

Do guest worker programs give firms too much power?

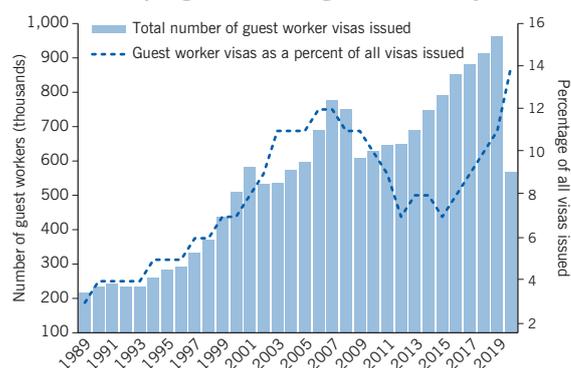
Guest worker programs requiring employer sponsorship can expand global opportunity—and grant employers market power

Keywords: guest workers, migration, firms, monopsony, mobility

ELEVATOR PITCH

Guest worker programs allow migrants to work abroad legally, and offer benefits to workers, firms, and nations. Guest workers are typically authorized to work only in specific labor markets, and are sponsored by, and must work for, a specific firm, making it difficult for guest workers to switch employers. Critics argue that the programs harm host country citizens and permanent residents (“existing workers”), and allow employers to exploit and abuse vulnerable foreign-born workers. Labor market institutions, competitive pressures, and firm strategy contribute to the effects of migration that occur through guest worker programs.

Guest worker programs have grown steadily in the US



Source: Author's compilation based on Non-Immigrant Visa Statistics. Online at: <https://travel.state.gov/content/travel/en/legal/visa-law0/visa-statistics/nonimmigrant-visa-statistics.html>

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World of Labor

KEY FINDINGS

Pros

- + Guest worker programs give migrants legal opportunities to earn higher wages abroad.
- + Firms have advantages in recruiting better workers, and adapting quickly to changing environments.
- + Nations can fill worker shortages in specific occupations and sectors, attract highly-skilled workers, and benefit from a global workforce.
- + Destination country taxpayers bear few direct costs.
- + Guest worker programs regularize migration and offer higher labor standards compared to unregulated migration.

Cons

- Guest workers are unable to quit their employer easily without risking their legal status in the destination country, granting firms some power over them.
- Firm market power over guest workers can harm citizens or permanent residents (“existing workers”).
- Firm market power can lead to exploitation and abuse of guest workers.
- Firm strategy may not align with national policy aims.
- Some firms may take advantage of workers in sending countries via fees, deception, and fraud in recruitment.

AUTHOR'S MAIN MESSAGE

Guest worker programs increase opportunities for people to work globally, benefitting migrant workers and the firms and countries that receive them. Concerns about these programs are often related to the potential for firms to hold power over workers. Such power allows firms to earn higher profits by paying guest workers lower wages, and depresses the employment and wages of host nation citizens and permanent residents. The potential negative effects of guest worker programs can be countered by weakening the attachment between guest workers and their sponsors, and by setting and enforcing high wage and labor standards.