

# Author's Accepted Manuscript

Offshoring, Wages, and Employment: Theory  
and Evidence

Guru Sethupathy



[www.elsevier.com/locate/eer](http://www.elsevier.com/locate/eer)

PII: S0014-2921(13)00053-6  
DOI: <http://dx.doi.org/10.1016/j.eurocorev.2013.04.004>  
Reference: EER2469

To appear in: *European Economic Review*

Received date: 7 June 2011  
Accepted date: 9 April 2013

Cite this article as: Guru Sethupathy, Offshoring, Wages, and Employment: Theory and Evidence, *European Economic Review*, <http://dx.doi.org/10.1016/j.eurocorev.2013.04.004>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting galley proof before it is published in its final citable form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

# Offshoring, Wages, and Employment: Theory and Evidence\*

Guru Sethupathy

First Draft: September 2008  
European Economic Review, April 2013

## Abstract

This paper investigates the wage and employment effects of offshoring. I use firm-level data and two events in Mexico as a natural experiment to identify the effects of a fall in the marginal cost of offshoring to Mexico. I find that domestic wages actually rise at U.S. firms likely to take advantage of this new offshoring opportunity. At the same time, domestic wages fall at U.S. firms unlikely to take advantage of this opportunity. Furthermore, I find no evidence of greater domestic job loss at the former compared to the latter firms. These findings are consistent with productivity effects from offshoring. To explain the mechanism, I develop a theoretical framework that combines heterogeneous firms with imperfect labor markets and rent-sharing. Firms likely to take advantage of new offshoring opportunities increase their productivity and profitability at the expense of their competitors. Through rent-sharing, this channel leads to higher domestic wages at the former firms relative to the latter. Further, there is no empirical evidence of greater domestic job loss at the firms likely to expand their offshoring compared to their competitors that are unlikely to increase their offshoring.

---

\*Special thanks to Donald Davis and Eric Verhoogen for their guidance. Next, I would like to thank Kyle Bagwell, Amit Khandelwal, Yoichi Sugita, Kensuke Teshima, and the Columbia University Trade Colloquium for their comments and suggestions. Also, I had helpful discussions with John Stevens, participants in the DC Board of Governors IF Group Seminar, Oleg Itskhoki, Pravin Krishna, and participants at the Venice Summer Institute, Workshop on Heterogeneous Firms and International Trade. Additionally, I am grateful for the NSF funded, IGERT-IDG scholarship from Joseph Stiglitz. Finally, I would like to thank William Zeile and Raymond Mataloni at the Bureau of Economic Analysis for providing me assistance with the data. The statistical analysis of firm-level data on U.S. multinational companies reported in this study was conducted at the Bureau of Economic Analysis, U.S. Department of Commerce under arrangements that maintain legal confidentiality requirements. Views expressed are mine and do not reflect official positions of the U.S. Department of Commerce.

متن کامل مقاله

دریافت فوری ←

**ISI**Articles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات