November 2019 EB 2019-06

Adapting Your Labor Strategies to New York's Revised Farm Employment Laws

Libby Eiholzer, Bilingual Dairy Specialist, Northwest New York Dairy, Livestock and Field Crops Team, Cornell Cooperative Extension

Jennifer Ifft, Assistant Professor and Mueller Family Sesquicentennial Faculty Fellow in Agribusiness and Farm Management, Charles H. Dyson School of Applied Economics and Management at Cornell University

Jason Karszes, Farm Management Specialist, Cornell University PRO-DAIRY

Farnaz Safari, Research Assistant, Charles H. Dyson School of Applied Economics and Management at Cornell University

Richard Stup, Agricultural Workforce Specialist, Cornell College of Agriculture and Life Sciences

Charles H. Dyson School of Applied Economics and Management
College of Agriculture and Life Sciences
Cornell University, Ithaca, NY 14853-7801

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Adapting Your Labor Strategies to New York's Revised Farm Employment Laws[1]

Introduction and Background

Beginning January 1, 2020, New York farm employers face several major changes to the laws that govern farm employment. Labor is one of the largest inputs for most New York farm businesses and one of the most socially and ethically complex issues for managers. As a farm manager, you should consider your overall human resource management strategies and actively choose how your business will adapt to the new requirements while staying in legal compliance. The major changes to the law include:

Overtime. Farm employees will be eligible for overtime once they have completed 60 hours of work in a week. Overtime pay is defined as 1.5 times the "regular rate of pay." The "regular rate of pay" includes the hourly pay rate plus any other non-discretionary[2] compensation such as incentive payments. For example, a worker normally paid $12/hour plus an incentive program that adds the equivalent of another $1/hour would have a regular rate of pay of $13/hour and would go to $19.50/hour overtime rate for hours worked beyond 60 inside a week. Immediate family members (parent, spouse, child) of the farm owners are exempt from the overtime requirement. Some other employees may be exempt from overtime. Please refer to other resources.

Weekly Day of Rest Requirement. The new law stipulates that farm employers must offer employees at least 24 consecutive hours of rest in each and every calendar week (Sunday–Saturday). This day of rest should be on the employee's day of religious observance whenever possible, but it can move to another day in the week if crop or weather conditions prevent work. Employees can voluntarily waive their day of rest and choose to work, but employers would have to pay the overtime rate (1.5 times the regular rate of pay) for every hour they worked on their day of rest, regardless of how many hours they had worked that week.

Collective Bargaining. Farm employees will have the right to form a labor union and collectively bargain with their employer to create an agreement that will set terms and conditions of employment. If employees choose not to form a union on a given farm, then this new law has no meaningful effect. However, if a union is formed and a collective bargaining agreement goes into

[1] This document reflects our current understanding of how the new regulations will be implemented and should **not** be considered a substitute for legal advice. If we learn of any changes in current practices, we will update this document and post to https://agworkforce.cals.cornell.edu/overtime.

[2] Compensation is categorized as "non-discretionary" if it has some type of predetermined formula, for example, measures of milk quality.

effect, then that agreement will set the new labor costs and rules under which that individual farm will need to operate.

A few minor changes will also affect some farms:

Workers' Compensation and Unemployment Insurance. These benefits were already required for most farm employees, but the law now removes exemptions for small farm employers.

Disability Insurance and Paid Family Leave. Farm employers will now be defined as regular employers in New York. As such, they are required to provide disability insurance and paid family leave for all employees. These items have relatively minor financial impact on farm businesses and can be partially offset with deductions from employee pay.

Even in this new legal environment, the essential goals for farm managers remain the same:

1. Operate a profitable and sustainable agricultural business.
2. Provide high-quality, engaging, and safe jobs that can attract farm employees and provide them a good standard of living.
3. Produce excellent, safe, and nutritious food for people who live both near and far.

Analyzing and Choosing Your Labor Strategy

We've developed several tools and resources[3] to help you think through how you will manage farm labor under these new regulations.[4] In this bulletin, we discuss potential strategies that farmers are considering adapting to new overtime regulations. Our analysis does not account for the mandatory day of rest, as we believe that in general, a day of rest is congruent with good management practice and that most farms will be able to effectively implement this new rule with minimal disruption to their business model. For each strategy, we discuss the potential change then provide pros and cons. What we do **not** do is provide specific recommendations or "solutions." Every farm is unique, so it is important to analyze your business's data and characteristics and enlist the help of peers and advisors to develop the best strategy for your business.

Labor Cost Budgeting – Financial Calculator

Before you consider potential management strategies, it may be helpful to estimate your labor costs under the new regulations for employees who are not exempt from overtime. We have developed a spreadsheet calculator that you can customize with your specific farm information and use to help estimate labor costs under different scenarios. Our approach is to provide a realistic estimate of your labor costs *without* any management changes (the "just pay it/status quo" strategy). While some farms may want to enter individual employee information, for a

[3] https://agworkforce.cals.cornell.edu/overtime
[4] Our strategies here assume that your farm workers have not unionized. We will discuss collective bargaining in a separate document.

relatively quick estimate of additional costs, you have the option to enter information for groups of employees instead of individual employees. You will need the following information to use the tool:

- **Employee type[5] or name**
  - Number of employees for each type
- **Number of hours worked per week:** It will be important for you to be able to estimate the number of weeks each year that your employees typically work more than 60 hours per week.
  - For some employee types, hours worked per week may be relatively constant. In this case you can pick the appropriate category and enter the estimated average hours per week. For example, on your operation, the milk crew typically work 67 hours per week. You select the >60 box and enter 67 hours, for 50 weeks a year.
  - For some employee types, weekly hours may not be consistent. For example, crop crew may work 40 hours per week for nine months and 70 hours per week for the remaining three months (planting and harvest). In this case, you select the 40–50 hours box and enter 40 hours as the weekly average, for 38 weeks per year. You also select the >60 box and enter 70 hours a week, for 12 weeks per year.
- **Average wage rate plus any additional benefits**
  - Some farms have regular, non-discretionary (predetermined) incentives such as a quality bonus. Under the new regulations, these would be considered a part of the "regular rate of pay" and need to be included when estimating overtime.
  - You will also have the option to enter discretionary bonuses (such as an end-of-year bonus) and other benefits.
  - You have an option to enter your anticipated increases or raises for 2020.
- **Workers' compensation rates**
  - We have 3.5% entered as a default if you are uncertain, but actual rates will vary by operation and may be higher or lower.

You can download the tool and additional resources at https://agworkforce.cals.cornell.edu/overtime.

In the Appendix, we discuss labor costs under the new overtime regulations for typical New York dairy and fruit farms, which are estimated using this calculator.

Management Strategies

Once you understand the impact to your business of new overtime and other regulations, you may want to consider various management responses. Below we discuss the pro and cons of the following strategies:

Section 1: Just pay it

[5] For example: dairies may enter milking and crop crews; fruit farms might enter harvest crew.

A. Status quo: no changes other than those required by law
B. Adjust non-wage compensation
C. Adjust base pay

Section 2: Limit overtime by managing hours

A. Implement tighter control of performance and hours
B. Outsource existing tasks
C. Invest in equipment that improves labor productivity
D. Hire more employees

Section 3: Increase labor efficiency and effectiveness

For all strategies discussed, we assume that operations will adopt the changes mandated in legislation. These changes are described in the following table.

Mandated Changes: Required for Everyone		
Change	*Pros*	*Cons*
Overtime wages (1.5x regular wage) must be paid for all weeks when non-exempt employees work more than 60 hours per week.	-The significant increase in pay for some farm employees may improve employee retention and satisfaction. -In many cases, this change may induce more careful management of weekly hours, which could improve overall efficiency. -Shorter work weeks may lead to a healthier, higher performing workforce.	-Additional costs to farm payroll and other costs related to human resource management will arise. -To maintain profitability, some farms will have to change human resource management practices or switch to a different business model/enterprise mix.
A weekly day of rest must be designated for each employee. Overtime wages (1.5x regular wage) must be paid for each hour voluntarily worked on weekly day of rest.	-A day of rest is an ancient tradition that is in line with modern good management practices. Under normal conditions, most workers will benefit from a day of rest. For high labor demand periods, workers could volunteer to work on their day of rest but must be paid OT wages.	-It may be a challenge to document the day of rest under current payroll and accounting systems. -For businesses that fail to manage hours worked on the day of rest, paying OT wages on these hours may erode profitability.
Workers' Compensation Insurance	-All employees will now be covered.	-Cost to the farm will increase.

Disability Insurance and Paid Family Leave	-All employees will now be covered.	-Cost to the farm will increase. Farms are required to hold the job for an employee out on leave, which may present a management challenge in covering work.

Section 1: Just Pay It

Our first set of strategies assume that for various reasons, farm managers may not want to make major changes to how labor is scheduled, their number of employees, or current hours worked. This could involve no other changes (status quo), or other non-wage adjustments to compensation. Below we consider the following strategies for when you keep hours constant: no other changes, adjusting other forms of compensation, adjusting the base rate of pay, and increasing labor productivity.

A. Just Pay It – Maintain the Status Quo

With the changes to laws, most farms will be affected, regardless of number of employees, hours worked, and number of days worked in a row. One management strategy is to continue to operate in the same manner with no management changes, with any additional costs that might be incurred due to the changes being absorbed by the farm. When thinking about this strategy, there are some key questions and changes that need to be considered carefully, noted in the table below. With the increases in costs that may occur, this may equal or partially offset the raises that normally would have been provided.

Table 1A

Just Pay It – Maintain Status Quo		
	Pros	*Cons*
Continue existing scheduling for farm employees	-No additional management resources required -This is a relatively simple option to implement. If OT limit drops in the future, the costs may be more than expected.	-Costs may increase beyond a manageable level from additional overtime paid. -If base pay increases in the future, the cost may be more than expected.
Decrease or eliminate planned raises for 2020	-The costs may be comparable to the anticipated raise for 2020,	-If no raises are provided, employees may feel that they are being penalized.

	mitigating the impact of overtime regulations on compensation. -In many cases, paychecks will still go up by the amount of the raise you normally would have given.	

B. Just Pay It – Make Adjustments to Other Types of Compensation

Under this option, existing hours and work schedule are maintained, leading to increased overtime costs. For many operations, it may be difficult to change existing work schedules. If resulting overtime compensation erodes profit margins, one option to maintaining profit margins would be cutting back on other forms of compensation. One general consideration for this option is that *non-payroll compensation would be converted to payroll, resulting in higher cash costs*. A general concern for all these strategies is that once a benefit is provided, taking it away can be difficult and create resentment, regardless of additional income from overtime. The pros and cons of specific strategies are discussed in the table below.

Table 1B

Just Pay It – Make Adjustments to Other Forms of Compensation		
Change	*Pros*	*Cons*
Give a smaller end-of-year bonus	-This once-a-year payment is simple to adjust.	Employees may be upset if they expect and look forward to a year-end bonus.
Eliminate or decrease milk quality bonus (or any other quality or efficiency bonus, i.e., discretionary bonus)	-Total compensation including overtime may still be at the same level as or higher than if they had received a bonus. -Farms retain the opportunity to (re) evaluate the effectiveness of this bonus on milk quality or revenue.	-Employees may perceive this change as a penalty. -Farms would lose this "tool" to motivate practices that improve milk quality.
Eliminate paid lunches and breaks	-Costs are lowered by not paying wages for a time when employees are not working. Regulations permit unpaid breaks of 30 minutes or more.	- Employees may perceive this change as a penalty. -May require investment in a time clock. -Enforcing time clock usage may be difficult.

		-Education about DOL rules about breaks may be necessary.
Decrease other benefits, such as gas, cell phone, internet, housing allowance	-Some benefits may be simple to eliminate. -The resulting savings will mitigate the impact of increased OT wages.	-Employees may feel penalized. -Employees may have difficulty getting internet/cable/utilities, etc., on their own.

C. Just Pay It – Adjust Base Pay

Farms facing a large overtime wage bill may be considering lowering base pay. This effectively means lowering regular wages, although with overtime, final take-home pay may still be larger than before.

Table 1C

Just Pay It – Adjust Base Pay		
Change	*Pros*	*Cons*
Adjust hourly rate down (must at least meet minimum wage)	-Simple adjustment would decrease cost of overtime wages. -Total weekly pay may be the same or higher than before.	-Employees may become more focused on hourly than take-home pay and feel penalized.

Section 2: Limit Overtime by Managing Hours

If farms face increasing costs due to overtime pay, managers may want to consider different strategies to limit the amount of overtime worked. These strategies may also be regarded as forward-looking, given the likelihood of continued wage pressure and labor shortages. Below we consider the pros and cons of implementing tighter control of performance and hours, outsourcing existing tasks, investing in equipment that improves labor productivity, and hiring more employees.

A. Manage by Implementing Tighter Control of Performance and Hours

Under this strategy, managers will take a hard look at all the labor hours spent on the farm and brainstorm ways to limit hours per employee.

Table 2A

Manage by Implementing Tighter Control of Performance and Hours		
Change	*Pros*	*Cons*
Implement lean systems (identify and eliminate	-Higher-quality work will be performed.	-The effectiveness of a lean system depends on how well it can be implemented.

activities that waste time or don't add value)	-Less time will be spent by employees on activities that do not add value. -An opportunity to engage employees in continuous improvement of systems is created.	-Significant learning investment is needed from management. -Time and energy put into implementation can be costly.
Limit downtime and/or busywork.	-Nonessential tasks are eliminated, and reduced hours result in lower pay costs. High-work-ethic employees may experience improved morale and satisfaction. -Closer supervision could yield unforeseen additional benefits such as finding problems earlier or better coaching.	-Closer supervision will require more manager time and discipline. -Employees may view reduction of "extra" or total hours as a penalty. -Improper categorization of tasks as "unnecessary" may lead to important work not getting done over time. -Positive social processes such as team relationships may get damaged.
Invest time and resources in HR management – hire HR manager, change culture, invest in training, etc.	-HR changes can benefit the business in many other ways (improving regulatory compliance, employee onboarding, etc.).	-There may be a limited availability of people with proper training and background to implement HR changes. -HR is not always seen as a priority in farm businesses, so it might not happen even if identified as a strategy.
Eliminate paid lunches and breaks	-Lowers costs by not paying wages for times when employees are not working. Regulations permit unpaid breaks of 30 minutes or more.	- Employees may perceive this change as a penalty. -It may require investment in time clock. -Enforcing time clock usage may be difficult. -Education about DOL rules about breaks may be necessary.
Move employees that qualify to salary	- For employees that are exempt, paying salary can be a way to avoid paying overtime.	-There are strict regulations regarding employees who are exempt from overtime. -Salaried employees still must be paid at or above

		state-specified minimum levels. -Promoting employees to supervisory positions to make them eligible for salary could lead to issues if they do not take seriously the additional responsibilities of their new roles (i.e., obligatory reporting for sexual harassment complaints).

B. Manage Hours by Outsourcing Existing Tasks

When management wants to limit overtime paid to current employees but simply can't find a way to eliminate all the labor hours needed to make this happen, outsourcing existing tasks may be an option. This strategy has the direct impact of reducing hours, payroll, or positions and can be considered when there are firms or individual contractors that can provide a service that is currently performed by farm operators or employees. This may be a good option when the farm is not efficient at a particular activity.

Table 3B

Manage Hours by Outsourcing Existing Tasks		
Change	*Pros*	*Cons*
Hire custom harvest services	-Hours, payroll, or positions are reduced. -A decrease in the need for purchasing or owning equipment and machinery may result. - Management can focus on other business processes. -Highly efficient custom operators might improve crop quality.	-Availability and reliability of services could have a negative impact on crop quality. -Overall costs could be higher than the farm's harvest costs.
Hire a handyman for repairs	-Hours, payroll, or positions are reduced. -Employees currently involved in repair work can spend their time on other, more important tasks. -Accessing different or higher skill sets may be possible.	-Availability and reliability of services could have a negative impact on repair quality. -Overall costs could be higher than the farm's costs of doing its own repairs.

Hire a cleaning service	- Hours, payroll, or positions are reduced. -Employees currently involved in cleaning duties can spend their time on other, more important tasks. -Overall cleanliness of the workplace may improve.	-Overall costs could be higher than the farm's cleaning costs.
Hire a lawnmowing/landscaping service	- Hours, payroll, or positions are reduced. -Employees currently involved in landscaping duties can spend their time on other, more important tasks. -This could decrease the need for purchasing, owning, and maintaining lawn equipment.	-If these tasks are being done by employees whose weekly hours are already below 60 hours (e.g., part-time or teenage workers), then this would have no impact on limiting overtime.

C. Manage Hours by Investing in Equipment That Improves Labor Productivity

Another option is to reduce the total number of labor hours required to do a job by investing in equipment that improves labor productivity. Capital investments, large to small, are included in this option.

Table 3C

Manage Hours by Investing in Equipment That Improves Labor Productivity		
Change	*Pros*	*Cons*
Large capital investment in current or new facilities (e.g., make parlor bigger so it takes less time to milk or purchase apple-harvesting platform).	-Improved facilities or equipment could create a more comfortable working environment for employees. -Overall cost could be lower than other options.	-Up-front costs are high. -There is a learning curve for management and employees to develop new processes. -A positive return at current operation size may be impossible.
Invest in robotics or other technology	-Labor hours may be reduced. -Operating around the clock may be possible. -Operate in adverse weather conditions may be possible.	-Up-front costs are high. -Adopting new technologies can be a huge learning curve and fully realizing efficiencies could take time.

		-A positive return at current operation size may be possible.
Low-cost investments	-Small purchases could still have a big effect on overall labor productivity (e.g., an additional set of tools). -Employee engagement could improve.	-Lots of small investments could add up to a large overall cost.

D. Manage Hours by Hiring More Employees

If overtime can't be sufficiently managed by trimming current labor hours, managers could consider simply hiring more employees. For this option to work, enough labor hours must be available to satisfy the additional employee(s). Be aware that current employees may value the hours they work and compensation they currently receive and may resent reductions in their hours that are "given" to the additional employees.

Managers need to exercise caution in this area, as some of the more creative solutions may not be allowed under current regulations. Shared/coordinated employment may be viewed as illegal avoidance of overtime by regulatory agencies. According to the New York State Department of Labor (NYSDOL), farms organizing shared labor to avoid paying OT could make the farms "Farm Labor Contractors" and subject to additional regulations.

Table 3D

Manage Hours by Hiring More Employees		
Change	*Pros*	*Cons*
Hire more employees	-By spreading out current hours over more employees and limiting hours worked to no more than 60 per week, OT costs can be minimized or eliminated.	-Limited availability of workers may make this difficult. -Additional time required for managers to train and supervise additional workers could be significant. -If workers require housing and the farm does not currently own any additional housing, then the cost of acquiring that additional housing makes the cost of the additional employee(s) much higher.

Current employees who want to work more than 60 hours per week may be able to work additional hours with other farms or businesses that have no shared ownership with your farm. Employees from other farms may likewise want to work additional hours on your operation (i.e., moonlighting).	-Overtime cost can be minimized.	-Additional costs are associated with paperwork, training, etc. -Potential employee confusion and poor performance could result from employees working at different jobs with different procedures and expectations.
Have current employees split work hours between two business entities with some shared ownership	-If legal, it may minimize overtime cost.	-Additional costs are associated with paperwork, training, etc. - Potential employee confusion and poor performance could result from employees working at different jobs with different procedures and expectations. *-NYSDOL has not provided specific guidance on which situations this strategy would work in. Legal cases and court decisions will determine future interpretation of the law. Consult legal counsel.*

Section 3: Increase Labor Productivity

While it is important to focus on direct wage costs under the new regulations and their impact on farm profitability, another important focus area is labor efficiency and effectiveness. Regardless of how farms adapt to these regulations, continuous improvement of labor productivity is a critical management objective. If performance can be improved, higher labor costs may be absorbed and their impact on earnings may be lower.

Labor efficiency is work produced/managed per a measure of labor hours. If production increases without an increase in hours worked due to improved labor productivity, then labor efficiency will increase. This could be due to improved work performance; labor efficiency can increase through capital investments that change how long jobs and activities take.

Labor effectiveness focuses on how well a job is done every day and how potential revenue is captured or how unnecessary expenses are avoided. This is more difficult to measure than labor efficiency, but if more potential revenue can be captured, or there are fewer unnecessary expenses, then more earnings can be generated to cover increasing labor costs.

Before making drastic changes to hired labor hours, structure, number of employees, and so on, explore options to improve labor efficiency and/or labor effectiveness that may provide the best opportunity to minimize the impact of the changing labor regulations.

Table 3A

Increase Labor Productivity		
Change	*Pros*	*Cons*
Improve labor efficiency: increase production with the same number of workers or worker hours	-Profitability is maintained without removing any benefits. -Long-run focus on productivity is a good management practice.	-Complex changes to business model may be necessary. -Capital investments and additional financing may be needed.
Improve labor effectiveness	-Individual employees become more productive. -It's possible to adopt a business model that prioritizes effective use of time.	-Investment and additional management time to implement the system may be required. -Changing the culture may be challenging.

Concluding Thoughts

Progressive, forward-looking farm management has always focused on growing safe, high-quality food at a competitive cost, in partnership with a motivated and fairly compensated workforce. While the new labor regulations may change how farms do business, it should not change the underlying principles of how farms are managed. In this study, we've discussed the tradeoffs of various management strategies for mitigating the impact of labor cost increases on farm business profitability. Farms may also want to consider long-term strategies, such as changing crop mix, making large capital investments or diversifying away from labor-intensive production. In the short term, any farm using hired labor will benefit from knowing their current costs and careful consideration of how new regulations will affect their current business model.

Appendix

This appendix provides 3 examples of the potential labor cost impacts of forthcoming changes in New York farm overtime regulations, using the overtime calculator available at https://agworkforce.cals.cornell.edu/overtime. We consider 2 dairy farms (high and moderate overtime use) and 1 fruit farm.

Farm A: Dairy - High overtime use

This dairy farm has several non-family employees whose schedule and compensation is summarized in the table below. Worker's compensation is paid at a rate of 4% of the total wage bill.

Employee type	Number of employees	Number of weeks	Hours per week	Wage+ Incentive	Discretionary cash bonus*	Noncash benefits*
Milker	10	52	75	$13+$1	$1,000	$9,000
Crop/outside workers	4	40	50	$18	$1,000	$9,000
		10	75			
Calf feeder	1	50	40	$17	$1,000	$7,000
Bookkeeper	1	50	20	$18	-	-

Table A1. **Schedule and compensation for Farm A.**

The annual labor cost for this farm, without paying overtime, would be $1,038,482. **Labor costs would increase by 6.5% or close to $67,000 under the new overtime rules**[1]. The "incentive" is a formula-based non-discretionary cash bonus which is subject to taxes and worker's compensation and is included in the "regular rate of pay". The discretionary cash bonus is subject to taxes and worker's compensation, but unlike the incentive/non-discretionary/formula-based bonus, is *not* included in calculation of the "regular rate of pay". Noncash benefits are not taxed and would include items like housing and cell phone.

The table below shows the annual total cost and the overtime premium cost by employee types after overtime is paid. Annual total cost and weekly costs include all regular wages, overtime wages, taxes, worker's compensation, bonuses, and benefits. The 'annual OT premium cost' includes extra overtime wages paid on top of the regular rate and includes additional taxes and worker's compensation.

Employee type	*Cost per employee*			*Total cost*
	Annual OT premium cost[2]	Annual total cost	Weekly cost	
Milker	$ 6,096	$ 77,173	$ 1,484	$ 771,735
Crop	$ 1,507	$ 66,891	$ 1,338	$ 267,562
Calf feeder	-	$ 46,078	$ 922	$ 46,078
Bookkeeper	-	$ 20,097	$ 402	$ 20,097

Table A2. Costs per employee for Farm A.

[1] 1.5X of the regular rate of pay for time worked over the threshold of 60 hours per week

[2] New York's overtime rate is 50% added on top of the regular rate of pay, however, overtime premium **cost** is both the 50% pay increase on top of the regular rate per hour, as well as tax and worker's compensation.

The following chart represents different components of labor costs under the current and additional, lower overtime thresholds:

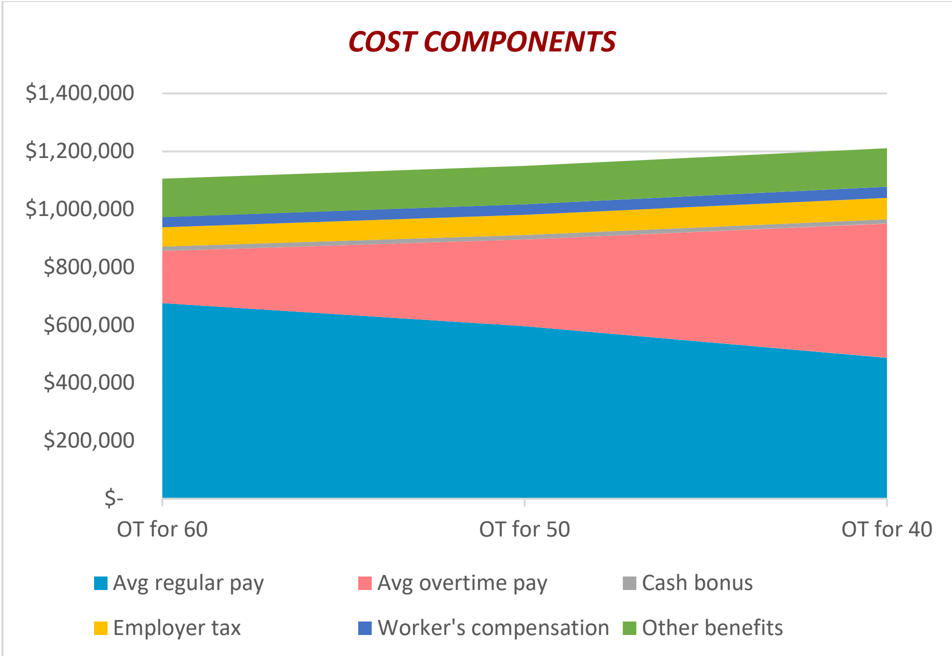

Figure A1. Labor cost components[3]

Key outcomes as the overtime threshold increases. Farm A's total labor cost increases by 9.5% due to a 157% rise in overtime premium costs, in the 40 hours scenario relative to the 60 hours scenario. The increases come from two types of employees: milkers and crop/outside workers. Milkers are the major contributors to the cost growth due to the number of employees and the number of hours that they regularly work overtime. The overtime premium cost would be $66,990 with the OT 60 rule and goes up to $172,388 under a threshold of 40 hours.

Farm B: Dairy - Moderate overtime use

Farm B is similar to Farm A in nearly all respects: employee types, schedules, and compensation. However it hires *11 milkers who work 67 hours* for 52 weeks, instead of 10 milkers who work 75 hours a week on Farm A. Annual labor costs for Farm B, without having overtime rules, would be $ 1,038,031. Total labor costs would increase by 3.6% under the new overtime regulations (OT paid on 60+ hours per week), compared to 6.5% for Farm A. Farm B's labor cost per employee is shown in the table below.

[3] In this appendix, the term ***cost*** refers to wage plus tax, worker's compensation, while ***pay*** refers only to wage or the regular rate of pay (which includes non-discretionary cash bonuses). Overtime pay also refers to overtime base plus overtime premium.

Employee type	Cost per employee			Total cost
	Annual OT premium cost	Annual total cost	Weekly cost	
Milker	$ 2,845	$ 67,420	$ 1,297	$ 741,617
Crop	$ 1,507	$ 66,891	$ 1,338	$ 267,562
Calf feeder	-	$ 46,078	$ 922	$ 46,078
Bookkeeper	-	$ 20,097	$ 402	$ 20,097

Table B1. Employee comparison for farm B.

The following figure displays labor cost components for farms A and B under the new overtime rules. Farm B's total cost, overtime pay, and overtime premium cost are lower than Farm A due to lower overtime hours per week. The overtime premium cost would be $37,322 under the 60 hour OT threshold.

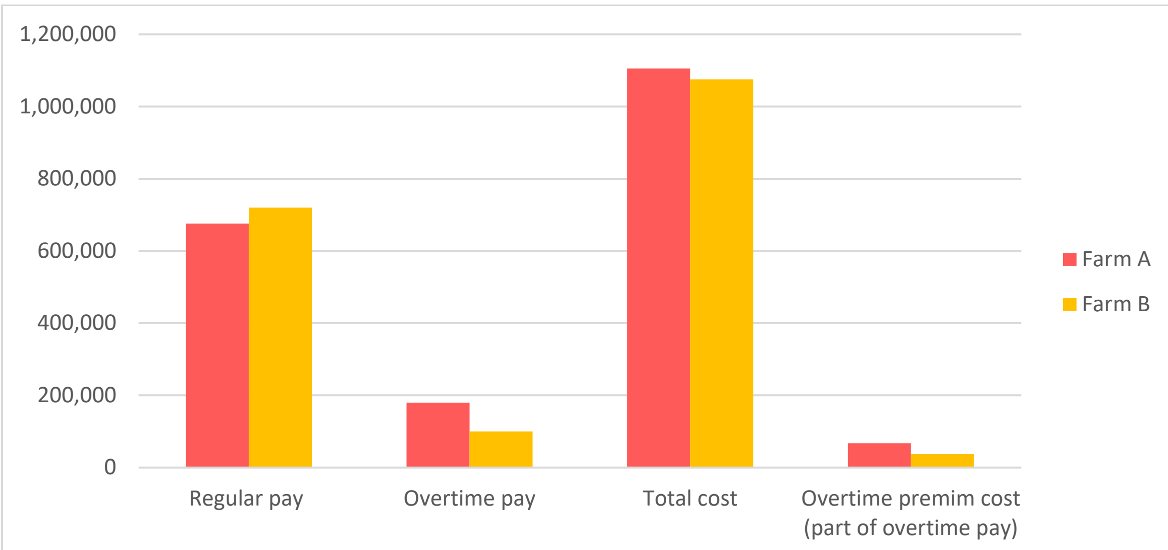

Figure B1. Labor cost comparison between Farm A and B – 60 hour OT

Farm C: Fruit farm

Farm C represents a typical New York apple farm: several non-family employees whose schedule and compensation are presented in the table below. Worker's compensation is paid at a rate of 4% on the total wage bill for this farm. The annual labor cost for Farm C is $400,645, which increases by 6.4% under the 60 hours OT threshold.

Employee type	Number of employees	Number of weeks	Hours per week	Wage+ Incentive	Discretionary cash bonus*	Noncash benefits*
Year-round manager[4]	1	35	50	$20	$2,000	$13,000
		10	70			
		5	80			
Year-round hourly workers	2	35	50	$16	$1,000	$9,000
		10	70			
		5	80			
H2A/Harvest workers	15	6	70	$13.25	-	-
		6	80			

Table C1. Schedule and compensation for Farm C.

The following table represents labor cost per employee for this farm:

Employee type	Cost per employee			Total cost
	Annual OT premium cost	Annual total cost	Weekly cost	
Year-round manager	$ 2,233	$ 81,106	$ 1,622	$ 81,106
Year-round worker	$ 1,786	$ 62,815	$ 1,256	$ 125,631
H2A/Harvest	$ 1,331	$ 14,646	$ 1,220	$ 219,685

Table C2. Average cost per employee for Farm C.

The following chart represents the labor cost under additional, lower overtime thresholds:

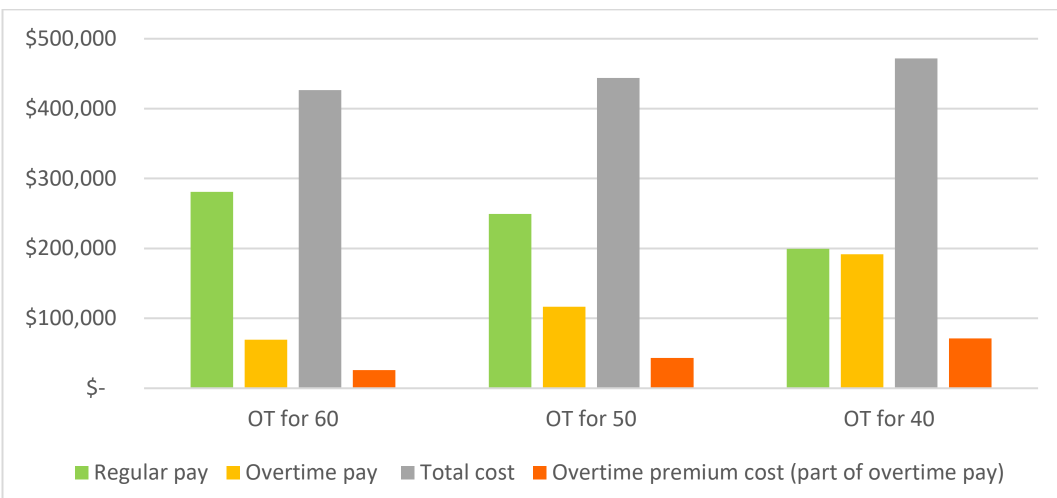

Figure C1. Labor costs in different scenarios

Key outcomes Similar to the two previous cases, total labor costs increase by 4% and 10.7% under the 50- and 40-hour thresholds, respectively compared to 60-hour threshold. The overtime premium cost would be $25,777 with the OT 60 rule and goes up to $71,275 with OT 40.

[4] Please use weighted average for hours "More than 60 hours per week" when you enter data in the calculator.

OTHER A.E.M. EXTENSION BULLETINS

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