

SURVEY REPORT: **Employment Trends**

# Survey Indicates Challenges for Employers Hiring Qualified Workers Continues

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**WHEREVER YOU GO THESE** days, the “help wanted” sign is a ubiquitous plea for workers. When the unemployment rate is low, there is always a shortage of qualified workers for open positions, and the competition from different industries is fierce. Just drive around and notice all the signs outside restaurants, apparel shops, cafés, medium- to large-sized companies, and even the **United States Postal Service**.

The ongoing quest for talent means that the wine industry will continue to face many of the same, as well as industry-specific hiring challenges. These include more competition for an increasingly smaller pool of available and qualified workers, competing industries that pay higher wages, a high cost-of-living, inadequate public transportation, scarcity of affordable housing and tremendous uncertainty regarding immigration laws. Hiring locally is becoming more difficult because it is expensive to live in the North Bay. As a result, commuting hours are getting longer as employees travel longer distances to arrive at work.

The primary areas of need from the findings of **The Personnel Perspective’s** Employment Trends in the Wine Industry survey are direct-to-consumer hiring and retention and immigrant labor.

In 2016 the Employment Trends survey indicated that 27 percent of respondents said DTC was the most difficult area to fill; this year, that number has increased dramatically to 61 percent. Similarly, 69 percent of respondents indicate that they experience the highest rate of turnover in DTC as compared to 44 percent last year.

The **Wine Business Institute** (WBI) at **Sonoma State University** in Rohnert Park, California concurs that the pipeline of direct-to-consumer talent is at a premium. As **Ray Johnson**, executive director of WBI, put it, “We know that increasing a company’s share of DTC is vital to margin.... it requires resources, time, treasure and talent to be successful.” So it naturally follows that a large focus for WBI is in the DTC area. “DTC is a great example of a fast-moving target in our curriculum. What you knew last

## In which area(s) of your winery have you experienced the most difficulty in finding qualified candidates?

(Check all that apply.)

Administrative (includes HR, Finance, etc.)	22%
Outside sales	6%
Marketing/PR	11%
Winemaking	6%
Cellar and lab	6%
DTC (tasting room, wine club, etc.)	61%
Vineyard	19%
Harvest interns	22%
Seasonal production	17%
Seasonal hospitality	22%
Maintenance	28%

## In the last three years, which areas within your winery have the highest rate of turnover?

(Select up to three.)

Administrative (includes HR, Finance, etc.)	11%
Outside sales	6%
Marketing/PR	11%
Winemaking	6%
Cellar and lab	11%
DTC (tasting room, wine club, etc.)	69%
Vineyard	19%
Harvest interns	6%
Seasonal production	6%
Seasonal hospitality	17%
Maintenance	3%

### How are you addressing vineyard labor challenges?

(Check all that apply)

Increasing hourly pay	41%
Offering incentives and bonuses	17%
Hiring more workers through FLCs	21%
Hiring H2A workers	14%
We use a vineyard management company that handles labor	52%

### What strategies have you employed to keep your employees engaged?

Increased training	52%
Increased compensation and/or benefits	73%
Opportunities for advancement	27%
Schedule flexibility	45%
Job sharing	6%

year will not be adequate this year and what we teach needs to not only track with that movement but look ahead to what is on the horizon,” he said. As the demand for DTC selling increases, so will the demand on the already scarce available talent.

Labor statistics indicate a steady decline of the immigrant labor pool from Mexico over the past 10 years. During a recent visit to San Francisco, **Vicente Fox**, former President of Mexico, spoke at length on this topic and predicted that the wage disparity between the U.S. and Mexico would decrease over the next 20 years, and this will have significant economic consequences for the U.S. agricultural industry because fewer Mexicans will be seeking work in El Norte.

The U.S. political climate has also created greater uncertainty for immigrant workers crossing the border, unless they are hired under the H-2A visa program, which has had mixed results, depending on the area and the industry. The H-2A program requires employers to provide housing, transportation and meals, or access to a kitchen to prepare meals. **Chris Bowland**, owner of **Bowland Vineyard Management Company** in Healdsburg, California, has hired a small crew of H-2A workers, whom he personally escorted from Mexico to Healdsburg. It was nothing short of an epic adventure that he shared with friends on **Facebook**. Bowland said that “The H-2A program is an expensive, time-consuming bureaucratic mess. Unnecessarily so.” He added that the H-2A workers are committed to doing a good job, and he is pleased with their performance.

If there is any hope for a steady pipeline of immigrant workers in the future, it would be the elusive H-2C program, which has been talked about for years but not passed into law. The H-2C visa being proposed is a simpler, slightly less bureaucratic process than the H-2A process in several ways. It allows employers to attest that they cannot find U.S. workers rather than having to go through a certification process. It also does not require employers to provide free housing and transportation to workers.

Previous versions of the bill, such as the Agricultural Guestworker Act of 2013 and the Willing Workers and Willing Employers Act (Ag Act) of 2016, were never expected to advance, but they were the welcome start of a much needed conversation to bring relief to an industry that is significantly affected throughout the United States.

It may be many years before the H-2C program becomes a reality. In the interim, “[t]he vineyard worker labor shortage in Napa and Sonoma [and other wine regions] is likely to get worse. As a result, this crisis may promote hiring more H-2A visa workers, but only if the availability of migrant farm worker housing becomes a priority to meet the labor demands in the area,” said **Guadalupe Sandoval**, trainer and consultant for **Sandoval Bilingual Safety Solutions**. In other words, the H-2A visa program is the only game in town for a long time to come.

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Ray Johnson, Wine Business Institute

Turning to vineyard management companies for seasonal workers is on the rise. Half of the respondent wineries (51 percent) in the 2017 survey report contracting with these labor providers for their seasonal vineyard workers. Vineyard management companies are offering higher starting wages in the hopes that they will be able to retain as many workers as possible through the season. The reality is that many workers fail to show, when called, after being lured away by even higher wages elsewhere. **Daniel Krichevsky**, cellar master of **San Antonio Winery** on the Central Coast of California, summed it up: “Migrant labor migrates to whomever pays the best.”

Other sectors of the agricultural industry are competing with the wine industry for workers. On the Central Coast of California, it is produce. In Washington state, it is apples. In Northern California, it is marijuana. The budding—and now legal—California marijuana industry is taking many of the vineyard workers and paying significantly higher wages.

The compensation and benefits picture is also problematic. Pay is spiraling out of control in some regions. It is not unheard of to learn that an employee is leaving for a similar job in the same area for a 25 percent pay increase. This year alone, 73 percent of respondents have increased pay and benefits. The loss of a good worker and the increased cost to employ new staff are devastating to some employers, and the end result is higher prices to consumers.

So how will wineries get all of the work done? In the long-term, wineries will need to revisit the economics of mechanization, outsourcing labor and educating and training their workforces. More wineries are converting to mechanical harvesting to reduce labor costs. In the future, we predict more outsourcing to vineyard management companies and perhaps a modest increase of H-2A workers. Admittedly, there is a depth and complexity to the wine industry’s recruiting, hiring and retention challenges that will require more study, collaboration and policy changes. **WBM**