

Economics of California Farm Labor: The Supply, Demand and Regulatory Situation

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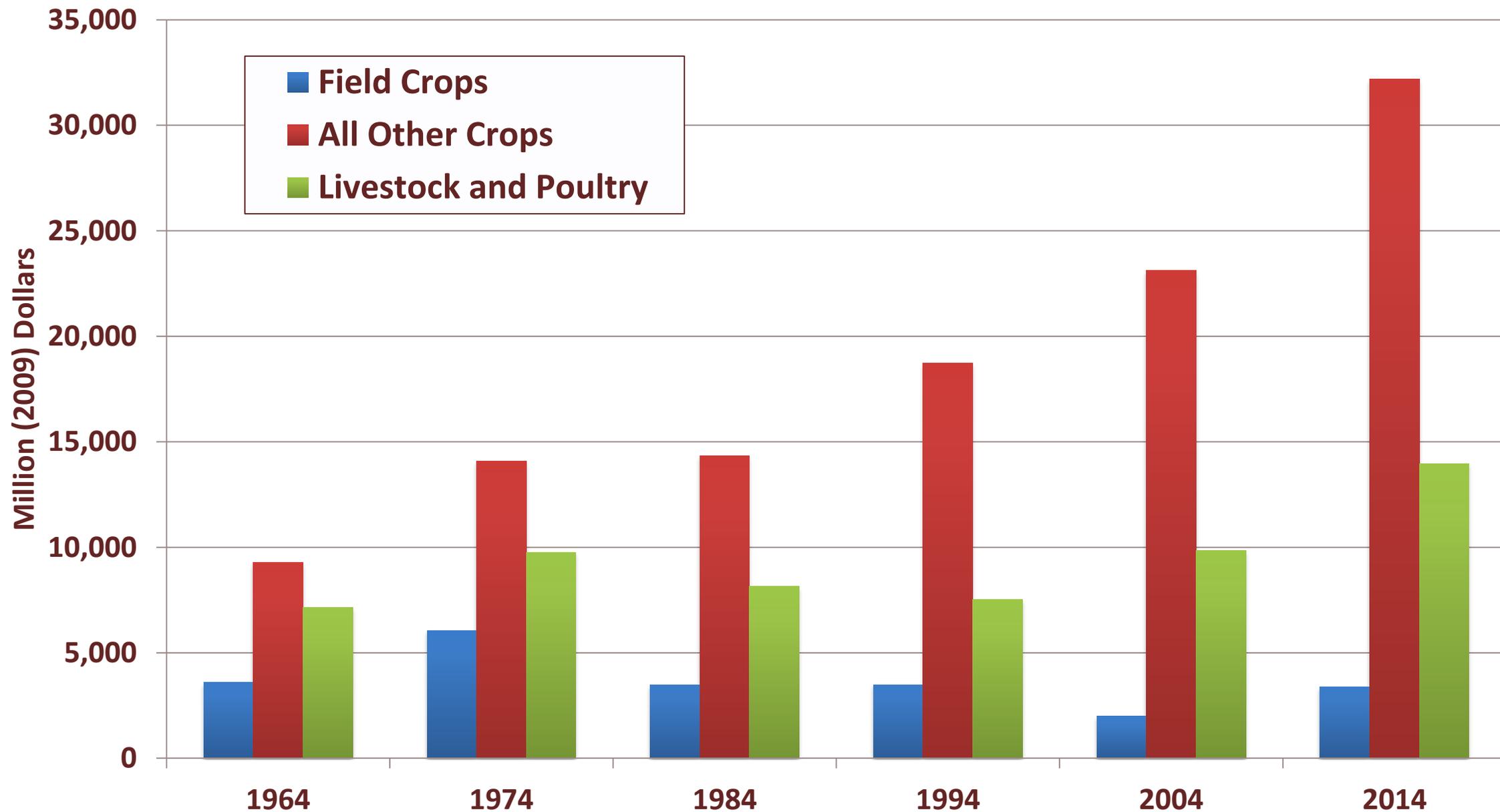
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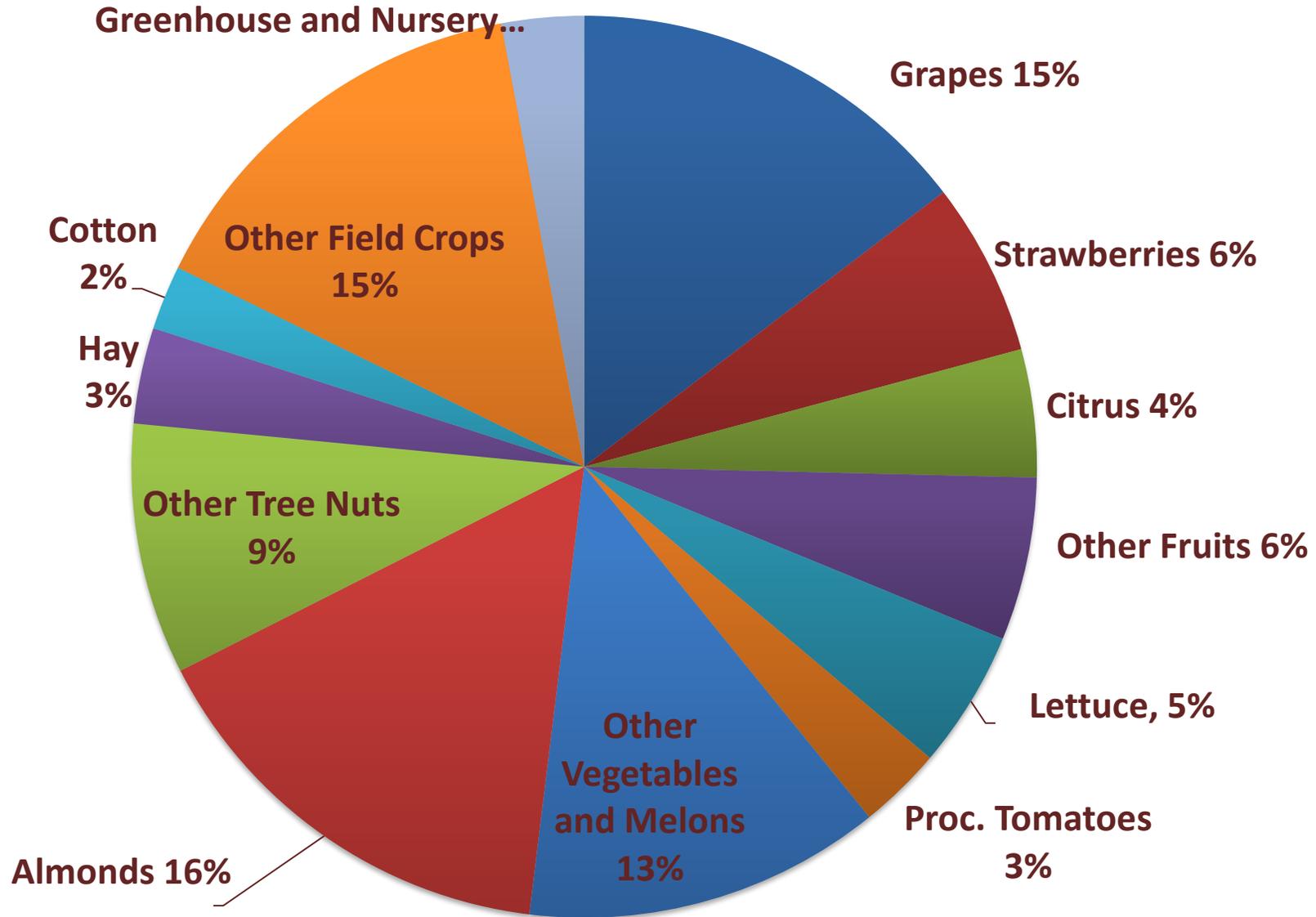
Outline and main points

- 1. Labor demand side trends: more demand for labor intensive crops, but high marketing margins limit the size of the market in U.S. California costs are high**
- 2. Labor supply side: Farm labor grows slightly with more hired labor use in California. Up 10% in a decade, berries grew; some other crops, more mechanized or acreage down**
- 3. Almost all farm workers are immigrants (often undocumented) few additional immigrants; labor force ages; some H-2A program use. Maybe new programs?**
- 4. Hired Labor is a big share of costs and a limiting resource for some farms**
- 5. Continuing use of farm labor contractors**
- 6. Increased demand has meant gradually higher wages as labor market outside farming improves, more rapid wage jumps recently**
- 7. Minimum wage increase to \$15 by 2022 is unlikely to be binding in most situations**
- 8. Overtime for over 8 hours per day and 40 hours in a week is more likely to cause shifts in practices maybe not more earnings by workers but other adjustments?**

Real (2009) Value of California Crops and Livestock, 1964-2014



California Crops Cash Receipts



Labor Costs as a Share of Costs for some Crops

2013 Asparagus, Delta: Labor: 82% of operating costs; 69% of total costs

2015 Oranges, SJ-south: Labor 67% of operating; 47% of total

2014 Strawberries, organic, CC: Labor 42% of operating; 37% of total

2015 Romaine Hearts, CC: Labor (include custom); 58% of operating; 47% of total

2015 Spinach, organic, CC: Labor: (include custom); 36% of operating; 28% of total

2014 Proc Tomato, Sac V.: Labor (include custom); 25% of operating; 21% of total

(includes labor shares for custom costs for transplanting and harvesting)

For comparison, Alfalfa has labor costs that are 2% of total costs and custom harvest costs

(includes machinery) that are 14% of total costs.

A few base numbers for farm labor in California

- **420,000 employment in 2015 all agriculture in California**
- **176,000 direct hires**
- **100,000 in fruits and vegetables 25,000 strawberries and 25,000 grapes**
- **209,000 hired by “support firms” ... labor contracting**
- **83% had “primary” earning from farm work**
- **72% of these worked for a single employer (but that may be a labor contractor so they worked on several farms).**
- **\$12,700 Annual “full time” earnings average for “crop support” and**
- **\$17,600 direct hire in F&V.**
- **Higher earnings in other agriculture ... more hours and more machine and such work ... Cattle ranching \$29,000 but few workers**

California Labor Policy issues

Border issues and immigration:

The border itself may be less important than the current workforce

Avoid aggressive immigration moves against current workers

Is a new and more cost-effective temporary worker program now possible?

Can current workforce become regularized through a guest worker option?

Minimum wage:

The new minimum may not be binding given labor trends. But, puts added emphasis of improving value of productivity of the labor force

Incorporate new incentives from higher wages (and scarcer labor in general) into the analysis of every innovation and practice

Can higher wages attract significantly more workers from other rural low-wage employment? We should know more about this? It does not take many non-farm workers to shift. Can farm work be a job to attract the young?

California Labor Policy issues

Overtime regulations: overtime pay for more than 8 hours per day and more than 40 hours per week

Many options for dealing with routine long hours during peak seasons:

- **Just pay the higher wages and no other adjustments**
- **Hire additional workers for 8/40 to increase output**
- **Run two shifts and new workers for weekends etc.**
- **Few new workers, but workers changing employers for part time work sharing**
- **Workers work for two employers during peak season but less than 8/40 for each**
 - **Must make sure this does not violate regulations.**
 - **More investment to get more harvest or pruning or other peak**

Farm Labor Compliance

- 1. Sustainability compliance and certification continues to attract buyers and NGO attention**
- 2. Hired labor is a growing part of the social dimension sustainability certification. Not clear if rules improve wages or working conditions**
- 3. Some buyers impose their own standards, others sponsor or support third party certifiers**
- 4. There seems to be relatively little “consumer” willingness to pay, unlike food safety which is front and center for consumers, but that does not stop retailers and others from pushing this forward**
- 5. Private compliance may be ahead of regulations for larger growers selling to larger buyers**
- 6. Thus worker issues may be wrapped into other compliance issues**

Farm Labor Arithmetic and Economics

- 1. Hired Labor is farms**
- 2. But, other inputs ... Water, high quality land in the right places are also scarce**
- 3. Farm labor costs grow with wages and regulations and are a high share of operating costs for many important crops (less so dairy)**
- 4. As farm labor becomes less available wages must rise and working conditions must improve.**
- 5. But how much wage rise and working condition improvement is required to get significantly more access to labor at crucial times? We just do not know?**
- 6. This also implies more investment in reduced labor per unit of output (yield increase is one way to do that, other ways to improve worker productivity and conditions of work)**
- 7. Land prices fall as land shifts to less labor intensive crops (tree nuts rather than tree fruits for example), perhaps winegrapes rather than fresh produce**
- 8. Economic adjustment occur on every margin.**

Thank you

