

Policy ideas to address agricultural labor issues

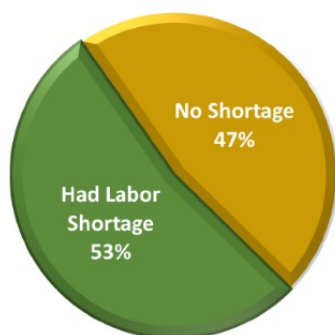
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Most farm employees in the U. S. were born in Mexico but are settled here. There are a number of factors affecting farm employment across the U.S. and Michigan; farm work is notoriously difficult and tends to pay lower wages than other sectors of the economy. The number of people willing to work on U.S. farms is also declining. As a result,

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a significant number of farmers report labor shortages. Of 1,300 farmers surveyed in 2020-2021, more than 50% reported having labor shortages.



Farmers have been trying to adapt to this situation, and many have turned to the H-2A visa program to hire legal, foreign-born employees for seasonal labor. H-2A employment is rising (Figure 1) but the program comes with certain mandates, including a minimum wage that is adjusted every year and is always higher than the state of federal minimum wage. While many farm employees have fought for higher pay and better working conditions, farmers claim these higher mandated labor costs are at a tipping point that is causing production changes in Michigan and throughout the U.S.

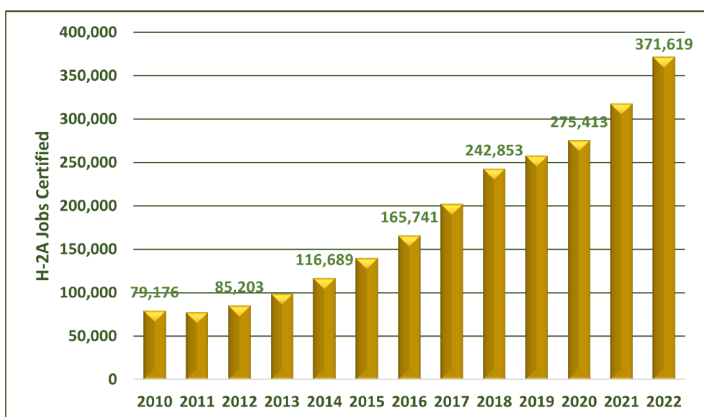


Figure1. H-2A employment is increasing.

Labor issues revolve around several factors – labor availability, rising wages, and competition from foreign producers. There is a rising demand for fruit, vegetable, and horticultural crops (FVH) that are more labor-intensive and in a market where the U.S. is at a comparative disadvantage. The labor supply pressure creates a food security risk from supply chain disruptions and market creep from foreign competition.

If the U.S. is unable to secure a stable labor force for farmers (Figure 2), it must mechanize labor-intensive tasks or reduce the amount of labor-intensive crops produced and increase its dependence on imported foods.

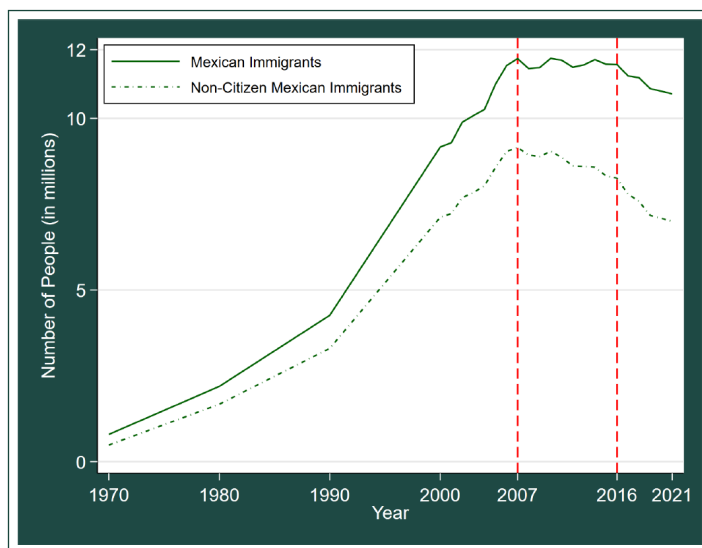


Figure 2. The Mexican-born U.S. population is declining.

Farm labor policy options

There are three types of policies that could help secure an adequate workforce for domestic agricultural production: migration, compensation, and technology.

1. Increase legal, permanent migration opportunities.

- Immigrant employees tend to be hard workers often willing to work for less than U.S.-born employees
- It can be difficult to vet good workers from those with other motivations
- Increased immigration may cause harm to individuals already settled in the U.S.

2. Address issues with the temporary H-2A visa program.

- H-2A employees are very motivated to earn as much as they can while in the U.S. – working hard and working overtime hours

- H-2A employees tend to be paid more than U.S.-based employees
- The H-2A program is subject to increased regulatory scrutiny

3. Incentivize farm labor supply.

- Subsidize labor or create labor tax offsets where employees could earn sufficient wages but employers do not bear the full costs
- Mandate benefits for health insurance to improve employee welfare and commitment to work. There is the question who would pay, employer or the government.

Market or policy solutions are needed to maintain U.S. agricultural production. These may include ways to incentivize farm labor and mechanize labor-intensive tasks.

Policy pros and cons at a glance

	Pros	Cons
Increase permanent legal migration	Foreign-born employees are physically fit, highly productive, and have low reservation wages	Vetting process is difficult and there is a negative impact on incumbent employees
Increase H-2A employment	Highly productive, hardworking employees willing to work over time	Vetting process is difficult, higher labor costs required for housing
Subsidies and tax credit compensation	Raises wages and offsets employer expenses	Distorts labor market and involves taxpayer money
Benefit mandates	Improves employee welfare	Extra cost burden for employer

The bottom line on labor

Labor supply issues for the U.S. agricultural sector are threatening the agricultural production capacity of the U.S., reducing economic welfare for domestic producers, and exposing the U.S. to food security risks. Market and/or policy solutions are needed for the U.S. to maintain its level of agricultural production. These may include incentivizing employees and mechanizing labor-intensive tasks.

Fewer people want to do farm work

- Better education and job opportunities for Mexican nationals
- Tighter border security
- More settled migrant families