Migration and US Agriculture

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Highlights

• 4 sections: Industry profile, evolution of migrant employment, migrant impacts, policy options and their consequences
• Large FVH farms = small share of US ag, but big share of hired farm workers
• CA FVH history: break up big vs consolidate small, not necessary with waves of migrants
• ¾ of workers = migrants; ½ unauthorized; pressure on farm employers via boycotts
• Should policy legalize current unauthorized and make it easier to hire guest workers?
3 S’s of Farm Labor

• Sales: FVH farms: small share of US farms and acreage, but half of farm labor expenses in 2007 and a third of crop sales

• Labor’s share in FVH: 20 to 40 percent of production costs (labor = 15% of all prod costs)

• Seasonality: bio production process and fluctuating demand for labor

• Dealing with seasonality:
  – Pay higher wages to support workers year-round
  – Top-up seasonal earnings with MSFW assistance that may expedite exits from seasonal ag labor force
  – Hire workers from poorer countries—settle or return?
3 Cs of Farm Labor

• 2.2 million farms (2007); less than ¼ hire any workers; less than 15,000 pay >$250,000 in wages

• 3 C’s of hired farm labor: concentration, contractors, and conflict

• Concentration: Top 10 FVH producers often account for more than half of US production of table grapes, lettuce etc, that is, 1,000 significant FVH employers

• Contractors: intermediaries who, for a fee, bring workers to farms; asymmetric info and 20-40% commissions; FLCs cheat govt or workers

• Conflict: continuous bargaining; exits to nonfarm
3 R’s of Labor Markets

• Recruitment: FVH farms often hire crews of workers via intermediaries, not individuals

• Remuneration (wages): hourly vs piece rate
  – Piece rates keep costs predictable without careful screening of new hires
  – But share of jobs that pay hourly wages has risen with (1) minimum wage increases and (2) technology that allows employers to monitor pace of work, conveyor belts (NAWS: ¾ of crop jobs pay hourly wages)

• Retention:
  – Short-run: iron triangle in piece rate wage systems between min wage, piece rate, and prody standard
  – Long-run: NAWS finds 15-20% “new workers” each year, in US less than 12 months
  – Does high turnover have costs? Negative HK?
Farm Labor Trends

• Increasing share of farm work done by hired workers, esp on large FVH farms (and dairies)
• Unique ag HR—farm operators = older whites; farm workers = younger Hispanics
• Intermediaries often assemble crews to fill seasonal jobs via network hiring—current workers bring relatives and friends into workplace; they refer only appropriate workers & often train them
• Gaps or layers between employers and workers—who deals with problems? Who is responsible?
Hiring via FLCs

• Theory: intermediaries = mutual benefits: contractors minimize search time for employers and workers

• Reality = asymmetric information
  – Employer knows more about jobs, workers more about abilities, thus signaling, efficiency wages etc
  – Employers have more information and bargaining power than contractors to set commissions

• Minimum wage sets a wage floor; bargaining is over FLC commissions, 25 to 40% above the minimum wage to cover payroll taxes, UI, workers comp, record keeping and profit
FLCs: Info and Risk

• Decentralization of information inherent in contractors can lead to simultaneous labor shortages and surpluses (request too many and overpromise)

• Some FLCs “cheat” workers or governments to earn a profit by:
  – Charging workers for services: housing, rides to work, check cashing (newcomers need services)
  – Not paying (all) required payroll taxes
  – Result: contractors tend to hire newly arrived and unauthorized workers; often first job for newly arrived (unauthorized) farm workers is with FLCs
  – Blame contractors for labor law and immigration violations
Immigration 1

• Early 1980s: 20-25% of CA farm workers were unauthorized; enforcement was BP worker chase; risk was loss of workers, so more unauthorized in least-perishable crops with FLCs (citrus, not lettuce)

• 1987-88: IRCA legalized 1.1 million unauthorized farm workers (SAWs), H-2A program streamlined, new free-agent RAW (1989-93, not used)

• Expectation: farm labor costs increase to:
  – Retain newly legalized SAWs
  – Build housing and pay AEWR to H-2As

• But unauthorized migration up; workers with false documents diffused throughout US
Special Agricultural Workers (SAW) and Unauthorized Farm Workers
Since mid-1990s: over 50% of hired workers on crop farms have been unauthorized.

Farm employers: give us RAW #2—market-based guest worker program that does not require employers to: (1) try to recruit US workers under DOL supervision; and (2) no requirement for free and approved housing.

December 2000: AgJOBS negotiated between worker advocates and farm employers. Why? Expectation that Presidents Bush and Fox would negotiate a new guest worker program; try to strike a better deal.
Immigration 3

• AgJOBS: would repeat IRCA’s legalize current unauthorized and ease guest workers with twists —earned legalization, more H-2A changes

• Legalization: up to 1.5 million unauthorized could become probationary immigrants and earn regular immigrant status with continued farm work

• 3 major H-2A changes:
  – Attestation replaces certification; end of DOL-supervised recruitment of US workers
  – Housing allowance instead of free housing (adds $1 to $2 an hour in most areas)
  – AEWR: $9 to $12 an hour in 2011, would be rolled back by $1 to $2 an hour and studied
Policy Options

- **Status quo**: more fences and agents on Mexico-US border, I-9 audits, S&L govt laws

- **Enforcement**-only or enforcement-first: mandate E-Verify for new hires, more secure IDs, more interior enforcement and higher penalties; more S&L govt attrition-thru-enforcement laws

- **Comprehensive immigration reform**:
  - More border and interior enforcement
  - Earned legalization for unauthorized foreigners
  - New or expanded guest worker programs
  - Other provisions: DREAM, AgJOBS
  - Likely over-rule S&L immigration laws
Likely Future

• No Congressional action in 2012: no mandatory E-Verify, no new guest workers

• Federal enforcement continues: more I-9 audits, Secure Communities, deport 400,000 foreigners a year (deportations exceeded apps for first time in FY2011)

• State laws: attrition through enforcement:
  – Require employers to use E-Verify to check new hires (Arizona LWA upheld by US SC)
  – Require police to determine legal status of persons encountered; fine/prison for being unauthorized
  – No contracts with unauthorized, can’t deduct wages paid to unauthorized, schools to determine legal status of children
If labor costs rise

• Expect demand for labor to fall but not supply of US workers to rise much
• Responses vary by commodity, time horizon
• Widespread reductions in demand:
  – Labor-saving mechanization, including herbicides
  – Pick less often
  – Fewer, larger, and more specialized farms, and perhaps more seasonal demand peaks
• Potential labor supply changes:
  – Mechanical aids to increase productivity & enlarge the pool of available workers (older workers and women with conveyor belts)
  – Retain current seasonal workers longer?
  – Invest in housing and hire more H-2As?
Washington Apples

• Produce almost 60% of US apples; 80% sold fresh; 25% exported

• Trends:
  – from traditional red and golden delicious varieties (from 80 to 40% 1990-2010) to Gala, Fuji etc
  – Longer picking season with newer and higher-value varieties; dwarf trees, trellised

• Mechanization?
  – traditional varieties easiest to shake —variety change makes mechanization harder—more repicks

• Labor changes:
  – Saddle-demand for labor: cherries, gap, apples
  – H-2As as loyal workers; invest in housing
  – Mech aids in non-harvest pruning and thinning
Florida Oranges

• Processed into FCOJ; Brazil = low-cost producer
• Most oranges hand-picked by workers from ladders into bags, dump into bins. Piece rate- almost $0.01 for oranges worth 5-6 cents/pound
• Mechanization?
  – Best with smaller trees planted for machine harvesting
  – Newer plantings in southwestern FL contribute to 10% mechanical harvesting; abscission chemical for late-season valencias?
• Labor:
  – FLCs—more in FL than any other state
  – More H-2A workers for farmers with housing
  – What interaction of trade, innovation, and wages?
California Lettuce

- CA: 8 months; AZ: 4 months-little trade
  - 60% of lettuce = iceberg; more contracts and bags
- Very large producers: top 10 = 2/3 or more of total prod; history of innovation
- Mechanization?
  - 1970s: electronics to selectively harvest; too expensive
  - About ¾ of iceberg harvested in 1st pass
  - Baby-leaf lettuce easier to mechanize
- Labor:
  - Generally higher-than-average wages, nonfarm unions in packing etc
  - Yuma: aging green-card commuters & BP agents lead to labor shortages and H-2A
Florida Tomatoes

• SW Florida produces 60% of US-mature greens between Nov-Apr; 16 major producers
• Competition from Mexico & Canada vine ripes
• Mechanization?
  – Picked by hand in 35-pound buckets for 40-45 cents
  – Stakes make it hard to mechanize; machines in CA in 1980s (no stakes)
• Labor:
  – CIW used boycotts of fast-food chains to win 3-party agreements that raise piece rate by penny a pound; November 2010 FTGE allows growers to pass on
  – Higher wages: non-staked varieties, selective or nonselective harvester?
  – Higher wages: Demand down? More imports?
Ag Communities

- Immigrants and their US-born children account for over half of US pop growth; more in some ag communities
- US-educated children of foreign-born migrants shun their parents’ jobs; puts ag America on an immigration treadmill?
- I-9 audits & SSN mismatches circulate the unauthorized; what training and productivity?
- California: 25 of 485 cities, per capita Y < Mexico
  - Parlier: buckle of the raisin belt, 13,000 pop, med 26
  - 97% Hispanic; 64% of adults did not complete HS
  - 80% do not speak English at home
  - Per capita income (2009) = $10,800; Mexico = $10,000 or $14,000 at PPP
Conclusions

• Hired workers do most work on large FVH farms and dairies; high turnover--most new entrants are unauthorized Hispanics; risk of labor costs rising with enforcement or reform

• Uneven impacts of rising labor costs:
  – Accelerate mechanization and structural changes toward fewer and larger farms? CA raisins
  – Tip toward mechanization? FL oranges, more uniformly ripening lettuce and once over harvester?
  – Slow current expansion or variety change? CA strawberries, WA cherries, WA apples
  – Expand imports? asparagus
More Information

• http://migration.ucdavis.edu esp Rural Migration News and Changing Face
