Offshoring and Productivity: Evidence from Japanese Firm-level Data

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Abstract

It is noteworthy that multinational firms are beginning to offshore a wide range of operations. Theoretical studies have showed that offshoring contributes to a higher productivity. This paper aims to provide evidence of the effect of offshoring on productivity, on the basis of original 2006 survey data of offshore sourcing of Japanese firms. Our estimation shows that the offshoring of tasks for production of interm ediates goods and final assembly, as well as the offshoring of tasks for R&D and information services, positively affects productivity growth, while the outsourcing of other service tasks has no significant impact on productivity. It also shows that firms outsourcing to the United States or Europe have realized high production efficiency, followed by firms outsourcing to Asia, in comparison with non-offshoring firms.

Keywords: Offshoring, outsourcing, productivity

JEL codes: D24, F14, L14

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