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[David Green: Allowing foreign workers promotes low-pay jobs](#)

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The recent controversy over temporary foreign workers highlights that companies can be profitable with very different approaches to wages and worker turnover. On one side of the spectrum are companies such as Lee Valley Tools, which treats its employees well in terms of wages, benefits and training and has famously low turnover rates. On the other are firms that pay relatively low wages on jobs with little to recommend them in terms of benefits, the environment in the workplace, or chances for advancement.

This dichotomy is present even in the fast-food industry, which we are used to thinking of as low-wage and high turnover. In the U.S., In-N-Out Burger runs on a model with higher wages, benefits and chances to move into management — a model that has been called “professionalizing fast food.” The result is lower worker turnover than other fast-food firms. The chain competes successfully with the bigger fast-food chains in California and other western states.

How can both types of firms coexist in the same market? The answer is that they both make profits but in different ways. The higher wage and benefits model means the firm makes less profit on any given day a worker is on the job, but that’s made up for by lower employee turnover.

Essentially, the firm doesn’t have to spend as much constantly looking for and training new workers. The workers who stick with the firm also become more productive and allow the firm to operate more efficiently.

In contrast, at the low wage/no benefits firm, the company earns more profits from each hour a worker is on the job but this is offset by costs associated with having workers who aren’t as committed and by higher turnover. The firms pay wages and set up conditions in the workplace assuming there will be a lot of turnover and this becomes a self-fulfilling prophecy.

That both types of firms compete side-by-side implies that both routes to earning profits can work. The firms and their shareholders may be indifferent about which type of labour relations to implement. But that does not mean society is indifferent. The good jobs/low turnover model is clearly preferable for a well-functioning society that supports worker well-being. The question we should ask is what policies could induce firms to adopt that model.

Which brings us back to TFWs. What this policy does is allow firms to operate low wage and no/low benefit workplaces without worrying about turnover costs. Because the TFWs will be forced to leave Canada if they quit the firm that brought them in, firms can be sure they will not face high turnover problems. This is revealed in comments from fast-food firm owners in the last few weeks. They argue that Canadian workers don't work hard enough and are unreliable (that is, are prone to leaving in the face of poor wages and working conditions). The TFWs, on the other hand, are touted as committed and hard working. But this is exactly what you'd expect if a firm operates by offering bad jobs: the workers who can quit (the Canadian residents) do so, while those who cannot appear all the better in comparison.

When a firm claims it cannot find local workers and makes an application to import TFWs, it is really saying it cannot find compliant local workers who are willing to accept low wages.

The important point from a policy perspective is that the TFW policy lets low-wage firms have their cake and eat it too. The higher wage and benefits approach can't compete with the low wage/low benefits approach when the latter doesn't include the offsetting cost of higher turnover.

Thus, the policy provides a clear incentive for more firms to adopt a bad jobs model.

Determining the right TFW policy is a difficult balancing act. There is likely a case for bringing in specialized, higher-paid workers who are needed only for a short time. The case for bringing in low-skilled TFWs is much harder to make, apart from quite legitimate considerations about Canada's role in helping people from much poorer countries achieve their aspirations. But regardless of the specific skill set of the workers, we can only avoid incentivizing a bad-jobs approach to the workplace if workers have the right to quit or voice their concerns about their workplace.

The TFW program as it is currently constructed certainly fails to meet that standard.

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