

What's Next for California Farm Labor?

Philip Martin: plmart@ucdavis.edu

Highlights

California had farm sales of \$50 billion in 2017, 13 percent of US farm sales and twice the farm sales of the #2 farm state, Iowa. California's farm sales rose 35 percent from \$37 billion in 2007, just before the 2008-09 recession and the 2012-17 drought. Between 2007 and 2017, the value of grapes doubled to \$6 billion, the value of strawberries doubled to \$3 billion, and the value of almonds tripled to \$6 billion.

Almost 90 percent of California crop workers were born abroad. Most foreign-born workers are unauthorized, making over half of California crop workers unauthorized. Farm workers are aging and most have families that include US-born children. There are twice as many H-2A workers in California than unauthorized newcomers who have been in the US under a year. H-2A workers cost more than unauthorized workers, who pay their own way to the US and arrange for their own housing and transportation to work. The total labor costs of H-2A workers are \$20-\$24 an hour, versus \$16-\$18 for US (including unauthorized) workers.

Rising labor costs have led to a race in the fields between machines, migrants, and imports. Responses vary by commodity: mechanization in wine grapes versus H-2A migrants in berries and vegetables. Management changes, machines, and imports will reduce farm employment, but (1) the exact mix of machines, migrants, and imports, and (2) the timing of these labor-saving responses, will vary by commodity, with responses shaped by technical challenges, consumer acceptance, federal trade and migration policies, and state labor policies.

Farm Worker Employment

There are several measures of farm employment. Some 30,400 California farms hired 377,600 workers in 2017 directly, according to the Census of Agriculture; the 6,400 farms that hired 10 or more workers directly accounted for 308,600 or 82 percent of the total. Half of farm workers were employed for more than 150 days on the responding farm. The COA reported \$12 billion in labor costs, including 60 percent or \$7.2 billion for directly hired workers and 40 percent for contract workers. The COA reports what farmers paid to contractors, but not how many workers the contractors brought to farms.

The QCEW or UI data include contractor employment and wages. The QCEW finds fewer employers, more hired workers, and higher labor costs. Some 16,250 California farm establishments reported average employment of 422,000 in 2017 and total wages of \$14 billion. The number of farm establishments fell eight percent between 2007 and 2017, average employment rose nine percent, and wages paid rose 55 percent.

Average weekly wages in CA agriculture were \$640 in 2017, about 45 percent of the \$1,440 weekly average in California's private goods-producing industries. Weekly farm wages rose faster over the past decade, up 42 percent versus 34 percent for nonfarm wages, with a big jump in 2016 from \$580 to \$620, twice the usual \$20 annual increase. Fresno's average weekly wages of \$580 for all ag workers are lower than the \$720 weekly in Monterey and the \$750 in Sonoma, but Fresno wages rose faster, up 50 percent from 2007 to 2017.

More farm workers are being brought to farms by nonfarm employers, especially FLCs, who are two-thirds of crop support-service employment (NAICS 1151). FLC employment is rising, and FLC weekly wages are rising fastest (from a lower base), up 54 percent between 2007 and 2017 to \$480 a week. Weekly wages in grapes and strawberries rose 50 percent, versus 24 percent in greenhouses and nurseries. Bottom line: weekly ag wages are rising faster than nonfarm wages, with a spike in 2016 when the state's minimum wage went from \$9 to \$10 an hour, up 11 percent.

Farm Workers

Farm workers are aging, settled, and mostly unauthorized. Farm work is akin to nonfarm work in the sense that almost all hired crop workers live off the farm where they work, usually in single-family homes that they rent, and drive or car pool to work for an employer who produces fruits, vegetables, or horticultural specialties. Most workers are hired directly by the farm operator where they work.

Most crop workers are employed almost full time, defined as 50-40 hour weeks or 2,000 hours a year. Crop workers average about 1,500 hours of work a year and earn California's minimum wage of \$13 an hour in 2020 earn \$19,500 a year, well above the poverty line of \$12,750 for an individual. With a full-time and part-time worker, most farm worker family incomes exceed the poverty line of \$25,200 a year. Most farm workers own a vehicle.

Responses to Rising Labor Costs

Shortage is not an economic concept. In a market economy, price changes bring supply and demand into balance. Rains that reduce the cherry crop raise prices and encourage some consumers to switch to other fruits, so the smaller supply of cherries matches demand at a higher price. If rising demand for cherries supports higher prices, growers plant more, and they have – US sweet cherry acreage rose 50 percent over the past two decades to almost 100,000 acres.

Rising consumer demand and grower prices encourage farmers to plant more even as they worry about sufficient water and labor to grow and harvest. California labor costs are rising with minimum wage increases, the phase in of 8/40 overtime, health care insurance mandates, and low unemployment.

There are four major responses to rising labor costs, two shorter term and two longer term. In the short term, *satisfying* current workers can reduce turnover, while *stretching* workers with mechanical aids can raise worker productivity and make work more attractive to other workers, as when conveyor belts or platforms replace ladders and attract or retain more women and older workers. Farmers can *supplement* their workforces with H-2A guest workers and *substitute* machines for workers. Produce buyers can also turn to imports.

Many factors affect responses to rising labor costs. Most current workers want to continue to do farm work but, as they age, will mechanical aids that raise productivity justify the \$15 an hour minimum wage and \$20 an hour total labor costs of US workers in 2022?

There are management, technical, and marketing challenges to mechanization, including the need to plant and manage for machines, develop uniformly ripening crops and once-over

harvesters that minimize damage to the plant and the produce, and persuade buyers and consumers to accept machine-harvested fruits and vegetables. Farmers typically receive less than a third of the retail price of fresh produce, and mechanization often requires significant capital upfront to develop and adopt useful machines.

The H-2A program is expanding. If current (unauthorized) workers are paid the minimum wage of \$13 an hour and cost growers \$17 an hour with payroll taxes and benefits, and H-2A workers cost \$15 an hour plus \$7 for transportation, housing, and payroll taxes, do the younger H-2A workers selected for high productivity justify their extra labor costs? H-2As are "loyal" to one employer and motivated to work hard in order to be invited to return next year; how valuable is this labor insurance? Will tensions arise between younger H-2A workers who get free housing and aging local workers who pay for housing?