

Labor Issues

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Many agricultural producers are currently facing increasing costs and decreasing revenues. The outlook for US agriculture looks gloomy with low row crop prices across the board, along with decreased government support and increased competition overseas. Some row crop producers might be looking at alternative crops that are not experiencing low prices to add to their crop mix. However, some of these alternatives (*e.g.*, organic crops and vegetables) might be labor intensive, requiring special considerations. This article focuses on a primary farm expense that has substantially increased in recent years, labor. Historically, an adequate supply of labor, especially during planting and harvest, has been the primary constraining factor for agricultural producers. With the recent dramatic increases in farm wages, a concern has risen regarding whether many labor-intensive crops can still be profitably produced.

Human resources are both a source of risk and an important part of the strategy for dealing with production risk (RMA, 1997). Managing labor is the main source of this type of risk. Hired farmworkers include field crop workers, nursery workers, livestock workers, farmworker supervisors, and hired farm managers (ERS, 2012). Hired farmworkers make up less than 1% of all US wage and salary workers, but they play an essential role in US agriculture. Wages, salaries, and contract labor expenses represent roughly 17% of total variable farm costs, and as much as 40% of costs in labor intensive crops such as fruits, vegetables, and nursery products. Hired farmworkers continue to be one of the most economically disadvantaged groups in the United States.

The average number of hired farmworkers has steadily declined over the last century, from roughly 3.4 million to just over 1 million (ERS, 2012). The 2010 Population Survey estimates that in 2010, 57.2% of the agricultural hired labor force was foreign-born (US Census Bureau, 2012). Approximately 62% of those foreign employees worked in crop production, while the remainder worked in livestock. How these workers are managed is also changing. Farm labor contractors now play an essential and growing role in the acquisition and allocation of farm labor.

There are several myths or misconceptions regarding the economic nature of agriculture and the farm labor

workforce. These misconceptions can substantially mislead the understanding of the issues and availability of farm labor (Ribera and Knutson, 2013). These myths or misconceptions are: 1) farm labor should be readily available from non-farm sources, particularly in a time of high unemployment; therefore, no farm labor shortage exist; 2) only large agribusiness firms employ most of the farm labor; 3) farm laborers are paid the minimum wage and raising the minimum wage rate will solve the current farm labor shortage; 4) the labor market is national in scope and not local; and 5) producers are in a market position that allows them to simply pass on the cost of farming to buyers of their production.

These five misconceptions were discussed thoroughly in Ribera and Knutson (2013) and shown why they do not hold ground. In fact, two recent survey reports by NASS (2015) and Adcock *et al.* (2015) showed that the average wage paid to farm workers is \$12.27 and \$11.54 per hour, respectively. Similarly, the hourly wage of guest workers hired through the H-2A program ranges from \$10.59 to \$13.80, not including transportation, housing, and administrative costs. All of these hourly wage rates are much higher than the federal minimum wage of \$7.25 per hour. Further, farm labor shortage reports are all over the news, suggesting that there are other factors besides wages that also limit the availability of agricultural workers.

Given that most of the farm workforce is foreign-born and that even at much higher wages than the minimum wage US-born workers are not interested in working at the farm, there is a large push for an immigration policy reform. There is widespread agreement that current US immigration policy is “broken” and in need of repair. The uniqueness of agriculture must be considered in making these repairs. For example, the current H-2A farm labor program is not responsive to the short-term labor needs of produce farmers. In addition, given that animal agriculture is not seasonal, most livestock producers don’t have access to the H-2A program. Unless a new short-term visa program is created, proposals requiring that farmers e-verify will make the farm labor shortage problem worse. Therefore, agricultural producers’ organizations, commodity associations, and lobbying groups, among others support an agricultural labor reform as part of the

US Agriculture and Immigration Policy, mainly to secure the availability of farm labor, which for the most part is foreign-born. However, is legalization of foreign-born workers the solution?

Legalization of illegal immigrants may be a good idea in terms of increasing the supply of farm workers, but it does not ensure a long-term solution to the problem. Legalization increases workers' economic options in the United States, and this makes farm workers more mobile (Charlton and Taylor, 2013). Farm work traditionally has been a first stop for new immigrants, who move on to non-farm jobs when they are able. Legalization under the Special Agricultural Worker program in the 1987 Immigration Reform and Control Act stimulated the movement of immigrant workers out of farm work.

A greater issue than whether the proposed US Agriculture and Immigration Policy reform would fix the shortage of farm labor is the declining trend in the farm labor supply from households in rural Mexico, which are the main source of hired labor for US agriculture. Mexico's farm workforce fell nearly two million workers, 25%, between 1995 and 2010 (Taylor *et al.*, 2012). Main reasons for the decline are the sharp decline in the Mexican fertility rate, a significant expansion in rural education, and an increase in per-capita income, which now exceeds \$15,000 per year (adjusted for the cost of living). The good news for US farmers is that there is a great deal of persistence in farm work: if a rural Mexican does farm work one year, there is more than a 90% likelihood that he or she will do farm work the following year (Charlton and Taylor, 2013). The bad news is that a transition away from farm work is underway. The supply of agricultural workers will not disappear immediately, but US agriculture can expect to see a gradual decline in the availability of Mexican farm workers over time.

Moreover, productivity per farm worker in Mexico tripled, and after a decade of decline, employment on Mexico's fruit, vegetable, and horticultural farms is on the rise (Charlton and Taylor, 2013). In other words, United States and Mexican farmers are competing for a dwindling supply of farm workers. Farm workers in the United States are paid more than in Mexico, but if you add the cost and risk of illegally migrating to the United States, such as traveling long distances, paying a *coyote* (human smuggler), tighter border enforcement, and drug related violence along the border, the potential higher wages might not be enough; especially if Mexican farm workers have jobs already in their own country.

One solution could be to consider other countries with lower income per capita, such as those in Central America, which Mexican farmers are already doing. However, the population in Central American countries is much lower than in Mexico. Compounding the issue, the further you go to import immigrant low-skilled labor, the more expensive it gets.

Another alternative that looks more sustainable would be to change crop mixes and invest in technology to reduce the dependence on farm labor. These mainly apply to fruits and vegetables where new technology usually for harvesting those crops needs to become available, like shake-and-catch harvesting. Otherwise some of those high labor crops won't be able to be produced in the United States.

Agricultural economists have an important role to play by informing constituent groups and the public with objective analysis of the consequences of proposals to change immigration policy. If or when a new immigration policy is enacted into law, farm employers and employees will need to be made aware of its provisions and implications for their operations. Economists can help measure the economic feasibility of adopting new farm technologies, such as precision agriculture, mechanical harvest and use of UAVs (drones) to collect field information, among others. In addition, further analysis is required to determine if the decline in immigrant farm workers is short lived or if we are facing a new reality of a shrinking supply of farm workers globally.

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