

The Farmer Takes A Front Man

Introduction

Farm labor contractors (FLCs) are labor market intermediaries who match workers with short-term manual agricultural jobs. Today they comprise the industry category with the largest share of employment on California's farms.

While the origins of FLCs in the state's agriculture are obscure, it is known that the use of labor market intermediaries in European agriculture has a continuous history of more than 2,000 years, dating from the Roman Empire. In contemporary Italy, during the early morning hours before daybreak, "corporales" recruit and hire day laborers who assemble for a "shape-up" in the village square or plaza and then bring them to work on nearby farms.¹ By way of contrast, until late in the 19th Century, U.S. labor-intensive agriculture was able to rely upon both African and Native American slaves as well as indentured servants. Therefore it seems likely that farm labor contracting in the United States is of relatively recent origin.

The present report is a product of a study initiated by the Labor Market Information Division of the California Department of Employment Development for the purpose of learning more about this significant, and increasingly important segment of farm employment. Early in the development of this study the Agricultural Health and Safety Center of the University of California expressed strong interest in understanding how this type of employers address job safety and related concerns; subsequently they provided additional

resources to expand the scale and scope of the work.

An earlier report based on this study summarized findings regarding contractors themselves: their characteristics, business practices, payroll, relationships with government agencies and how they organize their business.² The present report addresses a different set of issues: how their employees and, independently, their clients see the same set of issues.

The simultaneous interaction of FLCs as labor market intermediaries with their employees and their farm clients has not been explored previously. Moreover, the process by which wage rates are set and implemented is little understood, especially in a context in which much farm work is paid on a piece-rate basis.

We especially would like to express our appreciation to the labor contractors, employees and farmers who generously gave their time to our team of surveyors. Without their cooperation it would not have been possible to carry out this investigation. In addition, the staff of EDD, especially of the Labor Market Information Division, have been most patient and generous in assisting with this study. Finally, Gretchen Bradfield, Theresa Castor, Anna Garcia, Linh Huynh, Ricardo Ornelas and Lupe Sandoval carried out much of the work that is reported on here.

California's Farm Labor Market

California has become the nation's leading agricultural state. In large measure this status results from California's role as the single most important producer of high value crops: fruits, vegetables and horticultural crops. Most of these crops,

especially those produced for the fresh market, require a large and flexible labor supply. Peak season harvest labor demand is particularly great in such crops as raisin grapes, wine grapes, lettuce, broccoli, table grapes, strawberries, fresh tomatoes and several others.³

At present, hired farm workers supply more than eighty per cent of all of the labor required to operate California's farms.⁴ It is not widely understood that the fraction of the state's total agricultural labor needs supplied by hired workers has been steadily increasing in recent years. Correspondingly, the fraction of these labor needs contributed by farmers and unpaid family members has declined by very nearly a factor of two since 1950.⁵

Unlike most industries the labor needs of California agriculture fluctuate greatly over the course of a single year. In 1991, for example, reported monthly farm employment ranged from a low of 254,050 in February to a high of 451,787 during September and then fell back to 293,210 in December.⁶

Equally important, although annual average farm employment in California was about 347,333 in 1991, there is evidence that suggests that as many as 881,000 million different persons hold farm jobs in the state at some point during the year.⁷ Thus, most farm jobs are short-term and, from the point of view of the employee, a string of agricultural and non-agricultural jobs must be found to provide the earnings needed to survive.

From the point of view of agricultural producers the vagaries of weather and of the marketplace may dramatically and

unpredictably affect both the timing when labor may be needed and the amount that will be needed. Whether drought, freeze or favorable conditions, producers may suddenly have a very large or a very small labor requirement. As producers would see it, an ideal farm labor market is one with the ability to supply as much labor as may be needed locally on very short notice.

The central problem of the California farm labor market is how to reproduce a flexible labor supply.⁸ Clearly, workers would prefer to be employed year-around but the current labor demand pattern described above precludes that possibility for all but a relative handful of individuals.

Compounding this problem are the very great cultural and linguistic differences between California's farmers and the persons who do hired farm work in the state. The state has 83,217 farms but just 41,906 farm operators report that their principal occupation is farming.⁹ These farmers report that their average age is 55.6 years (fully 31% are over 65) and just 4% are persons of Spanish origin (including persons of Portuguese origin).¹⁰

The state's hired farm work force could hardly be more different. A comprehensive survey of hired farm workers in California found that some 84% of hired seasonal crop farm workers were born in Mexico or Central America, the mean average age was 34 years, the mean average years of school completed was 5.9 and a more than 85% were mono-lingual Spanish speakers.¹¹

Bridging this cultural and linguistic gap is a problem of considerable magnitude even for the important purpose of hiring an

employee or, on the other side, of finding a job. There is clearly a role for bi-lingual recruiters or supervisors to bridge the gap between the farmer and the labor force.

It is surprise for many to realize that labor contractors have become increasingly important in California agriculture, and that this has accelerated in the very recent past. The enactment of the Agricultural Labor Relations Act and the accompanying stabilization of labor-management relations in agriculture seemed to portend a new era in the fields, one in which there would be both labor peace and a more stable work environment. Some predicted that farm labor contractors would disappear and that stable "job ladders" and careers might be possible for thousands of settled migrants.

Figure 1 shows the dramatic increase in reported farm labor contractor employment in California since 1978. From 1978 through 1991, reported annual average employment within Standard Industrial Classification Code (SIC Code) 0761, corresponding to farm labor contractors, increased from 37,697 to 74,308, roughly a factor of 2 in just fourteen years.¹²

Correspondingly, Figure 2 shows that the annual payroll of the employers reporting in SIC Code 0761, expressed in nominal dollars, has increased from approximately \$155 million in 1978 to nearly \$556 million in 1991.¹³ Even when corrected for inflation, the reported wage bill of farm labor contractors rose by 64% in this period.¹⁴

The cuinquennial Census of Agriculture provides additional evidence concerning costs to California farmers associated with the

use of labor contractors. In 1987 the total of farm labor contractor expenses reported by California farm operators was \$613.3 million.¹⁵ This is substantially greater than the \$413 million which California farm labor contractors simultaneously reported as wage payments to their employees.¹⁶

Obviously, the roughly \$200 million difference between what farm operators paid to labor contractors and the wages that contractors reported as having paid is at least partly accounted for by the cost of employer taxes, workers compensation insurance, non-wage expenses of doing business and the contractor's profits. Among farm labor contractors this is referred to as the "commission." On the other hand, in an earlier report on the present study it was found that California farm labor contractor's commissions averaged about 35.9%¹⁷ This would imply a commission, including profit margin, of \$148 million, leaving about \$52 million unaccounted.

By either measure, wages or annual average employment, the reported activity of farm labor contractors in California has shown profound growth in the most recent dozen years. Few industries in the state can boast such a record of growth in this period.

There is little direct information available regarding the extent to which California farm operators tend to rely on farm labor contractors. The only survey to include reports from all farm operators about their labor practices is the Census of Agriculture. According to this source, in 1987 there were 27,980 farms in the state that utilized labor contractors as compared with

39,640 farms that directly hired farm workers (some of these also utilized labor contractors).¹⁸

Analysis of these data also show that there is a farm size dependence for the preference for contract labor as compared direct hire labor. Smaller farms tend to rely more equally on contract and hired labor whereas larger farms tend to rely more heavily on directly hired workers as compared with contract labor. Specifically, among California farms with annual farm cash receipts from the sale of commodities of \$1,000,000 or more, some 98% report directly hiring some workers whereas only 52% report that they used contract labor. But among farms with annual farm cash receipts from the sale of agricultural commodities amounting to less than \$50,000, about 33% report using direct hire employees and about 28% used contract labor.¹⁹

At the level of the individual employee, however, the picture is quite a bit different. Annual average employment, as used in the present context, refers to reported monthly employment figures averaged over the twelve months of the calendar year. Since most California farm jobs are of short duration, the term Full-Time Equivalent (FTE) is probably more suggestive of the real meaning of annual average employment. In 1991, for example, there were 74,308 FTE employees reported in the SIC Code 0761 (Farm Labor Contractors). But a great many more individuals than this actually shared such FTE jobs.

A careful examination of the different Social Security numbers reported as having farm earnings in 1989 provides some important

insight into this question. In that year, annual average employment in SIC Code 0761 was reported to be 71,180. But the number of different Social Security numbers corresponding to persons holding such jobs was 302,766.²⁰ To the extent that distinct Social Security numbers represent different people, this suggests that 4.25 persons shared each FTE labor contractor job during 1989. Extending the argument further, of the 881,000 different Social Security numbers reported holding farm jobs, about 34% reportedly corresponded to persons employed by a labor contractor for some portion of the year.

Average annual earnings of an FTE labor contractor employee in 1991 amounted to \$7,480.²¹ This figure has declined substantially since 1978 when, correcting for inflation, an FTE labor contractor employee earned \$8,619. The decline in earnings amounts to 13% over the period.

These observations about employees of labor contractors can be contrasted with analogous observations concerning employees of crop farmers (SIC Codes 0111 through 0191). Average annual earnings reported for an FTE crop farm employee amounted to \$13,455 in 1990, approximately 80% greater than those of an FTE labor contractor employee.²² And the average number of persons sharing an FTE crop farm job was 3.11.²³

In summary, overall employment and earnings data show that farm labor contractor employment and payroll have increased significantly in California in the most recent dozen or so years. Second, annual earnings of an FTE labor contractor employee today

are about \$7,500, or roughly 56% of those of an FTE crop farm employee. Finally, more than four different persons shared a single FTE labor contractor job in 1989.

There is one additional significant source of data on California farm labor contractors: the NASS Survey of Farm Employers (USDA) reported in Farm Labor. NASS' survey collects data directly from employers and includes contemporaneous employment, wage rate and weekly hours of work for certain Agricultural Service providers, mainly farm labor contractors, since 1978. Their data includes separate series for California, Florida and the United States. The survey reports data for the seven days which are included within the second full week of the month for each of January, April, July and October. Since the EDD wage reports refers to the pay period which includes the twelfth day of the month, it is not unreasonable to expect a relatively close, though not exact, correspondence between the NASS survey and EDD wage reports for these four months. However, there is a very great difference between these two sets of data.

Figure 3 shows the EDD wage reports for 1991 together with the corresponding NASS survey results.²⁴ Quite clearly, there is a very large discrepancy between the two sets of reports. It has been suggested that at least part of the discrepancy results from differences in definition between the two sets of reports.²⁵ For example, NASS data excludes those classified as 0723 (Crop Services for Market) if the activity corresponds to "processing." Similarly, the EDD "pay period including the twelfth day of the

month" is much broader than the "seven days beginning ..." used by NASS.

The Purpose of the Present Study

The questions we are seeking to answer include the following. Does a grower's decision to use a labor contractor depend upon farm size, crop or region of the state? What are the management practices of labor contractors? How do they recruit, hire and train their employees? How do they find jobs for their employees? What are the pay scales they presently use? How many pay benefits? What are their safety practices? How do the characteristics of FLC employees compare with farm employees generally? Are FLC employees knowledgeable about farm safety and laws generally intended to provide worker protection?

To address these questions we have conducted a statewide interview survey of labor contractors, their employees and the farm operators who contract for their services. More than 300 interviews were successfully concluded. Care was taken to insure that the most important agricultural areas of California were fully represented.²⁶ It is likely that this is the most thorough study of the practice of labor contracting that has yet been concluded.

A novel feature of the present investigation is that we have sought to determine the views of employees of labor contractors as well as of the farmers who contract for their services. We accomplished this through "matched" interviews which included the FLC, several clients (specified by the FLC) and four employees of this same FLC (two workers each from two different crews). This

helped to make it possible to obtain three different points of view for the same set of questions and, hopefully, obtain a better-rounded view of the same reality.

The findings in this report are presented in two sections: one which is essentially a set of case studies that seeks to convey the three-dimensional character of the "matched" interviews; the other being a summary of the FLC employee interviews. Thus, while the total sample is relatively small, important features can more readily be identified and discussed.

Other ideas:

Within farm worker organizations and their leaders the prevailing view of labor contractors is, to a substantial extent, quite negative. One such leader expressed his views in the following manner:

"I have two friends who were picking tomatoes with me last year and now are labor contractors. We have such weak laws that anyone can become a contractor. They are very ignorant about labor regulations, such as OSHA...Becoming a labor contractor is like a modern day 'malinche' from Mexico [a traitor to the people]."

References

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3. Don Villarejo and David Runsten, California's Agriculture Dilemma: Increased Production and Lower Wages, Table II, p. 18, December 1993, California Institute for Rural Studies.
4. Don Villarejo and Dave Runsten, op. cit., p. 14.
5. Employment Development Department, State of California, Agricultural Employment Estimates, Annual Averages, 1950-1976, Report 881-X, January 1977. Farmers and unpaid family members are reported to have an annual average employment of 132,100, representing 37% of total agricultural annual average employment in California. Report 881-X issued February 1990 indicates that in 1989 the annual average employment of farmers and unpaid family members amounted to 57,700, or 19.3% of total agricultural annual average employment.
6. Employment Development Department, State of California, Agricultural Employment, Calendar Year 1991, Report 882A, Labor Market Information Division, April 1993. We exclude non-farm agricultural employment, such as SIC codes 0724 (Cotton Ginning), 0742 (Vet. Services, Pets), 0752 (Non-Vet. Services, Pets), 0781 (Landscaping), 0782 (Lawn and Garden Services), and 0783 (Shrub and Tree Services) from these considerations.
7. Employment Development Department, State of California, Agricultural Employment Pattern Study: 1989, California Agricultural Studies 92-1, Labor Market Information Division, February 1992, p. 1.
8. Ann Marie Vandeman, Labor Contracting in California Agriculture, PhD Thesis, University of California, Berkeley, 1988.
9. Census Bureau, U.S. Department of Commerce, Census of Agriculture, 1987, California, Volume 1, Part 5, Washington, D.C., May 1989, State Data, Table 1, p. 7.
10. *ibid*, State Data, Table 50, p. 72.
11. California Findings From the National Agricultural Workers Survey, Research Report No. 3, U.S. Department of Labor, Office of the Assistant Secretary for Policy, Office of Program Economics,

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12. Employment Development Department, State of California, Agricultural Employment, Report 882A, op. cit., 1988 through 1991. For earlier years we are grateful for the assistance provided by Tom Stassi, EDD, who was kind enough to provide the author with detailed quarterly reports by SIC code and county for all years between 1978, when universal Unemployment Insurance became mandatory for all agricultural employers, and 1987, when EDD began publishing this data.

13. Employment Development Department, State of California, Agricultural Employment, Report 882, Quarterly, 1988 through 1990. For earlier years we are grateful for the assistance provided by Tom Stassi of EDD who provided quarterly employment and wage data for all years between 1978 through 1988. For 1991 data we are grateful for the assistance provided by Albert Pierson of EDD.

14. We have applied the California CPI. See Department of Finance, State of California, California Statistical Abstract, 1992, p. 58.

15. Census of Agriculture 1987, Volume 1, Part 5, California State and County Data, Bureau of the Census, U.S. Department of Commerce, May 1989, Table 3, p. 10ff.

16. Unpublished data obtained from the California Department of Employment Development, April 5, 1988. The authors are grateful to Mr. Tom Stassi, EDD for providing this data.

17. Farm Labor Contractors in California, op. cit., Table E-5, p. 40.

18. Census of Agriculture 1987, op. cit., Table 3, p. 10ff.

19. *ibid*, Table 52, p. 102ff.

20. Employment Development Department, State of California, Agricultural Employment Patterns Study: 1989, California Agricultural Studies, Report No. 92-1, February 1992.

21. We have divided the 1991 reported annual payroll of \$556 million for SIC Code 0761 by the annual average employment of 74,308 to obtain this figure.

22. Employment Development Department, Report 882, op. cit. Annual average employment for crop farm employers was 201,297 and annual wages were \$2,708,400,891.

23. Employment Development Department, Report 91-1, op. cit.

24. NASS Survey data is titled "Agricultural Services" in the publication Farm Labor whereas the EDD data was extracted from Agricultural Employment: 1991, Report 882-A, California Department of Employment Development, April 1993. Data for the SIC codes 0742, 0752, 0781, 0782 and 0783 were subtracted from the overall reported employment within the 07xx series to obtain "Farm Service Employment."

25. I am grateful to Ron Radenz, Deputy State Statistician, CASS, and Doug Klaweno, Head, Farm Inputs Section, NASS, for their helpful comments in describing the NASS survey and the possible origins of discrepancies with EDD wage reports.

26. Farm Labor Contractors in California, op. cit., Appendix 2, p. 98ff.