Comments on “Offshoring of tasks and flexible employment: Relationships at the firm level” by E. Tomiura, B. Ito, and R. Wakasugi

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Aims of research

• The effect of increasing global competition on labor demand
  – Previous papers examined the effect of import
  – This paper focuses on offshore sourcing

• Disaggregation of offshored tasks
  – Production, R&D, info services, et al.

• Disaggregation of labor
  – Regular full-time workers and others
Some features of data and analysis

• Japanese firm data from authors’ original survey, combined with other official statistics
• Two periods: 2000/01 and 2005/06
• Six kinds of offshore and domestic sourcing
• Explanatory variable: $L^R / L$ (regular full-time workers / total workers)
• Consider the effect of policy change in 2004 (authorizing dispatched workers in production)
Main results concerning offshoring

• Offshoring firms decrease their $L^R / L$ by around 2% points.
  – The number of Japanese firms conducting offshoring increased by 5% points from 2000 to 05.
    -> It decreased Japanese $L^R / L$ by about 0.1% point.

• Firms who conduct professional services offshoring decrease their $L^R / L$ by around 5% points.
  – Less than 1% of Japanese firms conduct this offshoring.
What makes $L^R / L$ decrease?

- Japanese $L^R / L$ decreased by -4.979% points from 2000 to 2005
- Main factor: year dummy “After” (-4.376)
  - Effect of labor market deregulation?
  - Change of production technology?
  - Change of workers’ preferences?
- Offshoring has little effect on Japanese $L^R / L$, but has a stable effect on each offshoring firm.
  - Offshoring potentially changes Japanese $L^R / L$
Some questions

- Extension to translog functions
  - Factor share: $w^{RL}_R$ or $w^{NRL}_{NR}$ over value-added
  - Wage data: “Basic Survey on Wage Structure”

- Firm size: sales or value-added?
  Sales = $F$ (Labor, Capital, Intermediate Inputs)
  Value-Added = $F$ (Labor, Capital)

- Application to other researches
  - Firm-level outsourcing data is original and unique