A PROGRAM MODEL FOR A SHARED LABOR POOL

The Value Chain Cluster Initiative

Introduction

One of the principal challenges facing small to medium size farms in West Virginia is the difficulty of identifying, utilizing, and retaining laborers. Unlike other regions of the country, many farmers report that the seasonal agricultural labor pool of West Virginia is thin to non-existent. Human resources tasks such as hiring, insurance requirements, and tax management are often barriers to small farms hiring employees. This document describes a model framework for a **shared labor pool program** including: structure, pricing, service agreements, costs for management organization and farmers, target skillset for labor pool employee(s), employee and program evaluation procedures, and benefits, pitfalls, and key takeaways for both farmers and the managing entity. This document also includes a number of resources for farmers including farm labor best practices and labor planning resources for farmers. The intention of this document is to provide a generalized framework for a sponsoring agency to implement a shared labor pool program for the benefit of farmers within their service area.

Program Description

The aim of the Shared Labor Pool program is simple: **provide farmers with temporary labor in a way that reduces the management burden on those farmers while still filling their labor needs**. Achieving this in a sustainable manner, however, will require careful planning and give and take on the part of both the managing entity and customer farmers.

The primary structure of the program is simple. A **sponsoring agency** (SA) will retain a laborer as a full time (40 hrs./week) employee. The SA will be responsible for all aspects of human resources for that employee, including payroll, insurance, taxes, and overall management of the employee. Prior to the employee being sent out to customer farmers, the employee will receive training in a set of specific farm labor skills, outlined later in this document.

Customer farmers will have two primary ways in which they can retain the employee – planned periods arranged through service agreements, and a limited number of on-call/last-minute days. Service agreement durations can vary in length, with discounted labor rates available for service agreements made further in advance. The relationship between farmer, laborer, and the SA will be governed by the agreement, which should adequately describe all aspects of the program, including pricing structures, scheduling rules, inclement weather policies, safe working environments, and employee assessment and review processes.

Management Side – Responsibilities and Expectations

The SA will have the bulk of responsibilities within this program. These include:

- Hiring, firing, and training of labor pool employee(s);
- Obtain and maintain Workers Compensation insurance;
- Pay taxes and other fringe costs;

- Payroll for employee(s);
- Absorbing the costs of weather related cancellations;
- Maintaining the schedule for laborer(s);
- Working with farmers to respond to HR needs including conflict and grievance resolution; and
- Paying the employee(s) during training periods.

Farmer Side – Responsibilities and Expectations

The responsibilities and expectations for farmers largely revolved around direct management of the laborer during periods of work, though the importance of pre-planning for labor needs should not be understated.

- Labor planning;
- Clear communication and on-site management of employee;
- Prompt payment to Sprouting Farms (terms defined within the Service Agreement);
- Provide a safe work environment; and
- Maintain liability insurance policy

Through this arrangement, farmers are able to avoid tracking and directly paying HR related expenses, however, farm liability insurance (standard policy up to $1 million) is required.

Expected Skills

The sponsoring agency will train labor pool employee(s) in a set of pre-determined farm skills. For the purpose of this model, we recommend the training standards utilized by Sprouting Farms (SF), a summary of which is reflected in the attached document, “Farm Skills Checklist”. SF training is designed to take place over the course of approximately 3 months. The range of skills included in this training is broad, and they fall within the categories of safety, planning, planting preparation, maintenance and growing season tasks, responding to changing conditions, and harvest.

Pricing

Farmers utilizing labor through this program will pay $13.75/hour to the SA. The table below summarizes how this value was calculated. The laborer will receive a wage of $10/hour, but the SA will have costs beyond that value to account for insurance and taxes, to the tune of 25% of the employee’s wage, bringing the total cost per hour for the SA to $12.50. It is important to note that this value represents the **true cost per hour of an employee with a $10/hour wage** for anyone hiring an employee at that rate, including any farmer who hires labor independently.

The remaining $1.75/hour comes from a 10% overhead on the total employee cost, added to pay for the management of the program by the SA which includes scheduling, billing, communications with farmers, and execution of service agreements. It is anticipated that maintaining the schedule will require significant management input, even in those cases where labor needs are planned for ahead of time.

Description	Value
Employee wage	$10.00
Insurance/tax rate	25%
Insurance/tax per hour	$2.50
Total Employee Cost per Hour	**$12.50**
Hours per week	40
Total Employee Cost per Week	$500.00
Overhead % for program management	**10%**
Program management income per week	$50.00
Employee Charge Per Hour to Farmers	**$13.75**

Table 1. Calculation of rate.

The program management income per week under this arrangement will fund approximately 2.5 hours/week of time for the assistant farm manager (~$20/hr. position including taxes/insurance) at Sprouting Farms, a potential sponsoring agency. This is, to be clear, **a very small amount of time**, an important fact for farmers to be made aware of. We anticipate that complexities of the program may require more management time than is currently allotted as certain issues, such as weather delays and similar issues, are likely to be more time consuming than 2.5 hours/week.

For example, a similar program guidance document reviewed as this document was developed (see the attached document, "Coordinating Farm Labor Across Farms: A Toolbox for Diversified Farmers and Farmworkers") allocates significantly more management time per week (25 hours) and a corresponding overhead rate of 24%, resulting in an hourly charge to farmers of $17.00/hour (for an $11/hour wage to laborers). While the program described within that document is substantially larger, it is certainly possible that management needs are being underestimated here.

Service Agreements and Labor Planning

In order for a producer to arrange for short-term labor for their operation, they will enter in a service agreement with the SA. Service agreements are very important as they protect both the sponsoring agency and the farmer in terms of liability insurance and establish expectations for all parties. Each agreement will include a scheduling component, obliging the SA to make available the laborer for an agreed upon amount of time within a schedule and obliges the producer to pay a specific rate for labor delivered. In many cases, however, it is anticipated that the service agreement will be act as a blanket agreement governing flexible, "on-call" labor situation wherein farmers request labor in a relatively short-term manner.

Service agreements that include a schedule will need to be established far enough in advance to allow for the SA to create and modify the schedule (on a first come, first served basis) and hire and train sufficient labor. The schedule attached to the service agreement will list anticipated labor needs, by days requested per week. It is recommended that service agreements with schedules are executed at a minimum of 2 months in advance of the date of the first scheduled week, per Figure 1.

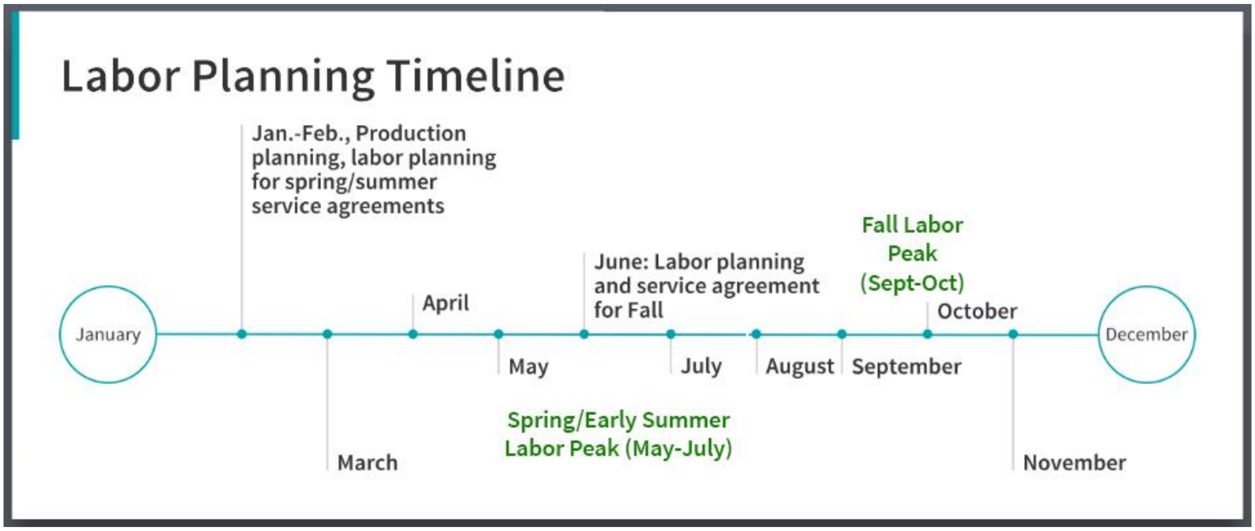

Figure 1. Labor planning and service agreement timeline.

Scheduling

By far the most important element of the shared labor pool program will be establishing and maintaining a schedule with farmer customers. As described above, ideally, much of the weekly labor needs will be defined in pre-season as part of farmers' production plans. Anticipated labor needs will be entered into a schedule on a first-come, first-served basis, and adjustments to that schedule due to growing conditions, changes in needs, or inclement weather will be dealt with on a case-by-case basis. Scheduling conflicts will almost certainly occur.

Due to the proposed arrangement, the manager of this program will likely see peak periods of activity ~2 months in advance of the busiest periods of the growing season. Managing labor requests will require careful attention to the week by week budget of hours. A draft spreadsheet for the purpose of tracking requests is included as an attachment to this report.

It is anticipated that due to slow periods and/or cancellations, periods of availability for the shared labor pool will crop up. We recommend maintaining a mailing list or similar outreach tool to offer up "last minute days" to those farmers who are under service agreements one week in advance. The program manager at SF would check the labor pool schedule for the following week early enough in the preceding week to inform farmers of any availability. The program manager would inform all client farmers currently engaged in the program through an active service agreement of that availability – ideally by way of an email or text message – and this labor would be available, again, on a first come, first served basis.

Weather Cancellation Policy

As agriculture goes, so too will the shared labor pool program: it is anticipated that the greatest challenge to running a successful shared labor pool program will be dealing with overall seasonal weather patterns and inclement weather that prevents and/or delays work. The labor needs assessment conducted as part of the development of this plan indicated in no uncertain terms that certain periods of the year (May-July and Sept-Oct) will be fully scheduled, leaving little to no time for re-scheduling. Above all, managing weather cancellations will require flexibility and communication.

Before deciding what will happen in the event of weather cancellations, it is important to decide who makes the decision to cancel – the sponsoring agency or the client. In most cases, this determination will need to be made jointly between the program manager and the client farmer. The client farmer, being aware that the density of the schedule may mean losing that labor altogether, may wish to find alternative work for the laborer during inclement weather days. The sponsoring agency needs to take into consideration how the inclement weather may effect working conditions in terms of safety, and also weather the employee may be effected personally, such as increased travel time.

One option for dealing with scheduling complications due to inclement weather is to intentionally limit the number of hours available for scheduling per week to 32. In this manner, each week will have a built in safety valve for rescheduling needs. This option, however, hampers efforts to fill labor needs for farmers.

A second option is to simply push the schedule one day forward for each weather cancellation day. This is likely to work for a short period of time, but cancelled days are likely to accumulate quickly.

In the end, the policy that is most likely to be effective is to deal with each scheduling issues from weather cancellations on an individual basis. In the event that a day must be cancelled due to weather, SF will inform the farmer when labor will next be available. The farmer may opt to re-schedule for that day or to cancel altogether, with no monetary consequence.

An additional concern is in the event that a farmer needs to cancel multiple days due to seasonal weather patterns (for example, the farmer anticipates that the harvest of a particular crop will need to wait an extra week). In this event, rescheduling is likely to be impossible and that allotted labor will be lost, again, with no monetary consequence.

Notes and Topics for Further Consideration

<u>Payment:</u> We have intentionally avoided any discussion of payment mechanism in this document because much of that will likely depend on preferences of the sponsoring agency. All sponsoring agencies should be able to accept checks, for example, but accepting a credit card or other form of digital payment may require some legwork on the part of the SA. There are many services (PayPal, Venmo, Google Pay, Square, etc.) that offer this capability, but this may require additional costs to be incurred on the part of the SA, an issue which is not directly addressed in this document.

In terms of payment scheduling, the draft service agreement includes “fill in the blank” sections addressing how often a farmer will be invoiced, and how long a farmer has to pay that invoice. Service agreements may require down payments or deposits of some percentage of the anticipated total value of the work to be performed. We recommend enacting a deposit within this model, but the exact percentage should likely be decided upon after feedback from farmers who are interested in the program. The service agreement does not presently include language to this effect.

<u>Overtime:</u> While any candidate sponsoring agency likely has an overtime policy in place, labor law dictates that overtime requires increased compensation. This is very difficult to include within a pricing structure for the shared labor pool in such a way that does not result in unreasonably high prices for

farmers, but, unfortunately, it is also likely the best way to deal with cancellations and rescheduling. The draft service agreement (which was derived from a sample service agreement for a staffing agency) includes language in this regard which states, essentially, that the farmer is only liable for overtime that is the result of labor on their property (i.e., greater than 40 hours in a week solely in service to that farmer). However, if the sum total of the employee's labor across all farms exceeds 40 hours per week, the host agency is liable to pay overtime. The host agency cannot charge all farmers an additional overtime rate to account for that except in cases where the farmer's request by itself exceed 40 hours per week. A further conversation on this topic is recommended, but the most likely route forward is that the laborer is never scheduled for overtime and farmers are made explicitly aware of the overtime policy.

Cancellation policies: Some cancellations will likely occur due to issues on the part of the farmer. A cancellation policy should be established that includes a reasonable policy for cancellations outside of a pre-determined advance notice period. For example, a farmer must inform the SA of cancellations no later than 48 hours in advance or they will be levied a $50.00 cancellation fee.

Similarly, there are likely to be days when the employee is unable to attend work due to sickness or personal commitments. Presumably, the sponsoring agency already has human resource policies in place to address these types of work absences, but the additional strains on that person's schedule from external commitments will likely come in conflict with those policies. The options for dealing with this issue are likely the same as those outlined in the Weather Policy section and will require give and take on the part of all participants.

Complaint and Conflict Resolution policy: While laborers will be directly supervised by client farmers during their shift on that farmer's property, it is important to remember that the laborer is an employee of the sponsoring agency, and not the client farmer. That means that the client farmer cannot discipline or fire the laborer directly and is beholden to involve the sponsoring agency in all of these actions. In the event of a conflict during a laborer's shift, the host farmer should immediately stop all work and contact the sponsoring agency in order to begin the complaint process, described below. It is presumed that any sponsoring agency will have a policy in place for an employee to make internal complaints, which should adequately deal with conflicts between the laborer and the client farmer.

1. As soon as possible following the incident, the party wishing to report an incident or make a complaint must do so in writing to the manager of the program. The incident may be reported verbally, but the program manager should document that complaint in writing to the satisfaction of the person making the complaint.
2. At the time of the complaint, the manager can determine if any immediate action needs to be taken.
3. Within 3 business days, the program manager must begin an investigation into the incident. The investigation should include interviews with all parties and be documented in writing.
4. Following the investigation, findings will be reported in writing to all parties and any necessary action will be taken.

Conclusions

This document is meant to provide guidance to any entity interested in establishing a shared labor pool program for farm labor. It is not exhaustive and will likely evolve significantly as it is tested. We hope that feedback from farmers, laborers, and candidate sponsoring agencies on this document and model program will aid in the development of a robust program that will benefit all parties.

Resources

Positive Practices in Farm Labor Management (.pdf)

Farm Labor Management Handbook (.pdf)

Iowa Vegetable Production Budgets (.pdf)

VC2 Hiring Toolkit (.pdf)

Coordinating Farm Labor Across Farms: A Toolbox for Diversified Farmers and Farmworkers (.pdf)

Sprouting Farms' Farm Skills Checklist (.pdf)

Labor Pool Scheduling Spreadsheet (.xlsx)