

POVERTY AMID PROSPERITY: FARM EMPLOYMENT, IMMIGRATION, AND POVERTY IN CALIFORNIA

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Immigration is changing the demographic face of cities and towns in California's major agricultural areas. From Arvin to Yuba City in the Central Valley, Mexicans and Central Americans who used to shuttle between seasonal U.S. jobs and homes abroad are settling in rural towns, raising public policy questions ranging from how farmers get a seasonal work force to whether poor immigrants will recreate in rural California the rural poverty they fled back home.¹ The result is a paradox of poverty amid prosperity. Seven of the twenty U.S. cities with the highest percentage of immigrants living in concentrated poverty² are in California's San Joaquin Valley, whose farm sales exceed those of any other state. In the heart of the San Joaquin Valley, 29% of the population of Fresno County (761,000 population), 30% of Merced (199,000 population), and 25% of Tulare (362,000 population) were on public assistance in 1996. At the same time, unemployment rates were in double digits, even in the peak spring and summer months. Despite high unemployment and welfare recipients looking for jobs, farmers would like a guest worker program to obtain foreign workers to fill seasonal farm jobs.

Parlier is an example of the immigration and integration challenges in California's farming areas. A city of 10,400 about 20 miles southeast of Fresno, Parlier lies in the heart of the area that produces most U.S. table grapes, raisins, wine grapes, and tree fruits

such as peaches and nectarines. The population was over 86% Hispanic in 1990, and more than two-thirds of the local work force in the summer consists of foreign-born farm workers. The job pyramid is very steep. The best jobs are those in government, where wages are not influenced by local conditions. The second-best jobs are in the farm worker service economy, providing migrant and seasonal workers with housing, rides to work, meals, and other services, often for cash wages in an underground economy. Virtually everyone is poor, but the receipt of welfare benefits is uneven because many local residents are not eligible for benefits.

What will happen to immigrants and their children in Parlier? Despite being among the poorest five cities in California, Parlier's population is growing by over 4% per year as rural Mexicans see more opportunity in rural California than at home. But most of the immigrant farm workers will drift out of seasonal harvesting jobs after 10 to 15 years, and their children educated in the United States are unlikely to go into the fields. Will the immigrants and their children remain in Parlier, and if so, what kind of future will they create for themselves there? Or will they move, and if so, where?

In 1996, the United States made major changes in the welfare system, setting time limits for the receipt of cash assistance, making many legal immigrants ineligible for benefits, and tightening screens to prevent illegal aliens from receiving benefits. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 is expected to add significantly to the supply of unskilled workers. Many local observers are pessimistic. Ernest Velasquez says, "the goal of moving people from welfare to jobs in only two years is not realistic in the San Joaquin Valley. This is a Third World economy we're talking about . . . I'm not sure how you implement welfare reform in a place with no jobs." (Arax).

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¹ Settlement is increasing for a number of reasons, including increased border enforcement that discourages return migration.

² A person is considered to live in concentrated poverty if more than 40% of households within the census tract where he or she lives have incomes below the poverty line.

This article describes the changes occurring in cities in the agricultural areas of California to which immigrants are flocking, summarizes a model that illustrates the vicious circle between farm employment, immigration, and poverty and welfare, examines the effects of 1996 immigration and welfare changes, and concludes that other agricultural areas of the United States may also be creating their own version of a new rural poverty via immigration.

Vicious Circles

In the San Joaquin Valley, about 50% of the immigrants who arrived between 1980 and 1990 were from Mexico (another 25% were from Southeast Asia). A combination of low earnings from seasonal employment in agriculture and large households gave Mexican immigrants in the Valley who entered the United States during the 1980s incomes per person of \$3,700 in 1990, about the same as the per capita income of Mexico. In other words, migration into the San Joaquin Valley might simply transfer poverty from rural Mexico to rural America.

In the past, research on the impacts of immigration in the United States has concentrated in urban areas and has tested only the one-way effect of immigration on labor-market outcomes like unemployment and wages. Recently, efforts have been made to examine the relationship between farm employment, immigration, poverty, and welfare caseloads in a manner that acknowledges the feedbacks between these variables (Taylor and Martin; Taylor, Martin, and Fix). Farm employment may influence immigration directly through a labor-demand effect (link AB in figure 1) and indirectly by influencing incomes in rural towns (link ACB). Immigration, in turn, may stimulate farm employment by suppressing real wages for farm workers, encouraging the expansion of labor-intensive crops, and discouraging the adoption of labor-saving production practices (link BA).

Most farm workers have below-poverty-level incomes—average annual earnings of California farm workers were \$7,320 in 1990. The link between farm employment and poverty is illustrated by link AD in figure 1, whereas the link between immigration and poverty is illustrated by BD. In a “virtuous-circle” economy, employment and incomes would be associated with less poverty, links

AD and CD. This is not necessarily the case in a “vicious-circle” economy, however, because the benefits of income growth may not reach the poor. The poverty-welfare link is DE. If welfare benefits are a motivation for immigration then, controlling for poverty, there may be a “Prop 187 link” between welfare and immigration, EB.³

We used 1990 census data on immigration, poverty, and welfare in 65 rural California towns containing a total population of 450,840 to test the hypothesis that labor-intensive agriculture, by attracting large numbers of unskilled foreign workers and offering most of them poverty-level earnings, creates a negative welfare externality for the rural communities in which they settle. We estimated a simultaneous equation system in which immigration, farm employment, and income are jointly determined, and changing poverty and welfare use in rural towns are endogenous outcomes (Taylor and Martin).

The summary statistics in table 1 show that the 65 farmworker towns in the San Joaquin Valley were small and poor, and they included a high percentage of foreigners. The average population was almost 7,000, of which 1,960, or 28%, were in households with below-poverty-level incomes. An average of 29% of residents of these towns were foreign born, and one-third of the foreign born arrived during the 1980s. Labor force participation was relatively low—the average city had 2,500 persons employed or looking for work, or about 36% (about half of the U.S. and California populations are employed or looking for work). About one-third of the typical city's labor force was employed in agriculture, down from 50% in 1980. However, during the 1980s, farm employment expanded by 17% in the average sample city.

Table 2 reports the results of our estimation. The estimated coefficients in the table represent the effects of one-person increases in poverty, immigration, and employment. A significant positive relationship exists between farm employment and both immigration and poverty. A one-person increase in farm employment was associated with 0.49 more individuals in poverty during the 1980s. Indirectly, farm employment increased poverty by stimulating immigration. Other things

³ Prop. 187 was a California voter initiative that would have restricted the access of unauthorized immigrants to public benefits. It was motivated by the contention that access to public benefits stimulates immigration.

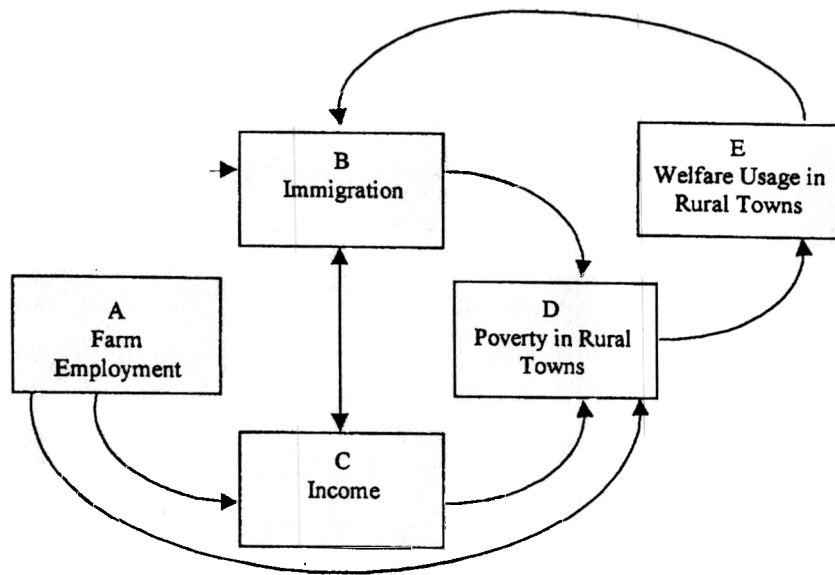


Figure 1. Illustration of farm employment-immigration-poverty-welfare link in rural towns

equal, an additional farm job was associated with a 1.36-person increase in immigration. Immigration, in turn, had a direct positive effect on poverty. A one-person increase in the foreign-born population was associated with a 0.66-person increase in the number of poor residents. A more than one-to-one effect of farm employment on the number of poor residents was found. An additional farm job added 0.90 more individuals to the poverty roles indirectly through immigration and another 0.49 individuals directly by providing farm-workers with below-poverty earnings. That is,

the poverty multiplier of an additional farm job was 1.39.

The farm employment-immigration link is circular. Farm employment draws immigrants to rural towns, and immigration in turn relaxes the labor constraint on the expansion of labor-intensive agriculture, leading to additional farm jobs. A one-person increase in foreign-born population in a city was associated with 0.37 more workers employed in agriculture.

Many residents and nearly all newcomers to these cities are immigrants not eligible for welfare, so no one-to-one relationship exists

Table 1. Variable Definitions and Summary Statistics

Variable	Definition	Mean	Standard Deviation
	Number of people in poverty	1,960	1,768
	Number of people in poverty in 1980	1,238	1,280
	Change in number of foreign born, 1980-1990	766	928
	Number of foreign born in 1980	1,403	1,196
	Average family income	35,917	13,585
	Average family income in 1980	21,123	7,894
	Total population	6,936	3,175
	Total population in 1980	5,849	2,687
	Farm employment	787	567
	Farm employment, 1980	673	474
	Nonfarm employment	1,714	847
	Nonfarm employment in 1980	1,356	679
	People in families receiving welfare income	1,488	1,568

Source: Taylor and Martin.
Note: sample size: sixty-five cite:

Table 2. Farm Employment, Immigration, and Welfare in San Joaquin Valley Cities

Variable	Equation					
	(1) NPOV	(2) MIG	(3) INCOME	(4) WELFARE	(5) (FAR- MEMP	(6) NFEMP
NPOV	0.85 ^b (11.60)			0.57 (10.81)		
MIG	0.66 (6.49)		-0.70 (0.46)	-0.05 (0.74)	0.37 (6.39)	0.19 (-1.37)
INCOME (thousands of dollars)	5.28 (1.17)	6.65 (1.36)	1.64 ^a (15.06)			
POP	-0.03 (0.44)	-0.08 ^a (2.02)	-0.51 (0.58)	-0.05 (2.83)	0.00 (0.10)	0.28 (6.08)
NFOR8		-0.17 (1.83)				
FARMEMP	0.49 (3.38)	1.36 (9.13)	0.06 (0.03)		0.66 ^a (8.95)	
NFEMP	0.22 (1.44)	0.46 (5.03)	1.28 (0.60)			0.01 (0.06)
NKIDS				0.72 (5.65)		
NOLD				0.16 (1.88)		
CONSTANT	-354.68 (1.77)	-628.56 (2.87)	3,202.6 (1.20)	-42.87 (0.47)	49.37 (0.52)	-73.17 (0.46)
R ²	0.96	0.67	0.82	0.98	0.79	0.76

Source: Three-stage least squares estimation described in Taylor and Martin.

Note: Sample size: 65 cities; log likelihood: -2497.05; chi-square (df): 382.66 (23). All variables measured in 1990 unless otherwise noted.

^a Row variable is for 1980.

between poverty and welfare. A one-person increase in the number of poor residents was associated with a 0.57-person increase in the number of welfare recipients. No significant direct relationship was found between immigration and welfare use, which casts doubt on the Prop 187 argument that immigration is motivated by access to welfare benefits.

These findings suggest that a vicious circle of more farm jobs, more immigration, and more poverty exists in the San Joaquin Valley. How are recent immigration, welfare, and enforcement reforms likely to change these relationships?

Policy Options

The major policy options to deal with poverty amid prosperity can be framed by two extremes: (a) eliminate the need to integrate a poor immigrant farm workforce by attempting to curtail immigration at the border, by importing nonimmigrant guest workers who are obliged to leave the United States when their temporary work permits expire, or both; (b) do not worry about immigration; focus on im-

proving labor law enforcement in agriculture so that workers are not exploited, and redouble efforts to integrate farm workers and their children. Recent major implemented or proposed federal policy changes are likely to limit immigrant-integration prospects in rural California. They include

- efforts to reduce illegal immigration;
- restrictions on immigrant access to means-tested welfare benefits;
- shifting some programs targeted on farm workers to block grants made to state and local governments;
- altering the level of labor law and immigration enforcement in rural areas; and
- proposed agricultural guest worker initiatives.

Enforcement

The Immigration and Naturalization Service (INS) budget almost tripled between FY93 and FY98, from \$1.5 billion to \$4.2 billion. By reducing the supply of new immigrant farmworkers, border enforcement could, in

theory, reduce rural poverty by exerting upward pressure on wages and encouraging farmers to invest in labor-productivity-enhancing technologies. However, to date, this strategy does not seem to have been successful at deterring unauthorized entries, based on shifts along the border in where entries are attempted (from San Diego to Imperial County and Arizona) and reports of newly arrived workers being hired in agriculture, services, and day labor markets (*Migration News*). Instead, this strategy appears to have increased the number of unauthorized immigrants in rural areas by discouraging people from returning to their countries of origin during the off seasons.

Welfare

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 made most legal immigrants ineligible for federal means-tested welfare benefits, including Supplemental Security Income and Food Stamps. States were given permission to make legal immigrants ineligible for cash assistance and Medicaid, and rules denying welfare benefits to unauthorized aliens were strengthened. In 1997, some legal immigrants were made eligible for federal welfare benefits, and a proposal is pending to restore Food Stamp benefits to some legal immigrants. The argument is sometimes made that restricting immigrants' access to means-tested assistance programs and pushing current welfare recipients into the work force will add enough workers to the seasonal farm labor force to reduce farmers' demand for (unauthorized) immigrants. However, this is not likely to occur because current welfare recipients are often ill-suited to fill easy-entry farm jobs. Virtually all new entrants to the farm labor force are young men who recently arrived from Mexico, are in the United States to do seasonal farm work, and, thus, are flexible, willing to travel to different fields each day to work long hours if needed. Most welfare recipients, on the other hand, are mothers with children who lack the flexibility farm employers have come to expect. The networks linking U.S. farm jobs with new immigrant workers often are better established than those linking farm employers with local welfare recipients. The farm labor contractors (FLCs) who hire and supervise at least half of all farm workers have little incentive to form crews of welfare re-

ipients, who may complain about many of the violations of labor laws that FLCs commit. Finally, little evidence exists of farm labor shortages that would encourage farmers to invest in recruitment and training of welfare recipients or to tolerate less-than-stellar work habits.

Targeted Assistance

The federal government currently provides targeted services to migrant and seasonal farm workers (MSFW) and their dependents that cost about \$600 million per year, equivalent to 10% the annual earnings of these workers (Martin and Martin). Most of this federal MSFW funding—\$582 million in FY96—goes to the Big Four programs: Migrant Education (\$305 million in FY96); Job Training Partnership Act (JTPA)-402 programs (\$69 million); Migrant Health (\$69 million); and Migrant Head Start (\$139 million).⁴ These programs have become de facto immigrant integration programs in rural areas. The federal government is folding many national targeted programs into state block grants. Farm worker advocates are resisting the inclusion of farm workers in state block grants, arguing that block grants will lead to the neglect of farm workers and eliminate any basis for providing integration assistance targeted on farm workers and their children.

Labor Enforcement

The INS encouraged employers to enroll in its Employment Verification Pilot (EVP) system, under which employers send I-9 information on aliens to the INS via modem, and the INS checks this information against the Alien Status Verification Index, a database with 50 million immigration records. After enforcement activities that remove unauthorized workers, the INS often tells employers they can avoid future disruptions by voluntarily joining the EVP. Many rural employers, led by meat and poultry processing firms, have signed up for the EVP system. Most of the agricultural firms participating in EVP are in the midwest, not in California (General Accounting Office, 1998). These firms tend to have high turnover rates. It is not unusual for a meat processing plant to hire 200 workers

⁴ Migrant Head Start gets 4% of the Head Start budget.

in one year to keep 100 job slots filled. In California, several federal, state, and local agencies enforce labor laws in agriculture. The most notable effort to enforce wage, hour, and child labor laws has been the Targeted Industries Partnership Program (TIPP), initiated in 1992 to improve compliance in agriculture and garments. Between 1993 and 1996, TIPP inspected 4,400 agricultural and garment work places and assessed \$20 million in penalties against employers. The California farm labor market is one of the most regulated in the United States (Rural Migration News). It is sometimes said that hiring a migrant farm worker is second only to hiring a child actor in complexity. However, the gap between the theoretical protection available to farm workers and the reality of the labor markets in which they work is widening, and the major factor that assures self compliance—labor shortages—has not occurred for the past two decades. This leaves federal and state labor law enforcement agencies, legal services, and unions as compliance officers fighting against an array of contractors, crew bosses, and *raiteros*, who are often one step ahead of the law.⁵ If caught, most have few assets, and many go out of business. Enforcement, in other words, leads to the replacement of one risk buffer—an FLC or other middleman—with another, and does not change the structure of the labor market in which the inherent risks involved in the biological production process are shifted back to the weakest links, immigrant farm workers.

The Guest Worker Option

The guest worker option is currently being debated in Congress, spearheaded by farm employers who have been pressing for an alternative to the H-2A program to obtain legal foreign workers (General Accounting Office 1997). Their major goal is to get a program that does not involve labor certification or the Department of Labor agreeing that guest workers are needed before they are admitted. Farmers want an alternative method of entry, attestation, which means that a letter to the local employment service asserting that the farm employer tried and failed to recruit U.S. workers would be sufficient to permit the foreign workers to obtain visas and enter the United States. Enforcement under attestation

would occur only if complaints were filed. Congress rejected one version of an attestation farm guest worker program in March 1996 by a vote of 242–180. On 1 August 1997, Rep. Bob Smith (R-OR) introduced HR 2377, a bill that would create a twenty-four-month pilot program for 25,000 temporary foreign agricultural workers a year, with employers gaining access to these workers by attestation. The USDA would administer the program. The House immigration subcommittee on 12 March 1998 voted 7–2 in support of the Smith pilot program after reducing the number of visas to 20,000. To encourage the workers to return to Mexico or other countries of origin, 25% of their wages would be deducted and repaid only in the country of origin if the worker appears in person.

The alternative to a new guest worker program is to ignore the entry of immigrants with little education and redouble efforts to integrate immigrant farm workers and their children. President Clinton seemed to endorse this approach when he proposed an increase of \$50 million to the \$305 million budget for the Migrant Education Program for FY99.

Conclusions

A paradox of poverty amid plenty exists in the agricultural areas of California. Farm sales, exports, and land values are rising, largely as a result of the expanding production of high-value fruit, vegetable, and horticultural commodities. At the same time, immigration, poverty, and welfare caseloads are stable or rising, creating a potential new rural poverty that may prove difficult to extirpate in the twenty-first century. The policy challenge is to find a way to internalize the externality associated with the expansion of labor-intensive agriculture and an effective and efficient means of ensuring immigrants and their children success in the United States. Thoughtful observers are calling for a new immigration and integration or immigrant policy for rural America, one that (a) acknowledges the importance of agriculture and food processing to local economies but (b) recognizes that new, low-skilled immigrants currently filling seasonal jobs in these core industries are likely to settle. Despite little education, immigrants and their children expect to climb the U.S. job ladder, and they may need assistance to do so. If the United States fails to adopt new immigration and immi-

⁵ *Raiteros* are individuals who, for a fee, transport workers to fields.

grant-integration policies, other agricultural areas may witness the emergence of a new rural poverty that evolves much as in California's Central Valley.

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