vans that would require them to have the van inspected and the driver tested.

The Homeland Security Investigations branch of ICE is responsible for I-9 audits, and has been focusing on employers in critical infrastructure rather than agriculture and other industries known to employ large numbers of unauthorized workers. There have been no ICE workplace raids since early 2008, so that industries such as agriculture that hire unauthorized workers face little threat of being required to replace them unless E-Verify is made mandatory.

Next Steps

Over the past five years, a major concern of farmers was whether there would be enough water to irrigate crops. In response to drought, farmers pumped groundwater, reduced acreage of water-intensive and low-value crops, and made other adjustments that allowed farm sales to continue rising despite the drought.

Consumer demand for fresh fruits and vegetables is expected to continue rising, and California is expected to provide a third or more of US fresh fruits and vegetables, alongside rising imports. Rising consumer demand means more farm worker employment unless imports surge or machines replace workers.

The farm labor system is adjusting to the arrival of fewer unauthorized newcomers from Mexico via the 4 S's: **satisfy** current workers to retain them, **stretch** them with mechanical aids that increase their productivity, **substitute** machines for workers or switch to less labor-intensive crops, and **supplement** current workers with H-2A guest workers, the fresh blood of the farm workforce.

Government policies influence the mix of more imports, mechanization, and guest workers likely over the next decade. Trade policy will determine how easy it is to import fresh produce. More immigration enforcement could raise labor costs, spurring imports from lower-wage countries, mechanization where possible, and changes to less labor-intensive crops.

Reducing employer recruitment and housing obligations and the AEWWR could encourage a switch to younger H-2A workers. If guest workers expand to be a third or half of the farm workforce, there could be a return to the Bracero era, when most farm workers were solo males who lived in camps controlled by the farms where they worked.

Among the farm labor questions that need answers:

1. Can we compare turnover rates by commodity and county, that is, is the ratio of primary workers to average employment for FLCs lower in Monterey county, where there are believed to be more one-employer FLCs, than in Fresno and Kern counties? How do the characteristics of workers who collect UI benefits after working in agriculture compare with workers interviewed by the NAWS?
2. What are the (extra) costs of H-2A workers to employers, and how long does it take for the loyalty and higher productivity of H-2A workers to equate their costs with the cost of hiring settled workers?
3. What are the major categories of FLCs, and how different are FLCs who are "captive" to one or a few employers from FLCs who lack a stable group of clients? How do workforces differ between captive and other FLCs? Do "good" FLCs that charge higher commissions and comply with labor, tax and other laws offer insurance to employers who use them, while those who charge low commissions impose risks on growers who may be deemed jointly liable for violations? Can the value of the insurance or cost of risk be estimated?
4. Labor, tax, and immigration laws aim to create a level playing field, and enforcement aims to induce compliance. How effective is the enforcement regime at inducing compliance with labor, tax, and immigration laws? Is the major issue lack of education or the cost of compliance, that is, do violators not know about laws or do they calculate that the cost of being detected and fined is less than the cost of violating the law?