Labor Demand and Outlook: Insights from the Livestock Sector

Reliance on H-2A Labor

Livestock producers do not general employ large numbers of H-2A workers, unlike specialty crop producers. Those who do, tend to mostly hire them directly (Table 1), as only a few rely on external services like those of independent contractors, employer associations or the USDA. This pattern is not surprising, by virtue of the rules associated with the H-2A program. Under the government regulations, agricultural employers can only hire H-2A workers for performing seasonal tasks. Such provision does not negatively affect fruit and vegetable growers significantly, as they need most of their labor during harvest season. However, livestock production takes place every single day, leaving animal sector farmers out of H-2A labor for the most important production tasks. Nevertheless, farmers can still hire H-2A workers for seasonal work, and some do, as shown in Table 1.

Table 1. Channels Through Which Famers Find H-2A Workers

	Freq.
Directly (without using third-party services)	25
Through independent contractor	3
Through H-2A joint employer association	3
Through USDA licensed crew leader	1
Other	8

The few livestock farmers employing H-2A workers generally feel that the cost of accessing this kind of labor is substantial. Almost two thirds indicated that H-2A costs were either moderately burdensome (26.47%) or very burdensome (38.24%), while only 17.65% said they did not find them burdensome at all. This pattern is similar to what farmers in most industries elicit, that is, that while the H-2A program is effective at giving them access to a reliable workforce, the costs are high and growing, making the program prohibitive to most small and medium-size farmers.

Table 2. Cost of Bringing an H-2A Worker

	Freq.	Percent	Cum.
Not at all burdensome	6	17.65	17.65
Somewhat burdensome	6	17.65	35.29
Moderately burdensome	9	26.47	61.76
Very burdensome	13	38.24	100.00

Total	34	100.00	

The findings shown in the previous two tables, the low use of the H-2A program by livestock producers and the burdensome costs associated with it, are aspects that farmers would like to see changed. Our survey asked respondents to select the top current rule of H-2A visas that they would like to be modified. The number one update farmers would like to see is for the government to provide support to build and maintain workers' living facilities (Table 3). Under the current H-2A rules, employers have to provide workers with transportation to and from their countries of origin to the U.S., as well as inside the country to and from the worksite and the living units. Furthermore, employers have to provide workers with housing, and afford all the costs associated with this mandate. Not surprisingly, the second modification that was chosen the most was to create a yearly quota of H-2A workers just for non-seasonal sectors like dairy. This last idea was included in the most recent versions of the Farm Workforce Modernization Act, a bill that has been introduced to Congress in numerous occasions but has failed to clear the Senate. Perhaps surprisingly, only 6.5% of respondents indicated that modifying the rules related to the determination of H-2A workers' wages was their most supported proposed change. This suggests that housing costs could be more burdensome that the wage bill for some farmers.

Table 3. Top Hypothetical Changes to the H-2A Program

	Freq.	Percent	Cum.
Modify rules for determination of minimum hiring wages for H-2A workers	21	6.50	6.50
Allowing H-2A workers to stay year-round	24	7.43	13.93
Allowing H-2A workers to work for multiple employers	52	16.10	30.03
Providing govt support to build and maintain workers' living facilities	106	32.82	62.85
Legalizing undocumented farm workers	19	5.88	68.73
Creating yearly quota of workers' visas for non-seasonal sectors like dairy	101	31.27	100.00
Total	323	100.00	

General Labor Demand

While livestock farmers are hiring few H-2A workers (likely a result of the program's rules which exclude non-seasonal activities), they still rely on labor as a production input. Around 15% of respondents indicated employing documented workers (citizens or legal immigrants) and almost 14% say they employ or have employed undocumented individuals (Table 4). However, more than 85% do not employ foreign workers of any kind. This might be because some producers are small business owners and complete all the tasks themselves and/or with family members. Others may have enough American-born workers on their farms.

Table 4. Different Types of Foreign Workers Employed

	Documented (citizens, green card, working visa holders)		Undocumented workers (without valid working visa/permit)	
	Freq.	Percent	Freq.	Percent
No (0)	421	85.40	428	86.84
Yes (1)	72	14.60	66	13.36
Total	493	100.00	494	100.00

In addition to asking about their current situation (at the time of the survey), we asked farmers about their plant to hire foreign workers in the future. Most respondents (58.62%) are planning to keep the same number of workers (Table 5). This may suggest that they are not thinking about expanding their operations soon. Alternatively, they may already have enough American-born workers in their payroll, or might be entertaining the possibility of investing in labor-saving technologies. Also worth nothing is that close to 28% of producers said they do not know if they are going to hire more foreign workers going forward, which could be a sign of uncertainty about their business ability to grow and other economic conditions.

Table 5. Plans to Hire Foreign Workers in the Future

	Freq.	Percent	Cum.
More	5	4.31	4.31
About the same	68	58.62	62.93
Less	11	9.48	72.41
Don’t know	32	27.59	100.00
Total	116	100.00	

Labor Costs

Wages are a top expense for any producer. We asked respondents to provide the average wage paid to three types of workers (Table 6). Of those hiring U.S. workers, more than 50% pay north of $13 dollars an hour, with more than 11% indicating paying more than $19 an hour. In the case of TN visa workers (highly-educated foreign workers), while some livestock producers rely on them, they majority of respondents (about 88%) do not. A similar situation can be seen for H-2A workers who are not as present on livestock farms as domestic workers and those who are, are generally paid according to the rules of the program, meaning at least the adverse effect wage rate dictated every year by the government for each state and different based on the tasks performed by individuals.

Table 6. Average Hourly Wage Rate Paid to Workers

	US workers (citizens/residents)		TN visa highly educated foreign workers		H-2A visa guest foreign farm worker	
Hourly wage	Freq.	Percent	Freq.	Percent	Freq.	Percent
NA	159	33.90	273	87.78	264	85.16
<$10	30	6.40	1	0.32	0	0
$10 to $12	40	8.53	3	0.96	3	0.97
$13 to $15	107	22.81	12	3.86	21	6.77
$16 to $18	81	17.27	15	4.82	15	4.84
$19+	52	11.09	7	2.25	7	2.26
Total	469	100.00	311	100.00	310	100.00

For a little bit less than half of the sample (46.86%), labor costs represent less than 5% of total costs (Table 7). This suggests that livestock producers have other expenses that top that of their wage bill. Some could include machinery, pesticides, and the animal themselves. Interestingly, only 4.26% of respondents indicated that labor costs account for 26% or more of their total costs, which highlight that the industry is less labor dependent than other agricultural sectors.

Table 7. Labor Costs as a Percentage of Total Production Costs

	Freq.	Percent	Cum.
Less than 5%	209	46.86	46.86
5% - 6%	29	6.50	53.36
7% - 10%	61	13.68	67.04
11% - 15%	65	14.57	81.61

16% - 20%	37	8.30	89.91
21% - 25%	26	5.83	95.74
26% +	19	4.26	100.00
Total	446	100.00	

In terms of labor costs, specifically hourly wages, there are mixed results regarding their change in the past two years (Table 8). While 41.39% of respondents said wages have increased in this period of time, a similar number indicated there has been no change (40.52%). Notably, less than 1% have seen a decline in wages in the recent past. The observed differences may be explained by different labor needs across operations based on their size. Alternatively, labor availability is different across regions in the U.S. based on many factors, which could lead to some areas having to pay less for workers while others might be competing for labor to other industries like construction or specialty crops, forcing employers to increase compensation to recruit and retain workers.

Table 8. Hourly Wage Paid to Workers: Changed Over the Past 2 Years

	Freq.	Percent	Cum.
Increased by 5% or more	190	41.39	41.39
Increased by less than 5%	80	17.43	58.82
No change	186	40.52	99.35
Decreased by less than 5%	1	0.22	99.56
Decreased by 5% or more	2	0.44	100.00
Total	459	100.00	