NAFTA, MIGRATION, AND U.S.-MEXICO LABOR MARKETS

By Wayne A. Cornelius

Abstract: *NAFTA has not had a material impact on migration from Mexico and a renegotiated NAFTA is unlikely to change migration and labor market dynamics. The current NAFTA renegotiations take place in the context of steadily tightening labor markets on both sides of the border and a growing acceptance of the complementarity between labor markets in the U.S. and Mexico. It is simply untrue—but rather a political talking point—that the U.S. economy has little or no need for "unskilled" labor imported from Mexico. In the U.S., immigrants and U.S.-born children of immigrants will be crucial to filling future labor gaps in key service occupations such as home health care, food preparation, and building and landscape maintenance, as well as agriculture and construction trades.*

The renegotiation of NAFTA, according to groups and political leaders who have been critical of the agreement, must address the alleged "tension" between NAFTA and labor markets, especially on the U.S. side. The argument is that NAFTA has worked to the disadvantage of U.S. workers, especially in manufacturing. Furthermore, it is argued, NAFTA has not curbed "unwanted" Mexican migration to the United States and may have increased such migration because it damaged the livelihoods of Mexican *campesinos.*

The reality is that before it was signed, NAFTA was oversold by both the U.S. and Mexican governments as a short-term "remedy" for unauthorized Mexico-to-U.S. migration.[1] It is true that in the late 1990s and early 2000s many small-scale farmers in Mexico were adversely affected by the flood of cheap, processed agricultural imports—corn, powdered milk, milk substitutes, and meat—unloosed by NAFTA. But the evidence is thin that NAFTA-induced dislocations in rural Mexico generated significant, additional migration to the United States, above the levels established in the 1980s in response to other, non-NAFTA-related Mexican push and U.S. pull factors, especially the surge in U.S. job creation during the economic boom of the second half of the 1990s. Nor is there any systematic evidence that jobs created in Mexico as a consequence of NAFTA discouraged appreciable numbers of potential migrants

[1] See Wayne A. Cornelius and Philip L. Martin. 1993. *The Uncertain Connection: Free Trade and Mexico-U.S. Migration.* La Jolla: Center for U.S.-Mexican Studies, UCSD, Current Issue Brief 5; Wayne A. Cornelius. 2002. "Impacts of NAFTA on Mexico-to-U.S. Migration." In Edward J. Chambers and Peter H. Smith, eds., *NAFTA in the New Millennium.* La Jolla and Edmonton: Center for U.S.-Mexican Studies and University of Alberta Press, pp. 287–304.

from going north, in large part because NAFTA-created jobs were not located in parts of Mexico that had the largest labor surpluses and the highest emigration rates.

At this point in time, there is no appreciable component of unauthorized migration resulting from NAFTA-related economic dislocations in Mexico. Opportunity structures in rural Mexico are surely limited, and migration to the U.S. remains an option chosen by some Mexicans to boost family incomes. But that choice is no longer shaped materially by the existence of NAFTA. Moreover, the pool of potential migrants has been greatly diminished by both heavy U.S.-bound migration in the 1990s and 2000s and Mexico's demographic transition, discussed below.

The larger, ongoing picture is one of significant—and deepening—*complementarity* between labor markets in the United States and Mexico. Immigrants will be critical to filling future labor gaps: 76 million baby boomers are retiring, while only 46 million U.S.-born workers will be entering the labor force from 2016-2030. Between 2030-2050, immigrants and U.S.-born children of immigrants will generate over 60 percent of labor force growth. Moreover, immigrants are more likely than U.S.-born workers to be employed in key service occupations (e.g., home health care, food preparation, building and landscape maintenance) as well as agriculture and construction trades. In California, the employment holes that Mexican immigrants will be needed to fill are even deeper than national averages.

It is simply untrue—but rather a political talking point—that the U.S. economy has little or no need for "unskilled" labor imported from Mexico (or elsewhere). Employers in numerous sectors of the economy remain dependent on such workers to keep their businesses functioning and growing. Contrary to the conventional wisdom among many members of Congress and the Trump administration, a large percentage of so-called low-skilled jobs are anything but low-skilled. Try convincing a vineyard owner that his extremely valuable wine grapes can be tended by anyone without specialized skills or experience; a dairy farmer that his cows can be properly medicated by an unskilled worker; the roofing contractors whose customers expect him to complete that physically demanding, dangerous job in record time with zero defects. And who would hire an "unskilled" nanny, eldercare-giver, housekeeper, or gardener?

In the late 1990s, when my UC San Diego research team asked employers in Southern California to explain why hardly any U.S.-born people applied for jobs held by immigrants in their companies, a common response was that native workers lacked the specialized skills needed to perform these tasks.[2] Nothing much has changed. Job classifications dominated by Mexican immigrant workers do not attract appreciable numbers of California-born workers, and among the few who do seek such jobs, turnover is extremely high. This is the essence of labor market segmentation, in which immigrant and native-born workers rarely compete directly against each other for the same jobs, in the same firms, in the same localities.

Meanwhile, signs of a tightening U.S. labor market abound. Already, in many parts of the country, economic growth is being constrained by labor shortages. By August 2017, claims for unemployment benefits had been below 300,000—the threshold associated with a robust labor market—for 128 weeks, the longest stretch since 1970.

If anything, California should be concerned that in the future Mexico will no longer be able to contribute enough workers to its labor force to help the state sustain robust economic growth. Mexico's fertility rate has declined by more than 70 percent over the last half-century. The dramatic drop in child-bearing has reduced the numbers of new entrants into the Mexican labor force, which fell from about 150,000 per year in the 1970s to about 20,000 per year over the last ten years. The depletion of labor reserves in Mexico is one of the factors that have diminished the flow of unauthorized migrants to the United States so sharply since 2007, which is reflected in border apprehensions that have fallen to levels last seen in the early 1970s. And most undocumented immigrants now being apprehended at the border are Central Americans, not Mexicans.

A renegotiated NAFTA is unlikely to change these basic migration and labor market dynamics. Stronger worker protections and better mechanisms for enforcing minimum standards of employment can put upward pressure on wages in some U.S. industries, but the effects of such changes on labor supply

[2] Wayne A. Cornelius. 1998. "The Structural Embeddedness of Demand for Mexican Immigrant Labor: New Evidence from California." In Marcelo Suárez-Orozco, ed., *Crossings: Mexican Immigration in Interdisciplinary Perspectives.* Cambridge, Mass.: David Rockefeller Center for Latin American Studies and Harvard University Press, pp. 113-155.

and employment will be minimal, in the context of steadily tightening labor markets on both sides of the border.

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