

Offshoring and labour demand

Some thoughts

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Own recent research

- International outsourcing / offshoring of services is beneficial for firms...
 - increases productivity (Görg, Hanley, Strobl, CJE 2008)
 - higher innovation / R&D activity (Görg, Hanley, CEPR DP 2009)
 - results based on firm level data for Ireland, but similar results on productivity for Britain, Sweden, Japan by other researchers.
- ... but what happens to workers?

Own recent research

- At industry level, outsourcing (of materials) increases relative demand for skilled workers (Hijzen, Görg, Hine, EJ 2005; evidence for other countries)
- At worker level, outsourcing of materials in an industry affects individuals
 - increases wages for high and reduces wages for low skilled workers, but effect is small (Geishecker and Görg, CJE 2008 for Germany; GG WP 2009 for GB; similar evidence for Denmark)
 - also increases risk of leaving employment for all skill categories (Geishecker, Labour Economics, 2009 for Germany; evidence for DK shows only low skilled affected)

Own recent research

- Services outsourcing affects workers in similar ways (GG WP 2009 for GB), but magnitudes are larger than for materials outsourcing
- Tasks matter (Baumgarten, Geishecker, Görg 2009)
 - Low skilled workers with high degree of interactive tasks or non-routine tasks benefit from services or materials outsourcing (others do not)
 - High skilled workers always gain from services outsourcing (no effect of materials) but gain more the lower is interactivity or non-routine index

What remains to be done?

- What is the comparable evidence for other countries?
 - Availability of micro data sets for many OECD countries
 - Outsourcing measures are calculated from trade statistics and/or input output tables (available for OECD countries)
 - Incentives for doing „replication studies“...

What remains to be done?

- Using micro data is important to account for heterogeneity...
- ... but it is also important to get the „macro picture“ of aggregate effects, also for comparisons
 - move from micro to macro results
 - use internationally comparable micro data sets
 - generate comparable „meta data“ at industry level (e.g., on employment, wages, worker characteristics by industry)
 - use these in a common empirical model

What remains to be done?

- Observed vs. potential outsourcing
 - potential outsourcing may be important for bargaining over employment and wages, even before it is realised
 - measurement of potential outsourcing difficult
 - Based on historic values
 - Broad approach using tasks (Blinder, OECD, Laaser and Schrader...)
 - Needs to take into account inshoring as opposing force (intra-industry trade in services)
 - think about how this affects bargaining processes at the firm and industry level

What remains to be done

- Think more about relevance of tasks
 - big issue theoretically (but is this really new?)
 - what is the relationship between tasks and skills, and tasks and industries/products?
 - how do wage and employment effects differ by tasks?
 - what is the optimal range of tasks?
 - availability of detailed data on tasks that are internationally comparable and vary over time

What remains to be done

- How / where does the adjustment to outsourcing take place?
 - Some industries contract, others expand
 - Some activities / firms in industries adjust
 - Firms adjust activities
 - What happens to workers in firms?
 - Use linked employer-employee datasets (LEED)
 - Practical difficulties / legal impediments for some countries to construct such data by linking different sources

Overall

- From a policy perspective, need to have internationally comparable conclusions
- Bringing together researchers to exploit micro data in a consistent way should be fruitful