



Agricultural Personnel Management Program

Project Report

Growers' Decisions to Hire Farm Labor Contractors and Custom Harvesters

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AGRICULTURAL PERSONNEL MANAGEMENT PROGRAM

UNIVERSITY OF CALIFORNIA COOPERATIVE EXTENSION
DIVISION OF AGRICULTURE AND NATURAL RESOURCES

Contents

Introduction	1
Methodology	
Principal Research Questions	
Characteristics of Respondents' Operations	2
Respondents' Firms	
Labor Sources	
Recruitment Channels	
Union Contracts	
Challenges in Labor Management	
Type of Work and Services Provided by FLCs and CHs	4
Tasks	
Crops	
Services	
Fees	
Custom Harvesters	
Growers' Experiences with FLCs	7
Reasons for Hiring	
Satisfaction with Work	
The Payoff: Advantages (and Disadvantages) of Hiring FLCs	
Comparative Costs and Changes in the Firm	
Future Intentions	
Growers' Experiences with CHs	9
Reasons for Hiring	
Satisfaction with Services	
Advantages and Disadvantages	
Costs	
Future Intentions	
Grower–Contractor Relationships	10
Conclusions	11
Effectiveness of Methodology	
Research Questions	
Suggestions for Future Research	12
Appendices	13
A: Overview of Respondents	
B: Survey Instrument	
References	18

Introduction

During the last two decades, the hiring of farm labor contractors (FLCs) has significantly increased in the California agricultural labor market (Vaupel 1990; Vaupel and Martin 1986). There has been no published study, however, on what growers expect and actually get from hiring contractors. Producers who are considering hiring FLCs have had no organized body of empirical evidence to consult before making the decision.

This study was developed to gather background information on growers' experiences with FLCs and custom harvesters (CHs) and to test the feasibility of gathering such information through a mail survey. FLCs are the middlemen who bring together farm workers and growers who typically do not speak the same language. Contractors find jobs for workers and sometimes provide transportation, housing, food, and other services. CHs provide a full harvest service, supplying both workers and equipment to growers.

The Salinas Valley was chosen because the proportion of FLCs had been relatively low there, followed by an especially strong trend toward increased hiring of contractors in recent years (Vaupel 1990). The author was assisted in the study by the Farm Labor and Rural Poverty Study Group (FLARPS) of the California Institute for Rural Studies, which helped lay out the survey instrument, handled data entry, and contributed to mailing costs. The study was also supported and funded by the University of California Agricultural Personnel Management Program (APMP).

This project was conceived as a pilot study and the survey instrument was designed as a first exploration of the research questions. Since so little was known about grower-FLC relationships, there was little pre-existing information on which to base theory. The survey questions could therefore be characterized as exploratory. The intent was to achieve a basic understanding of the issues on which further research could be based.

Methodology

Survey instrument. The author developed the survey instrument with assistance from Howard Rosenberg of the APMP; David Runsten of FLARPS; Kai Francisco, who at the time was Agricultural Personnel Management Farm Advisor with UC Cooperative Extension in Monterey County; and the presidents of the two co-sponsors of the study — the Monterey County Farm

Bureau and the Grower-Shipper Vegetable Association of Central California. The instrument was sent to seven representative growers in the Salinas Valley for pretesting in May 1989. Final revisions were pretested by the same growers. The four-page final survey instrument is in appendix B.

Sampling procedure. The preferred procedure was to select a random sample of 150 members from the mailing lists of one or more major producer organizations. The backup plan was to select a random sample from the list of Monterey County growers who had obtained restricted use permits from the Agricultural Commissioner.

Full support was obtained from the two major producer organizations in the region — the Monterey County Farm Bureau and the Grower-Shipper Vegetable Association of Central California — and the backup plan was not used. The Grower-Shipper Association sent the survey instrument to its complete mailing list of 97 employers. The Farm Bureau allowed use of its list of 402 growers. Since full access to both lists was achieved, it was decided not to limit the mailing to 150 employers, as originally planned. The survey instrument was sent to all 499 persons on both lists in July 1989. (Possible overlaps in the two lists could not be identified, because one organization preferred to mail the survey instruments directly.) A follow-up postcard was sent to all persons on both mailing lists after three and one-half weeks.

Eighty-five questionnaires were returned, for a return rate of 17 percent (11.2 percent return rate from the Farm Bureau mailing list and 25.8 percent from the Grower-Shipper Association list). Fifteen questionnaires were returned unanswered, however, with notes that the respondent had retired, had leased the land to others, was no longer in farming, or did not hire FLCs or CHs. The proportion of usable questionnaires, therefore, was 14.5 percent.

Respondents included growers and shippers. Throughout this report, however, the terms grower or employer are used to refer to all respondents (both growers and shippers). Of the 70 respondents, 45 (64 percent) had hired FLCs at some time and continued to hire them in 1988 or 1989. This proportion is probably higher than the general population of growers in the Salinas Valley, since some who received the survey instrument did not answer it, believing it sought infor-

mation only from those who hired FLCs or CHs. Twenty-four respondents (34 percent) had hired custom harvesters at some time, and 19 hired CHs in 1988.

The sampling procedure used was an expeditious means of conducting a relatively quick and low-cost survey. However, because of the sampling method and low response rate, the results of the study are probably more representative of a particular group of growers than of the county as a whole. First, the population was limited to members of two organizations, the total membership of which constituted roughly one-third of the farms in Monterey County (U. S. Department of Commerce 1989). Second, a higher return rate resulted from the Grower-Shipper Vegetable Association of Central California. Sampling from the full grower population

of the county could have resulted in more representative results, although obtaining an accurate list of names and addresses might have been impossible or prohibitively time-consuming.

Principal Research Questions

The questions were:

A. What types of work are FLCs and CHs being hired to do and what services do they provide?

B. What are growers' experiences with and opinions about the work of FLCs and CHs?

C. What are the characteristics of grower-contractor relationships?

Characteristics of Respondents' Operations

Respondents' Firms

The respondents represented a mix of growers, harvesters, and shippers: 55 grew crops, 42 shipped, and 20 harvested crops (table 1). Many engaged in more than one of these activities.

The primary crops grown by respondents were lettuce and other vegetables. Forty-nine percent grew lettuce as one of their five primary crops, by value of sale. Twenty-nine percent grew cauliflower and 27 percent grew broccoli. All of the primary crops and their frequencies are given in appendix A.

Respondents' farms were larger than those in Monterey County as a whole. Almost half farmed over 1,000 acres, and 21 percent farmed over 3,000 acres. Only 19 percent¹ farmed fewer than 180 acres (fig. 1). In the county as a whole, 18 percent of the farms are 1,000 acres or larger, and 60 percent are 180 acres or less (U.S. Department of Commerce, hereafter Commerce).

1. Unless indicated otherwise, all percentages in the report are calculated from the number of valid responses to the question.

TABLE 1. Agricultural Activities of Respondents

Activity	Respondents
	(N=67) %
Growing	82.1
Shipping	62.7
Harvesting	29.9

Respondents' operations were also large in terms of gross annual sales. More than two-thirds (70 percent) had gross annual sales over \$1 million. Another 12 percent had sales of \$0.5 to \$1 million. Only 6 percent were in the small farm category (under \$100,000), and 5 percent had medium-size farms (\$100,000 to \$250,000) (fig. 2). In Monterey County, average gross annual sales were \$536,000 (Commerce).

A chi-square analysis suggests that the decision to hire FLCs is not independent of the number of acres in the growing operation ($p=.0001$) or the amount of gross annual sales ($p=.0121$). Contingency table observed frequencies indicate that fewer growers with 180 acres or less and more growers in the range of 1,000 to 2,000 acres hired FLCs than predicted by expected values. Growers in the 180- to 1,000-acre range and those with

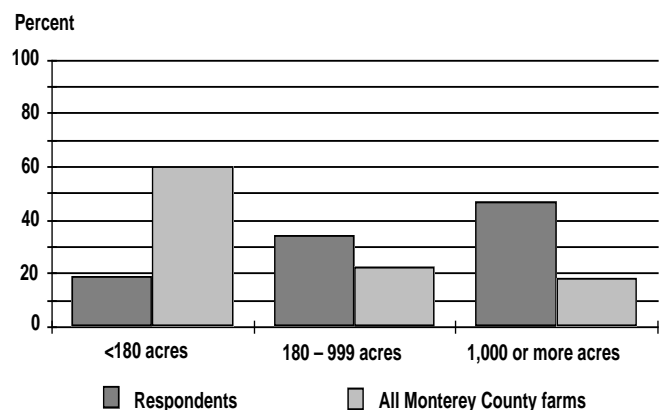


Fig. 1. Size of respondents' farms compared with all Monterey County farms.

more than 2,000 acres hired FLCs at close to the predicted rate. Similarly, fewer growers with gross annual sales of \$500,000 or less hired FLCs than predicted by expected values. More growers with gross annual sales over \$1 million hired FLCs than the predicted rate.

Labor Sources

Almost two-thirds of respondents obtained labor from more than one source (fig. 3). Although 83 percent hired workers directly, only 27 percent relied solely on direct-hire employees. Almost two-thirds hired FLCs, but only 4 percent relied solely on FLC crews. A third used CHs, but only 3 percent relied on CH crews only. The most common combination of labor sources was direct hire and FLC crews, used by one-fifth of respondents. One-fourth used a combination of three labor sources and one-tenth used four sources of labor: direct hire, FLC crews, CH crews, and crews supplied by others (grower or shipper).

Direct hire accounted for the highest number of workers and the highest wage bills. Maximum payrolls were \$6 million for direct hire, \$3.5 million for FLCs, and \$4.2 million for custom harvesters. The average annual labor bill was \$1.1 million for workers hired directly, \$350,000 for FLCs, and \$569,000 for CHs (table 2). However, almost half of the respondents who reported their wage bills paid less than \$100,000 to FLCs and about one-third paid less than \$50,000 to FLCs. A majority paid less than \$100,000 to CHs and one-fourth paid less than \$50,000 to CHs. Variations in wage bills are great, as reflected by the ranges and standard deviations.

Maximum employment of directly hired workers in a firm was 800 on a single payroll, compared with 400 and 250 for FLCs and custom harvesters, respectively. The majority, however, hired many fewer workers. Over half hired no more than 60 workers in any single category at peak. Average peak employment was 128 for directly hired workers, 79 for FLCs, and 90 for CHs (table 3).

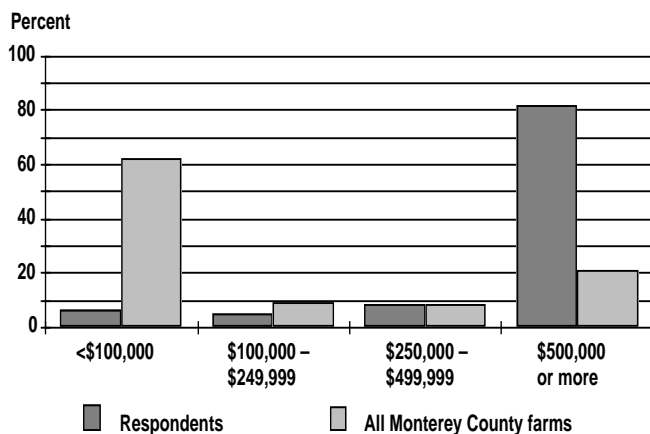


Fig. 2. Gross sales of respondents and Monterey County farms.

Recruitment Channels

Most respondents found their direct-hire employees through word of mouth, referrals from other employees, or workers who walked in and asked for a job (walk-ins). A few asked their foremen or supervisors to recruit employees, and an equal number took employment applications. Other recruitment methods used by more than one respondent were recall or hiring returning employees, seniority lists, personal contact, and trade unions. Table 4 lists all recruitment methods used by respondents.

Union Contracts

One-quarter of the respondents had had contracts with one or more unions representing their field or shed workers. Fifteen percent had contracts with the Teamsters, United Farm Workers of America, or Independent Union of Agricultural Workers at the time of the survey.

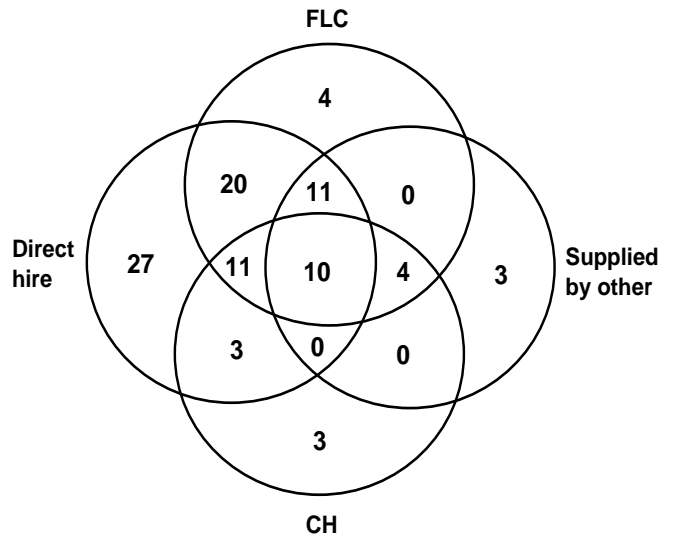


Fig. 3. Labor sources used by respondents (percent; n = 70).

TABLE 2. Annual Wage Bills by Labor Source (N=48)

Labor source	Average	Range	Standard deviation
Direct hire	\$1,112,094	\$5,000–6.0 mil.	1,636,432
FLC	349,721	6,000–3.5 mil.	674,266
CH	568,636	5,000–4.2 mil.	1,231,061

TABLE 3. Peak Employment by Labor Source

Labor source	Average	Range	Standard deviation
Direct hire (N=58)	128	3–800	175.584
FLC (N=41)	79	8–400	78.218
CH (N=15)	90	10–250	75.737
Supplied by others (N=4)	55	40–100	30.000

TABLE 4. Recruitment Methods Used for Direct Hire Employees (N=49)

Method	Respondents
	%
Word of mouth	35
Referrals by employees	27
Walk-ins	20
Foremen/supervisor recruits	12
Take applications	12
Recall workers/hire returning employees	8
Seniority list	6
Personal contact	6
Unions	4
EDD	2
Recruit at labor camps	2
Newspaper ads	2
Recruit from FLC crews	2

Challenges in Labor Management

Almost a quarter of the respondents listed a concern about fairness for the workers as the most challenging aspect of labor management. These concerns included providing continuous employment, fair wages, health insurance, and good working conditions; treating employees fairly and equally; and keeping the employees happy so that they would return.

The second concern given most often was getting and keeping dependable workers. Most respondents emphasized finding dependable workers rather than finding a sufficient number of workers. Keeping turnover rates (and the additional training costs) down and keeping workers motivated were related concerns of respondents.

TABLE 5. Most Challenging Aspects of Labor Management

Challenge	Respondents*
	(N=46)
	%
Fairness to workers	24
Getting dependable, quality workers	15
IRCA documents and immigration status	11
Keeping turnover down	9
Staying competitive in wages and marketplace	9
Keeping workers motivated	9
Developing and maintaining productivity and quality	7
No problems	7
Paperwork (non-IRCA)	4
Training	4
Working with a union	4
Selecting good workers	2
Communicating in Spanish	2
Holding FLC accountable	2

* Total is greater than 100 percent, because some respondents listed more than one answer.

Only 11 percent listed problems with immigration laws as the most challenging aspect of labor management. Most of these complained about the additional paperwork required by the Immigration Reform and Control Act (IRCA) rather than the problem of finding documented workers.

Several respondents were concerned with staying competitive in wages while at the same time staying competitive in the marketplace. Other concerns included training, paperwork (non-IRCA-related), and working with a union (table 5).

Type of Work and Services Provided by FLCs and CHs

Tasks

Surveyed growers hired FLCs more often for hoeing work (including thinning and weeding) than any other production task. Second most common was harvesting. A handful of growers hired FLCs for a variety of other tasks, such as transplanting, tying, stumping, pruning, suckering, irrigating, topping and lifting, and grafting. These results are generally consistent with those of other studies. A study from the 1970s noted that contractors provided most of the labor for hoeing and thinning lettuce (Friedland, Barton, and Thomas 1981). A state-wide survey of farm workers showed that contractors were most likely to be hired in hoeing jobs and next in harvesting jobs (Mines 1986). Using these data, another researcher hypothesized that labor contracting is more

prevalent in short-season jobs where the task is simple and repetitive and where speed is more important than quality of work (Vandeman 1988, pp. 42-43).

Not all respondents reported the tasks for which they hired FLCs. From the information given, the numbers of growers hiring FLCs to harvest crops was greater in 1988 than in the first year of hiring FLCs. A few more growers also hired FLCs for miscellaneous other tasks, such as transplanting and tying, in 1988 than in the year of first hire (table 6).

These results give an initial indication of the type of work for which FLCs are hired, but the data do not explore the growers' decision-making process regarding the use of FLCs.

Crops

Some respondents hired FLCs to work in a single crop and task, such as thinning lettuce, and others hired FLCs to work in a number of different crops and tasks. FLC work was found most often in the leading vegetables produced in the county. More respondents hired FLCs to work in lettuce than in any other crop. Lettuce was also the crop grown by the most respondents and the highest value crop produced in Monterey County (Agricultural Commissioner 1988).

Broccoli followed lettuce as the crop for which the most FLCs were hired. Cauliflower and celery followed as the third and fourth crops. No respondents reported hiring FLCs in asparagus, strawberries, or radishes, although several respondents grew each of these labor-intensive crops. (See appendix A for a complete listing of crops grown by respondents.) Table 7 lists the major crops and tasks for which FLCs were hired to work during 1988.

Chi-square analysis suggests that use of FLCs was concentrated in certain production tasks in the most common crops ($p=.0001$). A contingency table was constructed using the most common tasks for which FLCs

were hired. These included thin and hoe, and harvest lettuce; thin and hoe, and harvest broccoli; and hoe, harvest, and transplant cauliflower. Observed frequencies were greater than expected for FLCs hired to thin and hoe lettuce, broccoli, and celery (Vandeman [1988] found similar results). Observed frequencies were less than those predicted for FLCs in harvesting and transplanting cauliflower. A chi-square analysis comparing hiring of FLCs by crops only did not suggest significant deviation from expected values ($p=.2931$).

Services

FLCs performed a number of services for their customers in addition to supplying crews of workers. They made payments to workers for most of the respondents. FLCs recruited workers, provided drinking water and field toilets, handled payroll taxes, supervised workers, supplied pay stubs, and furnished worker equipment for over three-fourths of respondents. Contractors also transported workers, set wages and benefits, and trained workers for over half the respondents. They supplied harvest equipment and made field decisions for fewer than a quarter of the respondents, and they provided worker housing for only 14 percent (table 8).

TABLE 6. Tasks for Which Respondents Hired FLCs

Task	1988 (N=43)		First year hiring FLCs (N=33)	
	No.	Percent	No.	Percent
	Hoe	29	67	22
Harvest	24	56	14	42
Transplant	5	12	3	9
Tie	4	9	1	3
Stump	2	5	1	3
Prune	2	5	2	6
Sucker	1	2	1	3
General labor	—	—	1	3
Irrigate	1	2	—	—
Top and lift	1	2	—	—
Graft	1	2	—	—
Plant	—	—	2	6

TABLE 8. Services Provided by FLCs (N=42)

Service	Respondents
	%
Pay workers	93
Recruit workers	88
Provide drinking water	88
Provide field toilets	88
Pay payroll taxes	88
Supervise workers	83
Provide pay stubs	81
Provide workers' equipment	79
Transport workers	62
Set wages	62
Train workers	57
Set workers' benefits	52
Provide harvest equipment	24
Make field decisions	21
Provide worker housing	14

TABLE 7. Major Crops and Tasks for Which FLCs Were Hired in 1988

Crop	Respondents who:		Respondents (N=44) who hired FLCs to:							
	Listed as a primary crop	Hired FLCs	Thin and hoe	Harvest	Transplant	Tie	Stump	Prune	Graft	Tie and trim
Lettuce	34	26	23	11	—	—	—	—	—	—
Broccoli	19	14	11	6	—	—	—	—	—	—
Cauliflower	20	11	7	3	2	3	—	—	—	—
Celery	6	9	5	2	3	—	—	—	—	—
Grapes	8	4	—	3	—	—	—	2	1	1
Tomatoes	3	4	3	2	—	—	—	—	—	—
Artichokes	6	3	2	2	—	—	2	—	—	—

For most growers, FLCs' services in 1988 were the same as in previous years (86 percent). A few were contracting for more (9 percent) or fewer services (5 percent) than in previous years.

Limitations of the mail survey format prevent further exploration of the answers. Four respondents wrote that FLCs provided none of these services, but only aided in the harvest, performed thin and hoe work, or did grafting. The relationship between the FLC and grower in these instances is not clear. Interviews with FLCs and growers are necessary to complete the picture of the services provided, and to explore further how wages are set and how field decisions are made by contractors.

Fees

Payments to FLCs were based on billing for the payroll amount plus a commission in three-fourths of the transactions reported. In the rest, a flat fee was the full payment for the work, covering the expenses (including wages paid) as well as the time of the FLC. No explanation was requested as to why either term of payment was chosen. One hypothesis is that the different payment methods are associated with different production tasks. Payment of wages plus a commission was the method used in 76 percent of all transactions identified by type of payment, but it was used in 83 percent of thinning and hoeing contracts and in all transplanting contracts. A flat fee was paid in 24 percent of all transactions, but this arrangement was used in 39 percent of harvesting work.

An alternative hypothesis is that the type of payment expresses the preference of the grower or the FLC. Of the 40 respondents who answered the question, 26 (65

percent) paid FLCs on a commission basis in all crops and tasks, 10 (25 percent) paid a flat fee in all crops and tasks, and only 4 (10 percent) used different methods of payment for different crops and tasks.

The expenses covered by the commissions are not clear from the answers received. Two-thirds of respondents answered that the mark-up was less than 20 percent, while others reported commissions up to 40 percent. It is likely that some were reporting commission rates out of which payroll taxes were paid, and others were not. Commission rates under 20 percent could not include payroll taxes, which often amount to more than 20 percent.

Additionally, the commission rates given are not specifically linked to the services provided. Some rates could include a full range of services, from transporting workers to providing harvest equipment and hauling the crop out of the field. Others might include recruiting and supervising workers only. Further clarification is needed from growers, FLCs, and CHs regarding the commission rates and services and expenses covered.

Custom Harvesters

Like FLCs, custom harvesters were hired most often in lettuce and broccoli. CHs were also hired frequently to harvest celery and tomatoes. One or two respondents hired CHs in each of a variety of other crops (table 9).

A comparison by major crop indicates that FLCs are used more often than CHs to harvest some crops, such as lettuce, but CHs are used more often to harvest other crops, such as broccoli (table 10). No CHs were used in artichokes. Some respondents reported using both FLCs and CHs to harvest tomatoes.

TABLE 9. Crops for Which Respondents Hired Custom Harvesters in 1988

Crop	Respondents who:		
	Listed as a primary crop	Hired CHs (N=18)	Percent
Broccoli	19	8	42
Lettuce	34	7	21
Celery	6	3	50
Tomatoes	3	3	100
Cauliflower	20	2	10
Grapes	8	2	25
Carrots	6	2	33
Beans	1	1	100
Herbs	8	1	13
Garlic	3	1	33
Spinach	5	1	20
Cabbage	6	1	17
Hay	2	1	50
Sugarbeets	0	1	-

TABLE 10. Harvest Labor Source in Major Crops

Crop	Listed as a primary crop	Respondents who:			
		Hired FLCs to harvest		Hired CHs	
		No.	Percent	No.	Percent
Lettuce	34	11	32	7	21
Cauliflower	20	3	15	2	10
Broccoli	19	6	32	8	42
Grapes	8	3	38	2	25
Celery	6	2	33	3	50
Artichokes	6	2	33	0	0
Tomatoes	3	2	67	3	100

Growers' Experiences with FLCs

Reasons for Hiring

The main reason employers hired FLCs was to reduce the paperwork involved in hiring workers (51 percent) (table 11). Other frequently cited reasons were cost savings and reducing supervision requirements. Two respondents specified that the high cost of workers' compensation insurance was a reason for turning to FLCs.

Less frequently cited reasons include improving quality or productivity, filling in as needed (convenience), and labor management disputes. The answers in table 11 were compiled from two questions, one that gave a list of reasons to choose from, and one that was open-ended, asking for other factors that influenced the decision to hire an FLC.

TABLE 11. Reasons for Hiring FLCs and CHs

Reason for hiring	FLCs			CHs
	All (N=45)	Hiring 1960 or before (N=8)	Hiring 1985-89 (N=15)	(N=23)
	%	%	%	%
Reduce paperwork*	51	63	47	39
Reduce costs*	49	25	53	61
Reduce supervision*	47	63	27	35
Improve quality and/or productivity*	27	25	33	39
Convenience, filling in as needed	22	0	20	—
Labor management dispute*	11	0	20	9
Specific tasks (transplant, etc.)	2	0	0	—
Special training (grafting vines)	2	0	7	—
Owner getting too old to manage labor*	2	0	0	0
Remote location	2	0	0	—
Add'l labor, speed at harvest/flexibility	—	—	—	17
Special equipment/lower capital outlay	—	—	—	9
Reputation	—	—	—	4
Required by growing contract	—	—	—	4

NOTE: Asterisk (*) indicates reasons chosen by respondents from a list on survey instrument. Reasons without an asterisk were compiled from responses to an open-ended question about other factors.

Most of the same reasons were cited by growers who first hired FLCs in 1960 or before and by those who first hired FLCs between 1985 and 1989, but with different frequencies (table 11). Cost savings and convenience were of more concern in recent years, and reducing paperwork and supervision responsibilities were of less concern. Labor management disputes were not mentioned as a factor before 1960, but were listed by 20 percent of respondents who first hired FLCs between 1985 and 1989.

Satisfaction with Work

Most respondents were satisfied with the work of FLCs (table 12). Highest satisfaction rates were found in services handling paperwork, including paying payroll taxes and paying workers, and in the provision of equipment for workers and for harvesting. Ninety percent of growers who used FLCs to make field decisions were satisfied.

Growers were slightly less satisfied with the speed and skill of workers brought by FLCs. Highest rates of dissatisfaction were found in connection with training and supervision of workers, skill of workers, and quality of work product (table 12).

Growers' dissatisfaction with FLCs could have varied greatly depending on many different factors, such as the care with which the FLC was selected, expectations regarding the FLC's work, or the difficulty of the work (e.g., grafting vines compared with hoeing weeds).

TABLE 12. Satisfaction With FLC Work (N=44)

Service provided	Satisfied/not satisfied (different FLCs)		
	Satisfied	Not satisfied	(different FLCs)
	%	%	%
Paying payroll taxes	100	0	0
Equipment provided workers	97	3	0
Paying workers	95	3	3
Harvesting equip. provided	94	6	0
Field decisions	90	2	0
Speed of workers	86	5	9
Quality of work product	83	10	8
Skill of workers	80	5	16
Training of workers	73	22	5
Supervision	72	21	7

Respondents were not always consistent in answers to this question and related questions. For example, one said that a disadvantage of hiring FLCs was poorer quality workers and workmanship (see next section), but indicated satisfaction with the quality of the work product by FLCs.

The Payoff: Advantages (and Disadvantages) of Hiring FLCs

Respondents' lists of advantages and disadvantages of hiring FLCs give insight into the actual results of hiring contractors. Some of the original reasons for hiring contractors were given as advantages, but some disappointed respondents listed a few of these factors as disadvantages. New advantages also emerged that were not considered as reasons for hiring contractors.

The most frequently cited advantage of employing FLCs was increased flexibility, listed by 20 of 37 respondents (table 13). In contrast, only 10 listed flexibility as a reason for hiring contractors. Increased flexibility was described in various terms, such as having crews to fill in when additional or unexpected labor needs arise, having crews for short-term needs, or having quick access to a large number of workers.

TABLE 13. Advantages and Disadvantages of Hiring FLCs, Compared with Reasons for Hiring

Characteristic	Number of respondents		
	Advantage (N=37)	Disadvantage (N=32)	Reason for hiring (N=45)
Flexibility/lack of control	20	5	10
Lower costs/higher costs:	9	4	22
<i>Lower workers' comp. ins. cost</i>	3	—	—
<i>No medical insurance</i>	1	—	—
<i>Less overhead</i>	2	—	—
<i>Not having to pay competitive wages</i>	1	—	—
<i>Lower costs</i>	2	—	—
Less paperwork	6	—	23
Less supervision responsibility	6	—	21
<i>No recruiting</i>	3	—	—
<i>Fewer headaches, less stress</i>	2	—	—
<i>Less supervision</i>	1	—	—
Union buffer/labor-management dispute	3	—	5
Not having to create jobs	3	—	—
Better/poor quality work, productivity	1	10	12
Specialized training	1	—	1
Better management/poor supervision	1	2	—
Little turnover/high turnover	1	3	—
FLCs don't care about workers	—	2	—
Treatment of fields	—	1	—
No advantage/disadvantage	1	10	—

Only six respondents gave reduced paperwork as an advantage of hiring FLCs, although 23 had listed this as a reason for hiring contractors in the first place. Likewise, decreasing costs was given more frequently as a reason for hiring FLCs than was found as an actual advantage. Some respondents cited higher costs as a disadvantage. Of those who had lower costs with FLCs, several mentioned reduced workers' compensation insurance costs, no medical insurance, lower wages, and smaller overhead. Twenty-one respondents listed reduced supervisory responsibilities as a reason for hiring contractors, but only six reported this as an advantage realized.

Only three growers cited any positive attributes of FLCs' work product as an advantage. The attributes they listed were better quality work, better management, and specialized training of workers (grafting vines).

The most common disadvantages could be summarized as poor quality work. Complaints in this category include lack of quality control, poor workmanship, spotty results, less skilled workers, less attention to detail, and less productive workers. Five respondents noted lack of control of crews and lack of flexibility.

Higher turnover of workers was cited as a disadvantage by three respondents, and low turnover as an advantage by one.

One respondent complained that FLC crews were allowed to drive their cars into the field and the crews left garbage in the field. Ten saw no disadvantage and one found no advantage to hiring FLCs (table 13).

Comparative Costs and Changes in the Firm

Almost half of all respondents gave cost savings as a reason for hiring contractors, and nearly this many found that their costs did drop as a result of hiring FLCs. Forty-one percent reported that their costs did not change and 11 percent found that their costs increased.

The full meaning of these results is unclear because of limitations of the survey method and instrument. The respondents were not asked the level of wages and benefits paid before and after the FLC was hired, nor

TABLE 14. Changes in Firm After Hiring an FLC (N=42)

Change in firm	Respondents
	%
Employed fewer supervisory personnel	29
Employed fewer bookkeepers	29
Sold worker transportation vehicles	17
Employed fewer quality-control personnel	12
Closed worker housing	12
Hired more quality-control personnel	12

were they asked to identify the specific costs that increased or decreased.

Cost savings could have been realized through lower direct labor costs (some of which were listed in the previous section) or through changes in the firm's overhead. Over a quarter of the respondents hired fewer bookkeepers and supervisory personnel. A few firms sold worker transportation vehicles, employed fewer quality control personnel, and closed worker housing. A few, however, hired additional quality control personnel (table 14).

Growers' Experiences with CHs

Reasons for Hiring

Cost saving was the reason cited most often for hiring custom harvesters (61 percent). Custom harvesters could lower growers' costs through savings on the purchase and maintenance of equipment as well as through reduced labor costs. Reducing paperwork and improving quality or productivity were each given by 39 percent of respondents as a reason for hiring CHs. Other reasons were reduced supervisory responsibilities, increased speed of harvest, special equipment, and labor management disputes (table 11).

Respondents were more concerned about cost savings and quality of work in decisions to hire CHs than in decisions to hire FLCs and were slightly less concerned about reducing the amount of paperwork (table 11). From the data at hand, it is unclear whether cost concerns arose from equipment or labor expenses.

Satisfaction with Services

Ninety percent of respondents were satisfied with the services of the custom harvesters. The 10 percent (two growers) who were not satisfied complained about "sloppy work" and lack of control of workmanship "when hiring custom harvesters on a spot basis."

Advantages and Disadvantages

Cost savings was the advantage realized most often from hiring custom harvesters. Flexibility was the next most commonly cited (table 15). Other advantages cited were equipment, quality of work or supervision, reduced paperwork, reduced supervision, less liability, and no recruitment.

Lack of control was the disadvantage cited most often. Other disadvantages with custom harvesters were lack of personal contact with workers, less flexibility,

Future Intentions

Most respondents (86 percent) intended to hire FLCs for the same crops and tasks in 1989 as in 1988. A few (11 percent) expected either to hire FLCs for fewer crops or tasks, or not to hire FLCs at all in 1989. Several of these had complained about the poor quality of work and supervision or reported that they disliked the way FLCs treated workers. Only one respondent expected to hire FLCs for additional crops and tasks in 1989.

and high costs. One respondent said there were no disadvantages.

Costs

Sixty-one percent of employers listed cost savings as a reason for hiring CHs; 57 percent reported that the custom harvester had lowered their costs. A third of the respondents said their costs were the same after hiring a CH, and 10 percent found their costs increased.

Future Intentions

About three-fourths of the respondents expected to hire custom harvesters in the same crops during the coming year. Fourteen percent would not hire a custom harvester in the coming year or would hire CHs in fewer crops. A few (9 percent) expected to hire custom harvesters in additional crops.

TABLE 15. Advantages and Disadvantages of Hiring Custom Harvesters, Compared with Reasons for Hiring

Characteristic	Number of respondents		
	Advantage (N=16)	Disadvantage (N=8)	Reason for hiring (N=23)
Lower costs/higher costs	7	1	14
More flexibility/less flexibility (speed)	4	1	4
Equipment	3	—	2
Quality work and supervision	3	—	9
Less paperwork	1	—	—
Less supervision responsibility	1	—	8
Less liability	1	—	—
No recruitment	1	—	—
Less control of labor, quality	—	4	—
Less personal contact with workers	—	1	—
No advantage/disadvantage	—	1	—

Grower-Contractor Relationships

The third research question inquires into the ways growers use FLC-supplied work forces and the stability of the relationship between grower and FLC. The recent increase in FLCs and FLC wages in Monterey County has raised many questions about the use of FLC labor. Has the number of growers hiring FLCs increased, or are the same growers hiring FLC crews to work in additional crops and tasks? Are growers hiring FLCs to supplement or to replace their direct-hire work forces? Do growers hire FLCs on a one-time basis or do they continue to hire FLCs each year? Do they hire the same FLC year after year or different ones each year? Do growers hire one FLC to work in a single crop and task or in a variety of crops and tasks? Do they hire more than one FLC for the same crop and task? Do Salinas Valley growers hire FLCs from the Salinas Valley or elsewhere? Some of these questions were answered in this study, but others could not be answered in a mail survey in a single year.

The majority of FLCs were hired from Monterey County. A few were from neighboring counties (Santa Cruz and San Benito) and from counties in the San Joaquin Valley (Kern, Kings, Fresno). Two lettuce growers hired FLCs from Yuma, Arizona. The contractors from the San Joaquin Valley worked in grapes and tomatoes, crops grown on a much larger scale there than in the Salinas Valley.

The period of employment of FLC crews during a single year was fairly long. Fifty-one percent of respondents hired FLCs for 30 or more weeks a year; another 21 percent hired them for 16 to 30 weeks. Many of those who hired FLCs for 16 weeks or more also cited added flexibility and opportunities to hire workers for a limited time as advantages of FLCs. These statements indicate that growers may have been replacing, not supplementing, their regular work force with FLC labor.

Most of the respondents had first hired an FLC before 1985 and continued to hire FLCs each year after the initial hire. The earliest FLC hiring was in 1945. Seven employers first hired FLCs in the 1940s and 1950s.

When examined in 5-year increments, the greatest increases in the number of growers first hiring FLCs occurred between 1975 and 1979 and between 1985 and 1989 (table 16). These periods coincide with passage of major legislation that imposed liability on growers for collective bargaining (California Agricultural Labor Relations Act in 1975) and sanctions for hiring undocu-

TABLE 16. First-time Hirings of FLCs

First year of hiring FLCs	Total number of growers hiring FLCs	Increase in number of growers hiring FLCs
1945-49	1	1
1950-54	2	1
1955-59	7	5
1960-64	8	1
1965-69	9	1
1970-74	12	3
1975-79	20	8
1980-84	27	7
1985-89	42	15

mented workers (Immigration Reform and Control Act of 1986).

Many relationships with FLCs have been long term. The longest time an employer had hired the same FLC was 31 years. Almost a third had hired the same FLC for 10 or more years. Another 12 percent had hired the same FLC for 6 to 9 years. Of those who had hired the same FLC for fewer than 5 years, most had been hiring FLCs for less than 5 years.

It does not appear that Salinas Valley growers hire a number of different FLCs in the same year. Fifty-six percent had hired only one contractor in the previous year. Another 24 percent had hired two. Ninety-three percent had hired five or fewer different FLCs in the past 10 years. We cannot determine whether growers hired more than one FLC to work in the same crop and task, since the survey did not inquire about the work assigned to different contractors.

Growers' working relations with FLCs are consistent. A large majority hired FLCs to provide the same services each year and intended to continue hiring FLCs in the same crops and tasks in the future.

Hiring of custom harvesters has generally occurred more recently than hiring of FLCs. The earliest CH hiring was in 1959. Sixty-four percent of the respondents who had hired CHs first did so in 1985 or later.

A majority of respondents (55 percent) hired only one custom harvester in 1988; 14 percent hired two custom harvesters, and 29 percent hired more than two. Those hiring more than one CH could have hired different harvesters for different crops or the same crop. Most expected to continue hiring CHs in the same crops.

Conclusions

Effectiveness of Methodology

The mail survey was useful as an introductory exploration of the issues and as a means of better understanding the respondents' experiences with FLCs and CHs. It resulted in compilation of basic information concerning the research questions, which will lead to more focused research in future studies.

The methodology had limitations, however. First, it resulted in a high degree of self-selection, with only a 17 percent return rate. We are not able to estimate resulting biases. High gross annual sales of respondents (70 percent had annual sales over \$1 million), compared with the Monterey County average of about \$0.5 million, is an indication of a possible bias.

Second, the mail survey format did not allow for enough precision or exploration of the implications of respondents' answers. Respondents appeared to use a complex mix of labor sources, and many answers referred to their experiences with more than one FLC or CH in multiple crops and tasks. Since costs, commission rates, services, and levels of satisfaction or dissatisfaction vary across crop, task, and FLC, much detail was lost in answers to our written questions. In an interview format, and with the knowledge gained from this survey, more specific answers and explanations could be found.

Third, the survey was limited by its scope, only obtaining information from one of the three parties involved. Questions such as the registration status and home base of the FLC, the services included in the commission arrangement, who sets wages, and the stability of the FLC-grower relationship should also be asked of FLCs to help verify grower response. Other questions relating to workers should be asked of the workers themselves for the same reason.

Because of these limitations, it is recommended that further research on FLCs and growers' experiences with FLCs and CHs be conducted through personal interviews of growers, FLCs, CHs, and workers. Selection of respondents should be through a random sampling procedure.

Research Questions

From the results of the mail survey, the following conclusions can be drawn about the original research questions.

A. What type of work are FLCs being hired to do and what services to they provide?

In the Salinas Valley, farm labor contractors are being hired to work in a large variety of crops and tasks, but they are most often hired for hoeing work in the Valley's leading vegetable crops, such as lettuce, broccoli, cauliflower, and celery. The number of employers hiring FLCs to harvest crops is increasing. CHs are hired most often in broccoli, lettuce, celery, and tomatoes.

Besides recruiting and supplying crews, FLCs also pay workers and handle payroll taxes, provide drinking water and field toilets, supervise workers, and supply workers with equipment. A majority also transport and train workers and set workers' wages. Few FLCs provide worker housing or make field decisions regarding the crop.

Most FLCs charge a commission on the wages paid, but about a quarter of the grower-FLC transactions are a flat fee arrangement. The commission arrangement is most common in hoeing work and transplanting. The flat fee is used more often in harvesting contracts.

B. What are growers' experiences and opinions about the work of FLCs and CHs?

Respondents' most common reasons for hiring FLCs were to reduce paperwork, costs, and supervisory responsibilities. Most were satisfied with the work of FLCs, although more than one-fourth expressed dissatisfaction with training and supervision of workers brought by at least one FLC and one-fifth expressed dissatisfaction with the quality of work and the skill of workers.

The main advantage of hiring FLC is increased flexibility, which includes obtaining additional crews on short notice and being able to meet short-term needs. The main disadvantage is poor quality work, reported by about a third of the employers. Some respondents answered inconsistently — for example, listing poor quality of work as a disadvantage, yet expressing satisfaction with quality of work in another question.

Hiring FLCs resulted in cost savings for 49 percent of the respondents, but 41 percent found no difference in costs and 11 percent reported increased costs. Most respondents planned to continue hiring FLCs in the same crops and tasks, but 11 percent were going to reduce their use of FLCs.

Cost savings were respondents' most common reason for hiring custom harvesters, and a majority reported that CHs did lower costs. A third found no change; 10 percent found costs increased. The main disadvantage of hiring CHs is loss of control. A majority intended to hire CHs in the same crops in the coming year, but 14 percent planned not to or to hire them in fewer crops.

C. What are the characteristics of grower-contractor relationships?

Most FLCs hired by respondents were based in the Salinas Valley, but some were from as far away as Yuma, Arizona. Most employers continued to hire FLCs each year after the initial hiring. Almost one-third had hired the same FLC for 10 years or more. A majority hired FLCs for 30 or more weeks a year.

The respondents had begun hiring custom harvesters more recently than they had FLCs. Almost two-thirds of respondents first hired CHs in 1985 or later. Most employers planned to hire the same FLCs and CHs for the same work in the following year.

Suggestions for Further Research

It is recommended that any further research be conducted through personal interviews of all three parties involved: growers, FLCs and workers. Those interviewed should be selected through a random selection procedure.

Personal interviews with growers could establish the full extent of their farming operations and the allocation of work among directly hired workers, FLC crews, custom harvesters, and crews supplied by others; the reasons for the allocation and how it has evolved; who has responsibility for allocation decisions; and how the decisions and allocations vary by crop. The mail survey was not an adequate methodology for developing a full picture of growers' labor sources and labor allocations.

Further research should also explore issues such as the ways in which FLCs and CHs are found and hired, the care with which they are selected, the degree of monitoring of their work, and their previous experience in the crops and tasks for which they are hired.

More specific information on the effects on the firm when work is shifted from direct hire to a contractor or custom harvester could be obtained through longitudinal or case studies. This methodology would avoid heavy dependence on respondents' recollection and would allow the researcher to explore details that might otherwise be missed or forgotten.

Cost comparisons should be explored further. Issues for study include the level of wages and benefits paid before hiring an FLC; the type and amount of work for which the FLC was hired; identification of specific costs that increased and decreased; and a comparison of productivity and farm income.

This study found that two different systems of payment are used for FLCs — a commission and a flat fee.

The reason for the different types of payments should be explored further through personal interviews with growers and FLCs. Rates for different crops and tasks should also be ascertained.

Additional research should be analyzed and compared on a regional basis, since FLC activity differs in other parts of the state. Such studies may reveal different correlations between farm size and likelihood of hiring FLCs, different reasons for hiring FLCs, and different before-and-after cost comparisons.

The topics of this study should be explored in more depth. We did not inquire whether FLC crews were used alone in specific crops and tasks or whether they were being used to supplement regular crews. In each situation, growers' reasons for hiring and their satisfaction with the work may vary.

Additional questions are raised regarding operation of the labor market through farm labor contractors. For example, we do not know whether the increased use of FLCs stabilizes the labor market by offering continuous employment to workers at different farms, or whether it destabilizes the labor market. Destabilization could result from replacing continuous employment at a single farm with intermittent employment by FLCs, or from spreading the same employment among a number of FLCs. Answers may vary by regions and in different sizes of operations. This research should include interviews with workers to explore their employment experiences with FLCs and CHs since the recent increase in FLC work.

This pilot study has given us answers to basic questions regarding the hiring of farm labor contractors and custom harvesters, but it has also revealed some of the many variations in hiring of agricultural labor and the need for a better understanding of these complexities.

APPENDIX A: Overview of Respondents

Primary Crops (by Value of Sale) Grown by Respondents (N=70)*

Crop	Number of respondents	Percentage of respondents
Lettuce	34	48.6
Cauliflower	20	28.6
Broccoli	19	27.1
Herbs (including parsley)	8	11.4
Grapes	8	11.4
Celery	6	8.6
Artichokes	6	8.6
Strawberries	6	8.6
Cabbage	6	8.6
Carrots	6	8.6
Mixed vegetables	6	8.6
Spinach	5	7.1
Green onions	4	5.7
Asparagus	4	5.7
Tomatoes	3	4.3
Cut flowers	3	4.3
Onions	3	4.3
Potatoes	3	4.3
Garlic	3	4.3
Radishes	2	2.9
Hay	2	2.9
Walnuts	1	1.4
Raspberries	1	1.4
Brussels sprouts	1	1.4
Cattle	1	1.4
Lima beans	1	1.4
Barley	1	1.4
Cucumbers	1	1.4
Chili peppers	1	1.4

* Since respondents were only asked to list 5 primary crops, the survey may undercount the total number of respondents growing each crop.

APPENDIX B: Survey Instrument

NOTE: Survey instrument has been reformatted to fit page size.

USE OF LABOR CONTRACTORS AND CUSTOM HARVESTERS

If you have any questions about filling out this form, please call Kai Francisco at (408) 637-5346.
Please return by August 10, 1989 to UC Cooperative Extension, 649-A San Benito St., Hollister, CA 95023

Section A: Your Firm

1. What operations does this company perform? (Circle letters for all choices that apply.)
 - a. Growing
 - b. Harvest
 - c. Shipping
2. What are your primary crops, as measured by value of sales?
 1. _____
 2. _____
 3. _____
 4. _____
 5. _____
3. Please circle the appropriate category for the number of acres in this operation (including leased land):
 - a. None (ship only)
 - b. 1 to 9
 - c. 10 to 49
 - d. 50 to 179
 - e. 180 to 499
 - f. 500 to 999
 - g. 1000 to 1999
 - h. 2000 to 2999
 - i. 3000 or more
4. Please circle the category that includes your gross annual sales:
 - a. less than \$100,000
 - b. \$100,000 to 249,999
 - c. \$250,999 to 499,999
 - d. \$500,000 to 999,999
 - e. \$1,000,000 and more
5. In what county is the firm's office located? _____

Section B: Labor Recruitment

6. What are your sources of labor? (Circle all that apply.)
 - a. Directly hired crews
 - b. FLC(s) (if so, please fill out **Section C**)
 - c. Custom harvester(s) (if so, please fill out **Section D**)
 - e. Shipper-supplied crews
 - f. Grower-supplied crews
 - g. Other (specify)
7. If you are a shipper or processor, do your growers hire FLCs? Yes _____ No _____
If so, please answer **Section C** concerning the FLCs they hire.
8. What was the greatest number of workers employed at any time in 1988 in each of the following categories (The numbers may represent different days of the year for each method.):
 - a. Direct hire _____
 - b. FLC(s) _____
 - c. Custom harvesters _____
 - d. Hired by others (specify) _____
9. Please estimate your approximate 1988 wage or contract bill to the nearest \$50,000 for each hiring method you use (or to the nearest \$10,000 if the wage bill is less than \$50,000):
 - a. Direct hire _____
 - b. FLC(s) _____
 - c. Custom harvester(s) _____
 - d. Other (specify) _____
10. If you hire workers directly, how do you recruit them? If you only contract with FLCs or custom harvesters, how did you recruit workers before you hired an FLC or CH?

11. Roughly what proportion of your employees requested documentation from you to support application for SAW legalization under IRCA? (Circle the one that fits best.)
 - a. None
 - b. 10% or less
 - c. Around 25%
 - d. Around 50%
 - e. Around 75%
 - f. Over 80%
12. Have your field or shed employees ever been represented by a labor union(s)? Yes _____ No _____
13. During what years, if any, has your firm operated under a union contract(s)? _____
14. Which union(s), if any, has your firm held a contract with? _____
15. In your experience, what are the most challenging aspects of obtaining and managing agricultural workers?

IF YOU CONTRACT WITH FLCS & CUSTOM HARVESTERS, PLEASE CONTINUE ON THE BACK
If you contract with Custom Harvesters only, skip to Section D.

30. Were these crops and tasks which FLC crews worked in during 1988:

- a. the same as in previous years
- b. more crops and/or tasks than in previous years
- c. fewer crops and/or tasks than in previous years

31. Have you been satisfied with the work of FLCs and their crews? (Check all relevant answers. For example, if you are satisfied with the skill of workers from one FLC, and dissatisfied with the skill of another FLC's workers, then check both "satisfied" and "not satisfied.")

	<u>Satisfied</u>	<u>Not Satisfied</u>	<u>NA</u>	<u>Comments</u>
Worker Performance				
Skill of workers	_____	_____	_____	_____
Speed of workers	_____	_____	_____	_____
FLC Performance				
Supervision	_____	_____	_____	_____
Training of workers	_____	_____	_____	_____
Equipment provided workers	_____	_____	_____	_____
Harvesting equipment provided	_____	_____	_____	_____
Field decisions	_____	_____	_____	_____
Paying payroll taxes	_____	_____	_____	_____
Paying workers	_____	_____	_____	_____
Final Product				
Quality of work product	_____	_____	_____	_____
Other: please specify	_____	_____	_____	_____

32. What changes have been made in your firm as a result of hiring FLCs? Have you

	<u>Yes</u>	<u>No</u>
a. employed fewer supervisory personnel?	_____	_____
b. employed fewer bookkeepers?	_____	_____
c. employed fewer field personnel?	_____	_____
d. employed fewer quality control personnel?	_____	_____
e. hired more quality control personnel?	_____	_____
f. sold worker transportation vehicles?	_____	_____
g. closed worker housing?	_____	_____
h. other (describe): _____	_____	_____

33. What form of payment did you make to the FLC(s) in 1988 in each crop and task? (Check all that apply.)

	<u>CROP(S)</u>	<u>TASK(S)</u>
expenses + percentage	_____	_____
flat fee	_____	_____
commission on sale of crop	_____	_____
other (please explain): _____	_____	_____

34. If you paid FLCs a percentage mark up above their expenses, what is (are) the percentages you paid in 1988? (Circle all answers that apply.)

- a. less than 20%
- b. 21 to 25%
- c. 26 to 30%
- d. 31 to 35%
- e. 36 to 40%
- f. 41 to 45%
- g. 46 to 50%
- h. over 50%

35. Compared to hiring workers directly, has contracting with an FLC(s)

- a. lowered your costs?
- b. increased your costs?
- c. not changed your costs?

36. What advantages have you found in hiring FLCs? _____

37. What disadvantages have you found in hiring FLCs? _____

38. What are your intentions for hiring FLCs in 1989 as compared to 1988? Will you: (Circle one.)

- a. hire FLC crews to work in the same crops and/or tasks
- b. hire FLC crews to work in additional crops and/or tasks
- c. hire FLC crews to work in fewer crops and/or tasks
- d. not hire FLC crews

Section D: Custom Harvesters (CH)

39. In what year did you first hire a custom harvester? _____
40. Did any of the following factors influence your decision to hire a CH? (Circle all that apply.)
- | | |
|--|---|
| a. Cost savings | d. Labor-management dispute |
| b. Paperwork involved with hiring labor | e. To improve quality and/or productivity |
| c. Supervision involved with hired labor | f. Owner getting too old to manage labor |
41. What other factors, if any, affected your decision to hire a CH? _____

42. How many different custom harvesters have you hired since 1979? (Circle one.)
- | | |
|----------|-----------------|
| a. 1 | d. 6 - 10 |
| b. 2 | e. 11 - 15 |
| c. 3 - 5 | f. more than 15 |
43. How many custom harvesters did you hire in 1988? _____
44. In which crop(s)? _____
45. Were you satisfied with the services of the custom harvester(s)? Yes _____ No _____
46. If not, why not? _____

47. What are the advantages of hiring custom harvesters? _____

48. What are the disadvantages of hiring custom harvesters? _____

49. Compared to hiring workers directly, did hiring a custom harvester:
- | | | |
|----------------------|-------------------------|---------------------------|
| a. lower your costs? | b. increase your costs? | c. not change your costs? |
|----------------------|-------------------------|---------------------------|
50. What are your intentions for using custom harvesters in 1989 compared to 1988?
- | |
|--|
| a. hire custom harvesters to harvest the <u>same</u> crops |
| b. hire custom harvesters to harvest <u>additional</u> crops |
| c. hire custom harvesters to harvest <u>fewer</u> crops |
| d. <u>not hire</u> a custom harvester |

Other comments:

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