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March 13, 2013

The Honorable Tim Walberg
Chairman
House Education & the Workforce Committee
Subcommittee on Workforce Protections
US House of Representatives
Washington, DC 20515

The Honorable Joe Courtney
Ranking Member
House Education & the Workforce Committee
Subcommittee on Workforce Protections
US House of Representatives
Washington, DC 20515

RE: Hearing on March 14, 2013 entitled "Examining the Role of Lower-Skilled Guest Worker Programs in Today's Economy"

Foreign Workers Benefit Massively from Guest Work Opportunities: Unequivocal Findings of Economic Research

Leading development economists find that authorized guest workers typically draw massive economic benefits from their work, relative to their best alternatives. They migrate voluntarily, pass on large benefits to their families and home countries, and almost universally return home when guest work programs are well designed. Expanding opportunities for authorized guest work reduces the exploitation of migrant workers by competing directly with the black market for labor.

The Center for Global Development is a non-partisan, independent, and non-profit think tank dedicated to reducing global poverty and inequality through rigorous research. This submission briefly summarizes the latest research by myself and other economists regarding the effects of guest work on guest workers.

Authorized guest work is the economic opportunity of a lifetime.

Authorized guest workers are the opposite of 'cheap labor'. Workers who migrate with a guest work visa *raise* the value of their labor, and therefore their earning power, enormously. Almost all have no other way to raise the value of their labor to anywhere near the same degree.

First, authorized guest workers' labor would be much cheaper, and they would therefore earn less, if they instead worked in the black market for labor. Today's typical seasonal workers with an H-2 visa earn well above minimum wage; unauthorized workers routinely earn below minimum wage doing the same task.

Second, guest workers' labor would be even cheaper—vastly cheaper—if they could not migrate at all. In a 2008 paper, my co-authors and I estimate that low-skill workers from Mexico, Guatemala, and Haiti who work temporarily in the United States experience life-changing increases in earning power, between 300% and 1,000% or more, depending on the country of origin.¹ No other economic opportunity of this magnitude exists for almost all of these workers, anywhere.

It is incorrect to suggest that participation in authorized guest work programs is typically coercive. My research on the largest US employer of authorized seasonal agricultural guest workers shows that about 4 out of 5 hires each year are repeat hires.² The Independent Agricultural Workers Center in Yuma, Arizona, which places about 1,000 authorized Mexican guest workers at US farms each year, has a waiting list of over 7,000 Mexicans, hoping for the chance to work legally on US farms. Most already have experience working in the United States on identical tasks.³

The vast majority of today's guest workers choose voluntarily to participate in the program based on firsthand experience of its extraordinary benefits. What is certainly harmful to low-skill foreign workers is the absence of flexible legal channels for US firms to hire them, particularly in non-seasonal sectors.

Authorized guest workers also pass on very large benefits to their families and communities back home. A rigorous evaluation found that the overseas families of authorized guest workers in New Zealand experienced large increases in household consumption, child schooling, and community infrastructure—making this program “among the most effective development policies evaluated to date.”⁴ I have surveyed the families of Filipinos doing authorized guest work in South Korea in a rigorously controlled study, and I find that they experience dramatic increases in purchasing power, especially for children's education, and decreased indebtedness.⁵ In a forthcoming paper I survey the families of authorized Indian guest workers in the United Arab Emirates,

¹ Michael A. Clemens, Claudio Montenegro, and Lant Pritchett. 2008. “[The Place Premium: Wage Differences for Identical Workers across the U.S. Border](#)”. Working Paper 148, Center for Global Development. The referenced estimates assume that authorized guest workers remit 60% of their earnings to their home country.

² I analyze internal records of the North Carolina Growers Association, the largest single employer of H-2A seasonal agricultural workers, in a forthcoming study from the Partnership for a New American Economy and the Center for Global Development.

³ Michael A. Clemens. 2012. “[This Beats Most Aid by Miles—And It's a Migration Non-Profit](#)”. Views from the Center, Center for Global Development.

⁴ John Gibson and David McKenzie. 2010. “[The Development Impact of a Best Practice Seasonal Worker Policy: New Zealand's Recognised Seasonal Employer \(RSE\) Scheme](#)”. Working Papers in Economics 10/08, University of Waikato, Department of Economics.

⁵ Michael A. Clemens and Erwin R. Tiongson, “[Split Decisions: Family Finance When a Policy Discontinuity Allocates Overseas Work](#)”, Policy Research Working Paper 6287, World Bank.

finding similar massive, positive effects of having a household member, working abroad earning over four times what he could earn at home.

Guest workers do return home when programs are well designed.

Problems with guest work programs two generations ago—*braceros* in the United States and *Gastarbeiters* in Germany—remain a common point of reference. But just as telephone technology has changed since the 1950s, the design of guest work programs has changed as well. Canada and New Zealand now have successful and popular programs for authorized agricultural guest work that are large relative to the size of their economies.

Smart design of guest work programs is critical to their success. In New Zealand, much less than one percent of authorized guest workers fail to return home as promised. This is attributable to key design features such as minimum employment guarantees for complying repeat participants, targeting remote farms, and creating incentives for employer cooperation in monitoring.⁶

It is a myth that all workers who come to work in the United States wish to do so permanently. In fact, circular migration has been integral to US history. Frequent movement back and forth across the border is a generations-old tradition not just for today's Mexican migrants,⁷ but for many Southern European migrants to the United States over a century ago.⁸

What clearly deters return migration, as numerous studies have shown, is harsh measures to stop unauthorized migration without creating channels for authorized movement such as opportunities for authorized guest work.⁹ Because there is no legal channel for migration, enforcement-only policies lead many unauthorized migrants to fear that they will lose the future option to work in the United States if they return home.

The real alternative to authorized guest work—black market employment—is much more exploitative of foreign workers.

To analyze the impact of temporary guest worker programs on migrants, it is only relevant to analyze guest work relative to migrants' alternatives, which would be to stay home or come to the US as undocumented migrants. It is irrelevant to compare the benefits of guest work to the benefits of legal permanent residence or US citizenship.

⁶ Department of Labour. 2010. [Final Evaluation Report of the Recognised Seasonal Employer Policy](#). Government of New Zealand.

⁷ Douglas S. Massey, Jorge Durand, and Nolan J. Malone, eds. 2003. [Beyond Smoke and Mirrors: Mexican Immigration in an Era of Economic Integration](#). Russell Sage Foundation.

⁸ Dino Cinel. 2002. [The National Integration of Italian Return Migration: 1870–1929](#). New York: Cambridge University Press.

⁹ See papers by Fernando Riosmena and by Belinda Reyes in: Jorge Durand and Douglas S. Massey. 2004. [Crossing the Border: Research from the Mexican Migration Project](#). Russell Sage Foundation.

In the absence of a guest worker program, workers hoping to migrate to the United States have only two options: participate in the black market for migrant labor and increase their earning potential, or, to remain at home. Neither of these serves the interest of low-skill, low-income foreign workers.

To be concrete: in 2006, the US Senate passed a bill that, if it had been signed into law, would have created 200,000 visas for low-skill authorized guest work. Because those 200,000 slots for authorized guest workers were not created in 2006, almost all of those 200,000 people, who would have migrated each year, have done one of two things: they have either come as undocumented migrants without any legal protections at all, or they have—against their will and despite employers’ desire to hire them—been unable to work in the United States. These have been the genuine alternatives for potential US guest workers in the past; and it is the harsh conditions experienced by these groups—unauthorized migrants and non-migrants—that is the relevant point of comparison for the lives of authorized guest workers.

Recommendations

- Congress should determine the size and scope of a US guest worker program by balancing the needs of US workers and US employers. No serious economic research supports the notion of limiting the size or scope of a US guest worker program in the interest of current or potential guest workers. Guest workers and their families benefit massively from authorized guest work opportunities, far more than from any real alternative available to most of them.
- Guest work programs are not doomed to fail. The world has moved on from guest work programs of two generations ago, and today’s world has examples of successful, popular guest work programs with almost universal return rates. Careful design of the program is key to this success.
- The real-world alternative to guest work visas, in any substantial numbers, is either unauthorized migration, which increases earnings but provides no legal protection, or staying at home without the opportunity to pass on large benefits to their families and home communities. Given these alternatives, a well-designed guest worker program is in the best interests of the potential migrants.