

Vancouver Centre of Excellence



Research on Immigration and Integration in the Metropolis

Working Paper Series
(Special Edition)

#00-S7

Managed Migration and the Seasonal Agricultural Worker Program

David Greenhill and Jorge Aceytuno

RIIM

Research on Immigration and Integration in the Metropolis

The Vancouver Centre is funded by grants from the Social Sciences and Humanities Research Council of Canada, Citizenship & Immigration Canada, Simon Fraser University, the University of British Columbia and the University of Victoria. We also wish to acknowledge the financial support of the Metropolis partner agencies:

- Health Canada
- Human Resources Development Canada
- Department of Canadian Heritage
- Department of the Solicitor General of Canada
- Status of Women Canada
- Canada Mortgage and Housing Corporation
- Correctional Service of Canada
- Immigration & Refugee Board

Views expressed in this manuscript are those of the author(s) alone. For more information contact the Co-Directors of the Centre, Dr. Don DeVoretz, Department of Economics, SFU (e-mail: devoretz@sfu.ca) or Dr. David Ley, Department of Geography, UBC (e-mail: davidley@unixg.ubc.ca).

Managed Migration and the Seasonal Agricultural Worker Program*

by

David Greenhill

Department of Human Resources Development Canada (HRDC)

Government of Canada

Human Resources Investment Branch

David.Greenhill@spg.org

and

Jorge Aceytuno¹

Department of Human Resources Development Canada (HRDC)

Government of Canada

Strategic Policy Branch

Jorge.Aceytuno@spg.org

¹ The views expressed in this paper are those of the authors and in no way represent the views of the Department of Human Resources Development Canada, or the Government of Canada.

This paper was prepared for the Fourth International Metropolis Conference held in Washington, D.C., December 8 – 11, 1999, and presented at a workshop entitled *Trade Agreements and Migration*, organized by Don DeVoretz, Co-Director, Centre for Excellence: Immigration, Simon Fraser University, British Columbia. Copyediting services were provided S. Sydney Preston, Copy Editor for RIIM at Simon Fraser University.

Abstract: The Canadian Government-funded Seasonal Agricultural Worker Program allows for the organized movement of foreign workers to meet the temporary/seasonal needs of Canadian agricultural employers. While there are legitimate concerns surrounding the arguments of both the “liberalized” and “restrictive” migration schools, it has been shown that managed migration programs, such as SAWP, improve the movement of foreign labour while maintaining some control over entry and the impact on the domestic labour market.

Key Words: agricultural workers, foreign workers, migration programs, temporary workers

“Our fields might feed the world, but it is migrants who bring the food to the market.” Kelly Egan – The Ottawa Citizen.

“Without migrant workers, we wouldn’t have a fruit and vegetable industry in Ontario.” Alex Just – Farmer, has been employing migrant workers for 11 years.

Introduction

In 1966, as a response to sustained difficulties faced by Canadian farmers, Human Resources Development Canada (HRDC), in co-operation with Citizenship and Immigration Canada (CIC), developed the Seasonal Agricultural Worker Program. The program allows for the organized movement of foreign workers to meet the temporary/seasonal needs of Canadian agricultural employers during peak harvesting periods when there are traditional shortages of Canadian workers and is intended to:

- Improve Canada’s prosperity by ensuring that crops are planted and harvested in a timely fashion and in the process enhancing the job prospects of Canadian workers dependent on agri-related employment (both in downstream and upstream industries).
- Enhance the efficiency of the Canadian economy through an improved allocation of labour and skills (primarily benefiting farm producers and foreign workers).
- Improve the well being of migrant workers by giving them access to better paying jobs and reducing the risks associated with illegal migration.
- Facilitate the return to their countries in a predictable manner.
- Enhance the confidence of the public, including the potential migrant, in policies and practices governing the migration system, the impact on the domestic labour force, and general benefits of the SAWP.

The management of the SAWP is undertaken by HRDC in a very hands-on way through the brokering of agreements with foreign and domestic partners, and the oversight of the program’s impact on the Canadian economy and labour market. As a complement to

HRDC's services, CIC provides facilitated entry for the foreign worker at the time of immigration.

Parties involved adhere to guidelines set in bilateral Memorandums of Understanding (Jamaica-1966, Barbados, and Trinidad & Tobago-1967, Mexico-1974, OECS-1976) and employer-employee agreements signed following HRDC's validation of the foreign worker. As part of the contract, employers agree to hire foreign workers at wages equal to those received by Canadian agricultural workers, and to provide accommodation and transportation to and from the country of origin (i.e. a substantial cost over hiring Canadian labour). Once in Canada, foreign workers also contribute to, and are eligible for, Employment Insurance (EI), health benefits, and the Canada Pensions Plan (CPP).²

On the whole, the SAWP is deemed a success based on its positive impact on agricultural production, trade, and the ability to maintain Canadian jobs, wages, and labour standards. Farmers in the horticultural industry, for instance, affirm that without access to foreign labour, production would decrease substantially making it impossible to remain in business. Labour market trends also suggest that the direct displacement of Canadians is small, as initiatives that encourage the hiring of domestic workers in the agricultural industry (primarily EI recipients and students) have not been successful as evidenced by high quit rates.

From the perspective of the sending countries, the SAWP provides foreign workers with access to a higher income than would be available at home and serves as a safety valve to ease social pressures caused by high unemployment, poverty, etc. Furthermore, a large proportion of earnings are sent back to the home country and go a long way towards improving the well being of the worker's family, while providing the sending country with much needed foreign currency to ease balance of payment commitments.

² It should be noted that most foreign workers do not claim EI since they must, by definition, be employed for the entire duration of the work contract. EI contributions are seen, instead, as an "employee-fee" for having access to the Canadian labour market – emphasizing that all Canadian workers contribute to the EI fund as well.

This paper makes an argument for establishing similar arrangements of managed migration; proposes a labour market test to evaluate when these arrangements are beneficial (DeVoretz 1998); and looks at some basic evidence that support the theory.

The Pros and Cons of International Labour Mobility

According to economic theory, the allocation of labour in a free market regime is such that an additional worker is hired as long as his/her marginal benefits to production are greater than his/her marginal cost. Theory also suggests that the same factor has a greater marginal impact on production, and is better rewarded, where that factor is scarce; which explains why “there is a tendency for capital to move from high- to low-wage [capital scarce] areas, and for labour to move from low- to high-wage [labour scarce] areas” (Riddell, pg. 406). This “self-allocation” of a factor to where it is most productive is the reason why liberal economists often endorse the free movement of people as a benefit to sending and receiving countries – and the world economy as a whole.

Furthermore, the case for international labour mobility should be considered in the context of the liberalization of trade and capital. Namely, it is necessary to take into account that if labour – as an integral part in production – is not allowed to move freely, capital – and by extension production – will instead move towards labour. Leading to the relocation of industries to where they are most viable and thus reducing production, exports, and potential employment in upstream and downstream domestic industries.³

Despite these arguments, countries continue to oppose – often justifiably so – pressures to institutionalise uncontrolled movements of people. The rationale being that open migration frameworks have significant costs, real or perceived, “related to sudden and massive migratory movements, erosion of cultural homogeneity and cohesiveness, loss of sovereignty, [and] threats to security. . . [which all place a] strain on existing social services and facilities” (Ghosh, pg. 4).

³ These trends are being observed in US agriculture where production of tomatoes, for example, continues to move to Mexico where labour is readily available.

The Seasonal Agricultural Worker Program and Managed Migration

The above discussion, although brief, points to the inadequacies of both the “liberalized movement” and the “restrictive” doctrines, and suggests that countries aim to find a middle way with pragmatic principles as a basis for viable, well-managed, and cost-effective migration programs. A general test for managed low-skilled migration programs, following DeVoretz, is proposed and the SAWP is presented as a model that responds particularly well to the stylized conditions of Canada’s agricultural sector (i.e. production which is intensive in land use, complementary low-skilled foreign labour, domestic skilled labour, and domestic capital).

Theory

DeVoretz defines a migration program as welfare enhancing if the income of the average Canadian increases following the entry of the foreign workers. In more practical terms, this implies that migration programs should be evaluated on whether the entry of the foreign workers generates a net economic benefit to Canada (e.g. increase in production, net employment, wages, etc.) by either filling a legitimate shortage of domestic workers, and/or by introducing complementary skills not readily available in the domestic labour market.

Benefits

Under the SAWP, the transmission of benefits to the domestic economy can roughly be described in a three-step process. First, agricultural production (and by extension exports) increase as a result of the additional labour employed. Second, farm productivity increases as foreign low-skilled workers and native high-skilled workers complement each other’s skill sets.⁴

At the farm level, these increases in production and productivity are associated with reductions in costs (at the margin) and allow producers to remain competitive. As an illustration, Figure 1 shows the hypothetical case of a farmer in a competitive goods market⁵

⁴ In essence, this implies that the same farm manager is able to produce more following the entry of the low-skilled foreign worker *ceteris paribus*.

⁵ In a competitive goods market, the individual producer has no impact on the goods world price or quantity, and in a sense, faces pre-determined levels of employment and wages.

where the entry of complementary foreign workers leads to a reduction in costs from MC and AC, to MC' and AC'.

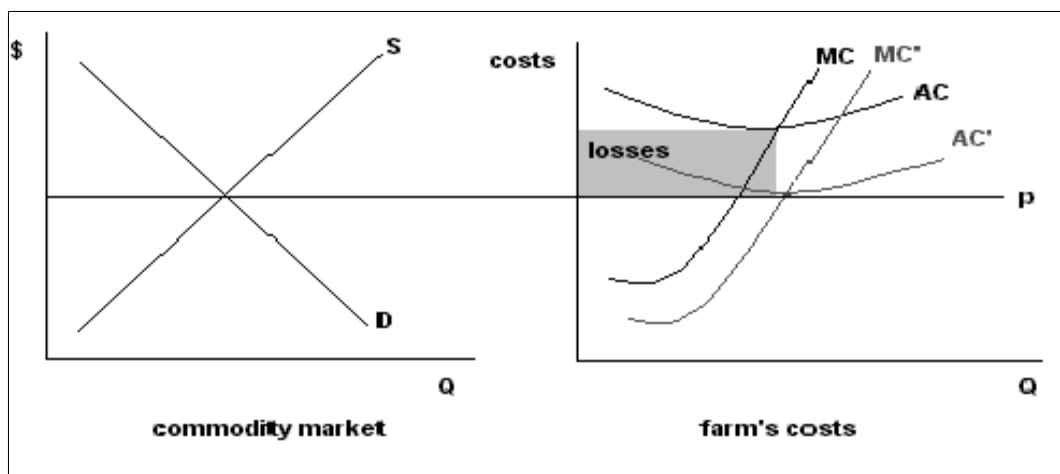


Figure 1 – Decreasing costs at the farm level allow producers to remain competitive

Finally, the increased farm production has a positive multiplier effect on upstream and downstream agri-related industries (e.g. trucking, food processing, fertilisers, etc.) which allows these industries to grow and increases employment for Canadians. The benefits of a migration program must then be weighed against costs, which result primarily from the displacement of domestic labour – noting that this is particularly sensitive in the case of low-skilled occupations.

Costs

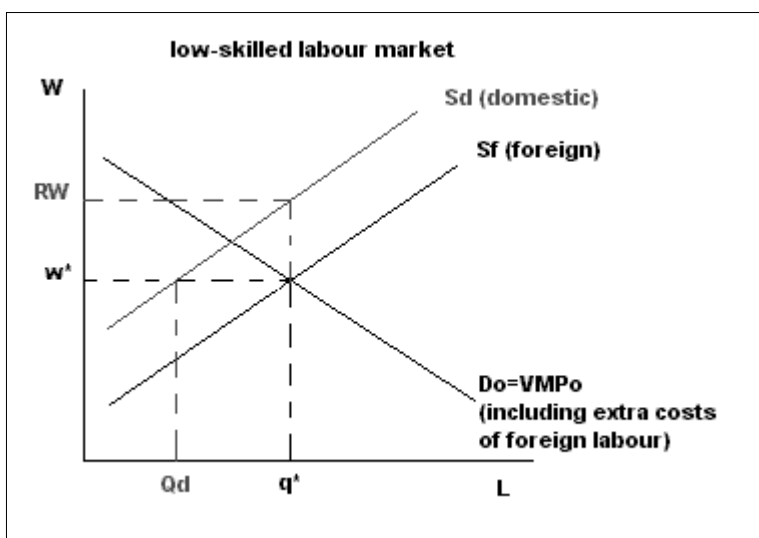
The argument that is made in this paper is that costs associated with the displacement of low-skilled domestic workers are small in the case of Canadian agriculture mainly because of:

- Real limits on farmers regarding wages that can be paid to low-skilled labour in an internationally competitive industry such as agriculture.

- Evidence of “self-selection” by Canadians out of low-skilled occupations in the agricultural labour market.

More specifically, it is assumed that in an open and competitive industry such as agriculture, wages are set to a large extent by commodity prices observed in international markets. In this case, shortages can then be interpreted in part as the farmers’ inability to attract sufficient domestic workers at “internationally competitive wages.” As an illustration, Figure 2, shows a case in which a farmer would optimally hire q^* workers, but is only able to attract Q_d domestic workers at the internationally competitive wage w^* . As shown here, the farmer would then have to offer RW (reservation wage) to attract the desired number of workers from the domestic low-skilled labour market.

Figure 2



What is argued here is that, as long as the reservation wage (threshold wage at which a person decides to enter the labour market) of domestic low-skilled workers is significantly above internationally competitive wages (which includes the extra costs associated with hiring the foreign worker), only minor displacement should result from the entry of the foreign workers.⁶ In addition, evidence will be discussed later that points to some degree of “self-selection” by Canadians out of low-skilled agricultural occupations further reducing the displacement effect.

As an aside, it should be noted that other costs associated with migration programs come from the foreign remittance effect, i.e., the sending of money back to the home country. However, DeVoretz points out that if a significant portion of the output of temporary workers is exported (a likely case in Canadian agriculture), temporary foreign workers may generate foreign exchange earnings in excess of their remittances, resulting in a net improvement of the balance of payment for Canada.

⁶ Again, assuming that farmers are “limited” by international commodity prices on how much they can pay employees.

Evidence

In order to evaluate whether the SAWP, or alternative temporary movement arrangements, are in the national interest, the following public policy concerns should be evaluated:

- The significance of the program to employers; its impact on agricultural production; and on the domestic economy
- The effect of the program on domestic and foreign labour force (including labour standards)
- The effects of the program on trade (including changes in the balance of payment)

Although most of the data to support the program is anecdotal, the SAWP, as a whole, appears to be successful in most of these areas. Farmers, in particular, maintain that without access to foreign labour, agricultural production in some sectors (e.g. horticulture) would decrease substantially making it impossible to remain in business. In addition, the influx of a large number of foreign workers brings direct benefits to the local economies in the form of increased consumption. In 1995, for example, the Foreign Agricultural Management Services (FARMS) Report shows that foreign workers injected \$33.6 M into the economy of rural Ontario alone.

As for the benefits to foreign labour, workers that arrive in May and leave in October earn between \$8,000 and \$10,000 a season – this is many times what they would earn in the sending country and goes a long way towards improving the well-being of the worker's family at home. As part of the agreement, foreign workers also receive accommodation and transportation to and from their country of origin; and contribute to, and become eligible for EI, health benefits, and Canadian pensions at retirement. The high percentage of return migrants and the increasing numbers of participating foreign workers (13,400 workers in 1998, and 14,500 in 1999) are an indication of the program's success in maintaining satisfactory wages and labour standards (at least compared to those available in the sending countries); and providing a dependable framework for the movement of low-skilled foreign workers.

With respect to the program's impact on domestic low-income labour, initiatives that encourage the hiring of Canadians (particularly students and EI recipients) in the agricultural industry have been implemented in the past as an alternative to bringing in workers from abroad. In general, these programs have not been successful as evidenced by high turnover and quit rates, which can result in losses for producers during key periods of the harvest season.⁷ Farmers and industry officials are quick to point out that this is not an indication of Canadians' inability to do the job, but may simply be the result of better employment opportunities and services available to low-skilled Canadians. Again, this suggests that the program does not significantly affect low-skilled Canadian workers, and may actually benefit them if the eventual growth in agricultural production manifests itself in the form of higher wages and employment in upstream and downstream agri-related industries.

Finally, the growth in production associated with the entry of foreign workers, also results in increases in the amount of agricultural products available for export. The foreign exchange revenues from exports can then be balanced against remittances sent home by foreign workers to determine the overall impact on Canada's balance of payments. Noting that even if there is a negative impact on the balance of payments, remittances are a necessary part of any mutually beneficial international labour mobility agreement and should not be restricted.

In short, as evaluated under these criteria, the Seasonal Agricultural Worker Program appears to bring about significant benefits to Canada and the sending countries, and provides a good example of an effectively managed low-skilled migration program.

Conclusion

It has been argued in this paper that there are legitimate concerns surrounding the arguments of both, the "liberalized" and "restrictive" migration schools. As an alternative, it is suggested that serious consideration be given to managed migration programs (even if they involve the facilitation of low-skilled temporary movements) as a practical arrangement to improve the

⁷ Farmers, for example, speak of cases in which 100 or so native-born workers were sent to them over a two-year period, with only one worker sticking it out for the whole summer.

movement of foreign labour, while maintaining some control over entry and the impact on the domestic labour market.⁸

In particular, it is shown that by responding to specific needs and conditions at both the supply and demand ends, managed migration programs, such as the SAWP, facilitate the efficient allocation of labour and skills; reduce the risks associated with illegal immigration; and enhance the confidence of the public, and users of the program, in government policies governing the mobility of people.

⁸ It must be noted that bilateral agreements of this sort are listed as “exceptions” by the WTO as they are, in a sense, selective. At the same time, it needs to be emphasised that bilateral agreements involve responsibilities on the part of the sending country to ensure the efficient implementation of the program.

Bibliography

- DeVoretz, D. J. 1995. *Diminishing returns: The economics of Canada's Recent Immigration Policy*. Toronto: C.D. Howe Institute, and Vancouver: The Laurier Institution.
- DeVoretz, D. J. 1998. Temporary Canadian migration: Quo vadis? Discussion Paper presented at the Third International Metropolis Conference, Zichron Ya'acov, Israel, November 30 – December 3.
- Ghosh, B. 1998. Managing migration: New international regime for orderly movements of people. Discussion Paper presented at IOM Headquarters Meeting, Geneva. September.
- Martin, P. 1988. *Harvest of confusion: Migrant workers*. Boulder: Westview Press.
- Martin, P., and D. Martin. 1994. *The endless quest: Helping America's farm workers*. Boulder: Westview Press.
- Riddell, C., and M. Gunderson. 1993. *Labour market economics: Theory, evidence, and policy in Canada*. 3rd ed. Toronto: McGraw Hill-Ryerson.

Working Paper Series
(special issues)

These papers were prepared for the workshop **Workshop: Trade Agreements and Migration**. The workshop was part of *The Fourth International Metropolis Conference* which was held in Washington, D.C. from December 8 to December 11, 1999.

Number	Author (s)	Title
00-S1	Kangqing Zhang	Urban Secondary Citizens: Low-Skill Temporary Workers – The Case of Shanghai
00-S2	Trinidad L. Vicente	Undocumented Migrants: A Social and Political Issue in Spain
00-S3	Steven Weeks	Australia's Temporary Business Entry Arrangements
00-S4	B. Lindsay Lowell	Information Technology Companies and U.S. Immigration Policy: Hiring Foreign Workers
00-S5	Philip Martin	Trade and Migration: The Mexico-US Experience
00-S6	Allison Young	The GATS and the Mobility of Service Suppliers
00-S7	David Greenhill and Jorge Aceytuno	Managed Migration and the Seasonal Agricultural Worker Program Migration dirigee et Programme des travailleurs saisonniers agricoles
00-S8	Bradley Pascoe and Beverly Davis	Programme Concernant les Travailleurs Etrangers Temporaires au Canada: Une nouvelle approche
00-S9	Chieko Tanimura	Research Proposal: Temporary Immigration of Nikkeijin to Ease the Japanese Aging Crisis

**Individual issues of the working papers '2000 Special Edition' are available for \$5.
All the issues of the '2000 Special Edition' are available on CD-ROM for \$20 Cdn.**

Please send your order to:

Vancouver Centre of Excellence: Immigration, WMX4653, Simon Fraser University, 8888 University Drive, Burnaby, B.C, Canada V5A 1S6. Tel: (604) 291-4575 Fax: (604) 291-5336

E-mail: riim@sfu.ca

<http://www.riim.metropolis.net/>

Managed Migration and the Seasonal Agricultural Worker Program*

by

David Greenhill

Department of Human Resources Development Canada (HRDC)

Government of Canada

Human Resources Investment Branch

David.Greenhill@spg.org

and

Jorge Aceytuno¹

Department of Human Resources Development Canada (HRDC)

Government of Canada

Strategic Policy Branch

Jorge.Aceytuno@spg.org

¹ The views expressed in this paper are those of the authors and in no way represent the views of the Department of Human Resources Development Canada, or the Government of Canada.

This paper was prepared for the Fourth International Metropolis Conference held in Washington, D.C., December 8 – 11, 1999, and presented at a workshop entitled *Trade Agreements and Migration*, organized by Don DeVoretz, Co-Director, Centre for Excellence: Immigration, Simon Fraser University, British Columbia. Copyediting services were provided S. Sydney Preston, Copy Editor for RIIM at Simon Fraser University.

Abstract: The Canadian Government-funded Seasonal Agricultural Worker Program allows for the organized movement of foreign workers to meet the temporary/seasonal needs of Canadian agricultural employers. While there are legitimate concerns surrounding the arguments of both the “liberalized” and “restrictive” migration schools, it has been shown that managed migration programs, such as SAWP, improve the movement of foreign labour while maintaining some control over entry and the impact on the domestic labour market.

Key Words: agricultural workers, foreign workers, migration programs, temporary workers

“Our fields might feed the world, but it is migrants who bring the food to the market.” Kelly Egan – The Ottawa Citizen.

“Without migrant workers, we wouldn’t have a fruit and vegetable industry in Ontario.” Alex Just – Farmer, has been employing migrant workers for 11 years.

Introduction

In 1966, as a response to sustained difficulties faced by Canadian farmers, Human Resources Development Canada (HRDC), in co-operation with Citizenship and Immigration Canada (CIC), developed the Seasonal Agricultural Worker Program. The program allows for the organized movement of foreign workers to meet the temporary/seasonal needs of Canadian agricultural employers during peak harvesting periods when there are traditional shortages of Canadian workers and is intended to:

- Improve Canada’s prosperity by ensuring that crops are planted and harvested in a timely fashion and in the process enhancing the job prospects of Canadian workers dependent on agri-related employment (both in downstream and upstream industries).
- Enhance the efficiency of the Canadian economy through an improved allocation of labour and skills (primarily benefiting farm producers and foreign workers).
- Improve the well being of migrant workers by giving them access to better paying jobs and reducing the risks associated with illegal migration.
- Facilitate the return to their countries in a predictable manner.
- Enhance the confidence of the public, including the potential migrant, in policies and practices governing the migration system, the impact on the domestic labour force, and general benefits of the SAWP.

The management of the SAWP is undertaken by HRDC in a very hands-on way through the brokering of agreements with foreign and domestic partners, and the oversight of the program’s impact on the Canadian economy and labour market. As a complement to

HRDC's services, CIC provides facilitated entry for the foreign worker at the time of immigration.

Parties involved adhere to guidelines set in bilateral Memorandums of Understanding (Jamaica-1966, Barbados, and Trinidad & Tobago-1967, Mexico-1974, OECS-1976) and employer-employee agreements signed following HRDC's validation of the foreign worker. As part of the contract, employers agree to hire foreign workers at wages equal to those received by Canadian agricultural workers, and to provide accommodation and transportation to and from the country of origin (i.e. a substantial cost over hiring Canadian labour). Once in Canada, foreign workers also contribute to, and are eligible for, Employment Insurance (EI), health benefits, and the Canada Pensions Plan (CPP).²

On the whole, the SAWP is deemed a success based on its positive impact on agricultural production, trade, and the ability to maintain Canadian jobs, wages, and labour standards. Farmers in the horticultural industry, for instance, affirm that without access to foreign labour, production would decrease substantially making it impossible to remain in business. Labour market trends also suggest that the direct displacement of Canadians is small, as initiatives that encourage the hiring of domestic workers in the agricultural industry (primarily EI recipients and students) have not been successful as evidenced by high quit rates.

From the perspective of the sending countries, the SAWP provides foreign workers with access to a higher income than would be available at home and serves as a safety valve to ease social pressures caused by high unemployment, poverty, etc. Furthermore, a large proportion of earnings are sent back to the home country and go a long way towards improving the well being of the worker's family, while providing the sending country with much needed foreign currency to ease balance of payment commitments.

² It should be noted that most foreign workers do not claim EI since they must, by definition, be employed for the entire duration of the work contract. EI contributions are seen, instead, as an "employee-fee" for having access to the Canadian labour market – emphasizing that all Canadian workers contribute to the EI fund as well.

This paper makes an argument for establishing similar arrangements of managed migration; proposes a labour market test to evaluate when these arrangements are beneficial (DeVoretz 1998); and looks at some basic evidence that support the theory.

The Pros and Cons of International Labour Mobility

According to economic theory, the allocation of labour in a free market regime is such that an additional worker is hired as long as his/her marginal benefits to production are greater than his/her marginal cost. Theory also suggests that the same factor has a greater marginal impact on production, and is better rewarded, where that factor is scarce; which explains why “there is a tendency for capital to move from high- to low-wage [capital scarce] areas, and for labour to move from low- to high-wage [labour scarce] areas” (Riddell, pg. 406). This “self-allocation” of a factor to where it is most productive is the reason why liberal economists often endorse the free movement of people as a benefit to sending and receiving countries – and the world economy as a whole.

Furthermore, the case for international labour mobility should be considered in the context of the liberalization of trade and capital. Namely, it is necessary to take into account that if labour – as an integral part in production – is not allowed to move freely, capital – and by extension production – will instead move towards labour. Leading to the relocation of industries to where they are most viable and thus reducing production, exports, and potential employment in upstream and downstream domestic industries.³

Despite these arguments, countries continue to oppose – often justifiably so – pressures to institutionalise uncontrolled movements of people. The rationale being that open migration frameworks have significant costs, real or perceived, “related to sudden and massive migratory movements, erosion of cultural homogeneity and cohesiveness, loss of sovereignty, [and] threats to security. . . [which all place a] strain on existing social services and facilities” (Ghosh, pg. 4).

³ These trends are being observed in US agriculture where production of tomatoes, for example, continues to move to Mexico where labour is readily available.

The Seasonal Agricultural Worker Program and Managed Migration

The above discussion, although brief, points to the inadequacies of both the “liberalized movement” and the “restrictive” doctrines, and suggests that countries aim to find a middle way with pragmatic principles as a basis for viable, well-managed, and cost-effective migration programs. A general test for managed low-skilled migration programs, following DeVoretz, is proposed and the SAWP is presented as a model that responds particularly well to the stylized conditions of Canada’s agricultural sector (i.e. production which is intensive in land use, complementary low-skilled foreign labour, domestic skilled labour, and domestic capital).

Theory

DeVoretz defines a migration program as welfare enhancing if the income of the average Canadian increases following the entry of the foreign workers. In more practical terms, this implies that migration programs should be evaluated on whether the entry of the foreign workers generates a net economic benefit to Canada (e.g. increase in production, net employment, wages, etc.) by either filling a legitimate shortage of domestic workers, and/or by introducing complementary skills not readily available in the domestic labour market.

Benefits

Under the SAWP, the transmission of benefits to the domestic economy can roughly be described in a three-step process. First, agricultural production (and by extension exports) increase as a result of the additional labour employed. Second, farm productivity increases as foreign low-skilled workers and native high-skilled workers complement each other’s skill sets.⁴

At the farm level, these increases in production and productivity are associated with reductions in costs (at the margin) and allow producers to remain competitive. As an illustration, Figure 1 shows the hypothetical case of a farmer in a competitive goods market⁵

⁴ In essence, this implies that the same farm manager is able to produce more following the entry of the low-skilled foreign worker *ceteris paribus*.

⁵ In a competitive goods market, the individual producer has no impact on the goods world price or quantity, and in a sense, faces pre-determined levels of employment and wages.

where the entry of complementary foreign workers leads to a reduction in costs from MC and AC, to MC' and AC'.

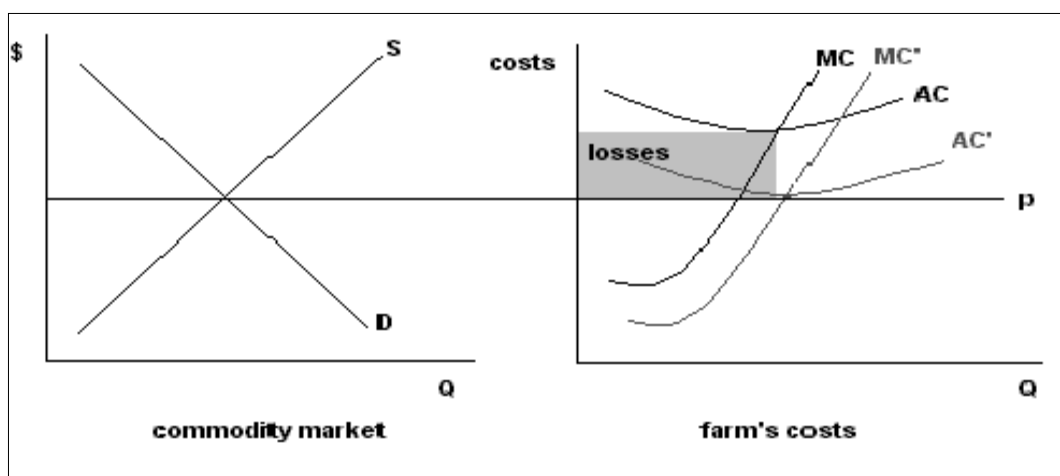


Figure 1 – Decreasing costs at the farm level allow producers to remain competitive

Finally, the increased farm production has a positive multiplier effect on upstream and downstream agri-related industries (e.g. trucking, food processing, fertilisers, etc.) which allows these industries to grow and increases employment for Canadians. The benefits of a migration program must then be weighed against costs, which result primarily from the displacement of domestic labour – noting that this is particularly sensitive in the case of low-skilled occupations.

Costs

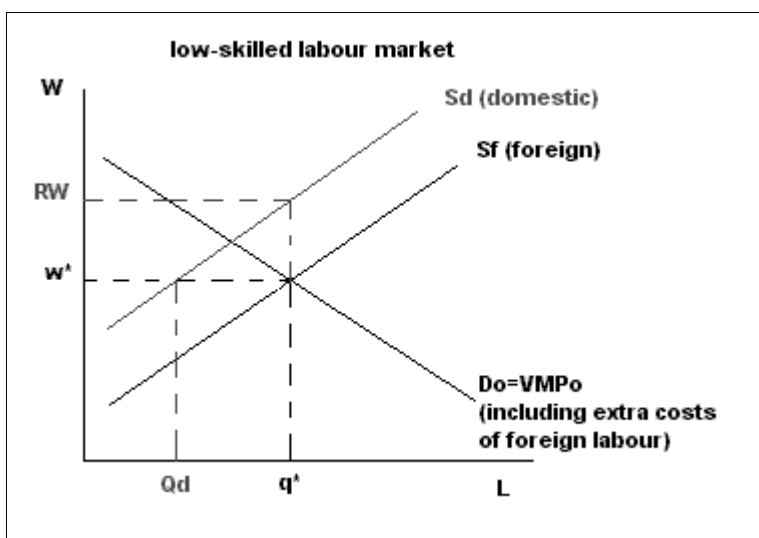
The argument that is made in this paper is that costs associated with the displacement of low-skilled domestic workers are small in the case of Canadian agriculture mainly because of:

- Real limits on farmers regarding wages that can be paid to low-skilled labour in an internationally competitive industry such as agriculture.

- Evidence of “self-selection” by Canadians out of low-skilled occupations in the agricultural labour market.

More specifically, it is assumed that in an open and competitive industry such as agriculture, wages are set to a large extent by commodity prices observed in international markets. In this case, shortages can then be interpreted in part as the farmers’ inability to attract sufficient domestic workers at “internationally competitive wages.” As an illustration, Figure 2, shows a case in which a farmer would optimally hire q^* workers, but is only able to attract Q_d domestic workers at the internationally competitive wage w^* . As shown here, the farmer would then have to offer RW (reservation wage) to attract the desired number of workers from the domestic low-skilled labour market.

Figure 2



What is argued here is that, as long as the reservation wage (threshold wage at which a person decides to enter the labour market) of domestic low-skilled workers is significantly above internationally competitive wages (which includes the extra costs associated with hiring the foreign worker), only minor displacement should result from the entry of the foreign workers.⁶ In addition, evidence will be discussed later that points to some degree of “self-selection” by Canadians out of low-skilled agricultural occupations further reducing the displacement effect.

As an aside, it should be noted that other costs associated with migration programs come from the foreign remittance effect, i.e., the sending of money back to the home country. However, DeVoretz points out that if a significant portion of the output of temporary workers is exported (a likely case in Canadian agriculture), temporary foreign workers may generate foreign exchange earnings in excess of their remittances, resulting in a net improvement of the balance of payment for Canada.

⁶ Again, assuming that farmers are “limited” by international commodity prices on how much they can pay employees.

Evidence

In order to evaluate whether the SAWP, or alternative temporary movement arrangements, are in the national interest, the following public policy concerns should be evaluated:

- The significance of the program to employers; its impact on agricultural production; and on the domestic economy
- The effect of the program on domestic and foreign labour force (including labour standards)
- The effects of the program on trade (including changes in the balance of payment)

Although most of the data to support the program is anecdotal, the SAWP, as a whole, appears to be successful in most of these areas. Farmers, in particular, maintain that without access to foreign labour, agricultural production in some sectors (e.g. horticulture) would decrease substantially making it impossible to remain in business. In addition, the influx of a large number of foreign workers brings direct benefits to the local economies in the form of increased consumption. In 1995, for example, the Foreign Agricultural Management Services (FARMS) Report shows that foreign workers injected \$33.6 M into the economy of rural Ontario alone.

As for the benefits to foreign labour, workers that arrive in May and leave in October earn between \$8,000 and \$10,000 a season – this is many times what they would earn in the sending country and goes a long way towards improving the well-being of the worker's family at home. As part of the agreement, foreign workers also receive accommodation and transportation to and from their country of origin; and contribute to, and become eligible for EI, health benefits, and Canadian pensions at retirement. The high percentage of return migrants and the increasing numbers of participating foreign workers (13,400 workers in 1998, and 14,500 in 1999) are an indication of the program's success in maintaining satisfactory wages and labour standards (at least compared to those available in the sending countries); and providing a dependable framework for the movement of low-skilled foreign workers.

With respect to the program's impact on domestic low-income labour, initiatives that encourage the hiring of Canadians (particularly students and EI recipients) in the agricultural industry have been implemented in the past as an alternative to bringing in workers from abroad. In general, these programs have not been successful as evidenced by high turnover and quit rates, which can result in losses for producers during key periods of the harvest season.⁷ Farmers and industry officials are quick to point out that this is not an indication of Canadians' inability to do the job, but may simply be the result of better employment opportunities and services available to low-skilled Canadians. Again, this suggests that the program does not significantly affect low-skilled Canadian workers, and may actually benefit them if the eventual growth in agricultural production manifests itself in the form of higher wages and employment in upstream and downstream agri-related industries.

Finally, the growth in production associated with the entry of foreign workers, also results in increases in the amount of agricultural products available for export. The foreign exchange revenues from exports can then be balanced against remittances sent home by foreign workers to determine the overall impact on Canada's balance of payments. Noting that even if there is a negative impact on the balance of payments, remittances are a necessary part of any mutually beneficial international labour mobility agreement and should not be restricted.

In short, as evaluated under these criteria, the Seasonal Agricultural Worker Program appears to bring about significant benefits to Canada and the sending countries, and provides a good example of an effectively managed low-skilled migration program.

Conclusion

It has been argued in this paper that there are legitimate concerns surrounding the arguments of both, the "liberalized" and "restrictive" migration schools. As an alternative, it is suggested that serious consideration be given to managed migration programs (even if they involve the facilitation of low-skilled temporary movements) as a practical arrangement to improve the

⁷ Farmers, for example, speak of cases in which 100 or so native-born workers were sent to them over a two-year period, with only one worker sticking it out for the whole summer.

movement of foreign labour, while maintaining some control over entry and the impact on the domestic labour market.⁸

In particular, it is shown that by responding to specific needs and conditions at both the supply and demand ends, managed migration programs, such as the SAWP, facilitate the efficient allocation of labour and skills; reduce the risks associated with illegal immigration; and enhance the confidence of the public, and users of the program, in government policies governing the mobility of people.

⁸ It must be noted that bilateral agreements of this sort are listed as “exceptions” by the WTO as they are, in a sense, selective. At the same time, it needs to be emphasised that bilateral agreements involve responsibilities on the part of the sending country to ensure the efficient implementation of the program.

Bibliography

- DeVoretz, D. J. 1995. *Diminishing returns: The economics of Canada's Recent Immigration Policy*. Toronto: C.D. Howe Institute, and Vancouver: The Laurier Institution.
- DeVoretz, D. J. 1998. Temporary Canadian migration: Quo vadis? Discussion Paper presented at the Third International Metropolis Conference, Zichron Ya'acov, Israel, November 30 – December 3.
- Ghosh, B. 1998. Managing migration: New international regime for orderly movements of people. Discussion Paper presented at IOM Headquarters Meeting, Geneva. September.
- Martin, P. 1988. *Harvest of confusion: Migrant workers*. Boulder: Westview Press.
- Martin, P., and D. Martin. 1994. *The endless quest: Helping America's farm workers*. Boulder: Westview Press.
- Riddell, C., and M. Gunderson. 1993. *Labour market economics: Theory, evidence, and policy in Canada*. 3rd ed. Toronto: McGraw Hill-Ryerson.