



## **AB 1066 Will Reduce Farmworkers’ Incomes, Reduce California’s Farm Production and Harm California’s Economy**

A coalition of agricultural organizations opposing AB 1066 (Gonzalez) has released an economic report by Highland Economics, LLC (“Economic Analysis of California Proposed Agricultural Overtime Wages”) to assess the potential impact of the proposed changes to overtime requirements on California agriculture, primarily on farm labor jobs and earnings; secondarily, the authors evaluated the impact of agricultural acreage and production value; agricultural product costs; California’s agricultural competitiveness; statewide job and income impacts, including impacts on related sectors; and other effects.

The Highland Economics study outlines three possible scenarios under which farm employers might respond if AB 1066 should become law: reducing agricultural production, expansion of the labor force, and payment of overtime wages. While some farmers may choose only one method to cope with the economic impacts of a change in overtime requirements, many will choose a mix of these scenarios, as well as other actions that were beyond the scope of this study, like mechanization. The results of the Highland Economics report indicate significant negative effects on farmworkers’ incomes, California’s farm production and California’s economy as a whole.

### **AB 1066 will Reduce Farmworkers’ Incomes**

- Labor costs represent a large part of operating costs for growers of major California crops,
- The pending increases in the minimum wage combined with proposed overtime rule changes in AB 1066 will dramatically increase ag production labor costs.

**Labor Costs as a % of Operating Costs**

Crop	Current Labor Costs	Labor Cost Increase w/Minimum Wage Increase & Proposed O/T Rule Change
Vegetables	46%	55%
Fruit Crops	58%	73%
Nuts	47%	52%%
Field Crops	27%	30%
Dairy	12%	13%

- Some crops within these major crop groupings will face huge increases in labor costs with the combination of the upcoming minimum wage increase and the proposed change in the overtime rule: for **strawberries**, labor costs will skyrocket from **57% of operating costs to 81%**; **broccoli producers** will see labor costs increase from **49% to 62% of operating costs**; **wine grape producers** will see labor costs increase from **63% of operating costs to 78%**; and **table grape producers** will see increased labor costs from **54% of operating costs to 70%**.
- Facing ag overtime rule changes in AB 1066 along with the escalating cost of the increasing minimum wage, farm employers may seek to maintain profitability by controlling labor costs.
  - If they control labor cost by reducing production (and avoid paying overtime premium wages), **farm workers' incomes will suffer**:
    - **\$1.538 billion in reduced aggregate farmworker income;**
    - **\$4500 reduced income per farmworker;**
    - **16% reduction in farmworker income.**
  - If the available labor supply allows them to control costs by expanding their labor force farm workers will experience **an estimated reduction of \$4500 per worker (a 16% reduction)** as farm employers **expand the labor force** (of workers are available) or **split jobs** to avoid overtime costs.
- This anticipated response by farm employers (to avoid payment of overtime premium pay by reducing hours) is not merely speculative; in 1980 when overtime was extended to male farm employees (prior to 1976, the overtime requirements of Industrial Welfare Commission Wage Order 14 had applied only to women and minors performing agricultural work) farm employers **reduced the number of overtime hours** worked by employees by **between 17% and 20%** (Hammermesh & Trejo, "The Demand for hours of Labor: Direct Evidence from California," *The Review of Economics and Statistics*, 82 (1), p. 38-47).

#### **AB 1066 Will Reduce California's Farm Production & Harm California's economy**

- Farm employers may choose to control labor costs and maintain profitability by reducing workers hours and avoid paying overtime; this will result in lower overall farm production in California:
  - **Removal of 1.25 million acres of farm land from production,**
  - **\$5.4 billion loss in crop production,**
  - **\$2.5 billion loss in dairy production.**
- The reduction in agricultural production will result in statewide economic impacts:
  - **Up to 78,000 lost farm, processing, transportation, and support industry jobs,**
  - **\$4.9 billion to \$7.8 billion in lost income statewide.**
- If farmers choose to maintain production and pay their existing workers overtime as required by proposed changes in ag overtime rules, other economic dislocation will result:
  - **\$587 million in lost farm investment,**
  - **Reduced farm investment resulting in 2100 lost farm jobs,**
  - **\$474 million reduction in farm income.**