SELLING VISAS TO THE HIGHEST BIDDERS?*

"We can make our immigration policy more equitable…if we accept a market solution. To wit: sell immigration visas to the highest bidders." **(Simon 1999: 322)**

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Temporary migration levels have recently risen in Canada and have led to a sharp debate over a shift from admitting predominately permanent immigrants to accepting a near equal number of temporary admissions. In fact, Wayne Peppard, President of the B.C. Building Trades Council, has stated, "We're not against skilled workers coming to start a new life, but if temporary foreign workers become the norm, rather than investing in training here, then that can cause problems. They are no solution in the long run." (Atkinson 2006)

Canada has many temporary entry gateways, including the popular NAFTA TN visa, a seasonal agricultural worker program, a foreign caregiver visa and a program that allows foreign students and their spouses to work while in Canada. Finally, Canada's membership in various trade agreements (NAFTA, General Agreement on Trade and Services) has given rise to growing demands by some member countries to expand immigration visa provisions and permit temporary admission into Canada. In sum, the current state of temporary migration legislation in Canada is complex in terms of tenure, eligibility and, most importantly, labour market standards, which must be satisfied before admission (Sas and DeVoretz 2008). At one extreme, the temporary admission of foreign agricultural workers to Canada is permitted only after strict labour market wage and working conditions are met (see Pascoe and Davis 2000). At the other extreme, Canada issues TN visas without any labour market tests or caps on total numbers. What is missing from this temporary migrant entry policy is a coherent labour market analysis of the effect of these current temporary migration programs on resident Canadian workers. The focus of this article is to provide an alternative policy for admitting temporary foreign workers to Canada.

Impact of immigrants on the labour market

I have argued elsewhere (DeVoretz 1999a, 1999b) that the goal of maximizing economic gain for resident Canadians without reducing the welfare of the bottom fifth of Canadian society is one possible evaluation framework for a migration program. If we accept this objective, it is still necessary to provide analytical principles to ensure that temporary migration to Canada will realize an optimal outcome.

The positive or negative impacts of immigrants on the labour market and on the treasury are often cited in the literature as welfare assessment criteria designed to ensure a positive outcome (DeVoretz 2006). However, the direction of these labour market and financial effects are unknown *a priori*. In fact, the exact public financial outcome – gain or drain – depends on the temporary workers' stage in the life cycle, as well as on the eligibility requirements of social programs (DeVoretz and Pivnenko 2004). Moreover, depending on whether temporary immigrants are complementary or substitute inputs, they may create jobs or take them from Canadian workers.

Given the uncertainty of the outcome derived from the arrival of temporary migrants in the labour market and on the treasury, the Canadian government invokes the criterion that a net economic benefit must appear to justify temporary migration. The net economic benefit criterion in this context implies that each temporary migration program must provide, on balance, a positive benefit to all resident Canadians. Thus, given that in many cases Canadian workers experience a loss and employers experience a gain, it is clear that we require a methodology allowing us to assess workers' losses in order to calculate net benefits before we can invoke the net economic benefit criterion.

In addition, many countries historically started with modest temporary admission programs where worker "shortages" in the policy-makers' minds resulted in their version of the net economic benefit criterion being met. However, all these programs were later abandoned after they had grown in size and their labour market implications became evident. Canada's current Temporary Worker Programs forskilled and unskilled labour aresmall and well-served from a management viewpoint (Greenhill and Aceytuno 2000, Pascoe and Davis 2000). However, efficient management alone should not be the sole objective of these programs. Several broader economic goals must also be met, including the protection of Canadian resident workers. Most recent Canadian temporary migration legislation contains some provisions designed to protect resident Canadian workers, since a labour market test is required for

all but NAFTA-based TN visa issuance. How much protection is required? Should temporary migration to Canada be halted if wages or unemployment rates fall or rise by 5% or 10%, or some other preordained number? Moreover, how do the potentially affected Canadian resident workers express their agreement to any set of preordained unemployment or wage guidelines on an individual basis? In sum, these questions must be answered before we can provide a clear calculation of the net economic benefit derived from any temporary worker program.

An auction model for temporary worker admissions

Current Canadian Memoranda of Understanding (MOU) with temporary migrant-sending countries reflect the myopic managerial model that has served Canada well in the past, with its limited non-permanent foreign-worker programs. These MOU reflect the apparent policy imperative of setting standards and conditions in the relevant labour markets to satisfy the net economic benefit criterion. For example, minimum wages, housing standards, food provisions and maximum deductions for employer-provided benefits are all incorporated in the MOU. These conditions in turn are presumed to be operational equivalents to isolating Canadian residents from wage or (un)employment effects, and mitigating any impact on the publicly-financed health and social benefit systems.

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The market offers an alternative to the current Canadian management model for temporary migration. An auction market should be legally created to ascertain the value of Canadian jobs offered to foreigners. In turn, equilibrium in the auction market would allow us to determine the optimal number of temporary migration visas allocated. Under the current temporary admission system, three of the four agents in the temporary worker market (i.e., the Canadian employer, a broker and the foreign worker) clearly gain. However, if a foreign worker were to replace a Canadian worker, a loss would be incurred in terms of lower wages or unemployment.

Under the proposed Canadian auction scheme, all previously-employed or currently unemployed skilled and unskilled Canadian workers are issued a voucher by Revenue Canada as part of their tax statement. This voucher entitles workers to auction off the job(s) that they held in the preceding year to an approved list of foreign workers. The implicit trade-off facing Canadian workers is the yearly value of their current job, or leisure, plus benefits and job security, compared to the gain from a prospective new job, plus the voucher auction price; thus, Canadian workers can offer their voucher on an Internet site to see if their "reservation auction price" is met. The voucher sold entitles the foreign worker to apply for the Canadian job but does not guarantee hiring; the voucher only allows prospective temporary migrants the right to apply for a temporary position in Canada, for which the employer has the ultimate right of hire.

The actual conditions of the auction, legal statements, any bonding or vetting are under the control of Revenue Canada or Citizenship and Immigration Canada. A small processing fee is charged to workers who place an offer. Any potential broker or foreign worker also pays a fee to Revenue Canada to use the service. These fees are adjusted to ensure that the auction board is cost-free to Canadian taxpayers, so that enforcement costs are absorbed by auction-market participants.[1] Furthermore, full information on terms and conditions of successful auctions would be supplied daily on the auction board. This information would consist of the terms of successful auction transactions – i.e., the number of hours sold, where, when, in what industry and at what price. Thus, Canadian workers can re-offer the voucher obtained from Revenue Canada daily if there has been no previous taker. They can also remove the offer from the Website and continue to work if the voucher price offered for their job falls below their reservation price. Given that the voucher is only valid for a maximum of 365 days annually, the value of the voucher will fluctuate over a calendar year if the offered job is seasonal and as the number of calendar days declines.

The possible rise or fall in the voucher price might give rise to a futures market in vouchers. For example, with a futures market, brokers might buy vouchers from Canadian workers early in the calendar year, and assume all the downside risk as they search the world for temporary foreign workers whom employers would hire at a wage below the auction price. If unsuccessful, the brokers would pay more to the Canadian jobholders for a one-year job than they would obtain on the auction market. Finally, in both the spot and futures market, the optimal solution on the Web-based auction market would arise daily as both forward and spot contracts would appear under various job matches.

Conclusion

The auction market suggested in this article simultaneously provides a daily temporary wage rate offer for a specific job by prospective temporary foreign workers and provides the yearly number of temporary visas offered (from 0% to 100%) for all jobs previously held by Canadians. It also determines the location (i.e., in Canada or offshore) of the unskilled-intensive, Canadian-owned firm that depends on temporary foreign workers.[2] All these transactions arise without the necessity of a government official trying to calculate an ephemeral net economic benefit value for a particular number of temporary workers entering a particular occupation.

Moreover, in a world of free exchange, all agents gain, as Simon (1998) predicted. Employers reap a surplus by paying a lower wage, foreigners earn a higher wage than their opportunity cost, and Canadian workers receive partially-compensated leisure time in addition to any employment benefits they accrue. The imperative of welfare improvement, therefore, is met.

Many administrative issues – types of visas, conversion rights, and employment authorizations – not discussed here are analyzed in DeVoretz (2008). In addition, as Simon notes, some ethical questions surrounding an auction system that potentially rewards the rich should be resolved. This article clearly shows that the auction model does not generate such thorny issues since Canadian workers are the ones who gain in the process.

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Notes

* This paper is an adaptation of DeVoretz (2008).

[1] The fee is set to provide an actuarially sound insurance fund to compensate for any malfeasance arising from fraud on the auction board, and to ensure validation of both job offers and the *bona fides* of the foreign bidder.

[2] If a firm cannot hire temporary workers and no Canadian resident will work for the firm, the firm will relocate. This could easily happen with elder care nursing homes relocating in Mexico, for example.

Immigration and Diversity in Francophone Minority Communities

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