

Monopsony in the High-Skilled Migrant Labor Market - Evidence from H-1B Petition Data*

Seohee Kim[†] Alison Pei[‡]

October 13, 2023

Abstract

This paper assesses the extent of monopsony power in the labor market for highly skilled immigrants, focusing on employment concentration and its impact on wages. We obtained the universe of H-1B visa petitions, the largest high-skilled immigration program in the U.S., through a FOIA request. We first discover that the H-1B labor market is 30% more concentrated than the broader U.S. labor market, with a steadily increasing trend over the past decade. We then examine the causal impact of high employment concentration on H-1B workers' wages by leveraging the lottery system for over-the-cap H-1B applications. The random lottery win rates in each market alter employment concentration, as different-sized firms vary in demand for first-time H-1B applicants, the only group subject to the lottery. Our results indicate that transitioning from the 25th to the 75th percentile of employment concentration results in a 12.2% wage decline, equivalent to a \$10.5k salary loss for the median H-1B worker. The wage effects of concentration are primarily borne by first-time H-1B applicants, whose visa status is tied to a single employer. As a suggestive mechanism to these wage effects, we also find evidence that higher concentration leads to less job mobility between H-1B employers. These findings collectively suggest that H-1B policy reform should consider lifting the employer tie for first-time applicants.

*We thank Matthew Johnson, Daniel Yi Xu, Kate Bundorf, Allan Collard-Wexler, Peter Norlander, Satyajit Chatterji, Sydnee Caldwell, Chad Sparber, Kate Bahn, Dheeraj Chaudhary, Prithwiraj Choudhury, Bo Cowgill, Dany Bahar, Britta Glennon, Arnaud Maurel, Nicolas Morales, David Card, Alan Manning and conference attendants in MEA 2022, WEAI 2022, EGSC at WashU, 2022 Wharton Migration and Organization 2022, SOLE 2023, Monopsony Conference at IAB Nuremberg 2023 for the helpful discussions.

[†]Ph.D. Candidate at Duke University, Department of Economics: seohee.kim@duke.edu

[‡]Ph.D. Candidate at Duke University, Sanford School of Public Policy & Department of Economics: xinyue.pei@duke.edu