Do MNCs Exploit Foreign Workers?

Emma Aisbett, Ann Elizabeth Harrison, David Levine, Jason Scorse, Jed Silver

Multinational Corporations in a Changing Global Economy
Authors' Conference #2
Brookings, December 2019

Source: humanitynews.net
“To exploit someone is to take unfair advantage of them. It is to use another person’s vulnerability for one’s own benefit.”

-- Stanford Encyclopedia of Philosophy
Exploitation in our setting is more than: “Do MNCs pay more than domestic firms?”

1. **Exploitation compared to the market**
   - Would workers be better off had they not been employed by an MNC?
   - Systemic: Would home-country workers be better off had MNCs not engaged in offshoring? (see next talk)

2. **“Unfairly low share of surplus” definition of exploitation**
   - Do profitable firms share profits with their (often poor) employees?
   - Concern if MNCs make billions while workers remain poor

3. **Rights-based definition of exploitation**
   - Do MNCs violate workers’ human rights?
MNCs pay higher than average wages in foreign labor markets, because they:

- Hire workers with more skills and experience
- Operate in higher-wage sectors & with high-wage characteristics such as large size
- Some may pay above-market wages
  - to increase effort and reduce turnover
  - To share product market rents
Unclear whether MNCs help at the economy-wide level

• MNCs may
  • Expand higher-wage sectors in developing countries
  • But sometimes send only low-skill work to poor nations

• No high-quality evidence in poor nations
  • Lindsay Oldenski will discuss evidence regarding home nations
2. Do MNCs benefit unfairly from workers’ vulnerability?

- Public debate focuses on whether MNCs pay unfairly low wages (given many MNCs’ high ability to pay).
  - Psychology & econ literature show most people have concerns about the fair sharing of surplus.
Evidence is slim

• Evidence MNCs in high-income countries share rents with workers
  • but we found no studies for lower-income countries
3. MNCs and human rights

ILO member states committed to Declaration on Fundamental Principles and Rights at Work

- the elimination of forced or compulsory labor
- freedom of association and the right to collective bargaining
- the abolition of child labor
- the elimination of discrimination
Evidence on violations of rights at work

• Measurement is often difficult
• Auditing by NGOs and by MNCs shows widespread violations by MNC plants and (especially) at suppliers
  • Exploitation by this human rights definition
• BUT: MNCs treat workers at least as well as domestic firms
• MNCs exploit workers by some but not all definitions
  • Important to continue holding MNCs to internal and external standards

• A deeper goal is improving the welfare of vulnerable workers

• Pressuring MNCs is not sufficient
  • Need changes in domestic firms, governments and institutions such as unions and schools