

Senator Jeff Sessions
Questions for the Record
All Witnesses

1. Do you believe that any immigration system we devise should be one that is clear and can be and is enforced?

Answer: It should be clear, enforceable, and enforced. The current system has none of these features.

2. Do you believe there is any way to ensure that guest workers will actually be temporary and able to be reduced when their labor is no longer needed by the market? Please explain your answer.

Answer: The blue card proposal by Senator Feinstein may offer that possibility if the government enforces the program. The current program clearly does not offer that possibility, and if it was enforced, it would have serious adverse economic consequences.

3. Do you agree that one of the largest unforeseen side effects of guest worker programs is the cost of the foreign worker to the taxpayer in the form of education, healthcare, and increased government-wide infrastructure? How would a proposed guest worker program address those issues? Would employers be required to provide health insurance, for example? Please explain your answers.

Answer: The apparent side effects in terms of costs of education, health care, and related infrastructure should have been foreseen. Requiring farmer-employers to bear these costs is not workable. Future costs could be controlled by not allowing new blue card holders to bring family members to the United States. A new blue card holder is defined as one not currently working in the United States.

4. If only a fraction of agricultural employers use the H-2A program, how can we determine whether it is really meeting the needs of agricultural employers?

Answer: Clearly, the program is not meeting the needs of agricultural employers. Those who assert otherwise do not understand the program, how it is being mismanaged, and the conditions in agriculture.

5. Do you agree that depressed wages are the main reason that Americans are reluctant to take farm jobs?

Answer: No, they do not take farm jobs for a variety of reasons that are not wage related. These reasons include factors such as the back-breaking nature of farm work, field-work climate conditions, being away from family proximity, moving from one job to another, and liberal social/unemployment benefits associated with not working.

Do you agree that these depressed wages increase the instability of the agricultural workforce?

Answer: No, to the extent that there is instability, it is a function of the lack of a clear and workable government policy.

Do you agree that current wage levels will result in the current immigrant, legal and illegal, agricultural workforce moving into other sectors of the economy, such as construction, for example? Please explain your answers.

Answer: Migration of employees out of agriculture into other sectors under the current program/policy is inevitable.

6. Do you agree that the availability and extension of unemployment benefits to citizens who are not working contributes to the lack of American workers who will take agricultural jobs? Please explain your answer.

Answer: Yes, but recognize that farm work is not attractive, period.

7. In 1986, Congress granted amnesty to Seasonal Agricultural Workers (SAW) under the Immigration Reform and Control Act. This program was wrought with fraud, and many illegal immigrants who did not qualify for amnesty were able to become citizens under the program. Do you believe that a new temporary worker program that provides amnesty for the current illegal workforce would also be susceptible to such fraud? How could it be avoided?

Answer: The decision of whether amnesty should be provided is a political decision, not an economic decision. There are always economic incentives for fraud. Policies/programs/enforcement need to exist that minimize/curb those economic incentives.

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Questions for the Record
Dr. Ronald Knutson, Professor Emeritus, Texas A&M University

1. There are many anecdotal reports of labor shortages in the agricultural industry, yet the overall production of fruit and vegetables in the country has remained stable. Basic economic theory shows that where the demand for labor is greater than the supply, the cost of labor will rise. However, the average earning of farm workers is not rising. (Philip Martin, *Farm Labor Shortages: How Real? What Response?* Oct. 29, 2007).

- a. How can we know if there is a labor shortage where production and basic economics indicate the opposite?

Answer: Under current federal policies there is not a chronic labor shortage problem because undocumented workers have been plentiful. The existence of an ample supply of undocumented workers keeps the wage rate at competitive levels.

- b. How do you define a labor shortage?

Answer: A labor shortage exists when the required supply of labor is not available at the time and place where it is needed.

- c. If there is a farm labor shortage, why haven't labor wages risen?

Answer: There is no labor shortage. The crucial constraints on the U.S. farm labor wage rate and on the demand for farm labor, are the competitive position of U.S. farm products internationally, either in terms of imports or exports. This international competitive constraint is the most important factor influencing the farm wage rate.

2. Technological developments in the agricultural industry are ever-expanding. These are necessitated by many factors, not the least of which, as you mentioned in your testimony, is that "there are no holidays" when it comes to harvesting perishable crops. Not only has the harvesting of tomatoes, raisins, oranges, olives, and other commodities been mechanized, scientists have developed other ways to cut the time and cost of harvesting and other farm work. For example, certain fruit trees are being engineered to grow lower to the ground, eliminating the need for ladders and climbing. If this alleged labor shortage exists even in the face of over 9% unemployment in this country, what role does mechanization play in alleviating the consequences of the shortage?

Answer: While the trend toward mechanization exists, research by Martin and Calvin and by Huffman clearly indicates that there are significant limitations on the ability to mechanize many of the fresh produce crops. While genetic modification of trees may be cited as examples, hand labor is still vital to producing tree crops for the fresh market. There are substantial limits, imposed by consumers, on the ability to produce

mechanically harvested crops that taste good. Agricultural mechanization has nothing to do with the 9% unemployment rate. High unemployment is a function of failed economic policies.

3. According to data from the Bureau of Labor Statistics and the Pew Hispanic Center, in 2009, 72.6 million American workers age 16 and over were paid at hourly rates, representing 58.3% of all wage and salary workers. About 8.3 million illegal immigrants were in the work force at that time, most of them in the low-wage category. Therefore, it is clear that Americans who work in low-skilled job categories compete much more heavily with foreign workers for their jobs than Americans in high-skilled jobs. In addition, the wages paid to low-skilled American workers and legal workers are depressed by the importation of illegal workers. According to Harvard economics professor George Borjas, “a 10% increase in the number of workers depresses a worker’s wage by 3 or four percent. Over the past 20 years, immigration (much of it illegal) increased the number of workers without a high school diploma by 16 percent, implying a 6 percent decline in the wage of low-skilled workers. The typical high school dropout earns \$21,000 annually. Immigration lowers this worker’s salary by around \$1,300.” (*Making it Worse*, The National Review, February 9, 2004, at 24). Do you agree or disagree with these conclusions? Please explain your answer.

Answer: I have no reason to dispute the findings of Professor Borjas. However, I do not believe that the farm labor sector competes with the nonfarm labor sector at the lower end of the wage scale. The reason is that the nonfarm workers will not take farm jobs.

4. You testified that agribusiness is not directly involved in farm production, and that all but 60,846 of the 2.2 million U.S. farms are “family farms.”
 - a. How do you define “agribusiness?”

Answer: I draw a distinction between farming activities, typically performed by family farms, and those activities performed by other agriculture-related business firms before and after the “farm gate.” Agribusiness supplies farmers with inputs used in production, including credit, and extends through the remainder of the food value chain to the final consumers. The reason I draw this distinction is that before and after the farm gate, the market structure takes on many of the industrialized characteristics of the remainder of the American economy. The most important of these characteristics is the ability to directly influence prices and other terms of trade. Farmers do not have this ability to influence prices, except through government mandates.

- b. Many family farms operate under contracts with large agribusiness firms such as chicken farmers. What percentage of farms in the U.S. operates under contracts for agribusiness firms or supply agribusiness?

ERS/USDA has very good data on the contracting issue. This is data compiled by James M. MacDonald and Penni Korb, EIB-35, April 2008 and is available at: <http://www.ers.usda.gov/Publications/EIB35/> (accessed October 20, 2011). It indicates wide variation among farm products in the amount and type of contracting. For example, in 2005, marketing and production contracts covered 41 percent of the value of U.S. agricultural production. Most of these contracts set a portion of the terms of trade for marketing farm products. A few subsectors, such as are used in poultry, utilize production contracts for virtually all of the production.