

Farmer's Workbook for Collaborative Hiring

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Meeting Started: Introductions

Please introduce yourselves by saying your name, where you live, and giving a brief description of your farm labor situation.

PHASE ONE: Reflecting on Difficulties and Solutions

Coordinating Farm Labor Across Farms

Five farmers—Alexi, Bob, Pat, Sally and Frank—own and operate farm businesses in Sun Town. Alexi, Frank, and Pat own and operate produce farms, while Bob and Sally farm both produce and livestock. We're going to call them the Sun Town Five for short.

Farm Labor Challenges


The Sun Town Five have been experiencing significant labor challenges on their farms. Their labor issues have led to lower production and profit, not to mention lots of stress. Here's a summary of the "biggest" labor challenges each faces:

- Alexi **does not have enough workers** on crew to get all the daily farm chores done. She could especially use some extra hands on market days. She's the first to admit that she doesn't have the time or know-how to effectively recruit and retain reliable workers.
- Bob **struggles to find time to complete all the paperwork** required for payroll and taxes. He also **doesn't have the resources to secure appropriate insurance** for his workers. One of his workers recently got injured and he had to pay for the costs out of pocket. He now feels very uncomfortable without coverage.
- Pat runs a smaller operation with her partner. While they don't need a full-time worker, they **could really use some extra help on certain days**. But they **don't have the time to bother with all the administrative aspects of hiring** a temporary worker. Where would they even find someone?
- Sally has too much to do on the farm herself and **struggles to train workers**. She's constantly frustrated that her workers don't do things efficiently because they aren't properly trained.
- Frank **has significant scheduling issues** as his workers are commuting from different areas on different days, leaving some days where no workers show up at all.

They all experience each other's challenges. Their shared challenges can be summed up as:

- ⇒ **Recruiting and hiring**
- ⇒ **Administration**
- ⇒ **Scheduling**
- ⇒ **Training**
- ⇒ **Transportation**

Reflection:

 you share similar or different labor related challenges on your farm?
Rate the following challenges on a scale from 1 (least challenging) to 5 (most challenging):

- Recruiting and hiring
- Administration
- Scheduling
- Training
- Transportation
- Other. Please describe: _____

Briefly, share responses with each other. What is your #1 concern? #5?

A Solution

The Sun Town Five got together one day to brainstorm a solution. What if they worked together to jointly hire employees, share employees, and/or share administrative responsibilities? Could this resolve some of the challenges they face?

They identified their **primary goal** in collaborating:

- **Farmers will have skilled, reliable workers when needed without undue administrative burdens.**

Reflection:

What primary labor goal do you have for your farm business?

Any shared venture comes with concerns. The Sun Town Five articulate their **concerns** next:

- How much will it **cost** me?
- Will my labor needs be a **priority** so that I get a reliable worker when I need one?
- How much **control** will I have over the process?
- Will I get a say in **big decisions**?
- How will I build a **trusting relationship** with the worker(s) assigned to my farm?
- Will the worker(s) be **trained** for my farm's **specific needs**?

The group agrees to discuss these issues later, but first they attend to money issues. The Sun Town Five sketched out the bare bone financials required for such a collaborative initiative. Here's what they came up with:

Financial Intentions and Assumptions

- We want to pay each worker at least **minimum wage** – assumption is \$11/hour.
- We want to be sure each worker is insured in case of an injury through **workers' comp or other general liability insurance**– assumption is \$1 per worker per hour.
- We acknowledge the inherent **administrative costs** in hiring and retaining workers, including recruitment, scheduling, securing insurance, payroll, taxes, legal compliance, training, transportation, etc.—assumption is \$5 per worker per hour.

Reality check: Each farmer realizes *that any solution may come at a cost of \$17 or more per hour*. The five farmers realize that *this solution has to efficiently address real problems to be worth it.*

Reflection:

Reflection: Looking at your primary labor goal, would you pay \$17 per hour for labor *if it meant you could achieve your goal?*

Potential Models:

Having come to a common goal, aired concerns, and arrived at acceptable baseline assumptions, the Sun Town Five brainstormed 4 potential business models:

- ⇒ **Limited Liability Company:** The Sun Town Five could form a single LLC that hires workers itself, and allocates those workers across their farms.
- ⇒ **Farmer Cooperative:** The Sun Town Five could form a farmer cooperative that hires workers itself, and allocates those workers across their farms.
- ⇒ **Worker-Owned Cooperative:** *Farm workers* in Sun Town could form a worker-owned cooperative that makes its owners available for hire by the Sun Town Five.
- ⇒ **Temp Agency:** Someone else could open a “temp agency” that specializes in placing workers on farms that the Sun Town Five could use as needed.

Here's where YOU come in! We're going to take a look at sketched out outlines for each of these 4 business model options. We'll be asking you: Will it work? Will it fail? What might make it succeed?

But first... Who?

Reflection: In considering the labor challenges the Sun Town Five face, who do you think is best suited and most able to do the work of managing the solution to their labor problems? The farmers? Farm workers? An independent party? *Someone else?*

PHASE TWO: Possible Solutions

#1 Imagine: Farmers co-own a for profit business that is structured as a **Limited Liability Company**

The Sun Town Five create a for-profit business with themselves as co-owners. The LLC hires farm workers, and takes on all the training and administrative tasks. Then, the LLC schedules out the farm workers on each of the Sun Town Five's farms, according rules the farmers set together. The Sun Town Five farmers all pay the LLC \$17 per hour for the labor done on their farm. As an LLC, they plan to hire more workers than the Sun Town Five actually need, because they hope to be able to hire out the workers to others. Here's a quick sketch of their ideas:

- When available, **the LLC's work force can also work at a premium hourly rate for other local farmers**, businesses, or private individuals.



- *Year-round opportunities might include value-added businesses, food and beverage retail, private home-owners for backyard gardening tasks, or other needs of the community that workers are willing to fulfill.*
- **By providing workers year-round and consistent opportunities**, the LLC can better recruit reliable, skilled workers who stick around year after year.
- The **member-owners can also make a profit** through the premium rate.

Reflections:

What does your gut say about this idea? Take a look at the overview table below and write down your initial responses and questions in the margin to the right.

Remember: We’re interested in your overview reactions as to how these **models compare to each other**, rather than in the granular aspects of each individual model.

LLC Model at a Glance:

- The Sun Town Five farmers join the LLC by investing money in the business
- Farmer-members who invest more get priority scheduling and greater say in “big” decisions.
- Farmer-members receive a portion of the profit the LLC may generate, in proportion to their investment in the LLC.
- Farmer-members hire a manager who **takes on day-to-day administrative tasks according to policies set by the board.**

| | The Farmer Members (The Sun Town Five) do this: | The manager does this: |
|------------------------------|---|--|
| Recruiting and hiring | Farmer-members decide on who to hire as the LLC manager and set guidelines and policies for how the manager operates the LLC. | The manager is responsible for recruiting, hiring and scheduling the workers. |
| Administration | Farmer-members can set policies for administrative matters. Farmer-members also help draft and ultimately approve the worker-client policies. | The manager takes care of all administrative tasks, including payroll, taxes, securing insurance, etc. |
| Scheduling | Farmer-members submit their quarterly labor hour needs schedule to the LLC manager. | The manager creates the schedule, giving farmer members with a greater percentage interest more priority and farmer- |

| | | |
|-----------------------|---|---|
| | | members priority over non-members. |
| Training | Farmer-members can organize and lead worker trainings to meet their farm’s needs | The manager schedules and handles the logistics of the trainings with the assistance of the farmer lead trainer. |
| Management | Farmer-members inform the LLC manager of incidences requiring manager intervention. The farmer-members work together to create management guidelines for the manager. | The manager deals with the issue according to policies created by the farmer-members. (Or, the farmer-members specifically delegate authority to the manager to create his or her own policies/procedures for dealing with management issues. |
| Transportation | Farmer-members offer transportation vehicles if available. | The manager coordinates transportation and carpooling with work crews. |

Now, let’s move into some more complex details:

Money Matters

- ⇒ **Initial funding:** Farmers must invest a minimum of \$1,000 to become a member. The initial contribution funds will help fund the LLC’s start-up and operating costs. The initial contribution funds will be accounted for in each farmers’ capital account. Farmer members who invest more will carry that respective “percentage interest” in the LLC which will correspond to their voting rights. For example, let’s say Alexi, Bob, and Pat each invest \$1,000, Bob invests \$3,000 and Sally invests \$4,000. Alexi, Bob and Pat would each have 10% percentage interest and voting power, Bob would have 30% and Sally would have 40%.
- ⇒ **Cash Flow**
 - Farmer members pay upfront \$17/hr on the first of each month for the total estimated hours needed during that upcoming month. The farmer must make additional payments on Monday of each week for any additional working hours used the previous week. The LLC will reimburse the farmer on Monday of each week if less hours were used.
 - Non-members pay \$20/hr and must pay in full within 24 hours after the workers’ shift. Any late payments are subject late fee. **The LLC makes a profit on the \$3/hr surplus.*
 - Workers are paid through the LLC biweekly (or otherwise legally required time-period).
- ⇒ **Profits and losses:** Farmer members have potential to draw on any profits of the LLC, and will also incur losses, corresponding to their percentage interest.
- ⇒ **Taxes**

- Payroll – the LLC is responsible for paying all payroll taxes of workers hired through the LLC as well as the LLC manager.
- Income – Each member-farmer must file and pay annual state and federal income taxes on any profits of the LLC based on their percentage interest.

How is scheduling handled?

- Farmer members submit a “labor hour needs schedule” for each quarter, which is due 60 days before the quarter begins (i.e., schedule for the June-August quarter is due on April 1).
- Nonmembers submit a “needs” schedule on a weekly basis, or on an as needed basis.
- The LLC manager sets the schedule, giving farmer-members with the greater percentage interest most priority and farmer members priority over non-members.
- The LLC manager submits the schedule for the upcoming month on or before the 15th day of the preceding month.
- Farmers-members who have an issue with the schedule can request a vote of members to alter or amend it within 48 hours of receiving it from the manager.
- The LLC manager submits the final schedule on a weekly basis to adjust last minute need and changes and/or add any available scheduling for non-members.

Decisions

- ⇒ **Big decisions:** Big decisions, including whether and when profits are distributed to members are made by the members. The decisions are based on the percentage interest (i.e., if a member has 10% interest in the LLC, she has 10% voting power). What’s a big decision? The initial members decide and memorialize it in the LLC’s operating agreement.
- ⇒ **Day to day decisions:** The LLC is managed by a manager who is retained as an employee by the LLC. The manager handles all the day-to day decisions, including recruiting, scheduling, coordinating transportation, handling payroll, taxes, and accounting, securing insurance, overseeing legal compliance, organizing trainings, dealing with complaints, etc.

Roles and Responsibilities

- ⇒ **Manager:** The manager handles the day-to-day matters as outlined above. The manager works on average 20 hours a week during the farming season, and 5-10 hours a work in the off season (depending on the demand for workers). The manager is paid minimum wage and the LLC bears the additional administrative payroll costs (i.e., taxes, insurance, etc.). The manager must abide by the policies established by the members.
- ⇒ **Farmer-Members:** The farmer members make the “big” decisions as designated in the operating agreement according to their percentage interest. Members are responsible for making their initial contribution. Members retaining workers through the LLC must abide by the worker-client policies, including scheduling deadlines, payment terms, breaks and overtime, communications, and complaints.

- ⇒ **Workers:** The worker's primary boss is the LLC manager. Any complaints are handled through the LLC. Workers must abide by the worker-client policies.
- ⇒ **Clients:** Other business owners or private individuals can hire workers through the LLC at a premium price. Clients must abide by the worker-client policies, including payment terms.

Coming and Going

- ⇒ New members can be voted in by a majority of the percentage interest of existing members. New members must make the minimum initial contribution of \$1,000 (unless otherwise agreed upon by a majority percentage interest of existing members).
- ⇒ Members can leave by submitting a 60-day written notice to the LLC. The exiting member is eligible to receive a share in the LLC's assets and income according to their percentage interest, presuming the LLC retains sufficient funds.

Reflections:

How do you feel about working under this LLC Model? Why?

⇒ *"I feel inspired, nervous, frustrated ... other ... because..."*

How might this model support and/or limit your career goals in farming?

⇒ *"This model supports my aspirations by..."*

⇒ *This model limits my aspirations by..."*

Will this model succeed or fail, why or why not?

#2 Imagine: Farmers organize together around their common labor goals to create a farmer-owned cooperative

The cooperative hires farm workers and takes on all the training and administrative tasks. Then the cooperative schedules out the farm workers on each of the Sun Town Five’s farms, according to rules the farmers set together based on the cooperative principle of “one-member, one vote.” The Sun Town Five farmers all pay the cooperative \$17 per hour for the labor done on their farms. As a co-op, they primarily want to create a work force to benefit their members. However, they will also hire out their workers to benefit other farmers and businesses in the community. Here’s a quick sketch of their ideas:


- When available, the **co-op’s work force can also work at a premium hourly rate for other local farmers**, businesses, or private individuals.
 - Year-round opportunities might include value-added businesses, food and beverage retail, private home-owners for backyard gardening tasks, or other needs of the community that workers are willing to fulfill.
- By **providing workers year-round and consistent opportunities**, the co-op can better recruit reliable, skilled workers who stick around year after year.
- The **cooperative can also build financial stability** by providing the co-op’s labor services at a premium rate to non-members.

Reflections:

What does your gut say about these ideas? Take a look at the overview table below and write down your initial responses and questions in the margin to the right.

Farmer-owned Labor Co-op at a Glance:

- The Sun Town Five farmers become member-owners of the cooperative by investing money.
- Regardless of the invested amount, each farmer-member gets one vote in big decisions.
- Co-op owners receive a portion of any surplus income the co-op may generate in proportion to their use of the cooperative’s services.
- As initial owners, the Sun Town Five farmers elect a board of directors via the principle of one-member one vote. (With just five owners, they might decide that they all be on the board).
- The board sets the cooperative’s overall operating policies. The board also hires a manager who takes on day-to-day administrative tasks according to policies set by the board.

|  | The Farmer-Owners (Sun Town Five) do this: | Board of Directors does this: | The Co-op Manager does this: |
|---|---|--|--|
| Recruiting and hiring | Elect a board of directors | Hires a co-op manager to handle day-to-day operations | Responsible for recruiting, hiring, and scheduling the workers according to procedures set forth by the board of directors |
| Administration | Set basic procedures for co-op in company’s bylaws; vote democratically (one-member, one-vote) on big decisions as designated in the bylaws | Sets the overall operating policies, approves annual budget, oversees its operation, decides whether and when to distribute any profits the co-op to owners (unless the owners reserve this decision to themselves in the bylaws). | Takes care of all administrative tasks, including hiring, payroll, taxes, securing insurance, etc. |
| Scheduling | Puts in labor requests to manager to get job on the schedule and pays for services ahead of time | Develops the policies and rules for scheduling decisions. | Creates the schedule based on timing of job orders and scale of the jobs |
| Training | Provides training opportunities on respective farm operations | | Schedules and handles the logistics of training with the assistance of farmer-owners |
| Management | Oversees workers who are working on their respective farm, including providing guidance on tasks, lunch, bathroom breaks, etc.; reports to co-op manager about any issues with conduct and behavior | Sets general policies for worker-client relations | Deals with the issues according to policies created by the board of directors |
| Transportation | | Decides whether and how to coordinate transportation. | Coordinates transportation and |

| | | | |
|--|--|--|--------------------------------|
| | | | carpooling with the work crews |
|--|--|--|--------------------------------|

Now, let’s move into some more complex details:

Money Matters

- ➔ **Initial funding:** Farmers must invest a minimum of \$1,000 to become a co-op member-owners. The initial investment will help fund the co-op’s start-up and operating costs; however, it will be accounted for in each owners’ capital account.
- ➔ **Cash flow:**
 - Co-op owners pay upfront \$17/hr on the first of each month for the total estimated hours needed during that upcoming month. The farmer must make additional payments on Monday of each week if less hours were used.
 - Non-owners of the co-op pay \$20/hr and must pay in full within 24 hours after the workers’ shift. Any late payments are subject to a late fee. **The co-op makes a profit on the \$3/hr surplus.*
 - Workers are paid through the co-op biweekly (or otherwise legally required time-period).
- ➔ **Profits and losses:** Net income generated by the farmer-owners’ use of the cooperative’s work force is considered a “surplus.” This surplus will be allocated to the farmer-owners in proportion to their use of the workers (i.e., number of hours of farm labor each owner used). This is considered the patronage dividend. Net income that is generated by non-owners use of the work force is considered a “profit” and will be returned to the indivisible reserves of the cooperative to help build the financial stability of the cooperative. Any losses will be allocated in the same way.
- ➔ **Taxes:**
 - Payroll – the co-op is responsible for paying all payroll taxes of workers hired through the co-op, as well as for the co-op manager.
 - Income – The cooperative must pay taxes on any profits not distributed to owners. Each farmer-owner must file and pay annual state and federal income taxes on any patronage dividends distributed to them by the co-op, unless an exemption applies.

Decisions

- ➔ **Big decisions** – Owners make certain big decisions that are designated in the bylaws, including electing the board of directors. Sticking to the cooperative principles, regardless of investment amount, each owner has equal voting power (“one member, one vote”). Big decisions might include whether and when to distribute surplus, or these might be made by the board.
- ➔ **Strategic decisions** – Unless reserved for the owners, overarching strategic and policy decisions are made by the board of directors, which is democratically elected by the owners each year (or otherwise specified in the bylaws).

- **Day to day decisions** – The co-op is managed by a manager who is retained as an employee of the co-op. The manager handles all the day-to-day decisions, including recruiting, scheduling, coordinating transportation, handling payroll, taxes, and accounting, securing insurance, overseeing legal compliance, organizing trainings, dealing with complaints, etc.

How is scheduling handled?

- Farmer-owners submit a “labor hour needs schedule” for each quarter, which is due 60 days before the quarter begins (i.e. schedule for the June-August quarter is due on April 1).
- Non-owners submit a “needs” schedule on a weekly basis, or on an as needed basis.
- The co-op manager sets the schedule for the upcoming month on or before the 15th day of the preceding month.
- Farmer-owners who have an issue with the schedule can request that the board of directors hold a vote of co-op owners to alter or amend it within 48 hours of receiving it from the manager.
- The co-op manager submits the final schedule on a weekly basis to adjust last minute need and changes and/or add any available scheduling for non-owners.

Roles and Responsibilities

- **Co-op owners:** Owners are responsible for making an initial investment (i.e., membership fee). The farmer-owners elect the board of directors and vote on “big” decisions as designated in the bylaws. Owners who retain workers through the co-op must abide by the worker-client policies set forth by the board, including scheduling, deadlines, payment terms, breaks and overtime, communications, and complaints.
- **Board of Directors:** The board oversees the grand strategic goals of the cooperative, including setting the overall operating policies and the worker-client policies, setting financial goals, developing the annual budget, and guiding the co-op’s operation. The board makes whatever “big” decisions that are not reserved for the owners in the bylaws.
- **Manager:** The co-op manager handles day-to-day matters as outlined above. The manager works on average 20 hours a week during the farming season, and 5-10 hours a week during the off season (depending on worker demand). The manager is paid minimum wage and the co-op bears the additional administrative payroll costs (i.e. taxes, insurance, etc.). The manager must abide by the policies established by the board of directors.
- **Workers:** The workers’ primary boss is the co-op manager. Any complaints are handled through the co-op. Workers must abide by the worker-client process.
- **Clients:** Other business owners or private individuals can hire workers through the co-op at a premium price. Clients must abide by the worker-client policies, including payment terms.

Coming and Going

- New farmer-owners join the co-op as member-owners with a minimum initial investment/membership fee of \$1,000.
- Owners can leave by submitting a 60-day written notice to the co-op's board of directors. The exiting owners eligible to receive some or all of its initial investment back if the board approves (or otherwise designated in the bylaws).

Reflections

How do you feel about working under this farmer-owned co-op model? Why?

⇒ *"I feel inspired, nervous, frustrated ... other ... because..."*

How might this model support and/or limit your career goals in farming?

⇒ *"This model supports my aspirations by..."*

⇒ *This model limits my aspirations by..."*

Will this model succeed or fail, why or why not?

#3 Imagine: Farmworkers organize together to meet Sun Town Farmers' labor goals, creating a worker-owned labor cooperative

The Sun Town Five farmers' labor needs get around town to a group of willing farmworkers in the area. The workers see the farmers' need for skilled and reliable farm labor as an opportunity to join forces by offering their collective labor services to farmers in the community for a living wage rate. So, they form a worker-owned labor cooperative (co-op), through which they collectively market their farming skills and joint labor capacity. Rates for their farm labor services begin at \$17 per hour for general farm work (planting, weeding, harvesting, packing, etc.), increasing up to \$20 per hour for more specialized work (tractor work, irrigation installation, fence work, etc.). Here's a quick sketch of the workers' ideas:

- The **co-op provides worker-owners the services of joint marketing and administration of their labor capacity**, so that each worker can benefit from a centralized systems of scheduling and management of jobs that command a higher rate per hour due to increased workforce capacity and reliability (i.e., through cooperation, there's more workers to fill jobs!)
- By **providing workers year-round and consistent opportunities**, the co-op can better recruit reliable, skilled workers who stick around year after year.
 - Year-round opportunities might include value-added businesses, food and beverage retail, private home-owners for backyard gardening tasks, or other needs of the community that workers are willing to fulfill.
- The **worker-owners can make a living wage by providing the co-op's labor services at a premium rate** where otherwise they may be working for minimum wage or lower for the same skilled work.

Reflections:

What does your gut say about these ideas? Take a look at the overview table below and write down your initial responses and questions in the margin to the right.

| Worker-owned Labor Co-op at a Glance: | | | |
|---|---|--|---|
| <ul style="list-style-type: none"> • The workers create a cooperative for-profit business that markets its worker-owners’ farm labor skills to farmers in need of reliable, skilled farm labor. • Worker-owners pay an initial investment/membership fee, which may be smaller or larger depending on the capitalization needs of the cooperative. • Regardless of the initial investment, all worker-owners get one vote in big decisions. • Profits are allocated to owners based on how much labor they put into the co-op (e.g., how many jobs they schedule and complete). • The initial worker-owners elect a board of directors via the principle of one-member one vote. The board sets the cooperative’s overall operating policies. • The board also hires a manager who takes on day-to-day administrative tasks according to policies set by the board. | | | |
| | The Worker-Owners do this: | Board of Directors does this: | The co-op manager does this: |
| Recruiting and hiring | Elect a board of directors | Hires a co-op manager to handle day-to-day operations | Responsible for recruiting and hiring new members, and scheduling workers according to procedures set forth by the board of directors |
| Administration | Set basic procedures for co-op in company’s bylaws; Vote democratically (one-member, one-vote) on big decisions as designated in the bylaws | Sets the overall operating policies, approves annual budget, oversees its operation, decides whether and when to distribute “patronage dividends” to owners (unless the owners reserve this decision to themselves in the bylaws). | Takes care of all administrative tasks, including hiring, payroll, taxes, securing insurance, etc. |
| Scheduling | Lets manager know availability and schedule preferences. | Develops the policies and rules for scheduling decisions. | Creates the schedule based on timing of job orders, payment, and scale of work to be done |
| Training | | | Schedules and handles the logistics of training with Extension, farms, and other collaborators |
| Management | Reports job/client issues to the manager | Sets general policies for worker-client relations | Deals with the issues according to policies created by the board of directors |

| | | | |
|-----------------------|--|---|---|
| Transportation | | Decides whether and how to coordinate transportation. | Coordinates transportation and carpooling with the work crews |
|-----------------------|--|---|---|

Now, let’s move into some more complex details:

Money Matters

- ➔ **Initial funding:** Workers must invest a minimum \$1,000 membership fee to become a co-op member-owner. The initial investment helps fund the co-op’s start-up and operating costs; however, it will be accounted for in each owner’s capital account.
- ➔ **Cash flow:**
 - Clients of the co-op pay \$17/hr for general farm work and up to \$20/hr for more specialized work and must pay in full within 24 hours of the workers’ shift. Any late payments are subject to a late fee.
 - Workers are paid through the co-op biweekly (or otherwise legally required time-period) for their completed labor hours.
- ➔ **Profits and losses:** Unless the worker-owners decide otherwise (and/or designate in the bylaws), the board decides each calendar year whether and how to distribute net income to the worker-owners. Generally, profits that the cooperative generates through the worker-owners’ labor will be allocated to each owner based **on how much labor they put into the co-op (e.g., how many jobs they schedule and complete)**. This is considered the “patronage dividend.” Any losses will be allocated in the same way. The board can also decide to keep a ratio of profits in its indivisible reserves (i.e., bank account) to build the cooperative’s financial stability.
- ➔ **Taxes:**
 - Payroll – the co-op is responsible for paying all payroll taxes of workers hired through the coop, as well as for the coop manager.
 - Income – The cooperative must pay taxes on any profits not distributed to worker-owners. Each worker-owner must file and pay annual state and federal income taxes on any patronage dividends distributed to them by the co-op, unless an exemption applies.

Decisions

- ➔ **Big decisions-** Worker-owners make certain big decisions that are designated in the bylaws, including electing the board of directors. Each member has equal voting power (“one member, one vote”). Big decisions might include whether and when to distribute surplus, or these might be made by the board.
- ➔ **Strategic decisions-** Unless reserved for the members, overarching strategic and policy decisions are made by the board of directors, which is democratically elected by the worker-owners each year (or otherwise specified in the bylaws).

- **Day to day decisions** – The co-op is managed by a manager who is retained as an employee by the co-op. The manager handles all the day-to-day decisions, including recruiting, scheduling, coordinating transportation, handling payroll, taxes, and accounting, securing insurance, overseeing legal compliance, organizing trainings, dealing with complaints, etc.

How is scheduling handled?

- **When they join the cooperative, worker-owners submit an “availability schedule” that includes number of hours available each week and a preferred schedule. They are responsible for notifying the manager of any changes or needed time off.**
- **Farm clients submit a “labor hour needs schedule” for each quarter, which is due 60 days before the quarter begins (i.e. schedule for the June-August quarter is due on April 1) to the co-op manager.**
- **Farm clients can submit a “needs” schedule to the manager on a weekly basis, or on an as needed basis for a \$10 per instance fee.**
- **The manager sets the schedule for the upcoming month on or before the 15th day of the preceding month.**
- **Worker-owners who have an issue with the schedule can request that the board of directors hold a vote of co-op members to alter or amend it within 48 hours of receiving it from the manager.**
- **The manager submits the final schedule on a weekly basis to adjust last minute needs and changes and/or add any available scheduling for other short notice jobs orders.**

Roles and Responsibilities

- **Co-op members (worker-owners):** Worker-owners are responsible for paying an initial membership fee. The worker-owners elect the board of directors and vote on “big” decisions as designated in the bylaws. Worker-owners must agree to and abide by the worker-client policies set forth by the board, including scheduling, deadlines, payment terms, breaks and overtime, communications, and complaints. The workers’ primary boss is the co-op manager. Any complaints are handled through the co-op.
- **Board of Directors:** The board oversees the grand strategic goals of the cooperative, including setting the overall operating policies and the worker-client policies, setting financial goals, developing the annual budget, and guiding the co-op’s operation. The board makes whatever “big” decisions that are not reserved for the members in the bylaws.
- **Manager:** The co-op manager handles day-to-day matters as outlined above. The manager works on average 20 hours a week during the farming season, and 5-10 hours a week during the off season (depending on worker demand). The manager is paid minimum wage and the co-op bears the additional administrative payroll costs



(i.e. taxes, insurance, etc.). The manager must abide by the policies established by the board of directors.

→ **Clients:** Clients must abide by the worker-client policies, including payment terms.

Coming and Going

→ New worker-owners join the coop with a minimum membership fee of \$1,000.

→ Owners can leave by submitting a 60-day written notice to the co-op's board of directors. The exiting owner is eligible to receive some or all of its initial investment (i.e., membership fee) back if the board approves (or otherwise designated in the bylaws).

Reflections:

Reflections:

How do you feel about working under this worker-owned co-op model? Why?

⇒ *"I feel inspired, nervous, frustrated ... other ... because..."*

How might this model support and/or limit your career goals in farming?

⇒ *"This model supports my aspirations by..."*

⇒ *This model limits my aspirations by..."*

Will this model succeed or fail, why or why not?

#4: Imagine: A farmer or other entrepreneur launches a “temp agency” business to supply workers to local farms.

Frank, of the Sun Town Five, decides that because he has a wide network of farm workers for his operation that he will create a farm version of a temp agency. The Sun Town Five farmers (and anyone else needing agricultural labor) submit requests including the length/seasonality of the job, the job's daily schedule, a description of the work, and a list of the desired qualifications and training of the worker. Frank then assigns his workers, employed by Frank, to the other farmers' operations. Frank does all the recruitment, screening, hiring, and basic training of his employees. The farms taking the workers (we'll call them the client-farmers) do supplemental training, as necessary. The client-farmers are not the workers' employer; instead, the client-farmers are the work site for Frank's employees. The client-farmers pay at least \$17 per hour to Frank, and the workers receive at least \$11 per hour from Frank.

Here's a quick sketch of the business model potential of Frank's temp agency:

- The business could supply workers to landscaping and other related industries, potentially making Frank's business more viable.
- The business could recruit workers from within the landscaping and other outdoor work industries, potentially increasing the availability of labor for farmers.
- The client-farmers may have access to workers with management experience if the temp agency can pull from the landscaping professions and other related industries.

Like any for-profit business run by an individual, the temp agency would need to meet the needs of client-farmers, the needs of workers, and turn a profit for Frank. When they meet these goals, temp agencies satisfy a few assumptions:

- Client-farmers receive workers quickly; avoid doing any recruitment, hiring, firing, or scheduling; and do not have a responsibility to manage or pay taxes or secure insurance. This is worth a 30-50% markup over the hourly wage the farmer would otherwise pay.
- There is enough of a labor supply, such that the temp agency could reasonably expect to recruit enough individuals to satisfy client-farmer requests. In the alternative, the promise of consistent, year-round work is compelling enough to attract new workers to the landscaping, farm, and outdoor maintenance industries.

Client-farmers are responsible to pay their invoices on time and otherwise follow the terms of their agreement with Frank as to when and how to request labor, how to submit a complaint, etc. Other than that, clients have little involvement in Frank's business model. It's Frank's responsibility to assemble a business model that meets client-farmers' goals, employees' needs, and turns a profit. If Frank is going to succeed in this venture, his temp agency needs to be desirable to client-farmers and workers, practical to operate and financially viable. Factors affecting these criteria are discussed below.

| Temp Agency Model at a Glance: | | |
|--|--|--|
| <p><i>The Sun Town Five farmers apply to become farmer-clients of Frank. As part of the process, Frank has them sign a client agreement, which details Frank’s expectations for when and how to submit labor requests, the client-farmer’s rights and responsibilities as a client, the process for paying for the work, and many other details suggested below.</i></p> | | |
| | The client-farmers do this: | Frank does this: |
| Recruiting and hiring | Client-farmers put in requests for workers by submitting information requested by Frank, which may include tasks to be performed, desired skills, length of the job, and pay rates. | Frank recruits, hires, and manages the employees. He receives work requests from clients and attempts to meet client-farmers needs for specific skills or abilities. |
| Management | Client-farmers are responsible to provide instruction over how the work is performed on their farm. However, client-farmers must give control over scheduling, discipline, hiring, and firing to Frank, the worker’s employer. Client-Farmers inform Frank when they have an issue requiring intervention such as a person who shows up late, underperforms, etc, according to their client agreement with Frank. Client-farmers may be able to request an alternative a worker, if/when their service agreement with Frank allows it. | Frank manages the situation according to the employee policies Frank has adopted (i.e. the policies in Frank’s Employee Manual), in the interests of his business. |
| Administration | Client-farmers may have administrative duties regarding their relationship with Frank (i.e. paying Frank’s invoices). | Frank takes care of all administrative tasks relative to the workers including tracking hours, paying payroll, satisfying tax and insurance obligations, etc. |
| Scheduling | Client-farmers submit work requests to Frank according to their client agreement with Frank. Priority or preference is given to client-farmers that submit requests well in advance of the job’s start date. | Frank schedules his employees to work at specific client-farmer work locations. When the job ends at one farm, Frank schedules workers to another client-farm, if available. |
| Training | Client-farmers do supplemental training in the specific procedures of their farm, beyond the basic training provided by Frank. Client-farmers may submit specific training requests or training curricula to Frank for Frank to conduct. | Frank provides very general training in basic farm matters such as food safety protection, and fundamental harvest and post-harvest handling principles, upon request. |
| Transportation | Transportation is not a part of the agreement between client-farmers and Frank, unless specifically negotiated for inclusion. | Transportation is not a part of the agreement between client-farmers and Frank, unless specifically negotiated for inclusion. |

Desirability Factors

If a temp agency can increase the attractiveness of farm work, the temp agency will solve a major problem for both client-farmers and farm workers. Here are some potential options to increase the desirability of working with a farm temp agency:

- The promise of year-round employment may attract additional candidates and keep qualified candidates in the labor pool.
- The ability/obligation to provide unemployment insurance benefits if year-round work can't be found may attract/keep qualified workers.
- If Frank's management style is better than the farmers' management styles, the temp agency may retain workers individual farmers would lose.
- Offering a diversity of work may attract additional applicants as it may mitigate the physical stressors of farm work.

Practicality Factors

Frank will need to maintain a large enough client base to place workers and a large enough worker base to fill open positions. Clients are likely less willing to wait for workers, as compared to workers' willingness to wait for a job. This means Frank will be more successful if he has many worker applicants. Getting many worker applicants for jobs in agriculture and landscaping is already challenging, and success may hinge on Frank's ability to increase the desirability of farm work.

Financial Viability Factors

The temp agency may be financially viable if Frank is able to provide enough value, such that it's worth the additional per-hour fees to get workers through Frank than to hire on the farm's own efforts.

If Frank employs more than 10 individuals, then he becomes subject to OSHA enforcement. OSHA mandates safety features that many farms do not accommodate, at present. If Frank is expected to help his client-farmers achieve OSHA compliance (which they otherwise would not need to meet), this will significantly increase his expenses.

Frank will likely become subject to unemployment insurance. This will increase his costs of doing business above the majority of farms that are otherwise exempt from unemployment insurance. There's the cost of the tax itself and the labor necessary to administer or oppose benefit determinations, when former employees file for benefits. Frank can manage the costs of unemployment insurance if he is able to consistently place employees into new work positions at a comparable salary and benefits. This may be challenging unless Frank can cultivate a client base that compliments the seasonality of farm work. This suggests Frank needs to make sure that he is constantly growing his client base ahead of his worker base (although other factors argue for growing his worker base faster).

Just as providing year-round and regular employment helps Frank meet his desirability goals, it also increases his financial obligations. Employees will expect access to paid

vacation, sick time, and benefits, which are otherwise not provided by most farms who hire seasonally. Frank will need incorporate such costs into his client fees.

Frank may be subject to sales tax on client fees, which is another cost farmers don't otherwise incur which will need to be incorporated into client fees.

Launching a temp agency does require a capital outlay for things like upfront payroll costs, business registration and compliance efforts, and office/support staff. Frank will need access to capital.

Reflections:

How do you feel about working under this temp agency model? Why?

⇒ *"I feel inspired, nervous, frustrated ... other ... because..."*

How might this model support and/or limit your career goals in farming?

⇒ *"This model supports my aspirations by..."*

⇒ *This model limits my aspirations by..."*

Will this model succeed or fail, why or why not?

Conclusion:

Thank you for your participation! Your thoughts and feelings are essential as we work together to craft solutions to the barriers you face.

Here's what to expect going forward:

1. The project team will analyze the feedback from our focus groups to identify trends. We will use this information to identify which models farmers feel best address their needs and are most likely to succeed.
2. The project team will develop more thorough business models, incorporating farmers' preferences and ideas. We will create initial financial projections and legal/management analyses for farmers to review.
3. We will convene a second round of focus groups to get feedback on the new and improved, in-depth models with greater depth.
4. We will do a second round of adaptations to farmers' preferences, and release a guide to whether and how these models could be feasible for communities to adopt.

Stay tuned for more!