

Modeling How Immigration Reform Might Alter the Labor Market for Foreign-born Workers

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Implications for Farmers, Farm Workers, and Communities”
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Purpose of presentation

- To share information about our ongoing research with Peter Dixon and Maureen Rimmer of Monash University about how possible changes to U.S. immigration law might affect the U.S. economy
- Our focus is the impact of alternative labor-market scenarios associated with these changes on U.S. agriculture and the market for hired farm labor
- Main research tool: A computable general equilibrium (CGE) model of the U.S. economy called USAGE
- Financed in part by a cooperative agreement between ERS and Monash University



The USAGE Model

What is the USAGE Model?

- USAGE Model = USA General Equilibrium Model
- 500-sector, dynamic CGE model of the U.S. economy
- Developed by Peter Dixon and Maureen Rimmer, Center for Policy Studies, Monash University, Australia
- Initial collaboration in 2001 with the U.S. International Trade Commission (USITC)
- Refined through consultancies with USITC, Homeland Security, Commerce, USDA/ERS, and others
- <http://www.monash.edu.au/policy/mon-usa.htm>

Why are we interested in the USAGE Model?

- Model can be used to evaluate different approaches to undocumented migration—Dixon and Rimmer (2009) and Dixon, Johnson, and Rimmer (2008)
- Occupational module describes about 700 BLS employment categories
- Ongoing cooperative research between ERS and Monash
 - To examine impacts of changes to U.S. immigration law, such as a guestworker program or legalization
 - Preliminary results anticipated in December 2009

Key Results from Dixon and Rimmer (2009)

- Tighter immigration restrictions compress the occupational mix of the U.S. economy in the direction of low-wage, less-skilled occupations
- Restrictions are associated with deadweight losses—costs of enforcement and activities that frustrate enforcement (smugglers' fees and services of lawyers, accountants and other professionals)
- Restrictions are welfare reducing for U.S. households as a whole—about \$260 billion per year in 2009 dollars, when a policy of tighter border security is compared with a liberalized policy with an optimal visa charge

Modeling Challenges

How Do You Model Changes to Immigration Restrictions?

- Originally contemplated approach (Kandel and Zahniser): Change initial allocations of labor—for example, from undocumented to documented
- Dixon and Rimmer (2009):
 - Border enforcement: Increased expenditures by undocumented migrants on smugglers' fees
 - Employer sanctions: Increased expenditures by employers on professional services
 - Guestworker program: Guestworkers' expenditures on smugglers' fees equal zero
 - Legalization opportunities: Greater productivity and greater substitutability of labor
 - Visa fees: Taxes paid to the government

How Are Farm Workers Represented in the Model?

- How many farm workers are there?
 - Earlier versions of USAGE model: 392,000
 - USDA National Agricultural Statistics Service: quarterly estimates range from 595,000 (January 2009) to 804,000 (July 2008)
- How much does a farm worker work?
 - USAGE: No differentiation of hours worked across occupations or sectors
 - Available statistics for all farm workers (NASS, NAWS, CPS):
 - 45 hours per week
 - 7 months per year
 - Few farm workers with a second job

How Are Farm Workers Represented in the Model?

- Our approach: Specify expenditures on hired farm labor in terms of full-time equivalents (2,000 hours per year)
 - Authorized farm workers
 - 571,000 FTEs
 - \$10.25 per hour
 - Unauthorized farm workers
 - 678,000 FTEs
 - \$9.00 per hour
- We would welcome your feedback on this approach!
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