A Market for Work Permits

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RÉSUMÉ

It will be politically difficult to liberalize international migration without some form of protection for host-country workers. The paper explores the scope for efficiently managing migration and refugees using a competitive market for work permits. Host-country workers would be granted the legal option of renting out their implicit citizenship work permits for a period of their choice, while foreigners purchase time-bound work permits. The market is anonymous, with no need for personalized matchings of buyers with sellers. Aggregate labor supply need not change in the host country. However, total output would rise, and workers would see enhanced social protection. Simulations for the US and Mexico suggest that the new market would attract many skilled migrants, boosting GDP and reducing poverty in the US.