UNIVERSITY OF CALIFORNIA GIANNINI FOUNDATION

UPDATE

Agricultural and Resource Economics

VOL. 8 NO. 2 NOV/DEC 2004

New NAFTA and Mexico-U.S. Migration: The 2004 Policy Options

by

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The number of Mexican-born U.S. residents is rising faster than ever before, by perhaps 500,000 a year. The U.S. is discussing three major policies to better manage Mexico-U.S. migration—guest workers, legalization Ê and earned legalization—until the faster economic and job growth envisioned by NAFTA reduces emigration pressures.

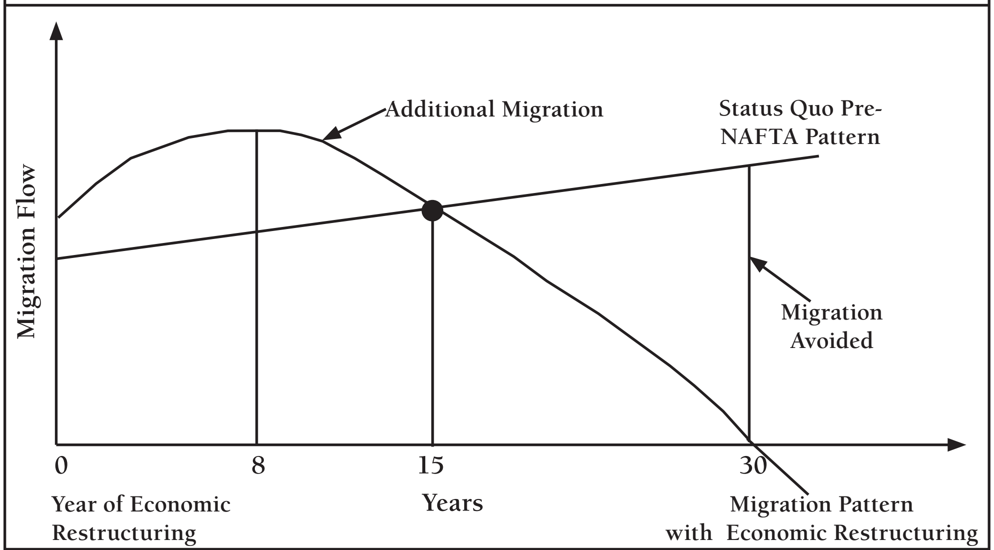
Migration has been the major relationship between Mexico and the U.S. for most of the 20th century, but legal immigration remained low until recently—36 percent of 20th century Mexican immigrants arrived in the 1990s, and 34 percent of the apprehensions of unauthorized Mexicans were in the 1990s. Over the past century, Mexican migrants were negatively selected, that is, those who left Mexico usually had less education and skills than the average Mexican, and most of the Mexicans who arrived had their first U.S. jobs in seasonal agriculture. The U.S. and Mexico had bilateral agreements to regulate Mexico-U.S. labor migration between 1917-1921 and 1942-1964, but most 20th century Mexican migrants arrived and were employed outside these bilateral guest worker programs.

A standard treatment of 20th century Mexico-U.S. relations is entitled *Distant Neighbors*, reflecting the lack of economic integration and cooperation on migration and other issues, a relationship sometimes summarized in Mexico as "Poor Mexico, so far from God, so close to the U.S." The picture changed in the 1990s, as the Mexican government liberalized its economic policies, proposed NAFTA to formalize its desire for closer economic integration, and initiated discussions aimed at improving migration management, including the Binational Study (1997) to reach consensus on the number and impacts of Mexican migrants in the aftermath of California's approval of Proposition 1987 in 1994.

The first Mexicans were recruited to work on U.S. farms during World War I. These Mexican Bracero (strong arm) workers were admitted by making "exceptions" to immigration rules that otherwise would have blocked their entry. The 1917-21 Bracero program ended amid Mexican government complaints of mistreatment of its citizens, and the 1942-64 program ended as a result of pressure from U.S. labor and civil rights groups who argued that the Mexican migrants depressed wages and increased unemployment for similar U.S. workers.

Mexico-U.S. migration was low after the Bracero program, and the late 1960s and 1970s are often considered the "golden age" for U.S. farm workers. Farm wages rose sharply without Braceros—Cesar Chavez and the United Farm Workers won a 40 percent wage increase for grape pickers in 1966, increasing entry-level wages from $1.25 to $1.75 an hour in the UFW's first contract. However, some of the ex-Braceros had become U.S. immigrants, since a U.S. employer could issue a letter asserting that a foreigner was "essential" to fill even a seasonal farm job, and this offer of employment generated an immigrant visa. Ex-Braceros who became immigrants in this manner received immigrant visas

Figure 1. The Migration Hump



set the stage for NAFTA. First, the U.S. enacted the Immigration Reform and Control Act (IRCA) to reduce illegal immigration by imposing sanctions on U.S. employers who knowingly hired unauthorized foreigners and to legalize some unauthorized foreigners in the U.S. Second, Mexico changed its economic policy from import substitution to export-led growth, which led to dislocations, especially in agriculture.

printed on green cards, and were known as green-card commuters—Mexicans who lived in Mexico and worked seasonally in the U.S.

As green-card commuters aged out of seasonal harvest work in the late 1970s, many sent their sons north, using false or altered green cards or simply entering the U.S. illegally. A smuggling infrastructure soon evolved to provide information and move rural Mexicans to rural America, and it was strengthened in the early 1980s by events in the U.S. and Mexico. In the U.S., the UFW called a strike in support of another 40 percent wage increase in 1979, when federal wage-price guidelines called for a maximum seven percent increase. With no workers available from UFW hiring halls, growers turned to labor contractors, many of whom were green-card commuters who returned to their villages to recruit unauthorized workers. The contractors stayed in business after the strikes were settled, and competition between union hiring halls and labor contractors to supply seasonal workers favored the contractors, who increased their share of the farm labor market. The number of workers under UFW contract dropped from 70,000 in the mid 1970s to 7,000 by the mid-1980s.

In Mexico, a peso devaluation in 1982 made work in the U.S. more attractive. Apprehensions of Mexicans just inside the Mexico-U.S. border reached their all-time peak of 1.8 million in 1986, meaning that the U.S. was apprehending an average three Mexicans a minute, 24 hours a day, 7 days a week.

In 1986, two events occurred that, contrary to expectations, increased Mexico-U.S. migration and set the stage for NAFTA.

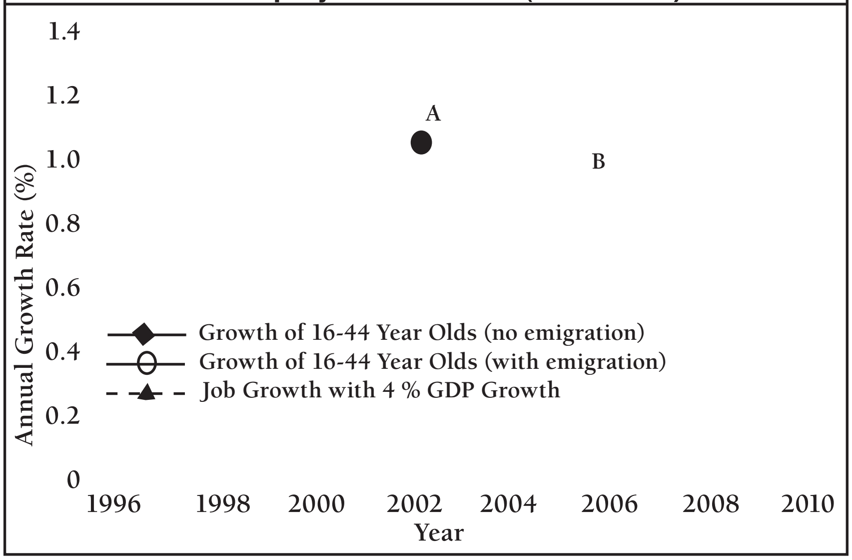
IRCA included two legalization or amnesty programs, and the legalization program for unauthorized farm workers—the Special Agricultural Worker program—was rife with fraud: over one million Mexican men became U.S. immigrants by presenting letters from employers saying they had worked 90 days or more in 1985-86 on U.S. crop farms as unauthorized workers. There were about six million adult men in rural Mexico in the mid-1980s, and the SAW program gave one-sixth of them immigrant visas. Their families were deliberately excluded from legalization, under the theory that SAWs wanted to commute to seasonal farm jobs and keep their families in Mexico, as had earlier green-card commuters.

The SAWs did not behave as expected. Many switched to nonfarm U.S. jobs and settled in U.S. cities with their families. As state and local government costs of providing education, health and other services to newly legalized immigrants and their often unauthorized families rose during the early 1990s recession, there were suits against the federal government that sought to recoup state and local expenditures on unauthorized foreigners. The perception that immigrants did not pay their way culminated in Proposition 187 in 1994 and federal welfare reforms in 1996. Meanwhile, SAWs were replaced by newly arrived unauthorized workers in the fields.

NAFTA and the Migration Hump

Mexico's economic reforms culminated in NAFTA, which went into effect January 1, 1994, locking in place policies that lowered barriers to trade and investment in Canada, Mexico and the U.S. Most of the benefits of this freer trade were expected to accrue to Mexico, in the form of more foreign investment, faster economic and job growth, and increased exports. The most frequently cited study of NAFTA's likely effects concluded that Mexican employment, which was projected to be 30 million in 1995, would rise by 609,000 or two percent because of NAFTA. Mexican wages were projected to be nine percent higher with NAFTA, largely because foreign investment and Mexican money staying in Mexico were expected to raise the value of the peso relative to the dollar, reducing the cost of imports.

Figure 2. Mexico: Growth of 16-44 Year Olds and Employment Growth (1996-2010)



All studies agreed that most of the additional jobs due to NAFTA would be created in Mexico, but some anticipated simultaneous job creation in new Mexican factories and displacement in Mexican agriculture, with some of the displaced farmers expected to head to the U.S. For example, one study estimated that NAFTA would displace about 1.4 million rural Mexicans, and that 600,000 displaced farmers would migrate (illegally) to the United States over 5-6 years, meaning that there would be a temporary increase in migration, a migration hump, as a result of NAFTA.

A migration hump, illustrated in Figure 1, means that trade and migration are complements in the short term, with the upward slope of the hump due primarily to previous demographic growth in Mexico, insufficient job creation and displacement, as well as a strong U.S. demand for Mexican workers. The downward slope of the hump was expected to begin when the number of new labor force entrants fell and economic growth created more and better-paid jobs in Mexico (Year 8 in Figure 1). The Clinton Administration used the migration hump to argue that Congress should approve NAFTA because the additional migration—the hump—was a reasonable price to pay in the short run for less Mexico-U.S. migration in the long run (after Year 15).

Mexico-U.S. Migration in the 1990s

Trade and migration were complements in the 1990s. Bilateral Mexico-U.S. trade tripled to almost $725 million a day in NAFTA's first decade, but migration also increased. Between 1991 and 2000, some 2.2 million Mexicans were admitted as legal immigrants and 15 million foreigners, 95 percent Mexicans, were apprehended just inside the U.S. border.

NAFTA did not create enough formal sector jobs to reduce emigration pressures. There were about 109 million Mexican-born persons in 2000, and eight percent lived in the U.S. In 2000, 15 million of the 40 million-strong Mexican labor force had formal sector jobs; with an additional six million Mexican-born workers in the U.S., meaning that 29 percent of Mexicans with formal sector jobs were in the U.S..

Past demographic growth presents Mexico with a major job-creation challenge that may soon ease. The number of Mexicans turning 15, the age of labor force entry in Mexico, is expected to drop 50 percent between 1996 and 2010, from one million a year to 500,000 a year; the rate of growth is projected to drop from 1 to 1.3 percent a year to 0.4 to 0.7 percent a year by 2010. Declining demographic growth and sustained economic growth could create enough jobs for new labor force entrants so that fewer Mexicans feel compelled to emigrate. At five percent GDP growth, the Mexican employment growth rate would rise from 0.9 to 1.3 percent.

The combination of fewer work force entrants and rising employment will work to create an environment where the falling number of labor force entrants equals employment growth. As illustrated in Figure 2, projections made in the mid-1990s imagined reaching this outcome in 2002, when labor force growth of 1.1 percent matched employment growth of 1.1 percent (Point A). Growth was slower than anticipated however, so the balance is not likely to be reached until after 2005

(Point B). In summary, emigration pressures in Mexico are likely to fall for both demographic and economic reasons. It may be easy to credit border enforcement for what demography and economics accomplished.

Guest Workers, Legalization and Earned Legalization

How should Mexico-U.S. migration be managed until emigration pressures fall? The three major U.S. migration policy options are guest workers, legalization and earned legalization. President Bush in January 2004 unveiled a Fair and Secure Immigration Reform (FSIR) proposal that would permit unauthorized foreigners in the U.S. with jobs, perhaps two-thirds of the total, to become temporary legal residents. The Bush proposal offers no clear path from guest worker to immigrant status, and administration officials emphasized that "there is no linkage between participation in this program and a green card…one must go home upon conclusion of the program" and then apply for an immigrant visa, perhaps with the support of the U.S. employer.

Some Congressional Democratics support legalization for unauthorized foreigners who have worked in the U.S., paid taxes and can pass a background check. The major Democratic proposal in Congress, the Safe, Orderly, Legal Visas and Enforcement Act (SOLVE), would permit unauthorized workers who have been in the U.S. at least five years, worked at least two years, and pass English, background and medical checks to become legal immigrants. Those in the U.S. less than five years could apply for a "transitional status" good for five years, and apply for immigrant status after they satisfied the residence, work and other tests.

The in-between option is earned legalization, a concept embodied in the Agricultural Job Opportunity, Benefits, and Security Act. AgJOBS, with 63 Senator and 115 Representative co-sponsors in October 2004, would allow unauthorized foreigners who did the lesser of 575 hours or 100 days of farm work (one hour or more constitutes a day of work) in any consecutive 12-month period between March 1, 2002 and August 31, 2003, and who are not excluded by, e.g., criminal convictions, to receive a six-year Temporary Resident Status (TRS) that would grant them the right to live and work anywhere in the United States.

However, in order to become regular immigrants, TRS workers would have to perform at least 2,060 hours or 360 days of farm work in a six year period ending in 2009, including at least 1,380 hours or 240 work days during their first three years and, in at least three of the six years, do at least 75 days of farm work a year. The spouses and minor children of TRS workers would not be deportable if they are in the U.S., but they would not be allowed to work legally until the TRS worker becomes an immigrant, at which time spouses and minor children could also receive immigrant visas, regardless of queues and waiting lists in the immigration system.

AgJOBS also makes the current H-2A guest worker program more "employer-friendly." Instead of having the U.S. Department of Labor (DOL) certify their need for foreign workers, farmers would simply "attest" that they need foreign workers, and DOL would have to approve employer attestations if employers file their job offers in a timely fashion. In other words, instead of the burden of finding U.S. workers falling on employers, the burden of finding U.S. workers would shift to DOL, which would have to authorize the admission of H-2A workers if it could not locate the workers requested at least 14 days before the farmer-set need date. If AgJOBS is enacted, farmers would still have to pay foreign H-2A workers the higher of the federal or state minimum wage, the prevailing wage in the occupation and area of intended employment, or the (usually highest) Adverse Effect Wage Rate (AEWR), but the AEWR would be frozen at its 2002 levels for three years and studied.

Conclusions

The economic integration symbolized by NAFTA should eventually reduce economically motivated Mexico-U.S. migration. However, during the 1990s, migration and trade increased together, producing a migration hump. However, currently high levels of Mexico-U.S. migration should not obscure the fact that Mexico-U.S. migration may soon diminish for demographic and economic reasons. A combination of the sharp drop in Mexican fertility in the 1980s and 1990s, the potential for sustained economic and job growth in Mexico, and the completion of the exodus of surplus workers from Mexican agriculture should reduce Mexico-U.S. migration after 2010.

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