

The background image is a high-angle, wide shot of a large industrial garment factory. Numerous workers, mostly women, are seated at long rows of sewing machines across multiple levels of the factory floor. The space is filled with fabric, sewing equipment, and the workers are focused on their tasks. The factory has a high ceiling with visible structural beams and lighting fixtures.

Do MNCs Exploit Foreign Workers?

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What is exploitation?

*“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?

1. Exploitation compared to the market

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

1b. MNCs effect on market wages

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

Source: ILO.org

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

Beyond exploitation

- 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