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FARM LABOR TRENDS IN SOUTHWEST FLORIDA, USA – MANAGEMENT CHALLENGES AND OPPORTUNITIES

Sub Theme: Labour Force of the Future

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Abstract:

Reliance on foreign guest workers, rising minimum wages, and corporate social responsibility are three trends emerging within the southwest Florida agricultural economy. These trends are creating higher costs and pushing employers into new management relationships with their farm workers. On one hand, higher costs could compromise the competitive position of agricultural operations. On the other hand, new management strategies could increase overall worker productivity and/or create new avenues of market access for their products. The success to which agricultural employers adjust to these trends with cost effective management strategies likely will determine their long term economic sustainability.

Key words: *H-2A, corporate social responsibility, minimum wage*

Introduction

Specialty crop producers in southwest Florida, particularly citrus and vegetable growers, depend on a large number of farmworkers to grow and harvest their crops. This paper presents and discusses three trends in the southwest Florida farm labor market: 1) increasing reliance on foreign guest workers; 2) rising minimum wages; and, 3) evolving supply chain relationships which call for more corporate social responsibility. Each trend, separately and collectively, can be viewed both as a challenge and opportunity to long-term economic sustainability of the region's agricultural economy. The paper begins with a description of the agricultural economy in southwest Florida and historical patterns of farm labor management. Guest workers, minimum wages, and corporate social responsibility are discussed separately. The paper ends with a discussion on the costs and benefits associated with these trends.

Agriculture and Farm Labor Management in Southwest Florida

Southwest Florida (SWFla), USA, is an important agricultural area. The five county region on the Florida peninsula and along the Gulf of Mexico is home to large cattle, sugarcane, ornamental, citrus, and vegetable operations. Collectively, these operations occupy more than a third (536,000 hectares) of the SWFla land area and generate annual farm gate sales of more than \$1.3 billion dollars. Citrus and fresh vegetable farms account for more than 75% of the region's farm sales (Roka, 2016a).

Citrus and vegetable growers depend on a significant number of seasonal and migrant farm workers to grow and harvest their crops. University of Florida crop enterprise budgets estimate that one hectare of fresh market tomatoes requires 500 hours of manual labor, 300 hours during the growing season and another 200 hours to harvest an average yield of 3,500 cartons (11.3 kg). Harvesting one hectare of citrus producing 1,000 boxes (41 kg) requires more than 120 hours, or two people working six, ten-hour days (Roka and Cook, 1998). More than 16,000 seasonal and migrant farmworkers are employed by southwest Florida operations during the peak of its agricultural season (Zurn, 2016; Roka and Cook, 1998).

SWFla farms begin employing seasonal workers in late August when vegetable farms start their planting cycles. Citrus harvesting begins in late November and the number of migrant workers across the region increases to a peak in early January. The number of workers remains fairly stable until the end of March, when at that time workers begin to leave the area as they follow the crop cycles north into the Carolinas and Mid-Atlantic States. The number of farmworkers continues to decline in SWFla as vegetable production and citrus harvesting end by late April and early June, respectively. Historically, seasonal and migrant farmworkers have been employed as “at-will” domestic workers. That is, there is no contractual obligations between workers and employers other than the daily “terms and working conditions” statement. An at-will employer has no obligation to offer the same job or rehire the same worker from one day to the next. Likewise, an at-will worker has no obligation to return to the same employer day after day.

For a number of years, growers have been concerned about the availability and legality of their domestic workforce. More than 50% of the workers interviewed for the National Agricultural Worker Survey (NAWS) self-report that they do not have legal documentation to work in the USA (Employment and Training Administration, 2014). Data

from the Social Security Administration on the number of “miss-matches” between names and social security numbers suggest that the percentage of undocumented agricultural workers may be closer to 70% (Gunderson, Wysocki, and Sterns, 2009). The uncertainty over the number of legal farmworkers encouraged growers to explore mechanical harvesting options. Between 1995 and 2008 significant efforts were made in SWFla to mechanize the harvest of sweet oranges for juice processing. Nearly 15,000 hectares were being mechanically harvested annually before a disease known as citrus greening (or HLB) became widespread (Florida Dept of Citrus, 2012). Growers curtailed mechanical harvesting as they sought to reduce overall tree stress and restore tree health to maintain economical yield levels. Efforts to mechanically harvest fresh vegetable crops achieved mixed results as well. Crops such as green beans and potatoes became fully mechanized from planting through harvest (Roka, 2012). Little advancements, however, were made with respect to harvesting fresh market tomatoes, bell peppers, eggplant, and cucurbits (cucumber, squash, and watermelon). Robotic harvesting may be the future for these fresh-market/soft-skin fruit, but such technology is not yet commercially available. Hence, for most vegetable and all citrus growers in southwest Florida, manual labor will continue to be a necessity.

Reliance on Foreign Guest Workers

An increasing number of Florida growers have embraced the federal visa program known as H-2A. The H-2A program provides a legal avenue to temporarily hire foreign agricultural workers provided two conditions are met: 1) the domestic workforce is not sufficient to meet the employer’s labor needs; and 2) importation of foreign workers will not adversely affect earnings of domestic workers doing similar jobs. An employer who petitions for H-2A workers must actively recruit domestic workers up to the half-way date of the contract period. Any domestic worker seeking a position with an H-2A employer must be hired and given the same benefits as the foreign worker including earning the “adverse effect wage rate” (AEWR), which is set substantially higher than local prevailing wage rates.

The number of Florida H-2A positions certified by the US Department of Labor has grown four-fold since 2011 (Table 1). During fiscal year (FY) 2011, Florida employers hired 5,741 H-2A workers, or 7.4% of the total H-2A workers certified across the U.S. In FY2016, H-2A numbers had grown to nearly 23,000 and accounted for 13.8% of the total U.S. H-2A certified positions. During FY2012, 84% of the Florida H-2A workers were hired as citrus

harvesters. During the 2015-16 season, industry experts estimate that 80% of the citrus was harvested by H-2A workers (Carlton, 2016). While the number of H-2A workers harvesting citrus has steadily increased, the overall percentage of total H-2A workers in the citrus industry decreased to 51% during FY2015, reflecting an increasing number of vegetable, blueberry and strawberry growers participating in the guest worker program (Office of Foreign Labor Certification, 2017).

Table 1. Number of H-2A certified positions by the U.S. Department of Labor, Office of Foreign Labor Certification in the United States and in Florida between FY 2011 and 2016.

Fiscal Year (FY)	FY2011¹	FY2012¹	FY2013¹	FY2014¹	FY2015¹	FY2016¹
Florida crop year-citrus	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Certified H-2A positions						
US	77,246	85,248	98,821	116,689	139,832	165,420
FL	5,741	6,945	10,051	13,544	17,942	22,828
<i>FL%</i>	<i>7.4%</i>	<i>8.1%</i>	<i>10.2%</i>	<i>11.6%</i>	<i>12.8%</i>	<i>13.8%</i>
FL citrus (%)	71%	84%	na	65%	51%	na
FL AEWR (\$/hr)	\$9.50	\$9.54	\$9.97	\$10.26	\$10.19	\$10.70

¹Source: DOL-ETA. 2011-2016. Annual Performance Data by State – Florida. Office of Foreign Labor Certification. <http://www.foreignlaborcert.doleta.gov/pdf/PerformanceData/> Accessed Jan 15, 2017.

Employers complain that the H-2A program is bureaucratically cumbersome as they must deal with three federal agencies and at least two state agencies to navigate the H-2A hiring process. The pre-employment costs of the program are estimated to be between \$1,900 and \$2,000 per worker (Table 2). An H-2A employer must provide housing free of charge to all guest workers, and the cost to lease bed-space accounts for more than 60% of the pre-employment costs. Petition filing costs, domestic worker advertisement and H-2A visas are estimated to cost \$350 per certified worker. The employer pays all travel costs from the worker's home town to the employer's housing facility. If the worker completes the contract, travel costs back to his/her home town are paid for as well.

Table 2. Comparison of pre-employment hiring costs and in-season management of H-2A and domestic workers employed by Florida citrus harvesters.

	H-2A Foreign Worker	Non-H-2A Domestic Worker
HIRING		
Worker recruitment costs	\$350/worker ¹	\$0
Housing	\$1,200/worker-season ¹	\$0 (Housing voluntarily. If offered, employer can charge workers for cost reimbursement.)
In/Out-bound transportation	\$400/worker ¹ (Round-trip)	Na
Total estimated cost to hire one H-2A worker for an average 4-month contract period.	\$1,950/worker-season¹	\$0
MANAGEMENT		
Employment status	Contract	“at-will”
Minimum average hourly earnings (as of Jan 1, 2017)	\$11.12/hr	\$8.10/hr
Guaranteed hours	75% of total “offered” hours in job-order	None
In-season transportation	Free from housing location	Free from designated pick-up spot
Workers’ Compensation Insurance	Yes	Yes
Employer Payroll taxes	None	Yes
FICA (Social Security and Medicare)	0	\$620 ²
FUTA (unemployment)	0	\$420 ³

¹ Source: Roka, FM, S Simnitt, and D Farnsworth (2017).

² [7.56% x 21 weeks x 35 hours per week x \$11.12 per hour].

³ [6% x \$7,000].

More than \$1,000 of pre-employment costs is offset in part by less payroll taxes an H-2A employer does not have to pay to foreign workers (Table 2). A Florida employer's FICA (Social Security and Medicare) contributions are 7.56% of a worker's taxable earnings (IRSa, 2017). For an H-2A contract specifying 21 weeks, at least 35 hours per week, and an AEWR (i.e. minimum wage) of \$11.12 per hour, the employer will have to pay FICA taxes of nearly \$620 for each corresponding domestic worker. State and federal unemployment insurance (FUTA) total 6% of the first \$7,000 of a worker's earnings, or \$420 per worker (IRSb, 2017).

The H-2A program represents a fundamental change in the employment status of workers. As opposed to "at-will" domestic workers, H-2A workers are under "contract" with pre-determined start and end dates. Unless an H-2A worker violates preset performance criteria or a written code of conduct, he or she cannot be terminated before the end date of the contract. Correspondingly, the foreign guest worker is bound to the employer who hired him/her for the duration of the contract. Foreign workers may choose to leave early and return home, but at their own travel expense. The H-2A contract stipulates a minimum number of weekly "offered" hours and a minimum wage which is higher than the state or federal minimum wage rates. The "adverse effect wage rate" (AEWR), which is set by the US Department of Labor, typically is the minimum wage paid by an H-2A employer. As of January 1, 2017, the Florida AEWR was \$11.12 per hour, more than \$3 per hour higher than the state minimum wage (\$8.10, Table 2).

Some people have criticized the H-2A program as an attempt to replace domestic workers with "cheaper" foreign workers. On the contrary, the H-2A program is designed and enforced as a "supplemental" labor supply program. The pre-employment costs, AEWR, and housing requirements ensure that labor costs for an H-2A employer is higher than if only domestic workers had been hired. Furthermore, the law stipulates that any domestic worker seeking an H-2A position, must be hired and receive all the benefits given to the foreign guest worker, including the AEWR, transportation, housing, and employment for the duration of the contract period.

Rising Minimum Wages

Most migrant and seasonal workers perform labor intensive activities and are paid a piece rate. As a management strategy, a piece rate payment system motivates individual effort with

minimal supervision. A worker's earnings equal the number of units completed multiplied by the piece rate. A worker's average hourly earnings, however, must comply with the relevant minimum wage. If a worker's average hourly piece-rate earnings are less than the minimum wage, an employer must supplement the worker's total earnings until his or her average hourly earnings are at least equal to the minimum wage.

State and federal minimum wages are mandated by government policy and seem to continually increase over time. In 2004, Florida voters passed a constitutional amendment establishing a state minimum wage rate higher than the existing federal rate. The amendment went a step further by creating a mechanism to annually adjust the minimum wage rate according to changes in the consumer price index (Florida Dept of Elections, 2004). In 2016 New York and California legislatures passed bills increasing their state minimum wages to \$15 per hour over the next five years (Ballotpedia, 2016) and there appeared to be some support within the U.S. Congress (at least prior to the 2016 presidential election) to increase the federal wage rate as well. The economic challenge of rising minimum wages is that worker productivity is ultimately limited by individual physical ability. Consequently, an employer's only recourse to comply with a higher minimum wage is to raise piece rates, which translates directly into higher unit costs of production. In 1996 a citrus harvester collecting 8 (41-kg) boxes per hour had to be paid at least \$0.64 per box in order to satisfy the existing federal minimum wage of \$5.15 (Table 3). By January 2017 the state minimum wage had increased to \$8.10 and for the same level of productivity, the worker now had to be paid \$1.01 per box. If the productivity of an H-2A worker is 8 boxes per hour in order to satisfy the AEWR of \$11.12 per hour, his effective minimum piece rate had to be at least \$1.39 per box (Table 3).

Corporate Social Responsibility

Farm labor advocates have a long history of lobbying for more equitable treatment of farmworkers. For the most part their efforts have focused on unionization, enacting tougher regulations, and direct legal action against individual employers. Starting in 2001, the Coalition of Immokalee Workers (CIW) initiated a different strategy and shifted its focus to retail buyers (CIW, 2017). Between 2001 and 2017, the CIW built a network of "participating buyers" who agreed to enforce a "code of conduct" on their tomato suppliers.

Table 3. Lowest piece rate necessary to meet target hourly wage rates given a constant level of productivity.

Target Rate (\$/hr)	Productivity (8 boxes/hour)	Picking Costs assuming 741 boxes/hectare (\$/ha)
\$5.15	\$0.64	\$474
\$8.10	\$1.01	\$748
\$11.12	\$1.39	\$1,030

The CIW achieved a major breakthrough in 2011 when the Florida Tomato Exchange unanimously agreed to embrace the “code of conduct” and become “participating growers.” Shortly thereafter the Fair Food Standards Council (FFSC) was created to enforce the code of conduct with annual audits and investigations of worker complaints.

The efforts of the CIW and FFSC are examples of a growing trend to incorporate the principles of “corporate social responsibility” (CSR) within the agricultural supply chain. One core objective of CSR, which is familiar in the apparel and electronics sectors, has been to enhance the economic, emotional, and physical welfare of workers. A generic CSR plan with respect to labor can be separated in two parts (Table 4). The first part is a restatement and commitment to comply with existing labor laws and regulations. The second part captures a more fundamental change in the employer-worker relationship. Historically, most agricultural employer-worker dialogue has one-directional. Employers set work place policies and expect their workers to adhere without discussion. CSR guidelines explicitly bring worker voices into the management operations and formally create processes through which worker grievances are heard and addressed.

Discussion

Increasing reliance on foreign guest workers, rising minimum wages, and evolving workplace relationships through corporate social responsibility (CSR) bring both costs and

Table 4. Generic components of a management plan following CSR guidelines.

Component	CSR Provisions	Federal/State agency
Part I:		
Child labor	Discouraged	US Dept of Labor; FL Dept Bus Prof Reg
Forced Labor	Prohibited	Dept of Justice
Discrimination	Eight protected classes	Equal Employment Opportunity Commission; FL Human Rights Commission
Working hours and pay	Min wage; Standard week (40 hrs); Overtime pay	US Dept of Labor; FL Dept Bus Prof Reg
Safe & Healthy Workplace	Minimize risks Safety training Clean bathrooms potable water	Occup Safety & Health Admin; Env Protection Agency (WPS)
Disciplinary Practices	Corporal punishment prohibited.	Local prosecutor or State Attorney
Part 2:		
Freedom of Association (FL Right to Work State)	Formation of unions or company level worker organization;	
Management Systems	Written policies; Joint worker/management committees; Grievance and complaint resolution process; rd 3 party audits.	

opportunities to agricultural operations in southwest Florida and across the USA. The additional \$1,900 to \$2,000 H-2A pre-employment costs are costs agricultural employers do not have to incur when they hire domestic workers. Based on the volume of fruit collected by H-2A workers during 2013 and 2014, the pre-employment costs of the H-2A program

accounted for 13% of the total fruit picking costs (Roka, Simnitt, and Farnsworth, 2017). One could argue that fruit picking costs would have been 13% lower if domestic workers could have been hired. A secondary cost of the H-2A program could be argued in terms of the contractual obligations by which workers are hired, thereby reducing an employer's flexibility to terminate low productive workers during the contract period. The higher AEWR and generally rising minimum wage rates accentuate the effects of low productivity and adds pressure on the employer to increase piece rates. Florida citrus and vegetable growers compete in a global market for orange juice and fresh market vegetables. Added costs from importing foreign workers and/or managing higher minimum wage rates forces unit costs of production higher and erodes the competitive position of SWFla growers.

Offsetting some of the costs associated with guest workers and higher minimum wages are benefits, some of which could be significant. One direct cost offset of the H-2A program is that employers do not pay social security and unemployment taxes for foreign workers. Given the current tax rates and assumptions for a "typical" H-2A petition for citrus harvesters, these cost offsets could be more than \$1,000 per worker, or 50% of an H-2A worker's pre-employment cost (Table 2). While the contractual nature of the H-2A program reduces some in-season flexible, the same contract allows for a more efficient hiring process. Employers prior to entering the H-2A program complained that they had to process two to four times the number of people to secure the requisite number of workers. With the contractual format of the H-2A program, an employer processes/hires only the number of workers needed. In addition, the contractual stability of an H-2A workforce allows an employer to more efficiently plan how to best deploy his/her workers across the entire contract period. Most importantly, H-2A employers have the opportunity to "build" workforce productivity over time. That is, the most productive H-2A workers are identified and invited them back the following year. Over successive years, an H-2A employer can increase the productivity of his or her overall workforce and create additional efficiencies that are derived from a workforce which is familiar and comfortable with the operational details of the company.

CSR is being driven by retail companies which are mandating adoption of CSR principles throughout their supply chain. For agricultural producers within such a supply chain, market access of their products will be dependent on their adoption of CSR principles.

The cost of adopting many CSR components should be minimal costs as these components

are already required by federal and state laws. CSR certification, however, will involve the costs associated with third-party audits and any additional record keeping which goes with the certification process (Roka, 2016b). The biggest challenge for many agricultural employers to adopt CSR principles will be adjusting their management policies to be more inclusive of worker input and implementing a worker grievance system which will likely empower workers to challenge traditional employer policies.

Potential benefits of CSR certification are two-fold. First, some evidence exists that working conditions are directly correlated to worker productivity (Billikopf 1999; 2001). If the culture of CSR enhances the workplace environment, then one should expect an improvement in overall productivity and/or cost efficiency. A second benefit could be in the form of market access. Florida tomato and citrus growers have often cited US regulations, particularly with respect to agricultural labor, as a competitive disadvantage with foreign growers. If “social justice” issues resonate sufficiently among their US and foreign consumers, retail brands and their affiliate suppliers who embrace CSR may improve their overall market share and may even extract higher prices across the entire supply chain.

Concluding Comments

Southwest Florida is a microcosm of evolving farm labor conditions. An increasing reliance on foreign guest workers, higher minimum wage rates, and corporate social responsibility are challenging growers to rethink their traditional labor management policies. Pre-employment costs to hire guest workers and rising minimum wage rates push total costs higher and erode the competitive position of southwest Florida citrus and vegetable growers as they compete in an increasingly global marketplace. Recognizing the evolving trends, however, should help employers to appropriately adjust to the changing conditions. Those employers who embrace the potential positive aspects of these changes may actually enhance their future economic sustainability. For example, the structure of the current H-2A guest worker program provides incentives for employers to recruit, train, and retain their most productive workers. The principles guiding corporate social accountability could foster a more collaborative working environment by increasing the engagement between company supervisors and workers, which in turn could increase the likelihood of improving overall efficiency within the farming operation.

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