Renewed unrest in Solomon Islands and East Timor has prompted debate about the ways in which access to the Australian labour market might help bring social stability to small island states. Australia has jobs with no workers – particularly in the rural sector – while the Pacific Island nations and East Timor have workers with no jobs. Such neat symmetry is appealing and temporary labour schemes may indeed be one strand of a solution to the complex development challenges faced by Australia’s smaller neighbours.

However, the devil of any scheme will be in the detail, as Canada’s long experience with a seasonal agricultural workers program (CSAWP) makes clear.

The Canadian scheme began in rural Ontario, which has a long history of labour shortages. During World War II gaps in the agricultural labour market were filled with the conscripted labour of German prisoners of war, interned Japanese-Canadians and conscientious objectors. After 1945 Canada turned to Polish military veterans and refugees who were admitted to Canada on the condition that they work on farms for a period of one or two years. Concerted efforts were also made to mobilise domestic labour, from the unemployed to indigenous Canadians, and even patients from psychiatric hospitals.

Caribbean governments lobbied for access to the Canadian labour market from as early as 1947, much as Pacific Island governments are lobbying Canberra today.

Art Smith, the chief executive of the Ontario Fruit and Vegetable Growers Association, says a scheme finally got off the ground after his late father, himself a fruit grower, took a vacation in Jamaica.

“I remember as a kid him coming home and talking about all these people standing there with nothing to do,” he says. “We had all sorts of opportunities and not the people to fill the jobs; they had the people without the jobs. So it was a marriage made in heaven.”

Early days

In 1966 an initial group of 264 farm workers came from Jamaica to assist with the harvest in Southwest Ontario.

The scheme soon expanded from Jamaica to include other island nations in the Caribbean, and in 1974 Canada signed a seasonal labour agreement with Mexico. Now the number of migrants coming to Canada each year is nearly 20,000. Most workers still go to Ontario but the scheme is also growing in provinces such as British Columbia, Manitoba and Alberta.

Over time the foreign labour program has become a core feature of Canada’s rural economy. “If we did not have that program … there would be no horticulture industry in Canada,” Smith maintains.

In theory, before farmers can employ offshore labour they need approval from government employment centres to certify that no Canadian workers are available to fill the jobs. In practice this requirement is perfunctory. Employers must pay an administrative fee of $35 ($42) for each foreign worker and put up the cost of workers’ travel to and from Canada (though about 40 per cent of the fare can be recouped as deductions from workers’ wages).

Employers provide the migrant workers with free housing and must guarantee a minimum of 240 hours work over six weeks at or above prevailing minimum wage rates ($8 per hour for fruit picking in 2005). Employers must also take out workers’ compensation to cover industrial accidents.

Foreign workers enjoy the same tax-free threshold as Canadian residents ($15,000 a year for a married worker) and contribute to mandated insurance and pension schemes. They are covered by the universal health-care system (except in British Columbia), contribute to a pension fund and pay employment insurance. But they cannot claim unemployment benefits.

On average, seasonal agricultural workers come to Canada for four months, though some stay the maximum eight months allowable under the scheme. Hours are long – 11 to 12 hours a days for six days a week – are not uncommon - and there is no provision for overtime pay or penalty rates.

Benefits of the Canadian Scheme

Ottawa’s North South Institute has done a major study that shows CSAWP has benefits at a number of levels.

For Canadian growers and Canadian rural communities the program has increased labour reliability at times of peak demand, enabling growers to plan production increases with greater confidence.

Growers build up a skilled labour force, with the same workers returning each year, thus improving productivity and quality and reducing industrial accidents and crop spoilage.

Seasonal employment of foreign workers maintains and creates higher skilled jobs, through the expansion of associated rural industries such as transport services, construction and food processing.

Local spending by migrant workers also gives a boost to Canadian country towns and helps to sustain local businesses and services. Employer groups have estimated that 15,000 offshore seasonal workers coming to Ontario each year directly generate 84,000 jobs, and another 63,000 jobs indirectly, within the province.
For migrant workers, CSAWP provides an opportunity to earn wages far in excess of what is offered at home, without the smugglers’ fees or risky journeys required to enter North America illegally.

Workers return home each year and use their savings and remittances to improve housing, nutrition, clothing and health care for their families. The children of migrant labourers are likely to stay longer in school.

According to the North-South study, Jamaican workers spend up to 35 percent of remittances on children’s education, and there is a correlation between the number of years workers are employed in CSAWP and their children’s school leaving age.

The advantage for governments in Mexico and the Caribbean is that recruitment for CSAWP can be targeted at impoverished regions, the unemployed and the landless, thus ensuring greater equity and spreading the developmental benefits of the scheme to priority areas.

For the Canadian government, CSAWP provides legitimate labour to jobs that would probably otherwise be filled by illegal workers. According to one government official, the program has “more or less eradicated” the employment of undocumented workers in agriculture in Canada.

Overstaying

When such schemes are discussed for Pacific Island workers in Australia, a persistent concern expressed is that the workers will fail to go home when the harvest is over.

This has not proved a problem in Canada.

Of the 15,123 workers who entered Ontario under CSAWP in 2004, only 221 (or less than 1.5 percent) were listed as being absent from their jobs without leave, and all had left Canada by the end of the year. Initially the low overstay rate was engineered through recruitment criteria that were skewed to select those seasonal workers deemed most likely to return to their homeland – married male workers with dependent children. Recently, however, the scheme has also been opened up to women and single men.

Most analysts agree it is the circularity of the scheme (with workers anticipating a return to work in Canada the following year) that explains the low overstay rates: workers can maintain contact with their family without giving up their capacity to earn a Canadian wage. Tanya Basok, the author of a book on the scheme called Tortillas and Tomatoes, says circularity offers the workers a degree of security that reduces the incentive to disappear into the community.

Problems

Despite a reputation as a model of best practice, the Canadian scheme has many problems. The United Food and Commercial Workers (UFCW) union describes CSAWP as “Canada’s shameful little secret” and one researcher refers to it as “a revolving door of exploitation”.

Last October 32 Mexican blueberry harvesters walked off a farm in British Columbia. They had lived in unheated construction trailers and cooked on outside propane stoves for three months, with 44 pickers sharing a single washing machine and no clothes dryer. The workers had put up with these conditions while earning $C8.30 an hour picking blueberries; but when the summer ended the workers were moved on to picking mandarins at piece rates. They claim they were being paid just $C24 for a 10-hour day.

In Ontario, where most migrants are employed, agricultural workers are effectively prevented from organizing in trade unions and are not covered by effective workplace health and safety legislation.

A distinctive feature of the Canadian scheme is that it operates under an umbrella of bilateral (government to government) agreements, which provide a formal mechanism for workers to raise grievances through their diplomatic mission.

However, the consular liaison officers appointed to look out for the workers suffer from a conflict of interest: maintaining good relations with Canada and the smooth operation of the scheme versus taking up the fight on behalf of individual workers.

As one former contract worker from Mexico put it, a complaint to a consular official “enters in one ear and goes out the other”. Union organizer Stan Raper says it is simpler for consular officials to replace workers who raise concerns in the workplace than to address the root cause of their complaints.

A structural feature of the program is that workers are essentially bonded to a particular employer for the duration of their stay in Canada. Employers have the power to send migrant workers home before their contracts expire, on the basis of “non-compliance, refusal to work, or any other insufficient reason”.

Workers can be trapped in exploitative or abusive situations with very little power to refuse unreasonable demands such as working excessive hours or in unsafe conditions.

Nandita Sharma from York University says workers are “indentured” and forced to accept conditions that would be “unacceptable to those with the legal rights to be ‘free’ in Canada”.

Basok argues that it is this lack of rights, rather than a willingness to accept low wages, that makes migrant workers particularly attractive to employers: Canadians are not willing to be chained to the job whereas temporary migrants, removed from their social and familial context, do not have “family obligations, church commitments, friendship ties and personal needs that require them to take time off work”.

Another problematic aspect is the provision of accommodation. Mark Parent, the director of Occupational Health Clinics for Ontario Workers, describes workers living in a dark cement basement with no electric lighting, and running water supplied from an outdoor hose.

The trade union UFCW Canada says workers have been housed in accommoda-
A seasonal labour scheme to pick fruit or fill other jobs in rural Australia is not a panacea for Pacific Island nations or East Timor. On its own, such a scheme will not end unemployment, guarantee social stability or transform the economic development prospects of small island states. Nevertheless such a scheme does have the potential to make a material difference to the well-being of significant numbers of workers, their families and home communities — especially those living in rural areas and outer islands. It has the potential to significantly ease the seasonal labour shortages that hold back Australia’s horticultural industries and would be welcomed by neighbouring countries as a significant gesture of goodwill from Canberra. We can learn from Canada’s experience and at least give seasonal labour schemes a test run.

GLOBAL ECONOMIST
DAVID HALE

TD: The chairman of the US Federal Reserve has pledged to bring increased transparency to policymaking. How do you think this is coming along?
DH: Ben Bernanke has used his speeches and congressional testimony to explain monetary policy. There is confusion in the market because of contradictory data. The housing boom is over but core inflation has increased while bond yields have risen. Bernanke could be forced to raise rates to protect his credibility.

TD: In the 1970s oil crunch petrodollars were cycled through the US economy and lent out to developing nations, resulting in a debt crisis. Where are the petrodollars going this time?
DH: They are going to diverse places. Middle-Eastern countries now have stock markets so there is more investment at home. Much of the money will ultimately go into foreign investments, including both debt and equity. But because of the fiasco over the US ports with Dubai there will be fewer investments in the US. Middle-Eastern central banks will continue to hold large reserves in US dollars but some could increase their exposure to the euro.

TD: What is the outlook for China? Can the commodity boom last?
DH: The Chinese economy continues to enjoy strong momentum because of exports, capital investment and consumption. In the year ahead exports will slow as the US economy weakens, while Chinese government policy actions could slow capital spending. The government is bolstering consumption through tax cuts while the newly privatised banks want to bolster consumer lending.

TD: What effect do you think this will have on US-China relations?
DH: China is going to defuse trade tensions by allowing a gradual appreciation of the yuan. It has gone from 8.28 to 8 yuan to the US dollar; in a year it could be 7.2. Such gradual appreciation will not resolve all US complaints but will help to buy time for China to shift from export-led growth to greater reliance on domestic consumption.

TD: Do you see any unstitching of the current happy symbiosis – the US buys China’s exports, China buys US Treasury bonds?
DH: The Chinese will continue to intervene in the currency market to manage their exchange rate. Their forex reserves could reach $US1 trillion by year-end. They will invest primarily in US securities but if the dollar is firm could diversify some reserves in the euro and yen.

TD: Why does Indonesia have such a problem attracting foreign direct investment? Have you seen any improvements since Susilo Bambang Yudhoyono came to power?
DH: Indonesia has suffered from an image problem. Foreign investors are concerned about corruption, political stability and overall weakness of the rule of law. The new government is moving to address those concerns as well as resolve disputes with major oil companies over exploration leases, so foreign direct investment should improve in the future.

TD: What do you think are the three most important issues for the global economy in 2006?
DH: The most important issues are as follows. Will the end of US housing inflation significantly weaken domestic consumer spending? Will the recovery apparent in Japan, the world’s second-largest economy, become self-sustaining by means of more robust jobs growth and domestic retail spending? Will the large US current account deficit produce significant dollar depreciation with disruptive effects on other countries?

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