



Examining the Role of the H-2A Guest Worker Program for Tobacco Farmers

U.S. immigration policy has long accommodated the need for seasonal and temporary agricultural labor based on the premise that there is not a sufficient number of willing and available agricultural workers domestically. The shortage of domestic labor is considered particularly acute for farmers engaged in the production of labor-intensive commodities like fruits, vegetables, and tobacco. In the mid-1980s, Congress authorized a guest worker program, known as H-2A, as part of the Immigration Reform and Control Act (IRCA) of 1986.

The H-2A program is a guest worker program allowing U.S. farm employers to bring foreign workers into the country to perform seasonal and temporary agricultural work. The certification of H-2A labor applications is contingent on meeting several requirements. Some of the requirements include provision of housingⁱ, transportationⁱⁱ, Adverse Effect Wage Rate (AEWR)ⁱⁱⁱ, the 50 percent rule^{iv}, and the three-fourth guarantee^v. For further information on the requirements and application process, please visit <http://www.foreignlaborcert.doleta.gov/H-2A.cfm>. Despite these requirements, farm employers like to use it for its assurance of legal labor force and reduction of labor turnover.

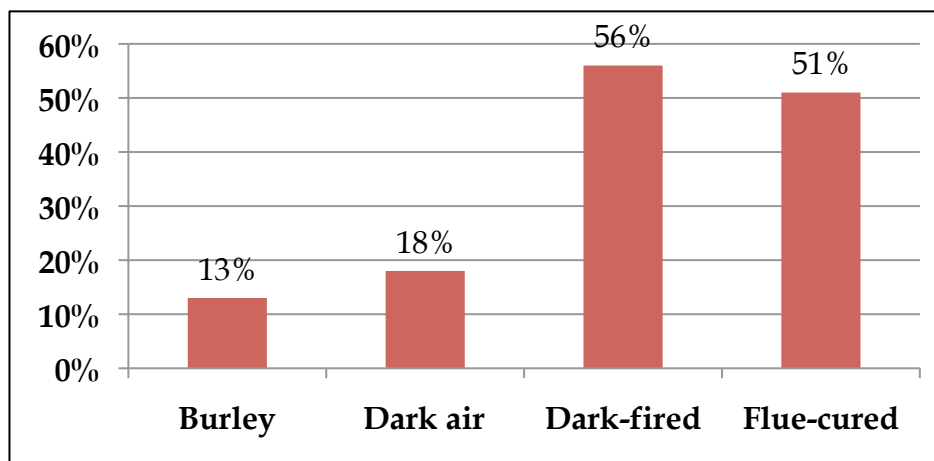
Currently, under the H-2A visa program, the number of temporary farm workers admitted annually to the US accounts for a small fraction of total agricultural labor. For instance, in FY 2009, 7,857 labor petitions were filed, requesting 91,739 H-2A positions of which 86,014 (94 percent) were certified^{vi}. North Carolina, which produces about 50 percent of total U.S. tobacco production, has the highest number of labor certifications, accounting for 10 percent of the certified positions. The other major tobacco growing states are among the top 12 states, with Kentucky at 7 percent, and Tennessee and Virginia at 3 percent, each. Altogether, the four states accounted for 23 percent of the labor certifications in 2009.

This issue of *The Tobacco Grower* examines the role played by the H-2A guest worker program in the production of tobacco. The results are compiled from CTGR's 2010 tobacco survey data and pertain to the 2009 production season. In this paper, tobacco growers are divided into two groups, users and non-users of H-2A labor. Users are defined as growers who had hired at least one H-2A worker in 2009 for their tobacco farms. Non-users are defined as those growers who did not report using H-2A worker. Relationships were then established between use of H-2A labor and farm and operator

characteristics, including the type of farm (e.g., burley, flue-cured, dark air and dark-fired)^{vii}, acreage, total cash receipts from all farming operations, the share of tobacco cash receipts in total farm cash receipts, and the age and educational level of the farm's primary decision maker.

Results indicate that about 23 percent of growers in 2009 reported that they had used H-2A labor for their tobacco farms. Recall that North Carolina, Kentucky, Tennessee and Virginia, which are included in this study, accounted for 23 percent of the number of certified positions in 2009. The use of H-2A labor was more important among dark-fired and flue-cured tobacco growers than among burley and dark air tobacco growers. While 51 percent of flue-cured and 56 percent of dark-fired tobacco growers reported using H-2A labor on their farms, only 13 percent of burley and 18 percent of dark air tobacco growers reported using the same (Figure 1).

Figure 1: Percent of tobacco growers who reported using H-2A labor for their tobacco farms in 2009.

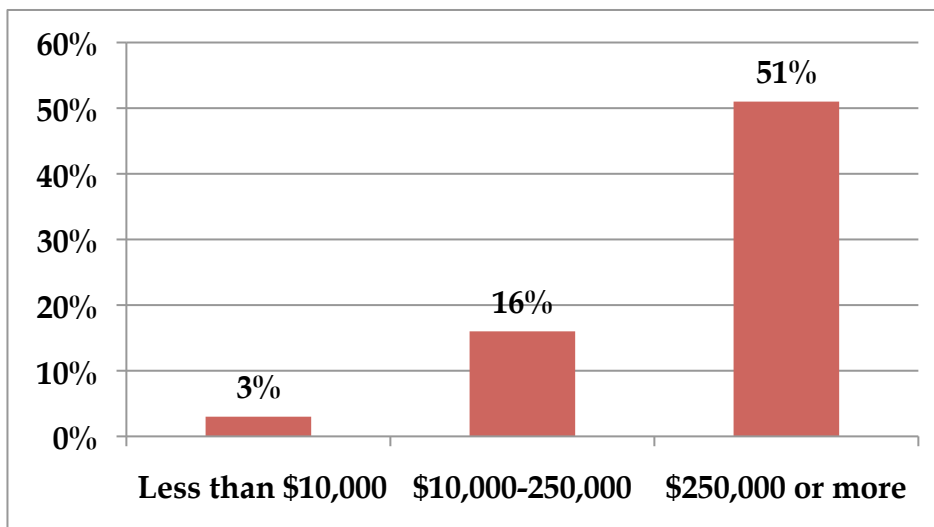


The relative importance of H-2A labor in flue-cured and dark-fired tobacco farming compared to burley tobacco and dark air tobacco farming can be explained by the difference in the size of the operation (acreage) in the case of flue-cured and by the intensity of labor use (labor hours per acre) in dark-fired tobacco. The average harvested acreage per farm of flue-cured tobacco in 2009 (105 acres) was more than six times that of burley tobacco (17 acres) and seven times that of dark air tobacco (15 acres). Although there is only small difference in average harvested acreage per farm of burley and dark-fired tobaccos, dark-fired tobacco requires more labor per acre during harvest, housing and curing, which could explain the variation in the use of H-2A labor between the two tobacco types. In the case of dark-fired versus dark air tobaccos whose labor requirements are similar, a plausible explanation for the relative importance of H-2A labor in dark-fired tobacco compared to that in dark-air is the difference in acreage per farm. The average harvested acreage per farm of dark-fired

tobacco farms in 2009 was more than twice that of dark air tobacco.

The variability in use of H-2A labor between growers of the same type of tobacco may also be related to the scale of operation as measured by tobacco acreage, total farm size and total farm cash receipts. For instance, the average acreage of dark (air-cured and fire-cured) and burley farms on which H-2A labor was used was 2 to 3 times larger than that of the farms on which H-2A labor was not used. Similarly, the percentage of growers using the H-2A program increases proportionally with the increase in total farm size (e.g., number of acres owned and rented), indicating that growers with large farm size are more likely to hire H-2A labor than those with a smaller farm size. About 17 percent of the growers who operated less than 100 acres in 2009 reported using H-2A labor. In contrast, 42 percent of those who operated more than 500 acres in the same year reported using H-2A labor. Further, the percentage of growers who used H-2A labor in 2009 was much higher among growers having \$250,000 or more in cash receipts from farm operations than among those having less (Figure 2). Over 50 percent of growers with \$250,000 or more in total farm cash receipts reported using H-2A labor compared to only 3 percent of growers with less than \$10,000 total cash receipts from farming. These results reflect the fact that smaller operations use less hired labor overall. In addition, certain costs of entering the H-2A program are the same regardless of the number of workers hired under the program so smaller operators have fewer acres over which to spread such costs.

Figure 2: Percentage of growers who reported using H-2A labor for their farm by total farm cash receipts in 2009.

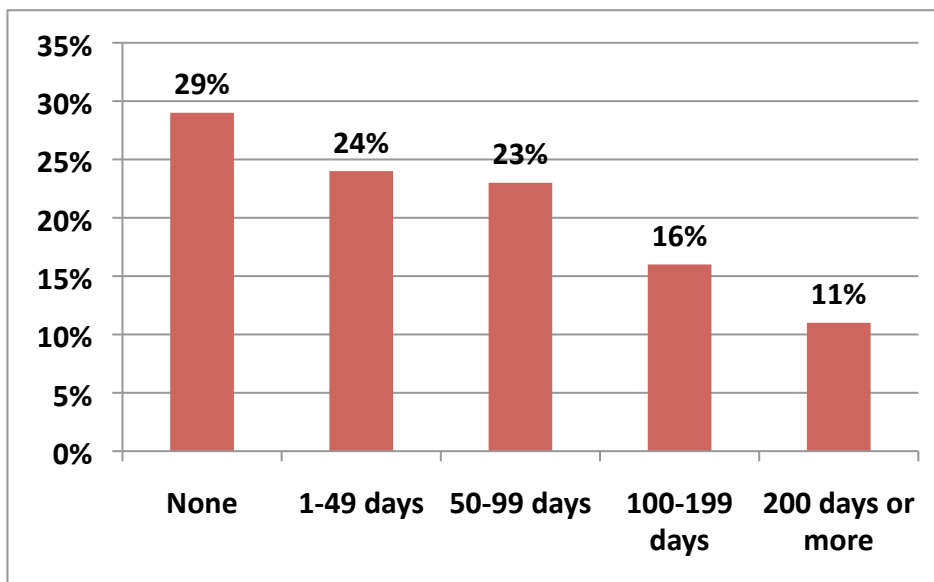


In applying for H-2A labor, growers should specify the crop(s) to be worked on and/or the job(s) performed. In all the four study states (North Carolina, Virginia,

Kentucky and Tennessee) tobacco is the primary crop for which H-2A labor applications are made. The other major crops for which H-2A labor applications are made are sweet potato in North Carolina, nursery stock in Kentucky, apples in Virginia and tomatoes in Tennessee. This implies that in addition to the scale of operation as measured by tobacco acreage, total farm size and total farm cash receipts, the nature of enterprises on the farm (labor-intensive crops such as fruits and vegetables versus capital-intensive crops such as grains) is a factor in the decision to use H-2A labor.

The use of H-2A labor is also related to the percentage of cash receipts from tobacco and off-farm work by principal operator. In terms of the proportion of cash receipts coming from tobacco, the use of H-2A labor is more important among growers earning more than half of their cash receipts from tobacco than among growers earning less than half of their cash receipts from tobacco. While 30 percent of growers earning more than half of their total farm cash receipts from tobacco used H-2A labor in 2009, only 14 percent of growers earning less than half of their cash receipts from tobacco did the same. Similarly, the use of H-2A is higher among full-time farmers than among part-time farmers with the percentage of growers using H-2A labor decreasing with the number of days the farm's primary decision maker is working off farm (Figure 3).

Figure 3: Percentage of growers who reported using H-2A labor for their farm by number of off-work days in 2009.

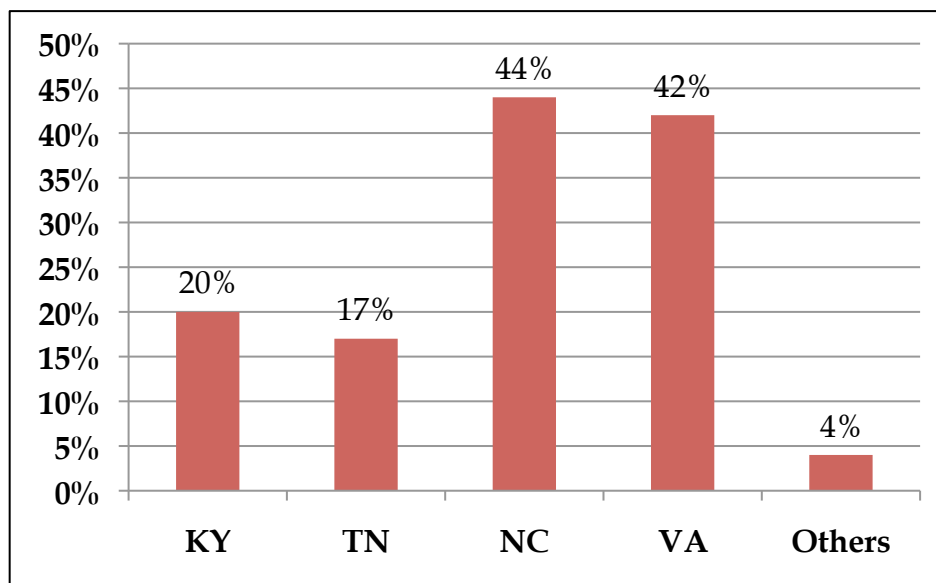


The use of H-2A labor is also related to the age of the primary decision maker with the percentage of growers using H-2A labor decreasing with the age of the farm's primary decision maker. While the use of H-2A labor is slightly lower among growers

with some high school education than among those with high school or college diplomas, the educational level of the farm's primary decision maker does not seem to matter in the decision to use H-2A labor.

Figure 4 presents the regional distribution of H-2A labor use by state. Just over 20 percent of growers in Kentucky and 17 percent in Tennessee used H-2A labor in 2009. In contrast, among growers in North Carolina and Virginia, 44 percent and 42 percent used H-2A labor in the same year. This can be explained by the difference in tobacco acreage and the most common type of tobacco grown. The average tobacco acreage in Virginia and North Carolina where flue-cured is widely grown are about 1.5 and 4.7 times larger, respectively, than in Tennessee or Kentucky where burley and dark tobacco are widely grown.

Figure 4: Percentage of growers who reported using H-2A labor for their farm by State in 2009.



Conclusion

The fairly large difference in the percentage of growers using H-2A labor across different types of tobacco (burley, flue-cured, dark air and dark-fired) is positively correlated with tobacco acreage, farm size, farm cash receipts and labor requirements. In terms of the scale of operation, the larger the tobacco acreage, farm size and farm cash receipts, the higher is the tendency to use H-2A labor. Also, after controlling for the variation in farm size, the higher the labor requirements of the crop, the higher is the tendency to use H-2A labor. A typical example is the case of burley and dark-fired tobacco. The two types have almost equal acreage but dark-fired tobacco growers are

more likely to use H-2A labor than burley growers. Looking at the relative importance of tobacco, the higher the proportion of income obtained from tobacco, the higher the tendency to use H-2A labor. Results also suggest an inverse relationship between the level of operator participation in off-farm labor markets and use of H-2A labor. It appears that operators do not substitute H-2A labor for their own when working off farm. In other words, the higher the level of operator participation in the off-farm labor market (as represented by the number of days the operator is working off the farm) the lower the tendency to use the H-2A labor. This could be explained by the fact that growers holding off-farm jobs also tend to have smaller farm size.

Results presented in this article can provide some insights into which groups of tobacco farms are more likely to be affected. Results suggest that the most likely users of H-2A labor are full-time growers, operating large farms, earning total farm cash receipts of \$250,000 with more than 50 percent of cash farm receipts from tobacco. In view of this, it can be inferred that the H-2A program plays an important role in the production of tobacco. Policy changes affecting the admission and wage rate of H-2A workers could have sizeable adverse effect on tobacco production, particularly on dark-fired and flue-cured tobacco growers. While growers are happy with the fact that the H-2A program is there for them when they can't find domestic farm workers, they are concerned about the high expense associated with hiring H-2A workers. They think that the minimum required wage they pay H-2A workers is artificially high in that the USDA's Farm Labor Survey that is used to formulate the adverse effect wage rate includes many occupations which are not related to the jobs H-2A workers are hired to perform. They are concerned that the prospect of further increase in wage rate threatens the economic viability of tobacco production in the absence of an increase in the price of tobacco leaf.

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ⁱ Employers must provide housing that meets safety standards at no cost to H-2A workers and to workers.

ⁱⁱ Employers must provide daily transportation that meets all applicable safety standards between the workers' house and the employer's worksite at no cost. They are also required to reimburse workers for the cost of transportation from their home country to the place of employment and back (upon completion of 50 percent of the contract).

ⁱⁱⁱ The minimum or required wage rate that the Department of Labor determines for each state and announces annually "must be offered and paid to domestic and foreign workers by agricultural employers of H-2A workers.

^{iv} H-2A employers must provide employment to any qualified, eligible U.S. worker who applies for the job opportunity until 50 percent of the period of the work contract has elapsed.

^v H-2A employers must guarantee to offer each covered worker employment for a total number of hours equal to at least 75% of the workdays in the contract period

^{vi} The Foreign Labor Certification Report: 2009 data, trends and highlights across programs and states. Available at http://www.foreignlaborcert.doleta.gov/pdf/2009_Annual_Report.pdf.

^{vii} CTGR defines a grower's type (burley, flue-cured, dark air, or dark-fired) by examining the reported acreage of tobacco and choosing the type that has the highest number of acres allocated to it. For example, if a grower has 25 acres of dark-fired and only 5 acres of dark air that grower will be classified as a dark-fired grower.