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CRS Report for Congress

The Effects on U.S. Farm Workers of an Agricultural Guest Worker Program

Linda Levine
Specialist in Labor Economics
Domestic Social Policy Division

Summary

Guest worker programs are meant to assure employers (e.g., fruit, vegetable, and horticultural specialty growers) of an adequate supply of labor when and where it is needed while not adding permanent residents to the U.S. population. They include mechanisms, such as the H-2A program's labor certification process, intended to avoid adversely affecting the wages and working conditions of similarly employed U.S. workers. If amendment of the H-2A program or initiation of a new agricultural guest worker program led growers to employ many more aliens than is now the case, the effects of the Bracero program might be instructive: although the 1942-1964 Bracero program succeeded in expanding the farm labor supply, studies estimate that it also harmed domestic farm workers as measured by their reduced wages and employment. The magnitudes of these adverse effects might differ today depending upon how much the U.S. farm labor and product markets have changed over time, but their direction likely would be the same. This report will be updated as warranted.

Background

The nation has had a long history of guest worker programs targeted at the agricultural industry, which have enabled farmers to temporarily import foreign workers to perform seasonal jobs without adding permanent residents to the U.S. population. Unsuccessful attempts were made during the past few Congresses to amend the H-2A program, the only means currently available to employers who want to legally utilize aliens in temporary farm jobs. Recent interest among some Members of Congress in a broad-based guest worker program has renewed efforts to enact legislation that relates specifically to the agricultural sector.[1]

[1] For information on guest worker legislation see CRS Report RL32044, *Immigration: Policy Considerations Related to Guest Worker Programs*, by Andorra Bruno.

Arguments for and Against an Agricultural Guest Worker Program

The elements of the debate concerning an agricultural guest worker program have changed very little over the years. Its principal points are twofold:

- whether there is an adequate supply of workers in the United States to fulfill the widely fluctuating labor requirements of some farmers; and
- whether the temporary admission of aliens to perform seasonal farm jobs adversely affects the labor market prospects of domestic workers.[2]

Growers of perishable, labor-intensive crops (e.g., fruit, vegetable, and horticultural specialty products) whose demand for directly hired and contract workers typically peaks during the harvest season argue that they need access to foreign labor because insufficient U.S. workers are available at that time. They assert that importing workers to perform seasonal farm tasks does not harm U.S. workers because the two groups do not compete. In other words, they contend that domestic workers are largely unwilling to perform the farm work in question — even if higher wages were offered them. Domestic workers, it is claimed, have more attractive alternatives to seasonal farm employment (e.g., nonfarm jobs arguably are less strenuous and dirty as well as more stable and prestigious). Without access to foreign labor, grower advocates maintain that crops could not be harvested; consumer prices would rise due to the reduced supply of U.S.-grown produce; and the nation would become more dependent on low-wage foreign competitors for a portion of its food supply.

Farm worker advocates contend that if growers raised wages and improved working conditions, more domestic workers would be willing to accept seasonal farm employment. They assert that the employment and wage prospects of domestic workers are depressed by additions to the U.S. labor supply through guest worker programs. It is argued that these programs also harm similarly employed U.S. workers by weakening incentives to develop and adopt innovations that improve their working conditions and labor-saving technologies that increase their productivity (and hence, the wages of a smaller workforce). Opponents of temporary alien worker programs further declare that growers prefer foreign over domestic workers because the former are not covered by the same laws as domestic workers (e.g., Migrant and Seasonal Agricultural Worker Protection Act, Unemployment Insurance, and Social Security); are less demanding due to lower wages and poorer working conditions in their home countries; and are easier to control because they cannot easily work for another U.S. employer if the grower terminates them.

The remainder of this report focuses on the impact an agricultural guest worker program might have on U.S. workers. The adequacy of the domestic supply of farm workers is addressed in another CRS Report.[3]

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[2] In this report, workers referred to as "U.S." or "domestic" include native-born and foreign-born individuals authorized to work, as well as unauthorized aliens, in the United States.

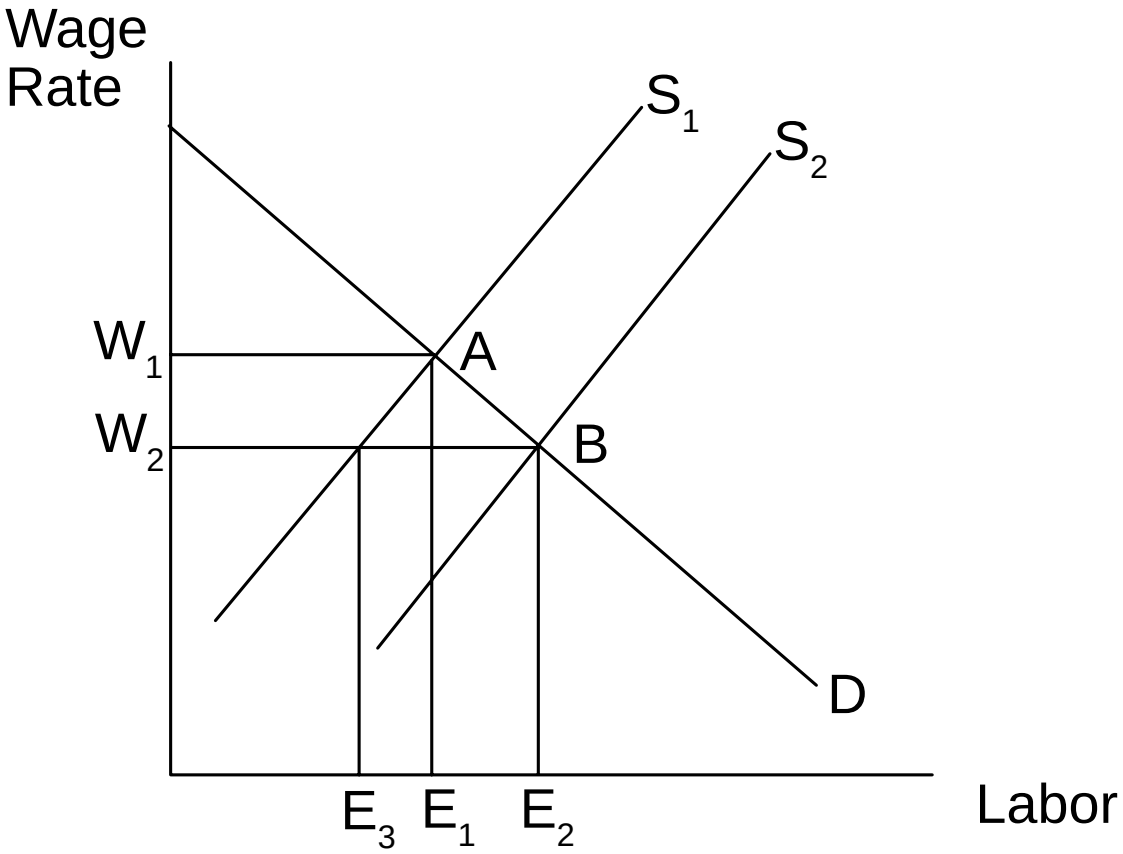
[3] CRS Report RL30395, *Farm Labor Shortages and Immigration Policy*, by Linda Levine. (Hereafter cited as CRS Report RL30395, *Farm Labor Shortages and Immigration Policy*.)

The Labor Market Effects: Economic Theory

Fundamentally, the debate over the effect on U.S. workers of temporarily admitting foreign workers centers on whether an increase in the supply of labor reduces the wages and employment of domestic workers. Economic theory can help clarify this debate.

Before the entrance of foreign workers to the U.S. labor market, the amount of labor that domestic workers are willing to supply to employers is represented by the curve labeled S_1 in **Figure 1**. It is upward sloping because workers are willing to supply more labor services in response to higher wages. Employers' demand for labor is represented by the curve labeled D, which slopes downward because employers are willing to employ more workers at lower wages. Equilibrium in this labor market occurs at point A, where those willing to work for wage W_1 equals employer willingness to hire at that wage. In the absence of foreign labor, then, U.S. farm employment is equal to E_1 and U.S. farm workers' wage rate is equal to W_1.

Figure 1. The Effects on Domestic Workers of an Increase in the Supply of Foreign Workers



The addition of foreign workers expands the total quantity of labor at any given wage rate. This is represented by the rightward shift of the supply curve to S_2, with the additional labor represented by the difference between S_1 and S_2. This increase in the labor force will only find employment if the wage falls, for only at a lower wage will employers be willing to hire more workers. Thus, equilibrium after the importation of labor occurs at point B, where the wage rate of domestic and alien farm workers drops to W_2 and employment of domestic and alien farm workers expands to E_2.

In summary, the theory of supply and demand predicts that *the wage rate for all workers falls* from W_1 to W_2 after the entrance of foreign workers to the U.S. labor market. As a result of the drop in wages, *total employment expands* from E_1 to E_2; *domestic employment contracts* from E_1 to E_3; and alien worker employment is equal to E_2 minus E_3.

Because the lower wage (W_2) makes farm work less rewarding, some domestic workers likely will look for jobs outside the agricultural sector. Employment of domestic farm workers accordingly will decline (from E_1 to E_3). While the total employment of foreign workers (E_2 minus E_3) expands, a portion is at the expense of the farm jobs formerly held by domestic workers (E_1 minus E_3). This is called *the displacement effect*. The size of the displacement effect depends on the shape of the labor demand and domestic labor supply curves.

Along with lower domestic employment in agriculture, the presence of foreign farm workers reduces the amount of wages that accrues to domestic farm workers. Because the addition of foreign workers also expands output, agricultural prices are expected to fall and thereby benefit U.S. consumers including domestic farm workers.

The H-2A Program. Authorized under the Immigration and Nationality Act at Section 101(a)(15)(H)(ii)(A) as modified by the Immigration Reform and Control Act of 1986 (IRCA, P.L. 99-603), the H-2A program was begun in 1952. It allows an unlimited number of foreign workers to temporarily enter the United States to fill seasonal farm jobs at employers who demonstrate the existence of labor shortages by undertaking recruitment requirements prescribed by the U.S. Department of Labor (DOL). As part of the DOL's *labor certification* process, farmers applying for admission of H-2A workers must offer to pay them and domestic workers the higher of the (federal or state) minimum wage, prevailing wage, or adverse effect wage rate and to provide free government-approved housing to out-of-area domestic as well as H-2A workers.[4]

Principally East Coast growers of perishable labor-intensive crops, who largely did not utilize the Bracero program, were the original applicants for H-2A workers. The H-2A program "was able to escape the heavy criticism levelled against the bracero program primarily by keeping a low profile."[5] In other words, there were a great many more braceros than H-2A workers when both the Bracero program (1942-1964) and H-2A program (1952-present) were in effect. (The Bracero program is discussed below.)

More recently, program data show that DOL certification of foreign workers for employment at grower applicants generally has been on the rise since FY1999. From 41,827 in that year, the number of H-2A job certifications reached 48,366 in FY2005.[6]

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[4] For additional H-2A program information see CRS Report RL30852, *Immigration of Agricultural Guest Workers: Policy, Trends, and Related Issues*, by Ruth Ellen Wasem and Geoffrey K. Collver; and CRS Report RL32861, *Farm Labor: The Adverse Effect Wage Rate (AEWR)*, by William Whittaker.

[5] Monica L. Heppel and Sandra L. Amendola, *Immigration Reform and Perishable Crop Agriculture* (Lanham, MD: University Press of America, Inc., 1992), p. 30.

[6] In FY2000, DOL issued 44,017 H-2A job certifications; in FY2001, 44,824; in FY2002, 41,894; in FY2003, 44,033; in FY2004, 44,619; and in FY2005, 48,366.

Despite the increase in DOL certifications, the number of H-2A workers remains quite small compared to the 1.1 million hired farm and agricultural service workers employed in 2005.[7] Thus, even if the labor certification process has not operated as intended — to protect similarly employed U.S. workers — the H-2A program's low utilization suggests that its overall impact on the domestic farm labor force has been minimal. However, the reliance on the H-2A program of tobacco, fruit (e.g., apple, peach, and tomato), vegetable (e.g., onion and squash), and grain growers in some states (e.g., North Carolina, Virginia, Kentucky, Idaho, California, and Texas) might have had a more substantial effect on domestic farm workers in certain local labor markets.

Proposals to modify the H-2A program (e.g., changing labor certification) seemingly would make it easier for growers to temporarily employ foreign workers. Farmers, as a consequence, would likely import more H-2A workers than they had previously. Given authorized aliens' potentially greater share of the hired and contract farm labor force as a result of changes to guest worker policy, it appears that the effects of the Bracero program on domestic farm workers are more relevant than the (unquantified) effects of the H-2A program.

The Bracero Program. At its peak in 1956, the Bracero program allowed some 445,000 Mexican workers to take temporary jobs in the U.S. agricultural industry.[8] The few studies that tried to empirically estimate the labor market impact of the Bracero program are examined below.

Morgan and Gardner examined a seven-state area, in which more than 90% of braceros had been employed, to estimate the impact of the program on the wage and employment levels of hired farm labor. Its effect was found to be consistent with economic theory: the Bracero program increased total farm employment, reduced employment of domestic farm workers, and lowered the farm wage rate. Morgan and Gardner concluded that the wage loss to all nonbracero farm workers was 6% to 7% of total wages paid to farm workers in the bracero-using states between 1953 and 1964, or some $139 million per year (in 1977 dollars). U.S. farmers were found to have gained from the program by being able to hire about 120,000 more workers at 15-20 cents less per hour than they would have in the program's absence. Such a large employment response (about 26%) to a much smaller decrease in wages (less than 9%)

> is consistent with the informal observation that braceros were a substitute for mechanization, notably in High Plains cotton, and that the end of the program substantially accelerated the mechanization of Texas cotton. This is also the period in which the tomato harvester came into widespread use in California.[9]

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[7] CRS Report RL30395, *Farm Labor Shortages and Immigration Policy*.

[8] For information on the Bracero program see U.S. Congress, Senate, Committee on the Judiciary, *Temporary Worker Programs: Background and Issues*, committee print, 96th Cong., 2d sess. (Washington: GPO, 1980).

[9] Larry C. Morgan and Bruce L. Gardner, "Potential for a U.S. Guest-Worker Program in Agriculture: Lessons from the Braceros," in Barry Chiswick, ed., *The Gateway: U.S. Immigration Issues and Policies*, (Washington: American Enterprise Institute, 1982). Note: The wage loss associated with the Bracero program was incurred by authorized and unauthorized farm workers since both groups were included in the labor supply estimate.

Wise examined the experience in California for two heavily bracero-dependent crops to determine whether U.S. workers would accept farm jobs if wages were raised. He estimated that a small increase in wages would bring about a larger increase in the supply of domestic farm workers: in winter melon production, a 1% increase in wages was associated with a 2.7% increase in the domestic supply of labor; in strawberry production, a 1% increase in wages was related to a 3.4% increase in the domestic labor supply.[10] Similarly, Mason found that a small increase in wages paid by the formerly bracero-dominated pickle industry in Michigan induced a larger increase in U.S. workers willing to pick the crop.[11] *At least for the mid-to-late 1960s, then, these findings appear to refute the notion that increased agricultural wages would not have prompted many more domestic workers to accept farm employment.*

Wise additionally found that termination of the Bracero program led to a decrease in total employment, an increase in U.S. farm worker employment, and an increase in wages on strawberry and melon farms in California. More precisely, he estimated that without bracero labor from the mid-1950s to mid-1960s, domestic farm worker employment in California would have been between 51% (in strawberry production) and 261% (in melon production) higher, and wages would have been between 12% (in strawberry production) and 67% (in melon production) higher.[12]

While Mason estimated that shortly after the Bracero program's demise farm wages rose significantly in Michigan, he was unable to determine how much the absence of bracero labor or other variables contributed to the increase.[13] In contrast, Jones and Rice found that the trend in farm wages did not change significantly in four southwestern states between the 1954-1964 bracero period and the 1965-1977 post-bracero period.[14] Although the latter study would imply that the Bracero program's end did not have an impact on farm wages, *the lack of a discernible wage effect might be explained by the replacement of braceros with unauthorized aliens — which effectively would have left the supply of labor little changed*.

In summary, the limited empirical research on the impact of the Bracero program on U.S. workers suggests that while the program successfully expanded the supply of temporary farm labor, it did so at the expense of domestic farm workers as measured by their reduced wages and employment. Although the magnitudes of these adverse effects might differ today depending on the extent to which U.S. farm labor and product markets have changed over time, their direction likely would be the same.

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[10] Donald E. Wise, "The Effect of the Bracero on Agricultural Production in California," *Economic Inquiry*, v. XII, no.4, Dec. 1974. (Hereafter cited as Wise, *The Effect of the Bracero on Agricultural Production in California*.)

[11] John D. Mason, *The Aftermath of the Bracero: A Study of the Economic Impact of the Agricultural Hired Labor Market of Michigan from the Termination of Public Law 78*, (Ph.D. diss., Michigan State University, 1969). (Hereafter cited as Mason, *The Aftermath of the Bracero*.)

[12] Wise, *The Effect of the Bracero on Agricultural Production in California*.

[13] Mason, *The Aftermath of the Bracero*.

[14] Lamar B. Jones and G. Randolph Rice, "Agricultural Labor in the Southwest: The Post Bracero Years," *Social Science Quarterly*, v. 61, no. 1, June 1980.