

# Proposed Changes in the H-2A Program: Economic Impact

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Blake Brown  
Hugh C. Kiger Professor  
Agricultural & Resource Economics  
**College of Agriculture & Life Sciences**

**NC STATE UNIVERSITY**

# H-2A Program

- Temporary agricultural worker program
- allows agricultural producers to hire non-immigrant foreign workers
- Producers must pay for travel and housing
- Producers pay a minimum of the Adverse Effect Wage Rate (AEWR)

# H-2A

- Final 2008 Rule changed calculation of AEWR such that H-2A minimum wage rate declined from about \$9.50 to about \$7.90
- Proposed amendments in 2009 would change AEWR calculation so that rate increased to previous levels

# H-2A Data

- Over 91,000 workers certified in 2009
- 16,949 workers certified in NC
- Avg AEWR in 2009 \$7.92
- Avg AEWR in 2008 \$9.54
- Projected AEWR under proposed amendment \$9.36

# Review Requirements for Proposed Rule Changes

- If impact of change is more than \$100 million additional analysis and review by Office of Budget and Management is required
- Dept of Labor estimated the impact of the rule change to be less than \$100 million
- Grower groups have challenged the DOL estimate

# Assumptions

- 2008 avg AEWR: \$9.54
- 2009 avg AEWR: \$7.92
- Proposed avg AEWR: \$9.34
- Contract Days for 2009: 13.3 million
- Elasticity of Demand H-2A Labor:  
-0.42

# 3 Base Scenarios

- Forecast change from 2009 contract hours...assumes full adjustment to 2008 Final Rule
- Calculate change between 2009 actual contract hours and a forecast of 2010 not assuming full adjustment in 2009
- Project full adjustment for 2009, then forecast change from this base

# Findings

- Projected equilibrium quantity if full adjustment to \$7.92:  
14.2 million contract days
- Projected equilibrium quantity at \$9.34:  
13.2 million contract days
- Estimated transfer from producers to H-2A workers:  
\$150.4 million
- Estimated deadweight loss: \$5.8 million

# Conclusions

- Since H-2A workers send their earnings to their home country, almost all the \$150 million transfer is out of the U.S. economy
- Supports requirement for more in-depth review

# Other Inferences

- Inelastic demand for H-2A labor and elastic demand for agricultural products (e.g. vegetables, tobacco) imply:
  - Very limited substitution between H-2A labor and other inputs
  - H-2A wage rate changes have small impacts on hiring of U.S. workers or unauthorized workers