

Benefits matter in agriculture job displacement

May 5 2010

Common sense suggests that workers without unemployment insurance will often grab the first job that comes their way, even if the new job is low-paying or not a good career match.

Now, a North Carolina State University study suggests that this intuition is true: out-of-work agricultural laborers from small farms that do not provide unemployment insurance spend fewer weeks unemployed and then earn less than other workers when rehired.

Displaced workers from states like North Carolina that do not require small-farm employers to purchase unemployment insurance spend 4.6 fewer weeks unemployed and then earn 9 percent less than displaced manufacturing workers, says NC State's Dr. Ivan Kandilov, assistant professor of agricultural and resource economics and a co-author of the study.

Meanwhile, displaced agricultural workers from states that require unemployment insurance at small farms - such as California, Texas and Florida - have similar experiences to manufacturing workers when finding a new job and a new salary. Both types of workers are able to utilize their unemployment benefits to find jobs that are a better match with higher salaries, Kandilov says.

"Workers look for good matches when re-entering the workforce, but job searches take time," Kandilov says. "Workers with unemployment insurance are able to take the time to find a better match, which usually

means a better salary. If you don't have unemployment insurance, you need to get back to work faster. So you wind up taking a worse match, which usually means a lower salary."

The study, published in the April 2010 edition of *American [Journal of Agricultural Economics](#)*, examined data from the 10 states with the most agricultural employees through the Displaced Workers' Survey, a large labor survey that is part of the Current Population Survey. Kandilov says that the study showed similar results when both Hispanic workers and seasonal workers were excluded from the data, suggesting that the differences in unemployment insurance are the drivers behind the results, not seasonality or differences in legal status.

Federal regulations require purchase of unemployment insurance if employers pay cash wages to employees of \$20,000 or more in any calendar quarter or they employ 10 or more workers on at least one day in 20 different calendar weeks in the current or preceding year. Many states offer unemployment insurance exemptions for small-farm employers, reasoning that participation may be financially onerous to farmers.

States with more generous benefits lower the federal stipulations, Kandilov says. In fact, California treats agricultural workers like manufacturing workers, so there is no small-farm exemption. Five other states in the study - North Carolina, Iowa, Kentucky, Minnesota and Michigan - follow federal rules, so small farms mostly do not offer [unemployment insurance](#) to workers.

"The study shows that benefits matter the way that they should," Kandilov says. "Access to unemployment benefits in different states drives different outcomes for displaced agricultural workers, just as intuition would predict."

Provided by North Carolina State University

Citation: Benefits matter in agriculture job displacement (2010, May 5) retrieved 19 April 2024 from <https://phys.org/news/2010-05-benefits-agriculture-job-displacement.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.