

## California Farm Employers: 25 Years Later

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### *Introduction*

This paper is written to commemorate the 25<sup>th</sup> Anniversary of the enactment of California's Agricultural Labor Relations Act. Like all labor relations laws, the ALRA was written in the context of certain specific labor-management disputes and sought to resolve those disputes insofar as possible through state intervention. The law was also informed by the Legislature's contemporaneous knowledge of the agricultural industry. But like most laws seeking to interject state regulation into the operations of a specific industry, it was not possible to foresee the major changes within California's agricultural industry that would unfold by the end of the century. It is the purpose of the present paper to examine changes in the overall performance of California's agricultural industry, with special attention to the structure of farm employers.

The paper is organized in three major sections: California Farm Production, describing recent trends in production and the structure of farm operations; California Farm Employment, describing the overall trend of labor demand and the major shift in employment to a greater reliance on labor market intermediaries, such as labor contractors and management companies; Discussion, reviewing the implications of the findings for labor management relations.

One of the principal new findings about the structure of the California agricultural industry reported herein is the relative economic instability of a large share of the state's farms. The high turnover rate found among the state's farms and the large share who report economic loss are as much a part of the agricultural system as are the better-known large-scale, industrial-style corporations.

These instabilities present a special challenge to labor management relations: if a farm is likely to be out of business just a few years after entering into a labor union agreement, employees may seek a different type of agreement as compared with one appropriate to a more stable enterprise.

A previous publication reviewed the structure of farm employment in California during the mid-1980s (Villarejo, 1989). The major trends identified in that paper have continued to develop in the past eleven years, such as the very significant expansion of production of labor-intensive commodities, and the increased reliance on farm labor contractors. But the present paper also identifies several additional trends that require reflection, most notably the relatively high rate of farm operator turnover in California agriculture, and the bifurcation of the labor market in which farm operators increasingly hire year-round workers directly but use contractors for their seasonal labor needs.

For purposes of clarity, some definitions are offered here. First, we adopt the definition of "farm" utilized by the *Census of Agriculture*. A *farm* is a place where at least \$1,000 of agricultural commodities are produced and sold, or are intended for sale,

in the course of a calendar year. Second, a *hired farm worker* is a person who is employed for the purpose of direct participation in the production of an agricultural commodity on a farm, irrespective of the type of employer (farm operator, farm labor contractor, packer and/or shipper, or other type of employer). The essential point is direct engagement of the employee in the production process on a farm, not the nature of the employer. Third, a *farm operator* is an individual, a business partnership, a corporation, or other entity that has ultimate legal responsibility for the debts of the annual operations of the farm.

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## I. California Farm Production

### *California's Labor Intensive Commodity Production Has Increased Sharply*

One of the most interesting features of California's agricultural industry over the past quarter century is its very substantial increase in annual production of fruit, vegetables, dairy products and ornamental horticultural commodities. Every measure available demonstrates the remarkable growth of output of these commodities over the past twenty-five years. Figure 1 shows the total annual output, measured in millions of tons, of California fruit and vegetable commodities for the period 1974-1998, the latest year for which data is presently available.

Labor unions, drought, pest infestations, urbanization, irrigation water reallocations, foreign competition and floods have had little lasting effect on the ability of California farm operators to increase their output of fruits and vegetables. From an average of 16.4 million tons in the three-year period 1969-71, well prior to the ALRA, to an average of 32.8 million tons in 1996-98, there was a doubling of output in a little more than a quarter-century.

Contrary to widespread reports of the harmful impact of urbanization on California agriculture, there is substantial evidence showing that the *net loss* has only affected livestock production. Examination of agricultural land use data reported in the *Census of Agriculture* also shows, see Figure 2, that California's harvested cropland actually increased slightly between 1974 and 1997, and irrigated land grew by about one hundred thousand acres, while rangeland decreased by more than five million acres and cropland used for pasture also declined by a small amount.

Farm operations in the state have greatly expanded their plantings of fruit and vegetable crops, while cutting back on cotton, grain, hay and other types of field crops. Figure 3 shows that harvested acres of vegetables and melons, and land in orchards (trees and vines), each increased by 46% during the period 1974-97. In the entire history of the state's agriculture, plantings of these commodities have never been greater.

A large majority of the *net addition* of some 812,000 acres of trees and vines during this period was due to plantings of just two commodities. One of the most spectacular increases was in grape acreage, which increased by about 263,000 acres (from 607,000 to 870,000 acres overall). An estimated \$5 billion of new investment in grapes plantings, most of which were wine grape varieties, was generated during the 1990s alone.

According to a recent study of the wine grape industry (Heien, 1999), "Acreage in both the North and Central Coast areas has increased more than ninety percent since 1975, while acreage in the rest of the state has grown slightly more than twenty percent."

**Table 1. Grape Plantings, 1972 & 1997, by Variety, California**

<b>Grape Variety</b>	<b>1972</b>	<b>1997</b>	<b>Change - percent</b>
Raisin grapes	240,390	269,576	+12.1%
Table grapes	65,830	76,717	+16.5%
Wine grapes	137,210	328,882	+139.5%

*Source:* Dale M. Heien, "California Winegrape Production,"  
*Update: Agricultural and Resource Economics*, Vol. 2, No. 4, Summer  
1999, University of California, Davis.

The most spectacular increase in orchard acreage occurred in another commodity. The largest *net addition* among orchard crops, measured in acres, was in almonds. A net of 264,000 acres were added in the period, increasing the total standing acreage for that commodity from 276,000 to 540,000 acres.

Strawberries have also experienced remarkable increases in production. In 1974, there were 180,385 tons harvested from 10,557 acres. By 1997, 645,761 tons were harvested from 27,582 acres. This is a three-and-one-half-fold increase in output!

Nursery and greenhouse production have also expanded greatly in the same period. But because there are many different types of nursery and greenhouse products, ranging from acres of turf to flats of ornamental plants, and from bunches of flowers to buckets containing shrubs or trees, it is not possible to develop a single physical measure of production. But what can be said is that during this period the number of square feet of nursery production under glass has increased by 76%, the open field acreage devoted to such products has grown by 119%, and the number of California farms producing such crops has jumped from 2,633 in 1974 to 4,988 in 1997.

Surprisingly, dairy production has also seen very large increases in this same period. In 1974, there were 762,794 milk cows on 4,462 California farms. By 1997, the number of producing milk cows had jumped to 1,403,217, but on just 2,650 farms. Thus, the average number of milk cows per farm had tripled since enactment of the ALRA, to 530 per farm. Along the way, California became the nation's single largest producer of fluid milk, passing Wisconsin to become the nation's top dairy state.

Within the vegetable sector, one of the most important developments has been the bagged salad mix. A product that did not exist a dozen years ago is now a \$1 billion a year industry, employing thousands of workers in salad mix assembly plants. Today, there are more acres of leaf lettuce planted in the Salinas Valley than of iceberg lettuce.

Together with major changes in prices for USDA-supported commodities, these important shifts in plantings have altered the distribution of cash farm receipts for crops in California agriculture since 1974. This is shown in Figure 4. Crops produced in orchards more than doubled their share of crop cash receipts, and have reached 45% of the state total in 1997. Nursery and greenhouse crops now account for more farm cash receipts from commodity sales than any single grain or field crop. Cotton, grains and hay crops have declined so much in overall value relative to labor-intensive crops that they have arguably become "minor" crops.

These factors have been associated with a substantial change in the number of California farms producing specified types of commodities. Figure 5 shows the 1974 and 1997 number of farms which reporting production of specific crop groups. Note the sharp decline in the number of farms growing cotton, wheat for grain, or hay or silage. The number producing vegetables increased, as did the number with land in orchards or producing ornamental horticultural commodities.

*Net Cash Return Has Apparently Increased for Many Agricultural Producers*

Measures of net operating income for California's crop farms are difficult to obtain. This is because all but a very few such farms are family-owned and scrupulously private, even if they are organized as corporations. However, there is one universal measure available from the *Census of Agriculture*, although it is limited to 1987 and subsequent censuses. Figure 6 shows the reports of net cash return from commodity sales by farm operators for the three census years 1987, 1992 and 1997, expressed in constant (1997) dollars using the GDP deflator. Obviously, 1997 was a banner year for most vegetable producers and for most orchard operations. Again, producers of cotton, grains and other field crops did not do well at all. Nursery and greenhouse producers have had mixed results.

Of course, agricultural commodity prices are notoriously volatile, reflected by a large negative price coefficient on the demand curve. The most recent report from the Economic Research Service of USDA points out that FOB prices for vegetables in 2000 have declined by an average of 13% relative to 1999. The report argues that overplanting of many commodities is responsible for the decline.

Agriculture is extraordinary in that if a particular commodity appears to be highly profitable, other farm operations will, in a very short period of time, seek to produce that commodity as well, leading to rapid growth of total production. If the increase in supply happens to be greater than the increase in aggregate demand, economics tells us that price is expected to fall, which it invariably does in agriculture in this type of situation.

Other measures of economic return for California crop farms have been reported in the literature. A study of large-scale farming in California as of 1978 found that sixteen corporations, most of which were privately held, reported an annual after-tax rate of return on investment that averaged 16.1% (Villarejo, 1980). This finding must be tempered by the observation that the study analyzed the activities of the 211 largest farms in the state, ranked by total cropland acreage, but reliable public-record financial performance data could be found for only 16. Therefore, it does not appear plausible that this figure accurately represents the rate of return for the entire group.

Recently, the California Public Employees Retirement System (CalPERS) commissioned a study by the consulting firm Ernest & Young that explored the long-term rate of return on investment in farmland, and compared this return with that from investments in commercial real estate, timberland, the equity stock market, and the bond market (CalPERS, 1999). The results were quite surprising: investment in agricultural land out-performed all but timberland and the equity stock market. The reported annual returns for the period 1970-98 were 10.4% for farmland, 9.3% for equity real estate, 16% for timberland, 14.7% for the equity stock market, and 10.3% for the bond market. It is important to note that "return" in this case is operating return on investment plus appreciation of land value. The report concluded with the following recommendation.

"In conclusion, we find that modern portfolio theory considerations argue convincingly for inclusion of farmland in CalPERS investment portfolio due to historical risk, return, correlation, and inflation hedging performance... Assuming that CalPERS is particularly interested in boosting the returns of its real estate portfolio, the program should have a significant allocation to permanent crops."

- *CalPERS, 1999, p. 29ff.*

One issue not apparent in this discussion of return on investment pertains to land ownership. Clearly, the rapid growth of land values in California in recent years is an important contributor to a high rate of return on farmland, as discussed in the Ernst & Young study. However, the pattern of land ownership within the state differs greatly for different types of crops. Thus, who gathers what share of the return depends upon whether the farm operation owns or leases the land it farms. Vegetable and farms, for example, report that 56.7% of their farmland is leased from the owner (Census of Agriculture, 1997), but just 17.4% of farmland operated by fruit and nut farms is leased. The extremely volatile character of the fresh vegetable market evidently makes investment in land less desirable for vegetable farmers than is the case for owning orchard land. It is likely that this factor played an unstated role in the recommendation that CalPERS consider investment in permanent crops.

#### *Size Concentration is Becoming Greater in Most Sectors of California Crop Agriculture*

Size concentration in the nation or in a specific state is frequently measured by a calculated "average farm size" that is computed from total farm acreage divided by the number of farms. Calculated average farm sizes are most useful if most farms in the group under study are relatively homogeneous, e.g., grow similar types of crops. For example, most Midwest farms tend to produce only a very few crops, typically corn, soybeans or feed crops for livestock. Thus, calculated average farm size figures for Midwest farms refer to farms that are very much alike, differing primarily in the acreage under cultivation.

In contrast, California farms produce about 350 recognized crops, of which 62 are considered major crops grown on a large commercial scale. Calculated average farm size figures based on acreage are only useful indicators for individual crops, or for closely related groups of crops, such as vegetables, melons, berries, tree fruit, nuts, grains or hay.

An additional factor distorting calculated average California farm size figures based on acreage is that some farms with very large annual production and employment, such as most mushroom producers and many greenhouse or nursery producers, have only a small acreage because they produce crops that do not require very much land. Thus, these farms are "very small" by acreage standards but "very large" in terms of annual farm cash receipts. In fact, two of the ten largest farms in the state in 1992, based on annual commodity sales, are of this type (Data Harvest, 1993). The fifth ranking farm produces mushrooms on a tiny acreage while the tenth ranking farm is a nursery producing ornamental horticultural crops.

A second factor that results in rather meaningless calculated average farm size figures for California is the unusual size distribution of farms in the state. The calculated average California farm size in 1997, based on *Census of Agriculture* data, is 357 acres (measured by "land in farms") and \$296,151 in annual sales (measured by cash receipts from the sale of agricultural commodities). These figures are misleading because a very large proportion of the state's farms are quite small, while only a relatively few, very large farms are responsible for a majority of production. Thus, the calculated average



farm size, measured in acres or in farm sales, tends to be small, reflecting the fact that small farms are so numerous.

To illustrate, we examine in detail the size distribution of California farms for 1997 based on commodity sales. Figure 7 shows that “small farms,” which refers to farms with annual commodity sales amounting to less than \$250,000, comprised 84% of all farms in the state. At the other size extreme, “very large farms,” which refers to farms with sales of at least \$2.5 million, account for just 2% of farms. But when these size groups’ shares of total farm cash receipts from sales of agricultural commodities are compared, the results are striking. Figure 8 shows that small farms account for only 9% of all farm cash receipts but the relatively few very large farms have 55% of the total.

Since the average farm size calculated above, based on commodity sales, was just \$296,151, we are presented with a mathematical paradox. An absolute majority of all farm sales in the state are accounted for by farms with at least \$2,500,000 in annual sales, a figure more than eight times larger than the calculated average. The lack of utility of the calculated “average farm size” as an indicator of economic behavior becomes even clearer in discovering that 84% of the state’s farms have annual sales amounting to less than \$250,000, a figure only slightly smaller than the calculated average. Since a calculated average is most useful when it represents a figure that is at or near the “middle” of the group, it is clear that the calculated average is not helpful in this instance.

These results for 1997 will now be compared with comparable data for 1974. Census data suggest that the biggest 11% of farms in 1974 accounted for 61% of farm cash receipts. But 1974 data cannot be easily compared with 1997 data because the earlier *Census of Agriculture* did not separately report farm numbers or cash receipts for any size grouping above \$500,000 in sales. Moreover, even if they had been reported, it would also be necessary to correct for farm price inflation by adjusting 1974 figures using one or another USDA price index.

However, the study of large scale farming in 1978, described above, which was based on size of cropland acreage, not farm cash receipts, found that the largest 3.7% of California farms accounted for about 59.1% of California cropland (Villarejo, 1980). By either measure, size concentration is evidently greater today than in it was prior to enactment of the ALRA.

Changes in farm size concentration between 1974 and 1997 for some specific types of farms can be directly measured. Figure 9 shows the change in harvested vegetable acreage for those years as well as the share of these totals accounted for by farms with at least 500 acres of vegetables. While total vegetable acreage increased by roughly half, the amount farmed by the 500+ acre vegetable farms doubled. As a result, their share of vegetable production acreage rose from 56% of the total to 79%. Thus, while the vegetable industry was expanding, opening up opportunities for new entrepreneurs, larger farms sharply increased their share of producing acres.

Figure 10 shows the same analysis as applied to land in orchards, which includes both trees and vines. While land in orchards grew by nearly half, adding more than 800,000 acres to a total of 2.5 million, the 500+ acre farm amount doubled. Farms with at least 500 acres of land in orchards now account for 39% of the state total. Evidently, farm size concentration within the orchard sector is not nearly so great as among vegetable farms. Some specific types of orchard crop farms, such as producers of raisin

grapes, olives, avocados, and deciduous tree fruit, are widely believed to be dominated by small producers.

### *Farm Operator Turnover is Substantial*

A careful examination of farm operator turnover in two California counties found a surprisingly high degree of change (Villarejo, 1996). Turnover of individual farms for the five-year period 1990-1994 was studied, capturing both new farm ventures as well as farm closures during this period. Turnover rates were analyzed for two of the most productive California farm counties, Fresno and Monterey. The data was obtained from the CIRS Farm Operator database, a source of longitudinal information on crop farm operators.

Whether it is the difficulty experienced by older farmers facing retirement in finding a young family member to take over the operation, or the continuing financial stress that many small and medium scale farmers experience, a great many farm operators leave the business each year. At the same time, as demonstrated in the report, in nearly every case a new operator comes in and is willing to try their hand.

The report documented the experience of crop, dairy and nursery farm operations in Fresno and Monterey counties in California over five consecutive years, 1990-94. Detailed records of farm operators were compiled, representing more than 7,300 individual farms in Fresno County and 1,200 in Monterey County.

The large turnover rates found in both counties speak to the high risks involved in farming. In Fresno County, 38.5 percent of farm operators left farming in just five years, equivalent to 7.7 percent annual turnover rate. That is, of 5,512 Fresno County farm operators active in 1990, 2,269 had left farming by 1994, but 1,792 new ones had started up. This implies a nominal 100 percent farm operator turnover in just 13 years, although of course there are a considerable number of farm operators who discontinued their businesses after just a few years, as well as a large number who have successfully operated their businesses for decades.

In Monterey County farm operator turnover was even higher, 54 percent over the five-year period, implying an annual turnover rate of 10.8 percent, and a nominal 100 percent farm operator turnover within ten years. Of 810 Monterey County farm operators active in 1990, 444 had discontinued and 414 had entered the business by 1994.

It is important to note that these data refer to farm start-ups as well as closures. In Fresno County, 1,800 new farms started up during the five-year study period, and there were 410 new farms started in Monterey County during the period. These figures suggest that the economic growth of the agricultural industry acts as an incentive to encourage new farmers. However, as the turnover rates suggest, economic success can be very elusive.

Interestingly, farm operator attrition – different from turnover in that it does not include farm start-ups – appears to vary by crop in much the same way as do land ownership patterns. The differences are somewhat predictable from the earlier discussion of farmland tenure. Annual crop producers, such as fresh market green bean, tomato and strawberry farmers, were found to have higher turnover rates than do perennial crop farmers. Producers of permanent crops such as grapes or almonds exhibit much lower attrition rates. The explanation for these results is similar to the explanation for the

higher tendency toward land ownership among fruit and nut producers; it is tied to the longer duration between the planting of vine or tree stock and the harvest of a commercial crop. Such a long-term investment suggests a level of resources that might not be available to some producers of annual crops. In addition, the fluctuations in vegetable prices lead to greater risk and instability for these farmers.

Clearly high turnover rates can be linked to annual vegetable production in these counties, with its high risks and lower likelihood of land ownership. In both Fresno and Monterey counties land planted in vegetable crops has increased substantially since 1969, perhaps at too rapid a pace. Overproduction, and the decline in farm prices that follows, may be a primary cause of instability among vegetable producers. On the other hand, slower growth in land in orchards may contribute to great stability in commodity prices for these crops, in turn resulting in less farm operator turnover.

It is found that farm operator turnover also varies according to farm size, with small farms being more vulnerable than larger farms. Between 1987 and 1992, the number of small farms (those with annual farm cash receipts less than \$100,000) declined sharply. In Fresno County the number of small farms fell by one-seventh during this time period, while the number of medium-sized farms increased slightly, and the number of large farms (annual farm cash receipts larger than \$500,000) increased by one-third. In Monterey County small farms declined by one-sixth, medium-sized farms declined by one-fourth and large farms increased by slightly more than one-third.

In addition to the complete loss of many small farms, those that remained in business saw their share of all farm cash receipts fall sharply. Over the ten-year period between 1982 and 1992, the small farm share of all Fresno County farm cash receipts declined some 30 percent, to just 5.7 percent of the total. In Monterey County in the same period, the small farm share of countywide cash receipts from the sale of agricultural commodities fell by 44 percent, to just 1 percent of the county total.

These are very high rates of farm operator turnover, suggesting that even in a relatively prosperous period for California agriculture, economic pressures have been substantial. The study also found that economic factors may be at the heart of the matter: the larger the farm the lower was the likelihood of leaving the business. For the smallest Fresno County farms, the rate of attrition was more than two and one-half times larger than for the largest size farms.

The trends in farm operator turnover have interesting implications with regard to farmland tenure. While it is clear that land ownership is linked to greater stability than is leasing or other forms of tenancy, it is also clear that bigger operations fare better than smaller. As the defenders of the Jeffersonian ideal fear, the larger, industrial farms appear to be more economically viable than the smaller farms that are more traditionally associated with the "family farm" ideal. However, as will be discussed in the following section, despite the risks of failure, farming is still appealing to many newcomers, particularly of certain ethnic groups.

Another measure of farm operator turnover among larger farms is the specific examination of what has happened among the very largest farms of 1978. Table 2 shows a listing of the twenty largest farms specifically identified in the 1978 study. Surprisingly, just eight of the top twenty remain active as farming operations. The remaining twelve farms have either been purchased by other large scale farms (some on the list, some not), or have gone out of business. One of those remaining active in

farming (Newhall Land and Farming Company) now leases out all but a small portion of the land it actively farmed in 1978.

**Table 2. Current Status (1999), Twenty Largest California Farm Operators (1978)**

<i>Size Rank</i>	<i>Name of Farm</i>	<i>Current Status</i>
1	J.G. Boswell Co.	Active farm operation.
2	Salyer Land Co.	Sold to J.G. Boswell Co.
3	South Lake Farms Inc.	Out of business.
4	Newhall Land & Farming Co.	Active farm operation, but reduced size.
5	Westlake Farms Inc.	Active farm operation.
6	McCarthy Farming Co., Inc.	Out of business. Quitclaim to bank.
7	Anderson Farms Co.	Out of business. Rents land to others.
8	Superior Farming Co.	Out of business. Sold to Sun World (Cadiz).
9	Heidrick Farms Inc.	Active farm operation, but split in family inheritance dispute.
10	Wolfsen Land & Cattle Co.	Active farm operation.
11	The Irvine Company	Sold Imperial County land. Orange County farm land managed by Sun World (Cadiz).
12	La Cuesta Verde Ginning Co.	Out of business.
13	Tejon Ranch Company	Active farm operation.
14	E.L. Wallace and Sons	Active farm operation.
15	Tenneco West Inc.	Out of business.
16	William H. Rogers	Out of business.
17	Belridge Farms	Sold to Grimmway Farms.
18	Roberts Farms Inc.	Out of business.
19	Airway Farms Inc.	Active farm operation.
20	Zumwalt Farms Inc.	Out of business.

*Minority Farm Operators Have Become More Numerous in California*

An unanticipated finding of the detailed examination of farm operator turnover in Fresno and Monterey Counties was the discovery of that ethnic minority farmers tended to be predominant in certain types of crops with higher than average rates of operator turnover. In Monterey County, strawberry and other berry producers with Hispanic surnames today constitute about 60 percent of the farm operators, although their combined acreage of berries is only about one-fifth of the county total. However, the average rate of farm operator turnover among these Hispanic berry farmers was higher than for non-Hispanic operators. Even for farm operators of the same berry farm size, Hispanic farm operators had a higher turnover rate than did non-Hispanic farmers.

Nevertheless, more Hispanic berry farm operators are entering the business, on average, each year than leave. So even though the farm operator turnover rate is quite high, berry farming is seen as a great opportunity for entering the business. New settlers,

most often of Mexican origin, view berry farming with its large labor requirement as an entry point to begin to seek business success in the U.S. (Wells, 1996).

In part, this high rate of business entrants is due to the enormous expansion of berry production in the past twenty or so years. In the mid-1970s, fresh strawberry shipments from California fields averaged about 250 million pounds per year. By the mid-1990s production had reached about 1.25 billion pound per year. It is likely that an expanding industry presents more opportunities to newcomers than does a stagnant one.

In Fresno County, a parallel development was noted among producers of strawberries and Asian specialty vegetables. Southeast Asian refugee farmers are the dominant growers in this case. In fact, about 700 of Fresno County's roughly 7,000 farms are now operated by Hmong, Laotian, Cambodian or Vietnamese farm operators. Once again, the rate of farm operator turnover among these small-scale operators was found to be quite high, much higher than among the larger-scale, more established farmers. But, as in the case of Hispanic berry farmers in Monterey County, the opportunities presented by an expanding vegetable industry provides the needed opening for the Southeast Asian refugee farmers. New settlers often bring with them energy and enthusiasm for trying new business ventures. Anecdotal information indicates that the new Fresno County settlers have developed markets that had previously been served by other suppliers. Most notable are the Asian restaurant trade, and direct sales in the form of roadside stands and "U-Pick" operations. By 1997, ethnic minority farmers in Fresno County included 574 Spanish origin and 734 Asian out of a total of 6,592 farms countywide, or one in five.

More generally, *Census of Agriculture* data (detailed ethnic reporting by farm operators began in 1978) demonstrate that ethnic minority farmers in California are increasing both in number and in their share of the state's production. The sub-group showing the greatest increase was Hispanic farmers, which increased from 2,856 farms in 1978 to 4,515 (+58%) by 1997 during a period when the total number of farms in the state changed by just 1%.

## **II. California Farm Employment**

### *Seasonal Labor Demand has Increased in Recent Years*

There is significant evidence that seasonal demand for hired labor has increased in recent years. Changes in labor processes have affected many types of jobs, in some commodities increasing labor demand, and in other commodities reducing labor demand. For example, field packing of many fresh vegetables has become the primary way that those commodities are handled. Head lettuce, broccoli, cauliflower and celery, once packed in ice in sheds or packing houses, are now packed in the field immediately after harvest, and then rushed to vacuum cooling facilities where they are chilled before shipment. As a result, packing shed employees who formerly were at a separate location are now, for these and some other crops, working in the fields as part of harvest crews.

Cantaloupes and honeydew melons are two additional crops that, more recently, have seen a major shift in the labor process. It is far less common to see the large trucks with workers dragging bags of picked melons to be dumped into the truck. Now, equipment for field packing is seen everywhere these melons are harvested.

Strawberries, once a seasonal crop grown as a perennial, are now harvested in California fields starting as early as late December or early January, and harvesting continues throughout the year, and is sometimes still under way as late as the following November. Of course, the early season berries are grown in Southern California districts, while later in the year production shifts to the Oxnard, Santa Maria and, finally, to the Salinas and Watsonville districts. Instead of being farmed as a perennial, today some 90% of California strawberries are harvested from plants that have been transplanted the previous autumn from “starter” farms, mostly in the foothills and mountains of the northern Sacramento Valley. New varieties produce larger berry sizes, which, in turn, have led to new forms of packaging. Instead of pint-size open baskets, larger, clam-shell plastic containers have become the primary form for shipment of fresh strawberries. The labor process has been affected: instead of harvesting 12 one-pint baskets to make a “tray,” today, many pickers are filling 8 one-pound clamshells with much larger berries to make a “tray.” Since piece rates for pickers are based on the number of trays harvested, pickers prefer larger berries and clamshells to small berries and one-pint baskets.

On the other hand, mechanization has affected employment in numerous fruit and vegetable industries. Perhaps most prominent was the short-term impact of the development of the color-sorting tomato harvest machine widely adopted in the processing tomato industry shortly after the 1974 strike that had paralyzed that year’s harvest. However, in the long run, substantial increases in processing tomato plantings in California offset the short-term impact of the new technology.

This example illustrates an important point: cost reductions that result from adoptions of new technologies may, in the long run, make a specific commodity more competitive in the marketplace, and could lead to even greater plantings of that commodity. Therefore, mechanization can actually lead to increased employment in the long run.

An assessment of overall demand for seasonal labor as of 1989 was published in 1993, using the demand-for-labor method and newly published labor coefficients. This computation is straightforward: for each crop, determining the harvested crop acreage and corresponding total labor hours needed to produce one acre of that crop. The results were compared with published findings for 1976. An increase of some 21% in seasonal labor demand was found, reflecting increases in crop acreage for labor-intensive crops described in the early portion of this paper, as well as changes in the labor process for each crop.

There has been no recent determination of labor coefficients for California’s labor-intensive crops, effectively precluding an up-to-date calculation of labor demand. Absent currently accurate labor coefficients, it is difficult to justify computations of seasonal labor demand using the demand-for-labor method.

Reports of hired farm worker employment compiled from unemployment insurance files. Figure 11 shows a comparison of published figures for 1975 and 1999 that show the annual average of reported monthly employment in major employer categories. It is important to realize that these figures represent “employment”, full-time equivalents. Thus, in an industry where most jobs are short-term, each unit of “employment” actually represents more than one individual. For example, if the average

worker is employed for 26 weeks, each unit of “employment” is equivalent to two workers.

The figure shows that a 25% growth of total hired farm worker employment was found between 1975 and 1999. However, nearly all of the numerical net increase in reported hired farm worker employment during this period was accounted for by a *tripling* of reported employment by farm labor contractors, offsetting declines in crop farm and livestock farm hiring.

These figures must be treated with some caution. In 1975, under state law, not all farm employers were required to provide unemployment insurance. Many small farm employers were exempt until 1978, and their employees are not reflected in the data. However, careful review of employment and wage reports based on unemployment insurance files for the early 1980s, well after universal coverage of hired farm workers came into effect, shows that this is a relatively small effect and does not significantly alter the conclusions based on Figure 11.<sup>1</sup>

Finally, another measure of changes in overall hired farm worker demand during the period subsequent to enactment of the ALRA can be derived from directly comparing reported Hired Labor and Contract Labor production expenses for all California farms. These increased from a total of \$1.24 billion in 1974, to \$4.78 billion in 1997. Taking account of changes in the average hourly earnings of California field workers, as reported by USDA, this amounts to an increase in nominal hours worked of approximately 48%.<sup>2</sup>

#### *Direct-Hire Farm Employees: More Year-round Workers and Fewer Seasonal Workers*

One of the most dramatic shifts in farm employment in California has been the sharp reduction in direct-hire seasonal workers, even though there has been a substantial increase in the number of regular direct-hire workers. Figure 12 shows 1974 and 1997 reports of “hired workers.” Remember that that these data represent an aggregate count of the number of workers hired on all farms. Thus, an individual worker who is employed by two farmers is counted twice. For seasonal workers these counts are best thought of as a measure of the number of “jobs”, not numbers of “workers.”

First, the actual reported number of “workers” who were employed less than 150 days on a specific farm, a measure of the number of direct-hire seasonal jobs, dropped sharply, from 725,127 in 1974 to just 362,907 in 1997, a decline of 50%. Interestingly, the number of workers employed 150 days or more, a measure of the number of “regular” direct-hire workers, included year-round employees, increased substantially, by 37% to 186,358 in 1997. This means that the number of “regular” workers on the “typical” farm that directly hires workers is now fully one-half the number of direct-hire “seasonal” workers.

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<sup>1</sup> For example, in 1981 Hired Farm Worker Employment, which includes SIC Codes 01, 02, 071x, 072x, 076x, totaled 330,536, and then fell back to 304,166 in 1985. As compared with 1975’s total of 310,162, the 1981 figure is 6.6% higher, but the 1985 figure is 1.9% lower. It appears that annual fluctuations due to changes in weather and/or plantings, had a larger effect on employment than did inclusion of small farms in the unemployment insurance program of California.

<sup>2</sup> The USDA publication *Farm Labor* reports average wage rates for various categories of hired farm workers as compiled from data submitted by farm employers for all U.S. crop regions. The state of California comprises one of the crop regions. For 1974, the average wage rate for field workers was reported to be \$2.60, while in 1997 it was \$6.79.

Figure 12 also shows the reported number of contract workers in 1974, again, multiply counted for contract laborers who worked on two or more farms, and a rather conservative estimate of the number of contract workers in 1997 developed by the author for 1997, when the Census no longer included this data item. If this estimate is correct, contract jobs now outnumber direct-hire “seasonal” jobs on California farms.<sup>3</sup>

This is a remarkable finding. It shows that California farmers have found it important to hire significantly more year-round workers today as compared to the pre-ALRA period, and, at the same time, now primarily rely on farm labor contractors for short-term or seasonal workers.

Not only are more contract workers be utilized for seasonal jobs, more California farms than ever are turning to labor contractors to furnish laborers. Figure 13 shows the change in the number of farms reporting Hired Labor and, separately, Contract Labor expenses, for each of three major types of farms. By 1997, some 90% of fruit and nut farms report contract labor expense, up from 50% in 1974. For vegetable and melon farms, the proportion utilizing contract labor rose from 42% in 1974 to 67% in 1997. Even horticultural specialty farms – mostly nurseries and greenhouses – report a sharply increased proportion turning to labor contractors to meet labor needs, up from just 10% in 1974 to some 36% in 1997.

There are few reliable measures of the size distribution of hired farm worker employment, let alone how that has changed between 1975 and the present time. In 1982, relying on data from the Workers Compensation Insurance Rating Bureau (WCIRB), the author found that there were 31,815 employers of all types – farms, contractors, and packing companies - that had hired laborers to perform farm tasks. The biggest 1,031 of these, each with a payroll of \$500,000 or more, accounted for 53.2% of all wages paid (Villarejo, 1989). Thus, just the largest 3.2% of employers of hired farm workers accounted for a majority of total wages.

The 1997 *Census of Agriculture* reports the size distribution of Hired Farm Labor expenses, which includes wages, employer taxes, workers compensation insurance premiums, and benefits paid to both production and non-production employees, finds that there were 36,450 farms with this type of expense. The 1,270 farms with total direct-hire labor expenses of \$500,000 or more accounted for 58.8% of the total of direct-hire labor expenses. In this case, the largest 3.5% of farms are responsible for a majority of these expenses. It is important to note that contract labor expenses and packing firm labor expenses are not included in this summary, but were included in the 1982 analysis.

Data from the Workers Compensation Insurance Rating Bureau can also yield the distribution of wages, which, by implication, reflects total hours of labor, in different types of farm activities, called ‘risk categories’ by WCIRB. This is shown in Figure 14, which shows that in 1994 Vineyards, Orchards and Vegetable employment account for a little bit less than two-thirds of all hired farm worker wages. Interestingly, Dairy &

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<sup>3</sup> The estimate for 1997 utilized the 1974 reported number of direct hire and of contract laborers, and the corresponding expenses to develop an ‘expense per worker’ on fruit and nut farms (\$689), on vegetable farms (\$1,369), and for contract workers (\$467). In 1997, when the number of contract laborers was not reported, the ‘expense per contract worker’ was calculated assuming that it was in the same ratio of ‘expense per contract worker’ as was found in 1974 with respect to fruit and nut farms, and separately, vegetable farms. The 1997 ‘expense per worker’ on fruit and nut farms was \$4,708 and on vegetable farms was \$8,206. The ‘expense per contract worker’ for 1997 calculated by this method was \$2,799.



Livestock, and Nursery & Greenhouse employment together are equal to or somewhat larger than either Vineyard or Orchard employment.

### *Farm Labor Contractor Employment Continues to Increase*

Reliable direct measures of farm labor contractor employment are difficult to obtain. The Labor Market Information Division of the state's Employment Development Department has published several different reports on agricultural employment over the past decade and one-half that have been based on state unemployment insurance files or a survey of a sample of employers. The most recent series is titled *Agricultural Bulletin* and is based on a survey of a large sample of farm operators and farm service businesses, including farm labor contractors. Figure 15 shows the complete set of findings for farm labor contractor employment (SIC=0761, or the more recent NAIC code) from these publications, as well as from unpublished data furnished to the author by EDD (1978-1986). As before, "employment" in this context refers to the annual average of reported monthly employment, and can be thought of as full-time equivalent employees. Since the average employee of a farm labor contractor may work only 26 weeks out of the year, the number of different persons represented in these data is much larger, probably at least twice as great.

What is striking in the farm labor contractor employment data is the relatively slow, steady growth from 1978 through 1986, followed by a major spurt in the rate of growth beginning in 1987 and extending up to the present. The largest numerical gains occurred after 1986: from 1978 through 1986, the total increase was 15,944 (about 2,000 per year), but from 1986 through 1996, it was 41,159 (about 4,100 per year), and then gaining by an additional 16,058 by 1999 (about 5,350 per year).

The year 1986 is important to California agriculture in that it was the year that the Immigration Reform and Control Act was signed into law. The two key provisions affecting agriculture were the Special Agricultural Worker (SAW) visa program and the employer sanctions provisions.

The author has also compiled evidence that the reported farm labor employment data of EDD shown in Figure 15 significantly understates the true extent of reported FLC employment. As part of a contract with the Department of Industrial Relations, the California Institute for Rural Studies in 1995 prepared a series of data files for the state Labor Commissioner that included confidential employment tax records. The work conducted by CIRS included searching 16 categories of employers (SIC Codes) for employment tax records of registered or licensed farm labor contractors. CIRS provided summary findings of this investigation in a confidential report to the Labor Commissioner, and has not previously published any of these results.

Summarized in Table 3 are the findings of the CIRS report to the Labor Commissioner that pertain to FLC employment reports. The main point is that an additional 20% of farm labor contractor employment and 26% of wages are reported by registered or licensed contractors in SIC categories other than 0761. In other words, some 254 registered or licensed farm labor contractors were classified in EDD employment reports in one or another of 15 additional categories of employer, ranging from vegetable and melon farm (SIC=0161) to employment agency (SIC=7361).

**Table 3. Employer Categories (SIC) of Farm Labor Contractors, California, 1994**

<i>Category, SIC</i>	<i>Reports with Wage Payments</i>	<i>Total Wages</i>	<i>Annual Average Employment</i>
0161	17	\$21,463,898	1,627
0172	48	\$20,451,197	2,157
0171,0174,0175	9	\$4,587,872	459
0191	51	\$30,691,787	3,635
0721	20	\$7,046,284	821
0722	47	\$43,669,087	3,760
0723	25	\$37,365,633	3,913
0761	984	\$763,398,752	97,556
0762	23	\$28,322,596	2,461
5148	3	\$1,426,121	89
5083,7359,7361	2	\$659,739	153
9999	9	\$1,146,686	150

*Source:* Unpublished CIRS report to Labor Commissioner, Department of Industrial Relations, State of California, 1995.

The large number of contractors who report as SIC 0721 (Crop preparation services), SIC 0722 (Crop harvest services) or SIC 0723 (Crop preparation for market), is not that surprising, given the ambiguous definitions of farm labor contractor utilized by government agencies. Many custom harvest businesses, especially those which own and operate farm equipment, but are not farm operators, have long regarded their category of farm services as different from farm labor contracting. That is, they argue that they are merely supplying equipment for use on a farm. For this reason, most have been exempt from registration as labor contractors with the U.S. Department of Labor. On the other hand, custom harvest businesses which also supply large numbers of workers with their equipment are more similar to traditional labor contractors. Some of these custom harvesters in fact choose to become registered or licensed contractors.

Many contractors whose business is limited to one or a few crops choose to identify with that commodity. All of those contractors identifying themselves as SIC 0161 (Vegetable and melon farms) appear to work exclusively in the vegetable industry. Some even identify themselves as “produce” or “vegetable packing” companies in their names. Similarly, most of those reporting as SIC 0172 (Grape farms) are exclusively active in the grape industry. And more than a few self-identify as “grape harvesting” or “vineyard” companies.

There are many terms used by contractors to identify their business category. Packer, field packer, employment service, produce packer, field service, pruning service, gondola service, and agricultural service are a few of the classification categories used by registered or licensed contractors.

Table 4 shows the four different categories in current use by Escamilla & Sons, a major contractor active in the vegetable industry throughout California and portions of Arizona. In each of these four cases, these classifications are self-reported, i.e., by the

company itself when it submits information to the organization in question. Presumably, this information is reviewed by an in-house authority before it is published.

**Table 4. Employment Categories Utilized by Escamilla & Sons**

Source	Classification
Western Growers Association Member Directory	Packer/Field Packer
Dun & Bradstreet Reference Book	Employment Agencies (SIC=7361)
Monterey County Telephone Directory	Labor Contractor
EDD Unemployment Insurance Files	Vegetable and melon farm (SIC=0161)

Now Escamilla & Sons is a bit unusual as a labor contractor in that it owns and operates substantial farm equipment, reportedly owns and operates 140 labor buses, and is registered as a labor contractor in several California counties. But which single category of employment best describes its operations. Hired farm workers employed by the company have no doubt: they all agree that the company is a *contratista*.

The size distribution of California farm labor contractors, measured separately by size of payroll (wages) and by annual average number of monthly employment for all employers reporting in SIC=0761, was reported for the 1990 calendar year in a previous publication. As part of the DIR contract mentioned above, the same type of size distribution was constructed using 1994 payroll data, but this time including both SIC=0761 employers as well as all licensed or registered contractors identified as reporting in one of another of the SIC codes described in Table 3 (above). The results are shown in Table 5. Of course, more contractors are included in the analysis of 1994 data than was the case for 1990, simply because of the careful identification of the SIC codes in which they reported their wage payments and employment.

**Table 5. Size Distribution of Annual Payroll and Average of Monthly Employment, Farm Labor Contractors (see text), California, 1994, EDD UI Files**

<i>Size of Annual Payroll</i>	<i>Number of Employers</i>	<i>Total Annual Payroll (millions)</i>	<i>Annual Average of Monthly Employment</i>
\$1 million or more	302	\$714.8	79,657
\$250K to \$999K	369	192.6	28,170
Less than \$250K	557	48.5	8,465
<i>Total</i>	1,228	\$955.9	116,292

*Source:* CIRS analysis of EDD Unemployment Insurance Files, unpublished report to the State Labor Commissioner, Department of Industrial Relations, 1995.

The important point about Table 5 is that the findings show that the largest contractors report the lion's share of both payroll and employment. Three-quarters of all wages reportedly paid by farm labor contractors were attributable to those having an annual payroll of \$1 million or more. Contractors in that largest size category were also responsible for more than two-thirds of all reported contractor employment.

The smallest contractors, those reporting less than \$250,000 in annual payroll had just 5% of payroll and 7% of employment. Medium size contractors, with annual payroll between \$250,000 and \$999,999, had 20% of payroll and 24% of employment.

In 1990 there were just 151 contractors with an annual payroll exceeding \$1 million, albeit the 1990 study was limited just to the SIC=0761. Thus, by 1994, there were twice as many contractors reporting an annual payroll of \$1 million or more, and 232 were in the SIC=0761 and 70 in 15 additional SIC codes. The fact the number of contractors with SIC=0761 and with million dollar payrolls jumped from 151 to 232 in just four years demonstrates that individual contractors are expanding their businesses in response to the increased overall demand for these services. It is not known how many registered or licensed contractors were classified in 1990 among the other 15 SIC codes discussed in the present report. But it seems likely that the number of large contractors has grown among them as well.

To a significant degree, this size distribution of farm labor contractor payroll mirrors that of California farm operators. This should not be terribly surprising, given the extent to which most farms in the vegetable and fruit sectors now rely on contractors. Presumably, as many workers would be needed to perform these tasks if they were directly hired as compared with hiring through contractors.

There are no data available to examine the degree to which farms of differing size, but of a specific type (such as vegetable, raisin grape, wine grape, table grape, tree fruit, or berry), rely on labor market intermediaries. Census data only report two-way tables, not three-way tables.

### **III. Discussion**

There is no indication in this data that enactment of the ALRA was in any way associated with a negative impact on the overall trend toward increased production of labor-intensive commodities. More positively, unionization of up to 75,000 hired farm workers in the state during the late 1960s and the 1970s appears to have been accompanied by a very large growth in California fruit and vegetable production that has continued unabated through the 1980s and 1990s.

Any fears by employers or legislators that enactment of the ALRA would harm California agriculture were clearly unjustified. To the contrary, California agriculture has actually grown far more rapidly and has benefited more economically than has the agriculture of the nation as a whole, or of any other state. Critics of the ALRA must account for this very great difference in economic performance in any discussion of the law's impact.

However, the framers of the ALRA could not have anticipated the degree to which farm labor contractors, farm management companies and non-farm businesses would become the dominant form of hiring farm workers by the turn of the 21<sup>st</sup> Century. It is therefore important to reflect on how regulation of the labor relations may have to be adjusted to accommodate some of these changes.

First, it is useful to understand what the term 'employer' means under the ALRA. As is generally well understood, the Agricultural Labor Relations Act recognized farm

operators to be the ‘employer’ under the law.<sup>4</sup> Regulation and case law also designated farm management companies and custom harvesters to be ‘employers’ as well. But farm labor contractors were explicitly excluded as ‘employers’ from the outset. Rather, the farm operator who uses a labor contractor is considered the ‘employer’, even if a farm labor contractor provides all of the farm’s labor needs.

The exclusion of labor contractors as ‘employers’ appears to have been based, at least to some degree, on the long experience of agricultural worker labor disputes in which contractors were utilized by farm operators to break strikes or otherwise suppress labor actions by workers. However, the precise origin of this exclusion has not been determined in this report.

In the case of Delano table grape producers, who signed the first major labor agreement won by the United Farm Workers of America, AFL-CIO, the efforts of workers to improve their conditions were undermined, at the time when renewal of the union contract was under consideration, by farm operators who replaced union supporters with farm labor contractor crews. In this instance, non-union laborers were recruited from areas of Mexico that had not traditionally supplied grape harvesters and were brought to California by contractors (Krissman, 1996). Employees who engaged in labor actions would find all jobs taken by workers brought in for this purpose by labor contractors.

Later, in the case of the Coastal Growers Association contract with the United Farm Workers of America, AFL-CIO, which covered most workers in the Ventura County lemon industry, a bitter dispute over contract renewal resulted in citrus farm operators turning to labor contractors and replacing a major share of the labor force. Again, contractors recruited workers from an entirely different region of Mexico than had historically supplied laborers to Ventura County (Mines, 1982).

It is helpful to have a clear understanding of the definition of a labor contractor under California law. According the Labor Code of California:

“Farm labor contractor” designates any person who, for a fee, employs workers to render personal services in connection with the production of any farm products to, for, or under the direction of a third person, or who recruits, solicits, supplies, or hires workers on behalf of an employer engaged in the growing or producing of farm products, and who, for a fee, provides in connection therewith one of more of the following services: furnishes board, lodging or transportation for those workers; supervises, times, checks, counts, weighs, or otherwise directs or measures their work; or disburses wage payments to these persons.”

- *California Labor Code, Employment Regulation and Supervision, Chapter 3, Sec. 1682. Definitions.*

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<sup>4</sup> Federal laws governing certain conditions of employment, such as the Migrant and Seasonal Agricultural Worker Protection Act, have recently been interpreted to designate farm operators and labor contractors, under certain specified conditions, as ‘co-employers’ with regard to these matters. These new regulations do not in any way affect state or federal laws governing labor management relations.

A subsequent section of the Labor Code explicitly defines ‘day haulers’ as farm labor contractors under the law, including persons who are employed by farm labor contractors to transport workers, or who for a fee transports workers for the purposes described above.

From this, it is clear that *any business* that employs workers in this way is a “farm labor contractor”, irrespective of whether they describe themselves as ‘farm management business’, ‘field packer’, ‘custom harvester’, or other similar employment categories. If correct, this interpretation of the law would require all such businesses to be licensed as farm labor contractors, and very likely also require them to register as farm labor contractors with the Wage and Hour Division of the U.S. Department of Labor. Some critics have long argued that there are literally thousands of persons or businesses who are, in fact, unlicensed labor contractors.

However, it would be a mistake to think that labor contractors exist primarily to undermine union activity. A considerable body of research has demonstrated that there are several more important functions performed by labor contractors today that explain their increased importance, especially the rapid growth in their importance during the post-IRCA period.

The 1992 survey of labor contractors found that the most common reason FLCs think that growers hire them is to reduce administrative costs, especially the significant level of paperwork now required when farms hire workers. Today, there are a great many record-keeping and reporting requirements associated with employment taxes and income tax withholding, as well as record-keeping associated with government-required workers compensation insurance. All of these records are subject to audit at any time.

Also today, as a result of the Immigration Reform and Control Act of 1986 (IRCA), employers have responsibility for insuring that all of their employees are authorized to work in the U.S. For an industry like agriculture in California, with hundreds of thousands of seasonal workers, and both a high rate of worker turnover and an extremely high proportion of foreign-born workers, these record-keeping and reporting obligations can be quite cumbersome.

Under the SAW provision of IRCA, persons who had been employed for at least 90 days as an undocumented worker between May 1985 and May 1986 were eligible to apply to regularize their immigration status. This opened up a great opportunity for hundreds of thousands of undocumented workers, mostly in California, to apply for SAW visas. However, IRCA also authorized creation of a new type of government-required program in the U.S., the I-9 Form certifying immigration status that is required whenever an employer hires a worker. This form spells out the documentation offered by the employee that demonstrates that he/she is eligible to work in the U.S. Filling out these forms, making copies of the supporting documents, and maintaining an orderly set of records, falls most heavily on those businesses that have a high rate of employee turnover. Perishable crop agriculture in California certainly ranks at the top of the list of such businesses, since at least 95% of its hired work force is foreign-born.

Not only do labor contractors assume the burden of Form I-9 record-keeping, they assume the liability for the hiring of unauthorized workers.<sup>5</sup> From 1989 to the present, the share of unauthorized workers employed in California's perishable crop agriculture has grown from about 9% to about 50%. It is no wonder that so many farm operators prefer to rely on farm labor contractors. Not only does the farm operator shed the burden of dealing with Form I-9 record-keeping, he/she shifts the liability for hiring undocumented workers to the labor contractor.

A survey of Fresno County farm operators in 1992-93 found that more than three-fourths of farm operators who used FLC labor gave the following reasons as 'important' or 'very important' (S. J. Ise et al, 1996). First, they felt assurance that the contractor was a reliable supplier of labor at the time when it was needed. Second, they thought that using FLCs was a good way to handle short-term employment needs. Third, they thought that they could reduce the burden of paperwork they had to handle themselves. Fourth, they had experiences in which they were unable to recruit labor themselves. Just 3% said labor-management disputes was an important or very important consideration.

Among farm operators who said they were hiring a higher proportion of labor contractors than in the past, 80% said it was because of increased record-keeping requirements by law. But two-thirds said that it was because of increased liability under labor laws. Just 7% admitted to concerns about labor disputes.

An anecdote illustrates the fourth point above. During the winter vegetable harvest of 1998-99, a major grower/packer/shipper sought to hire immigration-authorized workers in Yuma, but found that they were about 700 workers short despite offering reasonably high wages plus benefits. With an urgent need for workers, the company turned to local farm labor contractors, most of whom based in nearby San Luis (a 'twin city straddling the U.S.-Mexican border). All of the needed laborers were quickly secured, but were paid less than they would have earned if they had been directly hired by the company rather than working through contractors. It is not known how many of these workers, all of whom were very likely to have been born outside of the U.S., would have been eligible to work under current immigration law.

### *Recommendation*

Regulation of farm labor relations in California has been subject to severe political pressures that have often diverted attention away from these major changes in the operation of the labor market. An assessment of farm worker protections under the ALRA in 1988 also pointed out that changes in the structure of the labor market in California has undermined the ability of workers to organize farm labor unions (Wells and West, 1989). That is, the multiplicity of labor market intermediaries serves to weaken worker protections and their exercise of rights in the workplace.

What can be done to remedy the erosion of workers rights in the newly structured labor market? First, workers need to be educated about their rights by educators whom they trust. Second, labor law enforcement needs to be strengthened, and should rely upon active investigation as opposed to waiting for complaints from workers. Third, in settings where labor contractors are the dominant employer-in-fact, the ARLA needs to

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<sup>5</sup> As with other matters, the meaning of 'employer' under IRCA (Federal law) does not affect the ALRA designation of 'employer' for regulation of labor management relations (state law).

be strengthened by considering ways to hold both labor contractors and farm operators jointly responsible for labor relations. Let workers decide who is the employer but also make sure that all parties who share in the risk and rewards of agricultural production are recognized to be jointly liable for working conditions and wages.



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