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