

The H-2B Visa Program and a "Shortage" of American Workers

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Overview:

- There is no evidence of a labor shortage, especially at the bottom end of the labor market. If there was, wages, benefits, and employment should all be increasing fast, the opposite of what has been happening.
- Seasonal work is generally done either by adults (18 to 64) with a high school degree or less, or by college and high school students. These groups have generally not fared well in the labor market, indicating this type of labor is not in short supply.
- Data shows stagnation or a decline in wages.
 - Hourly wages for men with less than a high school education grew just 1.9 percent between 2000 and 2007.
 - Hourly wages for men with only a high school degree actually declined by 0.2 percent between 2000 and 2007.
 - The share of employers providing health insurance has also declined.
- The share of adult natives (18 to 64) without a high school degree holding a job fell from 53 to 48 percent between 2000 and 2007. For those with only a high school education, it fell from 74 to 71 percent. The share of teenagers (15 to 17) holding a job fell from 25 percent to 18 percent.
- There is a huge supply of potential less-educated native workers:
 - 22 million adult natives (18 to 64) with a high school degree or less are unemployed or not in the labor force.
 - 10 million teenagers (15 to 17) are unemployed or not in the labor force.
 - 4 million college students are unemployed or not in the labor force.
- Of course, not every person without a job wishes to work. But the huge pool of potential workers indicates there are plenty of people who could do seasonal work if wages, working conditions and recruitment methods were improved.
- There is a good deal of research showing that immigration has contributed to the decline in employment and wages for less-educated natives.
- Possible explanations why employers still feel there are not enough workers:
 - Employers become accustomed to paying low wages and structure their businesses accordingly. Raising wages seems out of the question, even convincing themselves that wages actually don't matter when recruiting.
 - The increasing reliance on foreign workers (legal and illegal) has caused the social networks and recruitment practices once used to attract native-born Americans to atrophy creating the impression there are no workers.

- Immigration lowers the social status of a job, making it less attractive.

As in the past, immigration has sparked an intense debate over the costs and benefits admitting such a large number of people. A review of all the costs and benefits of immigration would, of course, fill volumes. I will devote my testimony only to the less-educated labor market and the perceived need for more workers to be allowed into the country through the H-2B visa program to fill seasonal jobs. The first part of my testimony will show that the available data provides no evidence that workers of this kind are in short supply. The second part of my testimony will report that a large share of workers who do this kind of work are native-born Americans and there is little evidence that these are jobs only ones that immigrants do. The third part of my testimony will focus on why, despite so much data to the contrary, employers sincerely perceive a labor shortage.

It is very common to hear those who own or operate a business argue that there are not enough workers to fill all the positions they have. Although I will focus my comments on seasonal employment, the perceived need for workers is a common view among businesses that employ computer programmers to those that hire mostly workers with very little education. Seasonal employers are not alone in feeling there is a worker shortage. But is this perception correct?

Most H-2B visa workers can be found in such jobs as food processing, hospitality, construction, landscaping and building and maintenance occupations.¹ In

¹ *Foreign Labor Certification: International Talent Helping Meet Employer Demand*. Performance Report, March 28, 2005-September 30, 2006. US Department of Labor. Employment and Training Administration.

general, non-supervisory workers who do these kinds of jobs are overwhelmingly men and women who have either only a high school degree and no additional education or they are individuals who failed to graduate high school. College and high school students also sometimes do this kind of work as well. If these types of workers were in short supply workers, wages, benefits, and employment should all be increasing fast as employers try desperately to attract and retain the relatively few workers available. But, in general these types of workers have not fared well in the labor market. Wages have stagnated or declined and the share holding a job has fallen. This is an indication that the number of workers is at least adequate and there may in fact be an oversupply of these kinds of workers.

Wage Trends

Consider recent trends in wages. Hourly wages for men with less than a high school education grew just 1.9 percent in real terms between 2000 and 2007. This is far less than half a percent a year on average and not the kind of growth we would expect if such workers were scarce. The long-term trend is much worse. Real hourly wages for men without a high school education are 22 percent lower today than in 1979. If we look at male workers with only a high school degree their real wages have actually declined 0.2 percent since 2000. Since 1979, men with only a high school degree have seen their hourly wages decline 10 percent.² The share of employers providing health insurance has also declined. No doubt there are employers who pay less-educated

² These figures were provided to me by Jared Bernstein an economist at the Economic Policy Institute in

workers much more than they used to, but the overall trend in wages and benefits, which has to be the basis of a public policy such as immigration, do not support the argument that there is a shortage of less-educated workers.

Employment Trends

Employment data look as bad or even worse than wage data. The share of adult natives (18 to 64) without a high school degree holding a job fell from 53 to 48 percent between 2000 and 2007. For those with only a high school education, the share holding a job it fell from 74 to 71 percent. The share of teenagers (15 to 17) holding a job fell from 25 percent to 18 percent. Again, this is actually the opposite of the trend we would expect if there was a tight labor market. The pool of potential less-educated native-born workers is now enormous. There are 22 million adult natives (18 to 64) with a high school degree or less who are unemployed or not in the labor force. In addition, there are 10 million native-born teenagers (15 to 17) and 4 million college students who are unemployed or not in the labor force.³

Of course, not every person without a job wishes to work. Aggregate figures of this kind do not make such a distinction. But given these numbers, it would seem clear that if wages and working conditions are improved, and if businesses adopted better recruitment methods, they could meet their need for workers. The cap on the H2-B visa program is currently 65,000, though with the exceptions it is double or triple with amount. The millions of adult native-born Americans with relatively little education who

are not working, along with college and high school students, would seem to provide sufficient pool of potential workers to fill seasonal jobs.

Jobs Americans Don't Do?

There is some difficulty matching the job descriptions of persons given H-2B visas with the job categories used by the Census Bureau. Nonetheless, it is possible to examine the immigrant share of occupations that use H-2B visas.⁴ In this way, we can test the idea that immigrants only do jobs that Americans do not want. There should be jobs that are mostly or entirely filled by immigrants if this is the case. Detailed Census Bureau data collected in 2003-2004 for the kinds of jobs for which most H-2B visa are given out shows the following: there were 1.2 million native-born persons who were "maids and housekeepers" and they comprised 62 percent of persons in this job category; there were 1.1 million native-born Americans who were "grounds maintenance workers," and they comprised 71 percent of all persons in this occupation; there were 1.3 million native-born Americans employed as "construction laborers" and they comprised 70 percent of workers doing this type of job. There were nearly 300,000 native born Americans in food processing occupations such as "food batch makers," "cooking machine operators" and "butchers and other meat and poultry workers" between 69 and 75 percent of workers were native-born . The jobs "food preparation worker" and "cook" employed 2.5 million native-born Americans and they comprised about three-fourths of all workers in these jobs. These figures are based on a detailed analysis of all 473 jobs

³ These figures come from my analysis of the March 2000 and 2007 Current Population Survey.

as defined by the Census Bureau.⁵

There are virtually no occupations that majority immigrant, let alone jobs that are entirely immigrant. It is simply incorrect to say there are jobs Americans do not do, when the overwhelming majority of almost any job one can name is done by native-born Americans. This is clearly true for the kinds of jobs which H-2B visa holders do.

Why Can't Employers Find Workers?

While the economic data shows no labor shortage, a significant number of employers remain convinced that finding workers in other countries is the only way they can secure an adequate labor supply. So why does this perception that is so out of line with all the data the government collects continue to exist.

Given the low pay and lack of significant wage growth among less-educated workers, it seems clear that part of the problem for employers looking for workers could be solved by raising pay, benefits and even working conditions. Because immigration continually increases the supply of workers, some employers have become so accustomed to paying low wages, that raising wages seems out of the question, even convincing themselves that wages actually don't matter when recruiting. They have also structured their businesses to use labor intensive methods rather than capital intensive methods. So for example, rather than investing in machines and other new technologies that would reduce the need for workers, some employers lobby for more foreign workers.

4 Most research indicates that some 90 percent of illegal immigrants respond to Census Bureau surveys. Thus the foreign-born shares reported here included illegal immigrants.

5 These figures are based on a combined sample of the 2003 and 2004 American Community Survey and can be found in Table D of *Dropping Out: Immigrant Entry and Native Exit from the Labor Market, 2000-2005* published

Put simply, higher pay and increased productivity could solve some of recruiting problems of employers. There are other issues as well that go beyond simply paying more or adopting the latest technology.

The increasing reliance on foreign workers (legal and illegal) has caused the social networks and recruitment practices that were once used to attract native-born Americans to atrophy, creating the impression there are no workers. One of the primary means by which people have traditionally found jobs, especially lower-skilled, seasonal and entry-level jobs, is through friends and family. As employers have come to rely more and more on immigrants for types of jobs, it occurs to native-born Americans less and less that this is a job they should apply for. For an American in some parts of the country it is often the case that no one they know works at or has ever done what is now an immigrant heavy occupation. There is no one to make them aware of a job opening or to put a good word in with the person doing the hiring. If most everyone doing a particular job is immigrant, it also tends to lower the social status of the occupation in the eyes of native-born Americans, making it even less desirable regardless of the pay or working conditions. These facts coupled with the low pay and lack of wage growth means many of these jobs are simply not on the radar screen of American workers, regardless of how the job is advertised by an employer.

Although I seldom use anecdotes in my research, my own experience with seasonal agricultural work may be illustrative. When I did seasonal work on a farm one summer in New Jersey as a teenager, I heard about the job from a fellow football player

who was doing the same work. It paid \$7.50, which would be roughly \$17.00 a hour today, adjusted for inflation. This was great money for a high school kid who was big enough and strong enough to do that kind of work. But the two key points is that I only heard about the job through a friend who was doing the job himself and the pay made it desirable. Today many fewer high school kids do this type of work. Jobs of this kind pay less and a very large share of those who now do this work are foreign. This makes it extremely unlikely that a native-born American would even think in terms of doing the job, no matter how many ads are placed in the local newspaper or listed at the unemployment office.

This does not mean natives would never do this relatively difficult job. Rather it means that looking for workers through the unemployment office is not going to yield many good and reliable workers. As discussed above, these jobs were generally not filled this way in the past. They were often filled through personal relationships and the perception that the job was something a worker should consider doing. The same is true today, except that the social networks in some parts of the country are mostly comprised foreign-born workers because of a permissive immigration policy. Employers have learned to navigate the bureaucracy so they can get their H-2B workers and the ways they used to reach native-born American workers has atrophied. They have come to rely on immigrant social networks to find workers, whereas at one time employers were in touch with clergymen, youth leaders, teachers and a host of others who they used to help them find good seasonal workers. The workers recruited in this way would also feel some obligation to do a good job because they had been recommended by a friend of the family

or other respected individuals. Immigration has curtailed recruitment practices of this kind. If there was less immigration there is every reason to believe that over time these practices would reemerge.

The recruitment of workers for seasonal work has always been characterized by informal processes dominated by personal relationships. Employers have grown used to the idea of looking abroad for workers and relying on immigrant social networks. This will continue to be true until immigration policy is changed and they begin to use domestic workers. This will take some effort on their part. It will not happen overnight and there will be some painful transitions for some employers. But drawing more young native-born Americans and those who do not have a lot of education into the labor force would be good for the country. It is as a young person that we learn the skills necessary to function in the world of work, such as showing up on time, and following directions from a boss we may not like. There is a lot of sociological evidence indicating that those who are only intermittingly attached to the labor market at a young age often exhibit this problem through their lives. High levels of immigration, of which the H-2B visa program is a small part, is contributing to significantly social problems such as low wages at the bottom of the labor market and the raise of non-work.

Conclusion

The available data does not support the argument that there are not enough people to fill seasonal jobs done primarily by less-educated workers. The share of less-educated adults, as well as teenagers, holding a job has declined significant in recent years. Their

wages have also stagnated or declined. If such workers were in short supply wages and employment rates should all be rising, but they are not.

The perception of a labor shortage by employers in some parts of the country is partly do to the fact that many have become accustomed to paying low wages and they structure their businesses accordingly. Rather than investing in new technologies that would reduce the need for workers, they employ labor intensive means and clamor for more foreign workers. The increasing reliance on foreign workers (legal and illegal) has caused the social networks and recruitment practices that were once used to attract native-born Americans to atrophy, contributing to the impression there are no workers. Also as occupations have become increasingly immigrant dominated in some cities and towns, it tends to lower the job's social status, making it even less attractive to natives. If immigration was reduced and programs like the H-2B visa program were eliminated, wages would rise, working conditions would improve, new labor saving devices would be adopted, and better recruitment practices would again emerge. Markets work, we just have to allow them to do so. Currently, 22 million native-born American adults with no education beyond high school are not working, another 10 million teenagers are not working and 4 million college students do not work. If properly paid, treated and recruited, there is an enormous pool of workers from which to replace the 65,000 seasonal workers currently allowed into the country under the H-2B program.