

DISCUSSION: CRITICAL ISSUES IN AGRICULTURAL LABOR MARKETS

H. L. Goodwin, Jr.

I was quite pleased that the SAEA chose to include a session dealing with critical issues in factor markets in agriculture and even more pleased to be selected as a participant. While agricultural economists have traditionally recognized land, labor, and capital as the major inputs in production agriculture, only limited attention has been given to the labor input. Perhaps this stems from the historically abundant supply of agricultural labor supplied by rural residents and farm families. Though farm families still comprise a substantial proportion of all farm labor, there are 2.5 million hired workers. Over 47 percent of all farm operators utilized hired labor in their 1981 production activities (USDC; August, 1983). Underscoring the growing importance of the agricultural labor issues facing U.S. producers was the USDA's establishment in 1980 of the Agricultural Employment Work Group. This committee of 27 professionals related in various capacities with agriculture and/or labor were to identify and discuss issues pertinent to agricultural labor and make recommendations on how best to address these issues (Rosenberg and Warner).

The agricultural labor arena is broad and many faceted. Dr. Emerson has provided us with a rather thorough yet succinct overview of those issues which he views as critical to agricultural labor markets in the 1980's. Three primary issues were identified: (1) immigration, (2) the 1985 Agricultural Bill, and (3) international trade. Due to familiarity, I will focus my discussion on the legal and illegal aspects of immigration and on international trade competition.

Recent release of the 1982 Census of Agriculture provides a benchmark from which we may work. The trend toward increased reliance on hired labor has continued, while the total number of farm workers has de-

creased. While such information is necessary in the beginning to understand critical issues in agricultural labor, specific data enabling us, as scientists, to reasonably analyze the immigration questions currently faced by policymakers are inadequate. As aptly pointed out by Emerson, questions related to foreign workers in the labor force have been prominent in the past few years. Because most of these workers are not sanctioned, their exact numbers remain unknown; estimates abound, ranging from 3.6 to 6 million. Judging from the effort devoted by the 98th Congress on the Simpson-Mazolli bill which was not enacted, one could well expect a new initiative in this Congressional session to forge some palatable legislation concerning the questions of foreign workers and immigration reform. (Key in the provisions of the Simpson-Mazolli bill were employer sanctions for those found to employ undocumented workers and guidelines for the employment and availability of documented H-2 workers.)

Emerson appropriately begins his discussion of the immigration question with an analysis of legal foreign workers. The program whereby workers can be legally brought into the United States is referred to as the H-2 program. While not limited to agriculture, the majority of H-2 workers in the past have been employed in agriculture. I agree with Emerson that close scrutiny of the H-2 program could *"provide a useful window to observe a more extensive program as an alternative to the illegal problem."*

As Emerson's paper offers an ample and accurate assessment of the body of knowledge concerning the H-2 program, it is important at this juncture to concentrate on the major weakness in the program itself, determination of the adverse effect wage rate (AEWR). Emerson points out that the AEWR is an administratively set wage rate which prevents the

H. L. Goodwin, Jr. is an Assistant Professor, Department of Agricultural Economics and Rural Sociology, Texas A & M University.

Invited paper presented at the annual meeting of the Southern Agricultural Economics Association, Biloxi, Mississippi, February 3-6, 1985. Invited papers are routinely published in the July *SJAE* without editorial council review but with review of the copy editor (as per Executive Committee action June 25, 1982).

Technical Article TA-20309 of the Texas Agricultural Experiment Station.

labor market from obtaining a market clearing wage and employment level given the nature of supply of and demand for agricultural labor. He asserts that appropriate determination of AEWWR is a "catch-22" phenomenon, resulting in domestic worker displacement and wage depression if set too low; if set high enough to prevent this, jobs will be filled domestically. He sees the key question as, "*what are the gains and losses associated with H-2 programs?*" In other words, do net gains result in the domestic and foreign economies as a result of foreign worker programs? It is conceivable that for products for which the market determines price, product price gains for the consumers, and additional profits accruing to producers could more than offset losses which may be incurred by domestic workers.

Regardless of the method of evaluating the appropriateness of the AEWWR, the crux of the matter is how the AEWWR is determined. To date, the literature provides no sound theoretical constructs or well-determined method by which the mystical AEWWR is consistently derived. Perhaps it is important to develop a sound basis for determination of AEWWR before potential immigration reform policies which embody AEWWR as their cornerstone are implemented.

Illegal foreign workers pose the immediate problem in agricultural labor specifically and in the entire work force in general, particularly in the South. While conventional wisdom has suggested that agriculture is the primary benefactor, or malefactor, depending upon your viewpoint, of illegal foreign labor, recent literature indicates that the bulk of illegal foreign workers may now be moving into non-agricultural jobs in metropolitan areas, utilizing a somewhat sophisticated network of family and friends to move through the migratory streams to their destinations (Jones). In fact, recent statistics indicate that fewer than one in three of all illegal foreign workers apprehended by the Immigration and Naturalization Service (INS) are employed in agriculture (Glover, INS).

Several factors have contributed to the relatively unchecked influx of immigrants from Mexico, which comprises the bulk of all illegal immigrants to the United States. Paramount among these, as alluded to by Emerson, is the relatively poor economic situation of our neighbors to the south in comparison to that of the United States. In light of the high likelihood that such a position will remain

into the near future, the scenario of large numbers of illegal workers entering the United States will continue.

Controversy with respect to the effect of these workers on the domestic work force continues, with little consensus or concrete analysis existing to firmly undergird the hypothesis that these illegal foreign workers take jobs which would otherwise be held by domestic workers (Dallas Morning News; Keely). Assuming that effective control of the U.S. borders could be achieved, it is probable that other industries will be affected equally, if not to a greater extent, than agriculture. A valid assertion with regards to agriculture's adjustment to changes in supply of foreign workers was cast by Emerson when he stated that the number of migratory workers in agriculture following the end of the Bracero program doubled and then declined over the next few years. It is not known whether advances in mechanization or illegal Mexican workers were responsible for the decline. Zahara and Johnson indicate that in processed foods the reduction of labor has come through extensive use of mechanization in most cases. Sufficient evidence exists for me to conclude that it was a combination of mechanization, illegal foreign workers, and a change in cropping patterns that precipitated such a change.

The arena of international product markets, influenced to a large degree by flexible exchange rates, and exposure of consumers to new imported products, will significantly impact on agricultural labor as well. As Emerson points out, decreasing demand for a product translates to decreasing factor markets, primarily in the major export commodities. While fruits, vegetables, and horticultural specialty crops are not generally considered as export commodities, they are impacted by such product-factor relationships. Of particular interest is labor. I differ with Emerson in his statement that such specialty farms usually have a higher proportion of family labor. In fact, the highest proportion of hired workers is found in horticultural specialty farms (Coltrane). Emerson was exactly on target, however, when he characterized the excess supply of labor in Mexico and excess demand for labor in the United States resulting from the highly seasonal labor demands for fresh fruits and vegetables. This will undoubtedly encourage continued migration into the United States by undocumented workers.

Most germane to the question of interna-

tional product markets are the effect of the peso devaluation and the highly unusual weather patterns which have persisted in the United States for the past two winters (Smith). Mexican growers are now in a strong position relative to Florida for the six major vegetable crops. Florida and Mexico supply approximately 90 percent of six winter vegetables. Since 1982, the Mexican share of the market has increased from 35 to 39 percent (USDA, 1984). It is likely that the latest freeze will accentuate this growing market share. Coupled with the impact of the last two winters on the citrus industries in Florida and Texas, the stage is set for increased imports from the Central and South American countries in citrus fruits. More than 60 percent of all frozen orange juice concentrate, for instance, now comes from Brazil. With the impacts of the economy, weather and non-restrictive labor policies in the Latin countries, conditions appear favorable for increased international market competition, particularly in horticultural specialty crops.

To this point, my discussion has focused on those issues delineated by my colleague. It is incumbent that I put forth an additional issue which is, in particular, critical to the labor intensive agriculture of horticultural specialty crops. Before I do this, let me review some facts. Production of fruits, vegetables, nuts, tobacco, sugarcane, and nursery/greenhouse commodities accounted for slightly over 20 percent of the \$44 billion in revenues generated by agriculture in the South and was as much as 73 percent in Florida (USDA; September, 1984). Labor comprised over 35 percent of all expenditures on these farms. Three of the six leading states in employment of hired labor are in the South as well. It can be seen, then, that labor intensive agriculture is of major importance to the region.

The issue I wish to raise is that of government regulation, both state and federal. Such regulation is not limited in scope to the more commonly cited minimum wage, worker's compensation and unemployment insurance, but includes a wide array of practices ranging from pesticide application to worker housing. Looking first at wage and fringe benefit provisions, it appears that liability for any violations of these regulations varies depending upon the agency responsible for administering the program. Such inconsistency in interpretation is, to say the least, unsettling to growers and shippers of specialty crops.

In a meeting last fall, the president of the Southwest Pickling Cucumber Association summarized the feeling of many when he said, *"I don't necessarily mind playing the game as long as I know who the players are and what the rules are. We aren't out to violate any provisions, it's just that we can't get consistent rulings from regulatory agencies."* As a result of this and other problems, many firms are shifting to company crews, gradually replacing the loosely structured crew-leader concept of labor provision to help ensure that regulations are being met.

With respect to such matters as pesticide application provisions and housing requirements, many employers of agricultural labor are beginning to look at alternatives in cultural and harvest methods to help alleviate the pressures that now confront them. In a recent survey of growers and shippers of specialty crops in the Lower Rio Grande Valley of Texas, respondents indicated that changes in cultural practices and cropping patterns and partial or extensive mechanizations to reduce labor requirements are likely, given the current trend in regulatory practices.

Data indicate that Americans are consuming more fresh produce than ever before (USDA; June, 1984). The proportion of the U.S. food dollar devoted to fruits and vegetables has increased as well, from 15.7 cents in 1978 to 21 cents in 1981 (USDA; November, 1984). Results of a 1984 nationwide survey of consumers reveals that the changing socio-economic and demographic structure of the United States is favorably disposed toward even greater increases in consumption of fruits and vegetables in future years as the mean age of the population increases and as society becomes more health conscious (Campbell).

These trends again underscore the importance of effectively addressing the critical issues in agricultural labor. Emerson identified the foreign worker problem as the key issue affecting agricultural labor today in his concluding remarks. I have attempted to augment and broaden his remarks by raising the additional issue of government regulation. There is a pressing need to coordinate interpretation and implementation of existing and future policies dealing with agricultural labor. In the long run, agriculture will probably continue to adjust to changes in labor markets through development of new technology and changes in cropping patterns. The degree and

rapidity of these changes remain in question. Suffice it to say that there is ample occasion for meaningful research to be conducted in agricultural labor. Once again we, as agricultural economists, have the opportunity to significantly impact the policymaking proc-

ess and give insights with respect to the adjustment process by the agricultural sector. I am confident that we can respond to the need for analysis and make recommendations with rigor and objectivity when necessary.

REFERENCES

- Campbell, Paul. "Profile of the Fresh Consumer." *The Packer: Focus 1984-85*. Shawnee Mission, Kansas; Vance Corporation; December, 1984, pp. 51-84.
- Coltrane, Robert. *Immigration Reform and Agricultural Labor*, Washington, D.C.: USDA-ERS; Agr. Econ. Rep. 510; April, 1984.
- Dallas Morning News. "Do Illegal Aliens Take Jobs From Americans?" *Focus, Dallas Morning News*; December 5, 1982.
- Glover, Robert W. *Texas Agriculture and Migrant Labor*, Paper presented at International Conference on Migrant Labor in Agriculture; Davis, California; May 23, 1984.
- Immigration and Naturalization Service. Unpublished data.
- Jones, Richard C. *Patterns of Undocumented Migration*, Fotowa; New Jersey: Rowman and Allacheld, 1984.
- Keely, Charles B. "Illegal Immigration." *Scientific American*, 246, 3(1982):41-7.
- Rosenberg, Howard and John W. Warner, eds. *Agricultural Labor in the 1980's: A Survey with Recommendations*; USDA, Agricultural Employment Work Group; Berkeley: University of California; May, 1982.
- Smith, Hilary H. "Frozen Fruits and Vegetables: No Jobs for Farm Workers." *Dallas Fed*, Dallas: Federal Reserve Bank of Dallas; February, 1984.
- United States Department of Agriculture, National Economics Division, ERS. *Economic Indicators of the Farm Sector: Income and Balance Sheet Statistics, 1983*; U.S. Gov. Printing Office, Washington, D.C., ECIPS 3-3; September, 1984.
- _____. *Food Consumption, Prices and Expenditures, 1963-1983*; U.S. Gov. Printing Office, Washington, D.C., Statistical Bulletin 713; November, 1984.
- _____. *Food Cost Review, 1983*; U.S. Gov. Printing Office, Washington, D.C., Agr. Econ. Rep. 514; June, 1984.
- _____. *Vegetable Outlook and Situation Report*; U.S. Gov. Printing Office, Washington, D.C., TVS-232, 233, 234, 1984.
- United States Department of Commerce. *The Hired Farm Work Force of 1981*, U.S. Gov. Printing Office, Washington, D.C.; August, 1983.
- United States Department of Commerce, Bureau of the Census. *1982 Census of Agriculture*, U.S. Gov. Printing Office, Washington, D.C.
- Zahara, M. and S. S. Johnson. "Status of Mechanization of Fruits, Nuts and Vegetables." *HortScience*, 14, 5(1979):578-82.