

The Immigration Reform and Control Act



Editor's note

One of the great concerns about passage of the Immigration Reform and Control Act of 1986 was the effect it would have on agriculture in California. There were predictions that growers, unable to hire enough help to harvest their crops, would have to leave them to rot in the fields.

Two groups of University researchers tried to assess the reality of the farm labor dilemma in the fall of 1987 by surveying growers. Although their purposes and sampling procedures were different, both surveys included questions about the impact of IRCA on 1987 harvests. As reported on the following pages, they both essentially found that crop losses due to a labor shortage did not materialize to the extent predicted. The future impact of IRCA remains to be seen. Because of the widespread interest in this subject, we have devoted extra space to it in this issue of California Agriculture. Other articles will follow in coming issues.

IRCA's effects on large farms

Philip L. Martin □ Stephanie Luce

In August-September 1987, soon after the Immigration Reform and Control Act began to affect agriculture, we conducted a survey to determine its effects on California farm employers. Our farm labor survey was mailed to the members of several farm organizations, and the responses were analyzed by the University of California, Davis.

Those responding to the survey—a total of 139 farms—were large employers, averaging 213 seasonal employees in 1986 and a total payroll of \$827,000 each. Of the respondents, 59 percent reported being affected by IRCA; a typical comment was that IRCA increased the farm's paperwork or affected the timing of farm activities. Only six farms, however, reported crop losses caused by labor shortages in 1987. The respondents said that 44 percent of their 1987 workers were expected to apply for amnesty, or 45 workers per responding farm.

The survey also indicated that the 139 responding farms hired slightly fewer

seasonal workers in 1987 at slightly higher wages than in 1986. Seasonal worker employment on responding farms decreased 10 percent between 1986 and 1987; this decrease may reflect both IRCA and the fact that not all 1987 hiring had been done at the time of the survey. The average hourly wages of seasonal workers rose 4 percent to \$4.79 between 1986 and 1987.

The farm labor survey

A one-page farm labor survey was mailed in August-September 1987 to members of the following organizations: the Farm Employers Labor Service, a Farm Bureau affiliate; the California Grape and Tree Fruit League; the Western Growers Association; the Imperial Valley Vegetable Growers Association; and Agricultural Producers. A total of 2,500 questionnaires were mailed; it is hard to determine an exact response rate because each organization's mailing list includes, in addition to farm employers, many people

who are not farmers and therefore not expected to respond. The responses appear to be most representative of conditions on the largest farms. For example, the average survey respondent paid \$827,000 in farm wages in 1986; unemployment insurance data for 1984 indicate that only 400 California crop and livestock employers paid more than \$1 million in wages, but they paid over 40 percent of all California farm wages.

The survey obtained data on the effects of IRCA, employment fluctuations in 1986, major commodity produced, and payroll taxes and fringe benefits. Many respondents answered some but not all of the questions; for example, more respondents answered the questions on immigration than on the cost of fringe benefits. We have presented the number of responses (n) for each set of questions.

IRCA's effects

A central immigration-related question is whether and how IRCA is affecting farm employers.

The first set of questions asked employers if their farms were affected; 59 percent of the 139 respondents said yes (table 1). Those affected were asked if they had any crop losses due to IRCA-caused labor shortages in 1987; only six reported such losses. A San Diego strawberry grower who reported that one-third of the farm's 140 workers were illegal alien workers earning \$3.60 an hour lost 10 percent of the 1987 strawberry crop. The typical effect of IRCA cited by respondents, however, was that additional clerical work was necessary to provide documentation to workers seeking amnesty. More farmers said that their neighbors lost crops due to IRCA-caused labor shortages (12) than said that they themselves had IRCA-related crop losses (6).

Respondents reported that 44 percent of their current workers—45 workers per farm—were expected to apply for amnesty. The total farm wage bill reported by survey respondents was almost 4 percent of statewide crop wages; if the respondents are representative, then about 125,000 California applicants for legalization should be expected (INS reported that 132,000 Special Agricultural Worker legalization applications had been filed in California through February 1988).

Field crop and fruit farms were most affected by IRCA, but fruit farms reported a slightly lower than average percentage of workers who would seek amnesty. The field crop and fruit farms were also the largest employers.

Farm employers were also asked about their total employment of seasonal workers (all persons employed less than six months on the responding farm) in 1985, 1986, and 1987. There were few significant changes in employment among this

TABLE 1. Effects of Immigration Reform and Control Act on survey respondents and their workforce, August-September 1987

Commodity* responses	Total	Farms affected by IRCA		Workers expected to get amnesty			Amnesty of current workers		Current 1987 workforce		
	n	n	%	n	Total	Avg./farm	n	%	n	Total	Avg.
Fruits	91	90	62	72	3,515	49	75	42	70	10,475	150
Hort. spec.	11	11	45	9	112	12	9	53	9	445	49
Field crops	12	12	67	6	494	82	7	54	6	1,120	187
Vegetables	23	23	52	17	656	39	21	46	17	1,548	91
TOTAL†	139	138	59	106	4,782	45	114	44	104	13,610	131

* Averages reflect only those responding to the question.

† The total includes a few surveys without a commodity, region, or organization.

TABLE 2. Employment and wages of seasonal workers on responding farms

Commodity*	1985			1986			1987		
	n	Total	Avg.	n	Total	Avg.	n	Total	Avg.
Seasonal workers hired:									
Fruits	80	19,157	239	81	19,701	243	77	18,031	234
Hort. spec.	5	1,304	261	5	1,041	208	4	1,153	288
Field crops	9	1,907	212	10	1,624	162	9	1,189	132
Vegetables	16	1,711	107	16	1,717	107	19	2,379	125
TOTAL†	111	24,094	217	113	24,098	213	110	22,767	207
Hourly pay:									
Fruits	67	—	\$4.40	70	—	\$4.49	68	—	\$4.64
Hort. spec.	8	—	\$4.07	8	—	\$4.15	7	—	\$4.47
Field crops	9	—	\$4.44	9	—	\$4.54	9	—	\$4.69
Vegetables	15	—	\$5.43	15	—	\$5.49	17	—	\$5.66
TOTAL†	101	—	\$4.52	104	—	\$4.60	103	—	\$4.79

* Averages reflect only those responding to the question.

† The total includes a few surveys without a commodity, region, or organization.

TABLE 3. Payroll, payroll taxes, and fringe benefit costs on responding farms in 1986

Commodity*	Payroll			Payroll taxes		Fringe benefits	
	n	Total	Avg.	Total	Percent	Total	Percent
		\$1,000	\$	\$1,000	%	\$1,000	%
Responses to payroll question only:							
Fruits	70	\$58,430	\$ 846,815	—	—	—	—
Hort. spec.	10	\$ 8,223	\$ 822,254	—	—	—	—
Field crops	7	\$ 2,364	\$ 337,698	—	—	—	—
Vegetables	11	\$12,694	\$1,154,011	—	—	—	—
TOTAL†	99	\$81,904	\$ 827,316	—	—	—	—
Responses to payroll and tax questions:							
Fruits	37	\$24,231	\$ 654,891	\$ 3,044	13	—	—
Hort. spec.	5	\$ 6,439	\$1,287,839	\$ 777	12	—	—
Field crops	4	\$ 1,219	\$ 304,721	\$ 155	13	—	—
Vegetables	8	\$ 5,126	\$ 640,768	\$ 985	19	—	—
TOTAL†	55	\$37,209	\$ 676,523	\$ 4,994	13	—	—
Complete payroll responses:							
Fruits	19	\$14,601	\$ 768,479	\$1,478,205	10	\$ 485	3
Hort. spec.	4	\$ 6,191	\$1,547,866	\$ 751,118	12	\$ 636	10
Field crops	2	\$ 811	\$ 405,741	\$ 84,800	10	\$ 162	20
Vegetables	5	\$ 3,910	\$ 781,930	\$ 712,370	18	\$ 439	11
TOTAL†	31	\$25,707	\$ 829,266	\$3,059,517	12	\$1,746	7

* Averages reflect only those responding to the question.

† The total includes a few surveys without a commodity, region, or organization.

limited sample of mostly large farm employers—average seasonal field crop employment fell and average vegetable employment rose (table 2).

The average hourly wages of seasonal workers reported by farm employers responding to this survey are consistent with other data; that is, vegetable wages were highest and horticultural-specialty wages lowest. Average hourly wages rose 2 percent between 1985 and 1988 and 4 percent between 1986 and 1987; horticultural wages rose the most and livestock wages were unchanged on the two re-

sponding farms. Regional wage differences were also as expected: Central and South Coast wages were 18 percent above the statewide average, and wages in the San Joaquin Valley, southern California, and the Sacramento Valley were 6 percent below the statewide average.

Payroll and fringe benefits

Agriculture has traditionally offered easy entry positions with few work-related benefit programs, so that wages and salaries constituted most of a farm's labor costs. Many California farms now find,

however, that payroll taxes for Social Security, unemployment insurance, and other worker benefit programs add 10 to 20 percent to wage costs. We asked farm employers to separate their total 1986 payroll into the cost of payroll taxes such as Social Security and the cost of vacation pay, health insurance, and other fringe benefits.

Responses were very uneven: 99 of the 139 respondents reported total payroll, of which 55 reported total payroll and payroll taxes, and 31 reported total payroll, payroll taxes, and fringe benefits (table 3). The 99 responding farms averaged payrolls of \$827,000; they may be representative of the 400 California crop and livestock growers who have payrolls of \$1 million or more annually. Average payrolls of the 99 respondents were highest in vegetables.

Payroll taxes for Social Security, workers' compensation, and unemployment insurance averaged 13 percent of total payroll costs for the 55 respondents who reported this information. Payroll taxes ranged from 12 percent in horticulture to 19 percent in vegetables.

Only 31 respondents provided complete payroll tax and fringe benefit data. For these farms, payroll taxes averaged 12 percent and fringe benefits 7 percent of total payroll. Fringe benefits were a higher percentage of payroll in vegetables than in fruits; responses in the other commodities are too sparse for generalization. These percentages are quite different from payroll taxes and fringe benefit costs in the nonfarm sector: the U.S. Bureau of Labor Statistics reported that payroll taxes were 8 percent and fringe benefits 18 percent of total payroll costs in the nonmanufacturing nonfarm economy in 1986.

Conclusions

Media reports during the summer of 1987 suggested that many western growers were losing crops because of IRCA-caused labor shortages. However, our August-September 1987 survey of California farm employers, although limited in the number of responses received, suggests that the major impact of IRCA has been additional paperwork; only 6 of the 139 respondents reported crop losses caused by labor shortages.

Survey respondents reported that they expected 44 percent of their current workers to become legalized U.S. residents, or an average of 45 per farm. Responding farms had virtually no change in seasonal worker employment between 1985 and 1987, but their average hourly wages rose slightly.

The average responding farm had a 1986 payroll of \$827,000, suggesting that the 139 surveyed farms may be most representative of the state's largest farm employers. On responding farms, payroll taxes averaged 12 percent and fringe benefits 7 percent of total payroll costs, a dramatic difference from the nonfarm sector, where nonmandatory fringe benefits are typically twice as costly as payroll taxes.

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Initial effects of the new immigration law on California agriculture

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The Immigration Reform and Control Act (IRCA) of 1986 prohibits the employment of persons not legally entitled to work in the United States. It imposes on all employers new hiring and record-keeping obligations, with stiff fines for noncompliance. It creates a means of obtaining legal resident status, particularly for "special agricultural workers" (SAWs) employed during 1985-86 in fruits, vegetables, and other perishable commodities specified by the Secretary of Agriculture. (See *California Agriculture*, March-April 1987.)

Will this sweeping law fundamentally alter the structure of California agriculture? Significant parts of the law affecting agriculture are not yet in effect, and IRCA defers until December 1, 1988, enforcement of employer sanctions for hiring ineligible workers to perform "seasonal agricultural services" (in SAW program commodities). After months of confusion and controversy, the U.S. Immigration and Naturalization Service (INS) formally stated in January 1988 that this grace period also excuses failure to complete the

required employment eligibility (I-9) form.

Deferred compliance with the new hiring standard also delays nonmandated management adjustments to the expected contraction in farm labor supply. The accuracy of predictions about the impact of immigration reform therefore cannot be known until well after December 1, 1988. But responses to the law have begun to unfold over the past year.

In late October 1987, nearly a year after IRCA was signed, we surveyed agricultural employers in California to find out about their initial adjustments to the new law. The California Agricultural Statistics Service, Department of Food and Agriculture (CDFA), drew a random sample of 2,000 employers for the study. In both a pre-survey postcard and a letter accompanying the questionnaire, we explained to recipients the purpose of the survey and assured them of anonymity.

Of 1,938 employers who received our questionnaire, 498 (26 percent) responded. The survey respondents are

representative of all California agricultural employers, as characterized by the 1982 Census of Agriculture, in terms of geographic and commodity distribution. Returns from medium-size organizations exceed their proportionate shares of the population, however, and returns from small organizations fall short of census levels.

For our analysis we used 444 California-based responses that provided data on work-force size and commodity identification (table 1). Geographical groupings coincided with CDFA reporting areas. Multi-location employers were counted in the area where they produced output of greatest value.

Respondents were asked to indicate up to three types of commodities from which they derived the most revenue. A large majority (68 percent) of survey respondents produced only SAW crops. Commodity groups that do not fit in this category are dairy, poultry, other livestock, and other crops (mostly silage and cotton).