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

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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.

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