Overtime for Agricultural Workers

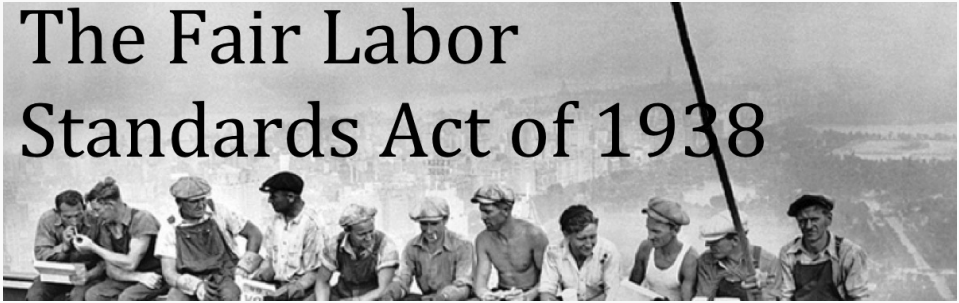
An examination of California's new legislation

Alexandra E. Hill

2023 Ag Employer Labor Forum

November 29, 2023

Assistant Professor of Cooperative Extension
Department of Agricultural and Resource Economics
University of California, Berkeley



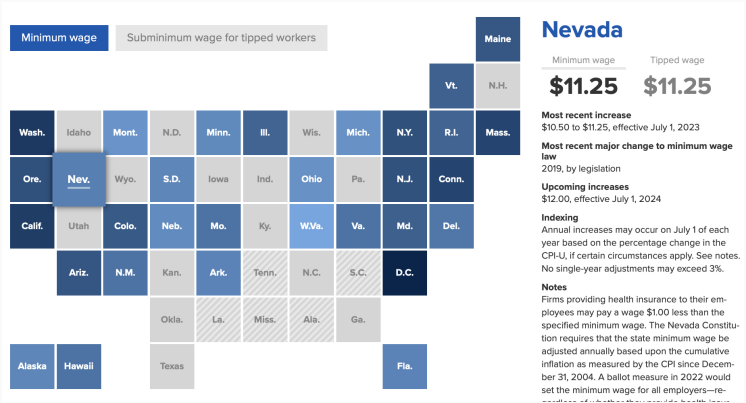
In the U.S., the Fair Labor Standards Act (FLSA) sets federal standards for minimum wages, child labor, overtime pay, and other terms of employment.

But the act exempts some workers and industries from these standards.

Motivation and Legal Background

However, the FLSA also requires employers to comply with state laws, which can provide "greater employee protections"

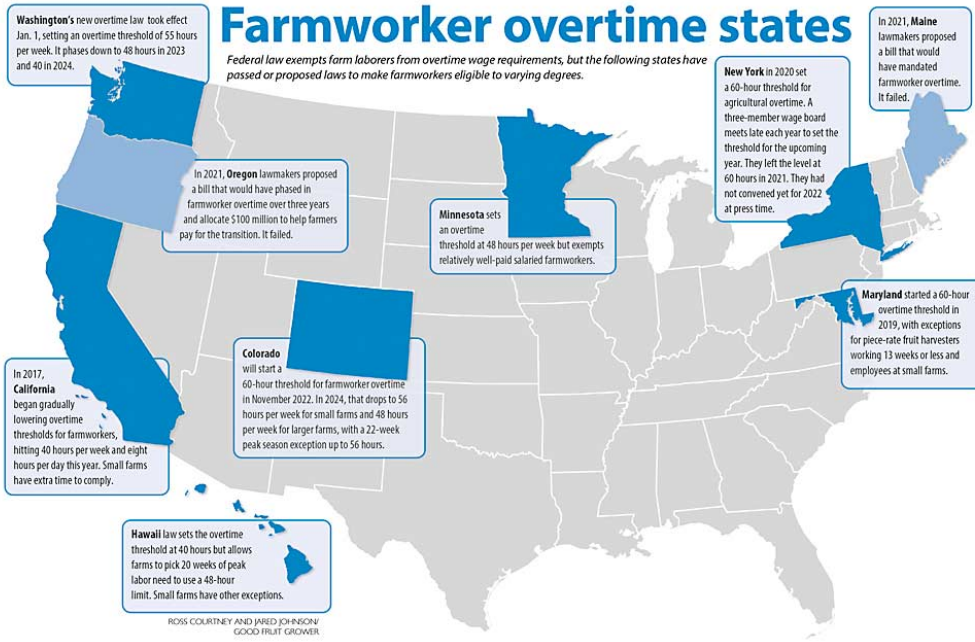
We are very familiar with this in the context of minimum wages...



Agricultural employers across the country are becoming more familiar with this in the context of overtime laws

Farmworker overtime states

Federal law exempts farm laborers from overtime wage requirements, but the following states have passed or proposed laws to make farmworkers eligible to varying degrees.



ROSS COURTNEY AND JARED JOHNSON/ GOOD FRUIT GROWER

Motivation and Legal Background

Agricultural employers across the country are becoming more familiar with this in the context of overtime laws

And the issue is gaining traction in many more states and federally



JULY 12, 2023

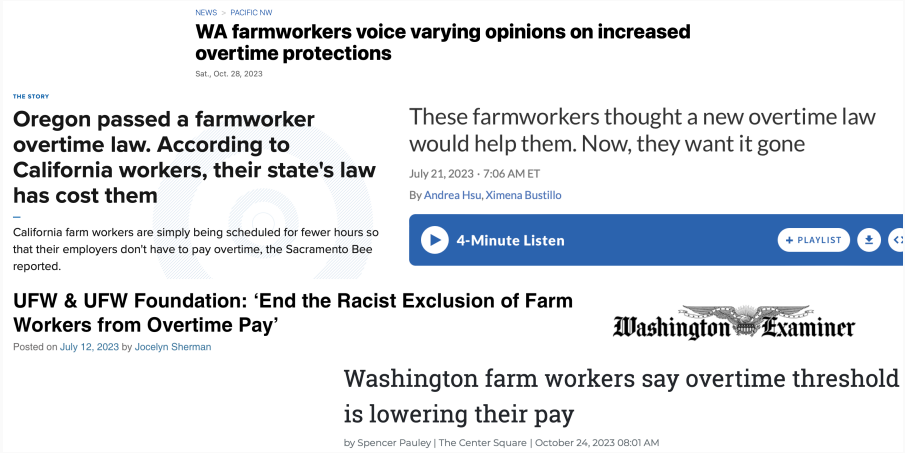
Padilla, Grijalva Introduce Legislation to Strengthen Labor Protections to Ensure Farm Workers Receive Fair Wages

WASHINGTON, D.C. — Today, U.S. Senator Alex Padilla (D-Calif.) and Representative Rául M. Grijalva (D-Ariz.-07) reintroduced the *Fairness for Farm Workers Act*, legislation to update the nation's labor laws to ensure farm workers receive fairer wages and compensation. The bill would amend the *Fair Labor Standards Act of 1938* to provide overtime and additional minimum wage protections for farm workers.

"It's past time we correct our nation's labor laws to include the farm workers who have been unjustly excluded from protections," **said Senator Padilla.** "Last year, I experienced a small dose of the demanding work under extreme weather conditions that farm workers do to feed millions of families across the country. Farm workers are indispensable to our economy—they deserve to be treated with dignity and paid fairly for their back-breaking and essential work. The Senate must pass the *Fairness for Farm Workers Act* to finally bring economic justice to these workers."

Motivation and Legal Background

Yet, the implications for workers are not clear...



A Quick Survey



Responses are anonymous

Join by Web

PollEv.com /alexandraehill



Research Questions and Results Preview

Whether: Are workers are impacted?

What happens to worker hours after an overtime law goes into effect?

$\Rightarrow$ Hours decrease; More workers work below the new OT thresholds

How: What outcomes are impacted?

Do we see changes in worker earnings, employment, multiple job holdings, or injuries?

$\Rightarrow$ Earnings decrease (relative to the minimum wage)

Who: Which workers and operations are impacted?

Are impacts different across worker demographics or farm or job characteristics?

Background: California's Assembly Bill 1066 Overtime Phase-in

Effective Date for Employers With $\geq$ 26 Employees	Effective Date for Employers With $\leq$ 25 Employees	Overtime Pay Required After (Hours per Day/Hours per Week)
Pre 2019	Pre 2022	10/60
Jan. 1 2019	Jan. 1 2022	9.5/55
Jan. 1 2020	Jan. 1 2023	9/50
Jan. 1 2021	Jan. 1 2024	8.5/45
Jan. 1 2022	Jan. 1 2025	8/40

Notes: Table adapted from the California Labor Commissioner's Office FAQs on Minimum Wage `https://www.dir.ca.gov/dlse/faq_minimumwage.htm` and Overtime for Agricultural Workers `https://www.dir.ca.gov/dlse/Overtime-for-Agricultural-Workers.html`.

Setting Expectations: What can we learn from economic theory and prior work?

The "Basic" Prediction: Employers cut individual hours and hire more workers

- Supported by theory on firms (Brechling, 1965; Ehrenberg, 1971; Hart, 2004; Rosen, 1968) and some data on hours (Buchmueller and Senesky, 2003; Costa, 2000; Hamermesh and Trejo, 2000; Kuroda and Yamamoto, 2012; Skuterud, 2007)
  - Not supported by data on employment (Brown and Hamermesh, 2019; Chemin and Wasmer, 2009; Sánchez, 2017)
  - Not supported by all data on hours (Cahuc and Carcillo, 2014; Johnson, 2003; Trejo, 2003)

Alternatives:

- No hours effects, with reductions in base wages (Ehrenberg and Schuhman, 1984; Filer et al., 1996; Hart, 2004; Trejo, 1991)
- Small hours effects, with firms using overtime hours to adjust to unexpected shocks (ao Madeira, 2014; Ehrenberg, 1970)

Setting Expectations: What can we learn from economic theory and prior work?

Some Possible Corollaries:

- Hourly wages *increase* (Raposo and van Ours, 2010; Sánchez, 2017) *decrease* (Raposo and van Ours, 2010; Sánchez, 2017), or *remain the same* (Chemin and Wasmer, 2009; Kawaguchi et al., 2017)
- Earnings *increase* (?), *decrease* (Chen and Wang, 2011; Raposo and van Ours, 2010) or *remain the same* (Kawaguchi et al., 2017; Kuroda and Yamamoto, 2012)
- Moonlighting increases (Friesen, 2001; Renna, 2006),
- Noncompliance or strategic avoidance increases (Bell and Hart, 1999; Cahuc and Carcillo, 2014; Chen and Wang, 2011; Cohen et al., 2023; Hart, 2004)
- Well-being & Injuries (Hamermesh et al., 2017; Ichihara et al., 2019; Pega et al., 2021)
- Effects differ across workers (Bauer and Zimmermann, 1999; Chen and Wang, 2011; Golden and Wiens-Tuers, 2005; Kawaguchi et al., 2017)

Setting Expectations: What can we learn from economic theory and prior work?

There are MANY possible outcomes.

The Good.

The NAWS is the only nationally representative survey of US agricultural workers.

Includes information from 1,200-3,600 interviews with workers at their place of work each fiscal year. Currently available through 2020.

Roughly one-third of interviews are in California.

The NAWS includes detailed information on characteristics of current farm job:

- Hourly wage, weekly hours, earnings last pay period, task, crop, and more

The Ugly.

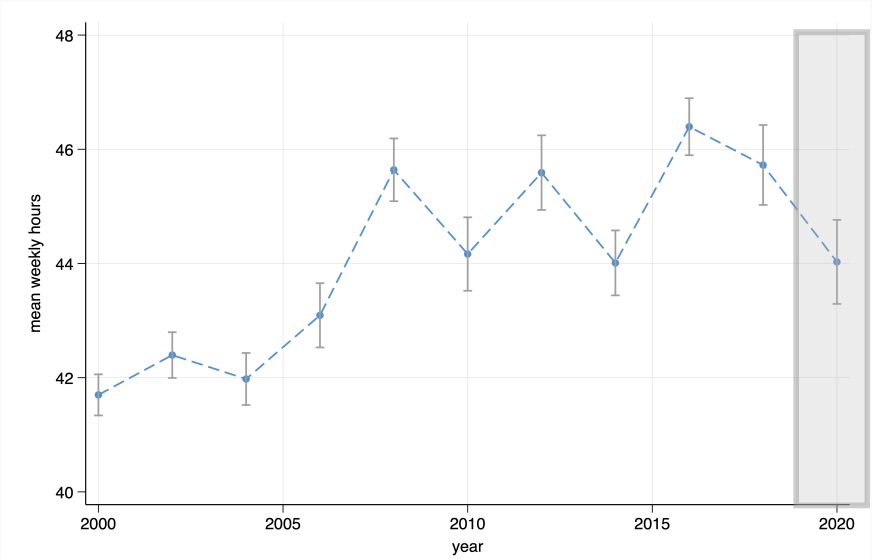
Restricted to crop workers only:

- Employers primarily engaged in "Crop Production" or "Support Activities for Crop Production"
- Workers who perform tasks related to crop production, or who are supervisors, equipment operators, or packers

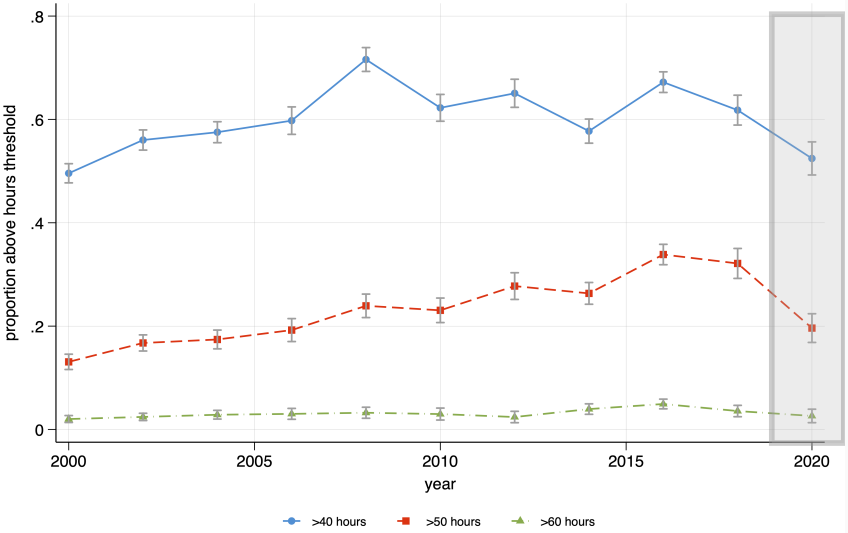
Does not include H-2A Workers

Does not estimate total employment

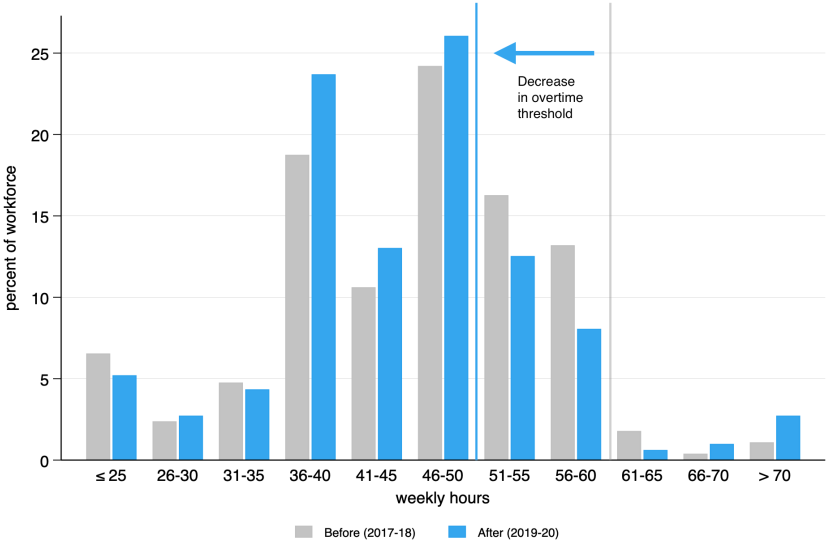
Evidence from the Raw Data: Mean Hours Decrease



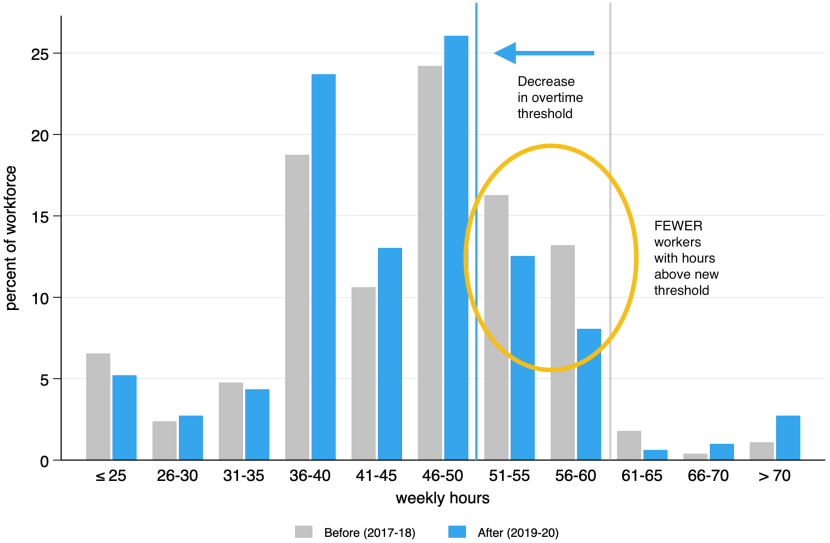
Evidence from the Raw Data: Fewer CA Workers Work $>$ 40 or $>$ 50 Hours



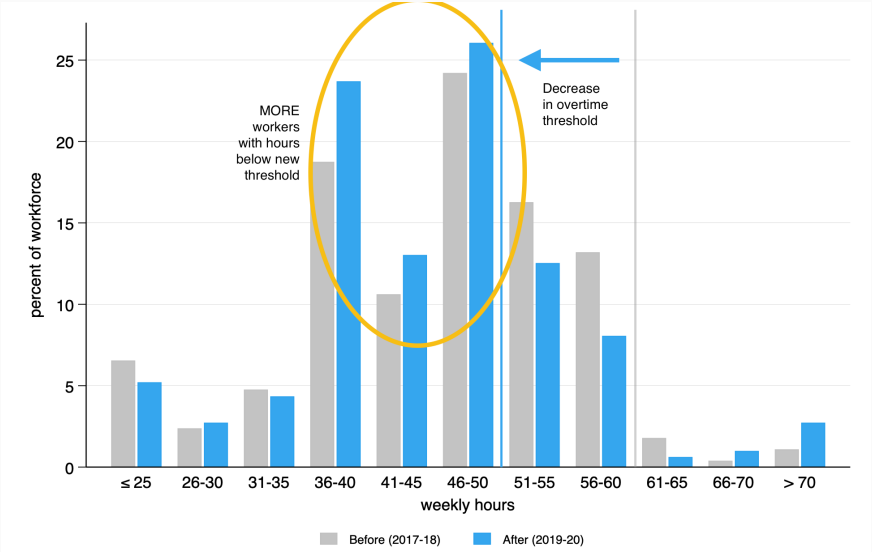
Evidence from the Raw Data: Changes in Distribution of Hours



Fewer CA Workers Work 51-65 Weekly Hours



More CA Workers Work 36-50 Weekly Hours



Methods

These data are informative, but are potentially influenced by other things happening over this time:

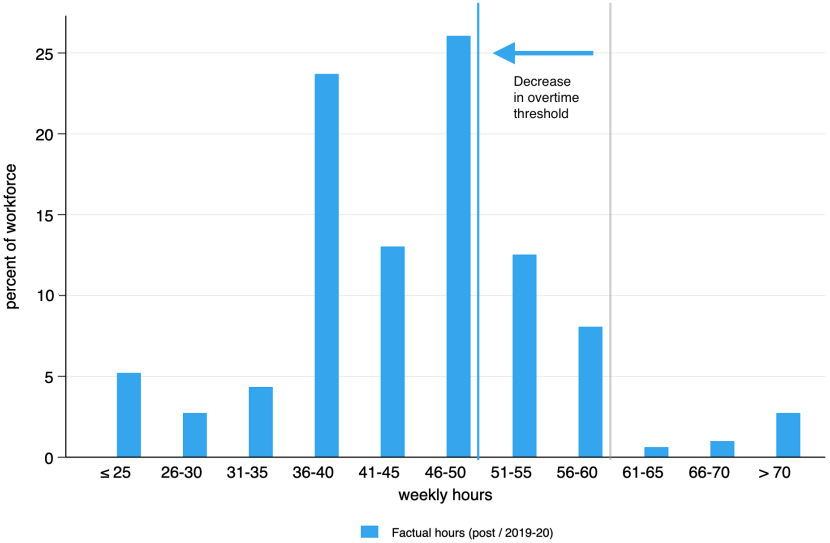
1. COVID-19
2. Minimum wage increases
3. General changes in worker demographics

To account for these factors, I use an estimation strategy that allows me to predict the distribution of hours that we would have expected if the policy was not enacted.

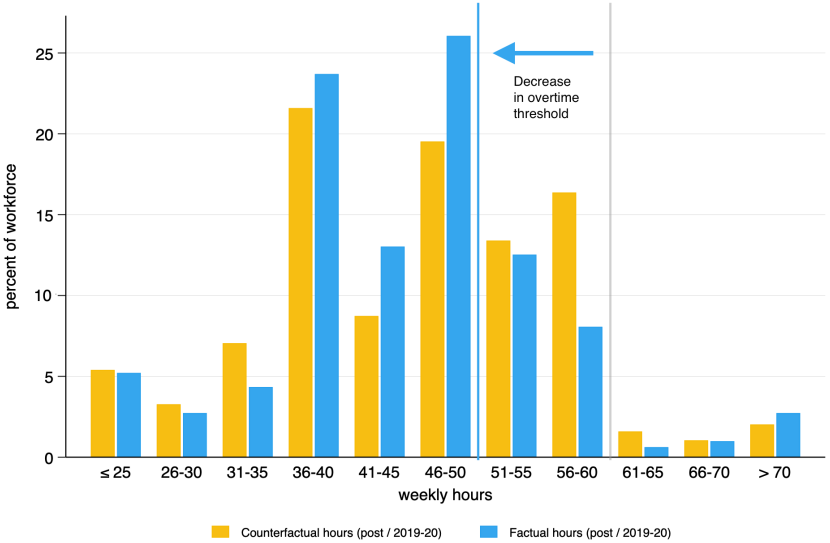
In this strategy I account for these other factors by:

1. Comparing hours in CA with those in other states
2. Controlling for the minimum wage in CA and comparison states
3. Controlling for worker characteristics

Results: What Hours did Workers Actually Work?

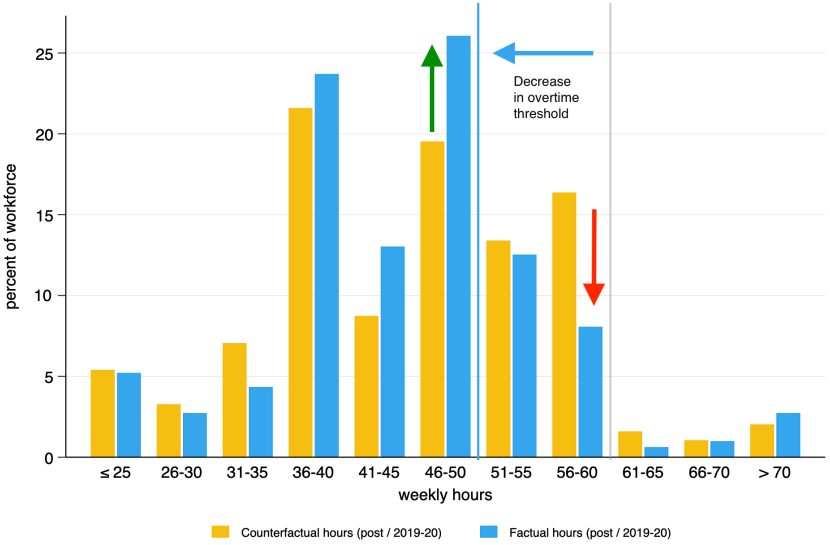


Results: What Hours were they Predicted to Work?



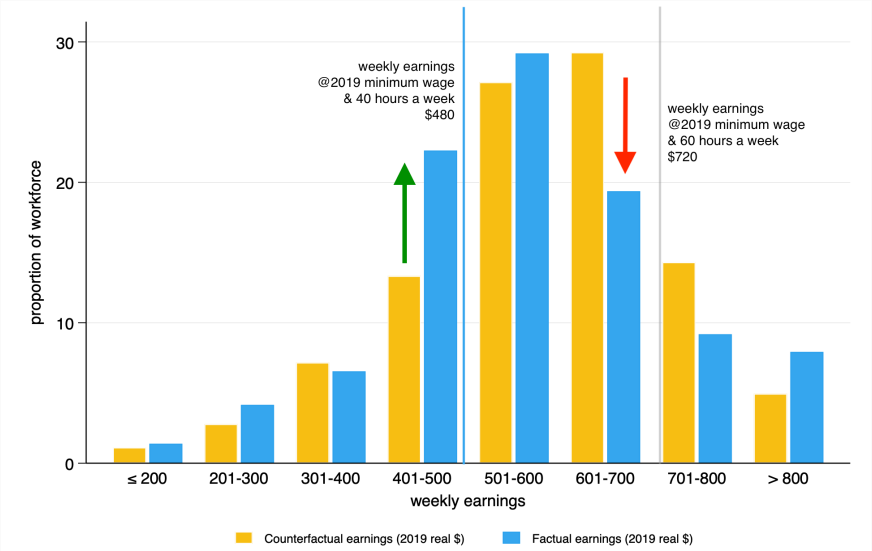
Results: More Workers Work 46-50 Hours, Fewer Work 56-60

Confidence Intervals



Results: More Workers Earn $400-500, Fewer Earn $600-700

Confidence Intervals



Discussion and Policy Implications

As implemented, California's new overtime legislation appears to have reduced weekly working hours and earnings for crop workers.

My estimates suggest that these workers worked a total of 15,000 to 45,000 fewer hours and earned a total of $6 to $9 million less on their weekly paychecks than they would have without the overtime law in place.

Policy Implications: What Can We Learn? What Can We Improve?

- A slower phase-in might be less disruptive
- A subsidy or tax credit could reduce hours effects, but increase incomes (consider: is this what workers want?)
  - This is a feature of the overtime laws passed in New York and Oregon
- A missing link: understanding implications for worker wellbeing

Thank you!

Alexandra (Ali) Hill
Assistant Professor of Cooperative Extension
Department of Agricultural and Resource Economics
University of California, Berkeley

alihill@berkeley.edu
www.alexandraehill.com



Berkeley
UNIVERSITY OF CALIFORNIA

References

ao Madeira, J. (2014). Overtime labor, employment frictions, and the new keynesian phillips curve. *The Review of Economics and Statistics*, 96(4):767–778.

Bauer, T. and Zimmermann, K. (1999). Overtime work and overtime compensation in germany. *Scottish Journal of Political Economy*, 46(4):419–436.

Bell, D. N. F. and Hart, R. A. (1999). Unpaid work. *Economica*, 66(262):271–290.

Brechling, F. (1965). The relationship between output and employment in british manufacturing industries. *The Review of Economic Studies*, 32(3):187–216.

Brown, C. C. and Hamermesh, D. S. (2019). Wages and hours laws: What do we know? what can be done? Technical Report 5.

Buchmueller, T. C. and Senesky, S. (2003). The effect of california's daily overtime law on hours of work: A re-examination. *International Advances in Economic Research*, 9:86.

Cahuc, P. and Carcillo, S. (2014). The detaxation of overtime hours: Lessons from the french experiment. *Journal of Labor Economics*, 32(2):361–400.

Chemin, M. and Wasmer, E. (2009). Using alsace-moselle local laws to build a difference-in-differences estimation strategy of the employment effects of the 35-hour workweek regulation in france. *Journal of Labor Economics*, 27(4):487–524.

Chen, L.-H. and Wang, W.-C. (2011). The impact of the overtime policy reform–evidence from the low-paid workers in taiwan. *Applied Economics*, 43(1):75–90.

Cohen, L., Gurun, U., and Ozel, N. B. (2023). Too many managers: The strategic use of titles to avoid overtime payments. Working Paper 30826, National Bureau of Economic Research.

Costa, D. L. (2000). Hours of work and the fair labor standards act: A study of retail and wholesale trade, 1938–1950. *ILR Review*, 53(4):648–664.

Ehrenberg, R. G. (1970). Absenteeism and the overtime decision. *The American Economic Review*, 60(3):352–357.

Ehrenberg, R. G. (1971). *Fringe benefits and overtime behavior: Theoretical and econometric analysis*. Lexington Books.

Ehrenberg, R. G. and Schuhman, Paul L.CHUMANN, P. L. (1984). Compensating wage differentials for mandatory overtime? *Economic Inquiry*, 22(4):460–478.

Filer, R. K., Hamermesh, D. S., and Rees, A. E. (1996). HarperCollins.

Friesen, J. (2001). Overtime pay regulation and weekly hours of work in canada. *Labour Economics*, 8(6):691–720.

Golden, L. and Wiens-Tuers, B. (2005). Mandatory overtime work in the united states: Who, where, and what? *Labor Studies Journal*, 30(1):1–25.

Hamermesh, D. S., Kawaguchi, D., and Lee, J. (2017). Does labor legislation benefit workers? well-being after an hours reduction. *Journal of the Japanese and International Economies*, 44:1–12.

Hamermesh, D. S. and Trejo, S. J. (2000). The demand for hours of labor: Direct evidence from california. *The Review of Economics and Statistics*, 82(1):38–47.

Hart, R. A. (2004). Cambridge University Press.

Ichihara, G., Matsukawa, T., Kitamura, F., and Yokoyama, K. (2019). Risk factors for

occupational accidents in agricultural enterprises in japan. *Industrial Health*, 57(5):627–636.

Johnson, J. H. (2003). The impact of federal overtime legislation on public sector labor markets. *Journal of Labor Economics*, 21(1):43–69.

Kawaguchi, D., Naito, H., and Yokoyama, I. (2017). Assessing the effects of reducing standard hours: Regression discontinuity evidence from japan. *Journal of the Japanese and International Economies*, 43:59–76.

Kuroda, S. and Yamamoto, I. (2012). Impact of overtime regulations on wages and work hours. *Journal of the Japanese and International Economies*, 26(2):249–262.

Pega, F., Náfrádi, B., Momen, N. C., Ujita, Y., Streicher, K. N., Prüss-Üstün, A. M., Descatha, A., Driscoll, T., Fischer, F. M., Godderis, L., Kiiver, H. M., Li, J., Magnusson Hanson, L. L., Rugulies, R., Sørensen, K., and Woodruff, T. J. (2021). Global, regional, and national burdens of ischemic heart disease and stroke attributable to exposure to long working hours for 194 countries, 2000–2016: A

systematic analysis from the who/ilo joint estimates of the work-related burden of disease and injury. *Environment International*, 154:106595.

Raposo, P. S. and van Ours, J. C. (2010). How working time reduction affects jobs and wages. *Economics Letters*, 106(1):61–63.

Renna, F. (2006). Moonlighting and overtime: A cross-country analysis. *Journal of Labor Research*, 27:575–591.

Rosen, S. (1968). Short-run employment variation on class-i railroads in the u.s., 1947-1963. *Econometrica*, 36(3/4):511–529.

Sánchez, R. (2017). Does a mandatory reduction of standard working hours improve employees' health status? *Industrial Relations: A Journal of Economy and Society*, 56(1):3–39.

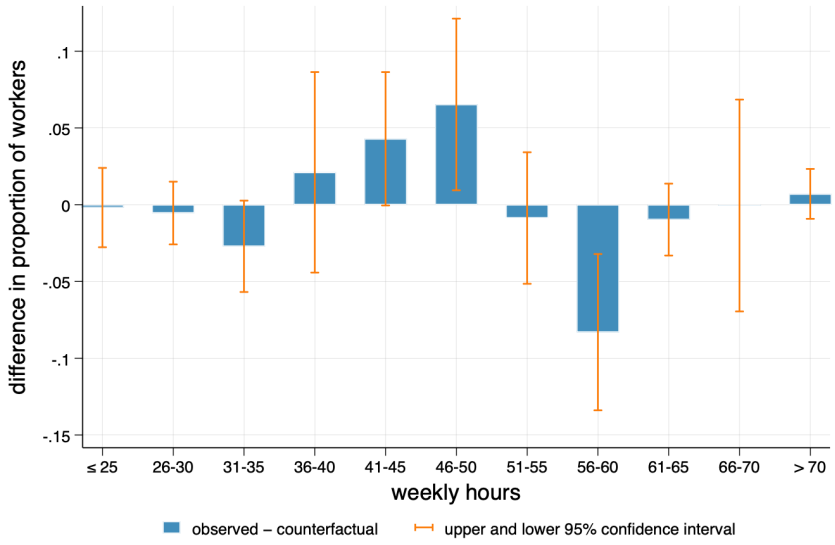
Skuterud, M. (2007). Identifying the potential of work-sharing as a job-creation strategy. *Journal of Labor Economics*, 25(2):265–287.

Trejo, S. J. (1991). The effects of overtime pay regulation on worker compensation. *The American Economic Review*, 81:719–740.

Trejo, S. J. (2003). Does the statutory overtime premium discourage long workweeks? *Industrial and Labor Relations Review*, 56(3):530–551.

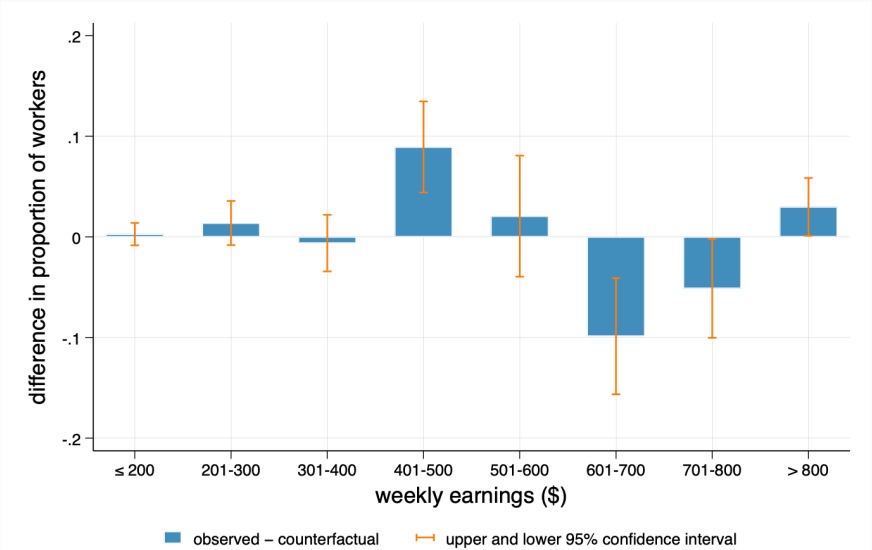
Results: More Workers Work 46-50 Hours, Fewer Work 56-60

Back



Results: More Workers Earn $401-500 per week, fewer earn $601-700

Back



Results: Other Outcomes & Who is Most Impacted

My Preliminary Findings of Other Outcomes Suggest...

- Slight increase in number of jobs per worker (driven by increase in number of farm jobs, no change in non-farm jobs)
- No change in moonlighting
- Slight decrease in injuries

My Preliminary Findings of Differential Effects Suggest...

- Changes in hours are concentrated among: those with higher education but less experience in U.S. farm work, those performing more skilled tasks, and those with relatively higher hourly wage rates
- Changes in hours are similar in field crop and vegetable production, with little change for fruit and nut production