

University of California, Davis
Department of Agricultural and Resource Economics
Fall 2011--draft

ARE 150: ECONOMICS OF AGRICULTURAL LABOR RELATIONS

Lecture: TR 1:40-3:00 pm in Room 176 Chemistry
Discussion: W 4:10-5:00 pm (#52563) and W 5:10-6:00 pm (#52564) in Room 1038 Wickson
Class Website: <http://are150.ucdavis.edu/>
Instructor: Philip Martin-- plmartin@ucdavis.edu
Office hours: Room 2101 Social Science & Humanities (MW 2:00-3:30 pm) tel 530-752-1530

1. About the Course

This is a course about farm labor, a persisting socio-economic issue in California and an example of the issues you will confront as you assume leadership positions. After completing this course, you should be able to explain how agriculture has served as a port of entry for especially Mexican immigrants, how the availability of immigrant workers shaped the labor and land markets, and California's approach to assist farm workers by granting them union rights.

Since definitions of problems suggest solutions, the course begins with definitions of the seasonal farm labor problem and the solutions they suggest. The course has four parts. Part I explores the role of farm workers in California agriculture and the history of farm worker unions. Part II examines the California's Agricultural Labor Relations Act, which granted rights to farm workers so they could help themselves. You will read cases in which workers charge that their rights under the ALRA were violated and critique the rulings of Administrative Law Judges and the Agriculture Labor Relations Board that determine whether an Unfair Labor Practice was committed and the appropriate remedy.

Part III turns to the economics of the farm labor market. Farm worker unions are non-traditional, favoring boycotts that reduce the demand (and price) of a commodity over strikes that reduce the supply of labor, production, and revenues. Farm worker unions generally cannot control the supply of labor, so partially effective strikes that reduce output can boomerang and raise grower prices and revenues. Most farm workers are immigrants, and the last part of the course examines immigration patterns and policies, including the effects of newly arrived foreigners on US workers, employers, and consumers.

Part IV should be educational and fun. Workers organize into unions to negotiate wage and benefit improvements. During discussion, you will be part of a 3-5 person union or management team and re-negotiate a labor contract. Teams must explain why the agreement they negotiated was the best that could be obtained for the workers or employer they represent or why they failed to agree. Attendance will be taken in discussion.

2. Course Structure and Grading

Assignment	Points	Number	Maximum
Review questions *	1 per question	5 problem sets	75-80
Bargaining exercise Team 20, Paper 10		1	30
ALRB Case Critique ** Paper 20, class 10		1	30
Class participation			15
Midterm Exams	90 1 st , 60 2 nd	2	150
Final Exam	100	1	100
Total			400

*The answers are posted on the due date, so no late answers can be accepted.

**The case analysis and bargaining papers are due Tuesday, November 29, but may be submitted for suggested improvements until November 17.

There will be two midterms, the first on Thursday, October 20, and Tuesday, November 15. Each will have questions that are similar to the review questions; you will be able to skip one question. The first midterm will cover more material, and will be worth 90 points; the second will be worth 60 points. Students with special exam requirements must email me at least a week before the exam.

There are two written assignments, and both are due Tuesday, November 29, 2011:

Case Critique. You must prepare a 4 to 6 page (1,000 to 1,500 word) written summary and critique of the ALRB case you are assigned. Your case critique should have five sections: (1) the facts and alleged unlawful activities; (2) the relevant law; (3) the application of the law to the facts in the case; (4) the remedy proposed by the ALJ and ALRB; and (5) your critique of the ALJ/ALRB decision—do you agree? Why or why not? I will ask you questions about your case in class.

Bargaining Paper. Please write a 1-2-page (250-500 word) paper that summarizes what you did for your bargaining team, your analysis of the future of collective bargaining between Scheid and the UFW, and your assessment of the future of bargaining in California agriculture.

ARE150 involves methods of analysis that may be new to you, so it is important to do the review problems. The comprehensive final exam will be Wednesday, December 7 from 6-8pm; there will be an early final if demand warrants, likely on Monday, December 5.

3. Assignments

The review questions and exams ask you to define and explain terms, determine whether certain employer and union actions were lawful, and perform economic analyses of changes in labor markets. Your answers will be graded and returned in discussion; answers are posted on the due date, and we cannot accept late answers.

The text for the class is: Martin, Philip. 2003. *Promise Unfulfilled: Unions, Immigration, and Farm Workers*. Ithaca. Cornell University Press. www.cornellpress.cornell.edu

4. Reader/TA

Trevor Rackley (trackley@ucdavis.edu) will lead the Wednesday discussion sections and supervise bargaining. Trevor will have office hours Wednesday from 11-12 in my office, Room 2101 SSH.

ARE 150 READING LIST--FALL 2011

Additional readings are on the ARE 150 web page

Part I Farm Workers in California Agriculture

(9/22) Labor in California Agriculture

Promise Unfulfilled, Introduction and Chapter 1.

(9/27, 9/29) The Evolution of Labor in California Agriculture

Promise Unfulfilled, Chapter 2.

(9/28 in Discussion) Unions and Bargaining: Re-negotiating a Contract.

Freeman, Richard B. and James L. Medoff. 1979. *The Two Faces of Unionism*. The Public Interest, Vol. 57, Fall, (pp 69-93).

Cesar Chavez, November 9, 1984 speech

<http://www.commonwealthclub.org/archive/20thcentury/84-11chavez-audio.html>

(9/29, 10/4, 10/5 in discussion) Farm Worker Unions

Promise Unfulfilled, Chapter 3.

- UFW history, <http://www.ufw.org/history.htm>

- La Causa, <http://www.reuther.wayne.edu/ufw-article.html>

- Chavez and UFW, <http://www.sfsu.edu/~cecipp/chavez&farmworkers.htm>

Part II Labor Law and Collective Bargaining: Cases on 150 website and at <http://alrb.ca.gov>
(10/6, 10/11) Representation Elections
Promise Unfulfilled, Chapter 4.

- Marshall, Collective Bargaining in Agriculture, 1974
- Taylor, 1975, ALRA-ALRB
- Mamer and Hayes, Meeting Peculiar Requirements, 1977

(10/13, 10/18) Unfair Labor Practices 1 and Review
Promise Unfulfilled, Chapter 5 and cases

Midterm 1 Thursday, October 20

(10/25) Video Quiz on ULPs
(10/2) Guest lecture

(11/1, 11/3) Unfair Labor Practices and Strikes and Remedies
Promise Unfulfilled, Chapters 5 and 6 and cases

Part III Immigration and the Economics of Farm Labor

(11/8, 11/10) Economics of Strikes and Immigration 1
Promise Unfulfilled, Chapters 7 and 8.

Midterm 2 Tuesday, November 15

(11/17, 11/22) Economics of Strikes and Immigration 2
Promise Unfulfilled, Chapters 7 and 8.

(11/29) Results of Bargaining

(12/1) Comprehensive Review for Final

Final Exam, Wednesday, December 7, 2011 from 6-8pm

Note: There will be an early final if demand warrants, likely on Monday, December 5.

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ARE 150
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Fall 2011
Dist 9/22/11
Due 10/4/11

Review Questions 1

Please type or write neatly, and put your discussion section, 4-5 or 5-6, on your answers. Each answer is worth one point.

1. What is a revolving-door labor market, and one implication of a revolving-door for (1) employers, (2) unions, and (3) public policy?
2. A. What are farmer and worker advocate **definitions** of the seasonal farm labor problem, and how do these definitions affect their recommended solutions? B. How do definitions of poverty affect recommended solutions?
3. A. What did the ALRA do for farm workers? B. What are four explanations for why the ALRA failed to be a self-help tool for farm workers?
4. A. Explain the 3-S concepts that make California agriculture different from agriculture in other states. B. Explain the 3-C concepts that make the California farm labor market unlike most other labor markets.
5. What are farm labor contractors, and what are their economic benefits and costs for (1) employers and (2) workers?
6. Who is a typical seasonal farm worker, and why is seasonality associated with migration and turnover?

7. A. What are the 3-R functions of labor markets. B. How does the farm labor market handle these 3-Rs (explain when hourly and piece rate wage systems are used, and the iron triangle for piece rate workers)?
8. Explain how personnel policies differ in firms that respond to (1) exit and (2) voice dis-satisfaction among workers.
9. What are three major ways to deal with work place conflict?
10. What are the two “faces” of unions, and give three examples of how unions can (1) decrease (3 examples) or (2) increase economic efficiency (3 examples).
11. A. What are three ways in which US unions are unique? B.. What are three explanations for declining US union membership?
12. A. Explain the major labor features of the three 19th century US farming systems? B. How did Jefferson’s agrarian ideology affect US farm labor policy?
13. A. Why was California expected to develop a family farming system in the 1870s? B. Did it—why or why not?
14. A. Who replaced the Chinese as migrant farm workers after 1882, and how were these new workers similar to and different from the Chinese? B. What was the response to these new workers?

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Handout 1. Farm Workers and Unions in California Agriculture

1. **Definitions imply solutions.** Dealing with seasonality, the fact that more farm workers are needed at some times of the year than others, lies at the root of most farm labor problems, since it raises the question of who should care for seasonal workers when there is no work? California has a revolving door seasonal farm labor market, taking in new workers from poorer countries who can earn more in a season in California than in a year at home, and replacing those who leave the farm workforce for better nonfarm jobs with more newcomers.

Farm employers define the seasonal farm labor problem in terms of the cost and availability of workers, while worker advocates define the farm labor problem in terms of “bad” labor market outcomes such as low wages and few benefits. Each side in the farm labor debate looks to government to remedy the problem as they define it: employers want the government to open border gates to obtain workers from lower-wage countries, while worker advocates want government to remedy low farm worker earnings with minimum wage and union laws that raise wages and anti-poverty programs to relieve poverty for farm workers and their children. In the past, some farm labor reformers wanted to restructure agriculture to replace seasonal hired workers with family farms that rely on family workers.

2. **S’s, C’s R’s.** California agriculture can be defined by 3-S’s. California has led the US in farm **sales** since 1950 because almost half of the state’s farm sales are high-value FVH commodities, labor’s **share** of fruit and vegetable production costs is 20 to 40 percent, and **seasonality** means the demand for labor is higher in some months than others.

The farm labor market can be defined by 3 Cs. **Concentration** means that most farm workers are hired by a relatively small number of large fruit and vegetable farms—the largest 10 farms often produce over half of a particular fruit or vegetable. **Contractors** are bilingual intermediaries who organize immigrant workers into crews of 20 to 40 and supervise them while they work on farms. **Conflict** refers to inevitable disagreements that occur in the exchange of effort for wages. Employers who agree to pay \$10 an hour engage in *continuous bargaining* with their employees over the appropriate level of effort needed to keep the job.

The three R functions of labor markets are **recruitment**—attracting workers to fill jobs, **remuneration** or motivation—getting workers to work, and **retention**—getting workers to work fast enough and to return next season. The two major remuneration or wage systems are hourly and piece rate, and an employer’s choice of wage system depends on his/her ability to control the speed and quality of the work done (pay piece rates to pick oranges in trees because workers cannot easily be monitored, but pay hourly wages to hoe weeds, where workers are visible and a working supervisor can set the pace of work). Retention has a short-term dimension—

should an employer retain piece rate workers who fail to earn at least the minimum wage, and a long-term dimension, how to (collectively) ensure there will be enough seasonal workers next season.

3. Unions and Labor Relations. Unions are organizations of workers whose purpose is to raise wages and improve conditions for members who pay dues. Unions put pressure on employers with: (1) strikes that reduce the supply of a good or commodity, (2) activities that reduce the supply of labor by discouraging child labor and immigration, (3) political activities to obtain favorable laws and their interpretation, and (4) consumer boycotts that aim to reduce demand for particular commodities. Employers counter these union weapons by replacing workers who strike or shutting down production and locking out employees in a waiting game; they also engage in political activities and favor immigration and other policies that increase the supply of labor.

Labor or industrial relations aims to manage the inevitable conflict in determining “fair wages” and adequate effort to earn them; turning this conflict into cooperation is necessary to have production, employment, and profits. The Wisconsin school of labor economics framed the extremes for managing labor conflict as **employer unilateralism**, which has employers hiring and firing workers at will, and **communism**, under which government own the means of production, assign workers to jobs, and set wages. **Collective bargaining (CB)** in this framework is the in-between method of managing labor market conflict to get the cooperation necessary for production and economic growth.

In the US, union membership has decreased. The US had 15.3 million union members in 2009, 10 percent of US workers, down from 16.1 million in 2008. Most union members are employed in the public sector—there were 7.9 million public sector union workers in 2009 and 7.4 million private sector union workers. About 37 percent of public sector workers and seven percent of private-sector workers are union members. At the peak of union power in the mid-1950s, a third of private-sector workers were in unions.

Union membership varies by state. In New York, 25 percent of wage and salary workers are union members; in North Carolina, 3 percent. Whites are 70 percent of union members, followed by 13 percent Blacks; 12 percent Hispanics; and five percent Asians. About 13 percent of immigrant workers are union members. Union-represented workers earned 21 percent more than workers who were not represented by unions in 2009, \$845 a week compared to \$697 a week in the private sector and \$943 compared to \$782 in government. Government jobs such as police and firefighting have replaced manufacturing as those offering generous benefits and middle-class incomes to workers with a high-school education and perhaps some college.

Declining union membership has NOT given employers a freer hand to deal with employees. Instead, government regulation of the labor market increased via protective and civil rights laws as well as the regulation of many occupations. Over 800 US occupations, from medicine to law, require licenses from government agencies, often after passing tests. Other occupations, such as travel agent and auto mechanic, require certification, and still others require registration, which sometimes means posting a bond. About 38 percent of US workers are licensed (30 percent) or certified (8 percent), more than three times the share of US workers who are union members. Licensed US workers earn about 14 percent more than similar US workers who are not licensed; this licensing premium is less than the union-non-union wage premium.

US unions had a hard time winning acceptance in the US but, compared to European unions, are conservative and decentralized, which helps to explain why CB agreements in the US are often long and detailed. Unionization has decreased for demand-side reasons such as globalization and competition that may encourage employers to resist unions, supply-side reasons such as more women and minority workers who traditionally have not joined unions, and legal and attitude changes, as many employers hire consultants to help them to operate without unions.

4. Exit and Voice (Freeman and Medoff)

The **monopoly face** of unions is that of economic theory--unions raise wages for some workers at the expense of others in the (assumed) full-employment economy, union work rules reduce productivity and efficiency, and strikes mean lost output and wages. Other monopoly-face attributes of unions are that they help highly skilled workers more than low-skilled workers and can discriminate among workers if they control access to high-wage union jobs.

The **collective voice** face of unions imagines democratic unions determining what the "average" worker wants when (1) dividing employer-paid labor costs between wages and benefits and (2) deciding how much of public goods such as safety to provide in the work place—more satisfied workers can be more productive. In addition to finding the optimal wage-benefit mix and level of workplace safety, other collective voice attributes of unions include setting standard wages to reduce inequalities within firms and industries and representing the broader interests of workers in politics.

The contrast between these monopoly and collective voice faces is evident in worker responses to dis-satisfaction. If there are no costs to changing jobs, and workers are paid their VMP everywhere, dis-satisfied workers exit bad jobs, the monopoly view of the typical worker response to dissatisfaction. The alternative worker response is voice, as when dis-satisfied workers organize to persuade employers to make changes because they know that job changes are costly. Generally, younger workers with few firm-specific skills respond to dis-satisfaction by exiting, while older workers with more firm-specific skills use voice (unions) to change conditions they dislike. The wage packages of firms that replace younger exiting workers have more wages and fewer benefits, while firms with unions usually have older workers and a higher share of benefits in their wage packages.

Unions generally have three priorities when organizing a workplace: union security, or ensuring that union dues are checked off from worker wages and forwarded to the union; bargaining for higher wages and improved benefits for the workers they represent; and providing a voice in the operation of the firm via a collective bargaining agreement and a grievance procedure that allows workers to complain without risking firing or discipline. Unions generally reduce the role of "merit" in setting pay and often weaken the link between pay and performance.

5. Finding Seasonal Farm Workers. In 1790, over 90 percent of the then-4 million US residents lived on farms. Thomas Jefferson developed an agrarian ideology that deemed rural life superior to urban life and considered self-sufficient family farmers to be the bottom-up guarantors of American democracy. Jefferson ignored slave-based plantations that specialized in producing cotton and tobacco for export to Europe, and considered the few hired farm workers in colonial America to be hired hands who were on an equal basis with the farmers who employed them and would eventually climb the agricultural ladder to farm ownership. Commercial farms dependent on migrants emerged in the 1870s, after the transcontinental railroad lowered transport and interest costs, which allowed the development of orchards in western states.

Large families supplied seasonal labor on family farms, slaves on plantations, and migrants on commercial farms. California's large farms were expected to be broken up into family farms after 1869, when small farmers could travel west by rail. However, fruit crops required capital and know-how that small farmers did not have, Chinese workers were available to be migrants, and the value of the time of family farmers who did their own work was the same as the (low) wages paid to Chinese migrants who were shut out of nonfarm jobs by discrimination. Chinese immigration was stopped in 1882, but the break-up of large and specialized farms was delayed by the arrival of the Japanese, who were unique among the waves of newcomers to CA agriculture, with some climbing the agricultural ladder using "quickie strikes" to raise wages and buying marginal land to produce vegetables that were sold directly to consumers. Japanese immigration was stopped in 1907, and state laws in 1913 and 1919 aimed to prevent them from buying land in CA.

Punjabis, Mexicans and Filipinos were the major newcomers to farm work between 1907 and 1929, and their availability helped to preserve large and specialized farms dependent on seasonal workers. During the 1920s, farm labor contractors emerged to assemble crews of Mexican workers and take them from farm to farm. Large farmers often formed associations that set standard piece rate wages to discourage workers from migrating in search of higher wages (employer monopsony).

The 1930s were the Grapes of Wrath decade, the first time that most newcomers to the CA seasonal farm work force were white Americans. Midwestern migrants fleeing the Dust Bowl added almost 25 percent to CA's population of 5.7 million during the 1930s. Reports by Taylor-Lange, McWilliams, LaFollette, and Fuller set the stage for farm labor reforms, and Steinbeck's Grapes of Wrath gave an emotional impetus for the most common prescription—if a farmer accepts government payments, his hired workers should be protected by federal labor

laws. However, WWII broke out, visible labor surpluses shrank, and instead of reforms, Mexican Braceros arrived.

6. Braceros. The Bracero program was a series of Mexico-US agreements that admitted 200,000 to 400,000 Mexicans a year between 1942 and 1964. Braceros set the stage for later illegal Mexico-US migration by (1) permitting labor-intensive agriculture to expand in CA and the US without significant wage increases, (2) making many Mexicans dependent on US earnings, and (3) creating networks that maintained Mexico-US migration, especially as the Mexican economy suffered crises in the 1970s and 1980s. The 1965-1980 period is considered a "golden age" for California farm workers because of (1) relative labor scarcity with no Braceros and (2) competition between unions led to rising farm wages. The ALRA was enacted in 1975, a time of little illegal migration and farm wages rising faster than nonfarm wages.

7. Farm Labor Unions. There is no link between past and present farm labor unions. Past farm worker unions had radical and outside leaders who wanted to replace the employer-employee system with cooperatives (Wobblies) or were led by Communists (CAIWU) who wanted to eliminate capitalist employers. In this clash of extremes, employers were able to rally local law enforcement against the outsider union leaders, and most farm worker protests and unions fizzled after union leaders were arrested.

The UFW persuaded farmers to sign contracts in the mid-1960s because there were (1) fewer farm workers due to the end of the Bracero program, (2) the Civil Rights movement and War on Poverty programs symbolized a wave of concern for the "people left behind" and provided support for union-called consumer boycotts of grapes and other commodities, (3) Cesar Chavez was an authentic and charismatic farm worker leader, and (4) farmers did not effectively oppose the UFW—they argued, for example, that the table grape boycott was having no effect on grape sales. The UFW is floundering today after largely failed attempts to organize strawberry and table grape workers, but retains considerable clout in the CA Legislature.

The Longshoremen's union in Hawaii followed a march-inland strategy to organize farm workers, while FLOC used consumer boycotts in Ohio and NC to pressure the processors of farm commodities to require the growers who produce crops for them to sign CB agreements. The Coalition of Immokalee Workers is following a similar consumer boycott strategy to get fast-food chains such as Taco Bell, McDonald's, and Burger King to raise the price they pay for Florida tomatoes and pass a cent a pound on to pickers.

8. Union Past and Present. IWW-Wobbly and CAIWU activities illustrate the clash of extremes that led to violence in farm labor disputes for which radical "outside" union leaders were blamed and jailed. The IWW was involved in the Wheatland hops riots of August 3, 1913, a case of too many pickers showing up to harvest hops, prompting employer Durst to reduce the advertised wage. The workers protested the wage cut, several law enforcement officials were killed, and the IWW was blamed for the violence. Its leaders were jailed, ending IWW protests.

In 1933, the Communist-led CAIWU took over the leadership of spontaneous strikes called to restore farm worker wages to their 1929 levels. Federal farm policies helped to raise farm prices, but many farm employers did not raise wages because high unemployment assured plenty of workers. The CAIWU usually helped workers to win wage increases, but few contracts were signed. Farmers via the Associated Farmers formed in 1934 fought unions with local laws, later declared unconstitutional but effective while they were in force, that had union organizers and other "agitators" arrested in rural California.

The AFL (a federation of unions that organized workers by craft or occupation—carpenters in one union and electricians in another) and the CIO (a federation of unions that organized workers by industry—all workers in an auto factory were in one union) separately, and after the AFL-CIO was formed in 1955 jointly, launched farm worker unionization drives. They failed for several reasons, including their reliance on strikes that could boomerang and help growers, the use of English-speaking organizers who tried to sign up workers in a top-down fashion via FLCs, and the anti-migrant and anti-minority policies of most unions.

The UFW succeeded in organizing workers and winning wage increases for them in the 1960s for reasons that include the end of the Bracero program, boycotts that won widespread support during the Civil Rights

movement, a charismatic leader in Cesar Chavez and a nonviolence philosophy that won the support of churches; industrial unions such as the UAW also supported the UFW. Rivalry between the Teamsters and UFW led many farmers to believe that their workers would be represented by unions—it was only a question of which union—softening employer opposition.

The Teamsters represented far more farm workers than the UFW in 1975, when the ALRA was signed into law. However, the UFW won almost twice as many ALRB-supervised elections on farms than the Teamsters, who soon stopped organizing farm workers. The ALRB became controversial, but voters rejected the UFW's Proposition 14 in 1976, which would have required that the ALRB be funded.

The UFW in the mid-1980s called for the elimination of the ALRB, saying it had become anti-union after Republican governors made the appointments that interpreted the ALRA in specific cases. The ALRB was not eliminated, and the UFW in 2002 won a mandatory mediation amendment to the ALRA that guarantees first contracts within about 8 months. The UFW's efforts since 2007 to give farm workers to option of selecting a union to represent them via the current secret-ballot election procedure or via a card-check (no election required) have been approved by the legislature but vetoed by the governor.