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Overview: Immigration, U.S. Agriculture, and Policy Reform

by Ximing Wu, Guest Editor

Immigration has increased significantly in the past two decades. In March 2005, there were 37 million foreign-born U.S. residents. Among them, 31% were naturalized citizens, 39% were legal immigrants and nonimmigrants, and the remaining 30% were unauthorized immigrants. It is believed that the actual number of unauthorized immigrants is even higher. Due to the rising number of unauthorized foreigners, there is an increasing pressure on immigration policy reform. In fact, one of the priorities of both the previous and current House and Senate is the reform of the current immigration policy.

The farm sector is one of the most important sectors that hires a large number of immigrants, especially low-skilled immigrants. Moreover, more than half of the immigrants working in the farm sector are unauthorized. Not surprisingly, the most significant recent immigration policy changes had its roots in agriculture. In 1986, under the Special Agricultural Worker legalization program of the Immigration Reform and Control Act (IRCA), more than 1.1 million Mexicans became legal immigrants.

Policy Reform

The influx of immigrants and the looming immigration reform obviously poses both an opportunity and a challenge to U.S. agriculture. Three options are discussed in current policy debates on immigration reform: (1) status quo, (2) enforcement of border security, and (3) enforcement, plus guest worker programs and legalization. The general consensus is that the status quo is not optimal. However, there is a heated debate between the enforcement-only approach and the comprehensive approach. The 2005-2006 House supported the enforcement approach while the Senate favored the comprehensive approach. The current Senate has again listed immigration

Articles in this Theme:

Overview: Immigration, U.S. Agriculture, and Policy Reform.....	35
Policy Shocks and the Supply of Mexican Labor to U.S. Farms.....	37
Immigration Reform, Agriculture, and Rural Communities.	43
The Impact of Immigration on American Workers and Businesses	49
Agricultural Labor Markets and Immigration	57

reform as one of its priorities and is now working on a new initiative concerning this issue.

In this special theme, we review the impact of immigration and the possible consequences of various policy reforms on U.S. agriculture, labor market, and rural communities.

Labor Market

One of the concerns of enhancing border security is its potentially negative impacts on the labor supply to the U.S. farm sector, which relies heavily on foreign workers. However, as suggested by Emerson, and Boucher and Taylor, the practical effectiveness of border security enhancement can be rather limited. On the one hand, foreigners determined to cross the border often eventually succeed, maybe after repeated trials. On the other hand, this enforcement will also deter unauthorized immigrants who want to cross the border from within the United States.

Regarding the legalization proposal, there is a concern that once given legal status, there will be an exodus of newly legalized foreign workers from the farm sector. However, Emerson argues that the available evidence does not support this claim. In terms of legalization's wage impact, Emerson suggests that the overall wage cost of

immigrants might be higher because of the elimination of wage penalty for unauthorized immigrants, but this will probably be compensated by the removal of potential risk associated with hiring unauthorized foreigners.

A popular perception of immigrants' impact on native Americans is that increasing immigration lowers the wages of native workers. Although there is limited evidence on the high-skilled segment of the labor market supporting this claim, it is generally not true for low skilled workers, including farm workers. One reason offered by Lewis is that native Americans and foreign workers tend to have different kinds of jobs, even when they are in the same sector or labor market segment.

Agricultural Production

Although their impacts on native Americans are small, immigrants are found to influence the U.S. agricultural production through various channels. Emerson and Lewis both suggest that farmers tend to adapt different production technologies

and crop mixes according to the relative supply of low-cost farm labors. Because of the adaptability of technology and crop mix, the long-run effect of policy reform is projected to be small.

Fiscal Impacts

Like native Americans, most immigrants pay taxes. At the same time, some of them are eligible for public services. Although there are some concerns on the fiscal burden imposed by immigrants on the public service system, existing evidence often suggests positive net fiscal impacts. Regarding unauthorized immigrants, Lewis reports that the percentage of this group taking advantage of public services is significantly smaller than that of other groups. On the other hand, most immigrant workers, regardless of their legal status, pay payroll taxes.

Trade

The relationship between trade and immigration goes in both directions. Boucher and Taylor report that the

North American Free Trade Agreement (NAFTA) increased the immigration from Mexico. On the other hand, Emerson indicates that reduction in foreign labor supply can prompt changes in trade, especially trade in labor-intensive agricultural products.

Rural Communities

Even in rural areas, the immigrant population differs from native residents in their social, economic, and cultural lives. Martin reviews various approaches and their consequences on how rural communities deal with the influx of immigrants. It is suggested that if private-public partnerships share the costs of integrating migrant workers, their families will turn an increasing immigrant workforce into a "positive externality" that benefits both local agriculture and community development.

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