



Jobs and Offshoring: What are we *really* discussing?

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Offshoring discussion and jobs: A useful starting point

- Mari Sako (2005) offers a useful starting point for discussion.
- “Offshoring happens when [organizations] decide to import *intermediate* goods or services from overseas that they had previously obtained domestically. It is therefore about sourcing decisions which involve:
 - Imports,
 - Displacement of domestic production and associated jobs; and sometimes,
 - FDI outflows...”

Offshoring discussion and jobs: What are we really discussing?

- Discussion of offshoring and jobs is about some new and emerging issues (particularly service offshoring).
- However, underlying themes of debate are quite old—in particular, concerns about employment displacement.

Offshoring and jobs raise traditional questions on efficiency and equity and development

	Developed	Developing
Efficiency	Positive: Usual comparative advantage story Negative: Technologic leapfrogging?	Positive: Creation of new sectors and job opportunities
Equity	Negative: Adverse employment / earnings impacts on concentrated groups	Negative: Potential impact on income distribution

The debate on offshoring is often conducted around unresolved theoretical issues around some dimensions...

	Developed	Developing
Efficiency	Positive: Usual comparative advantage story Negative: Technologic leapfrogging?	
Equity		Negative: Potential impact on income distribution

Yet the underlying policy concerns are driven by immediate and apparent effects perceived by policy-makers and the public

	Developed	Developing
Efficiency		Positive: Creation of new sectors and job opportunities
Equity	Negative: Adverse employment / earnings impacts on concentrated groups	

This principle is well illustrated by policy debates in a favorite sector...

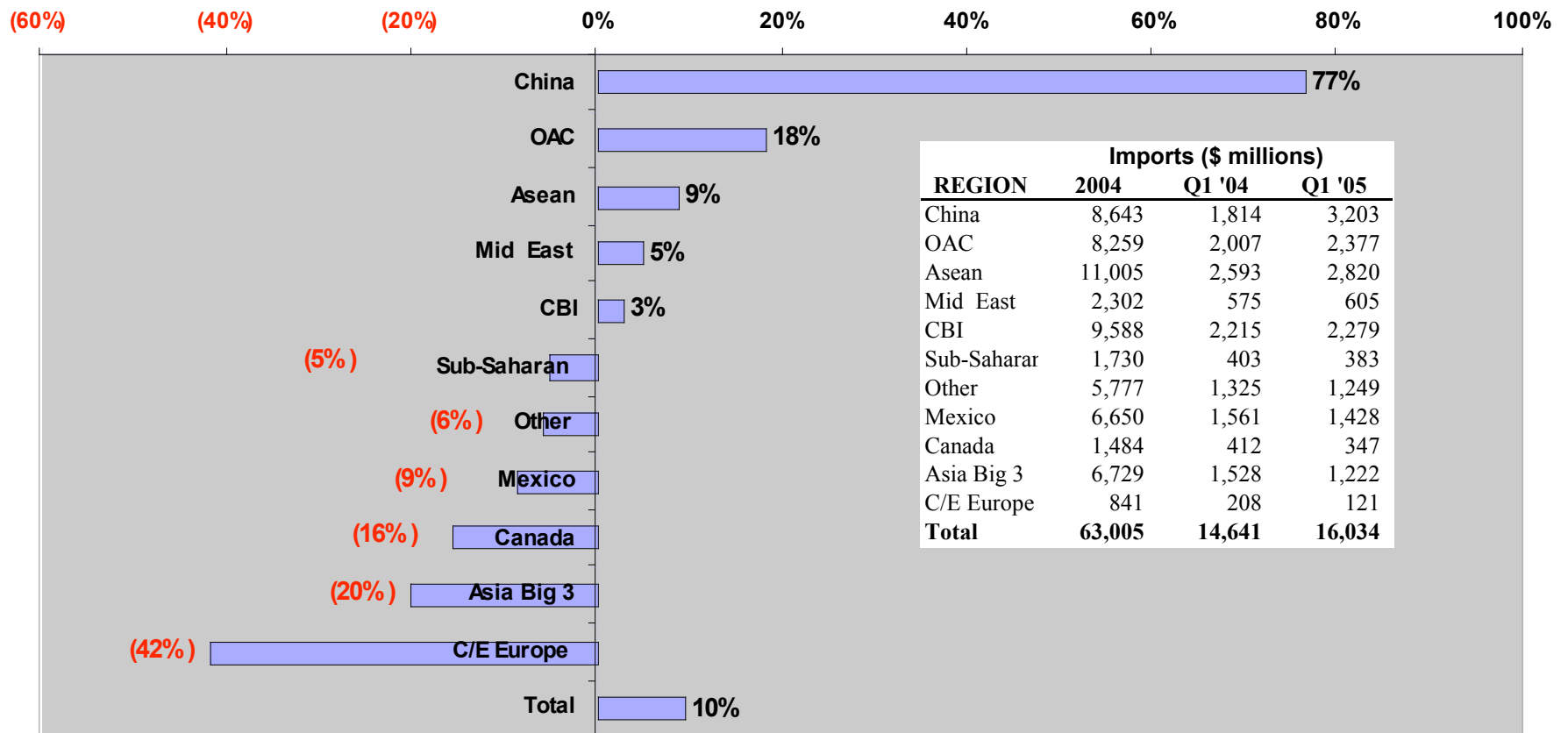
- Apparel industry and the end of quotas.
- Enormous concern over the impact of China on the global supply of apparel beginning in 1/1/05.

China is expected to become the “supplier of choice” for most U.S. importers ... because of its ability to make almost any type of textile and apparel product at any quality level at a competitive price. (USITC, 2004)

- Current debate over the end of quotas in the international system of apparel production, where concerns are about displacement of jobs in EU and US and creation in China, India, Bangladesh, etc.

The end of quotas has been marked by large changes in patterns of US imports

Change in source of apparel products,
Q1 2004 vs. Q1 2005 (\$ value of imports)



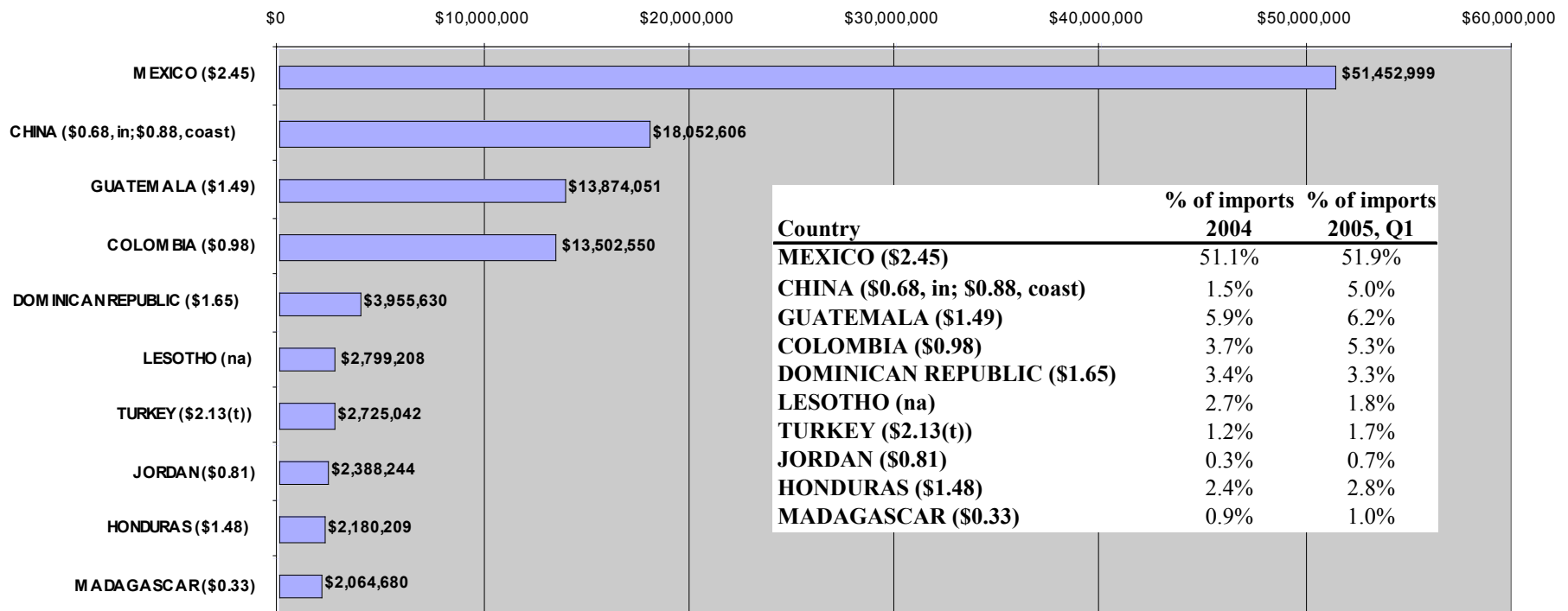
Source: HCTAR analysis of OTEXA data.

Acknowledging the primary bases of debate allows for a more informed debate...

- Patterns of post-quota shipments have much more diversity in winners and losers than anticipated by many.
- Example: Who has “won” as a result of quota elimination--Jeans versus T-shirts?

The end of quotas marked by shifts in sources of US imports —Jeans winners

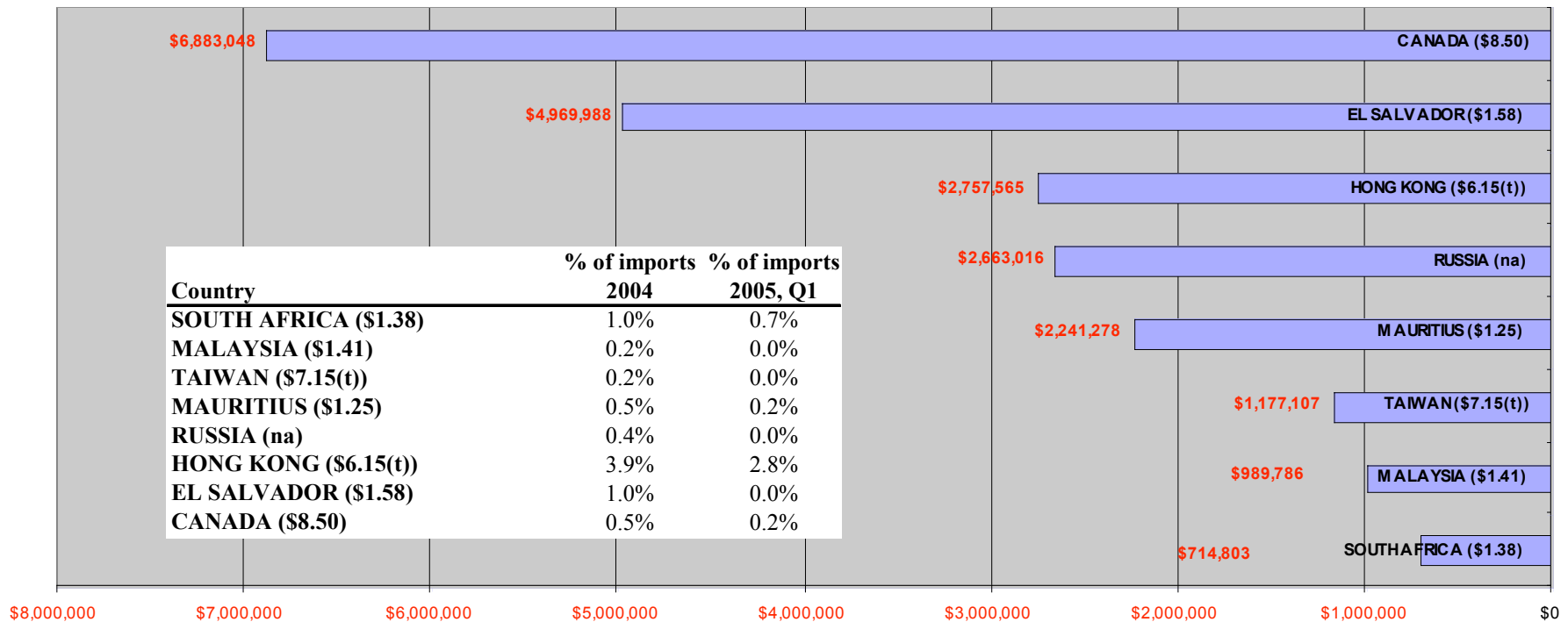
Changes in apparel imports, jeans: Winners
Q1 2004 v. Q1 2005 (\$s)



Source: HCTAR analysis of OTEXA data.

The end of quotas marked by shifts in sources of US imports—Jeans losers

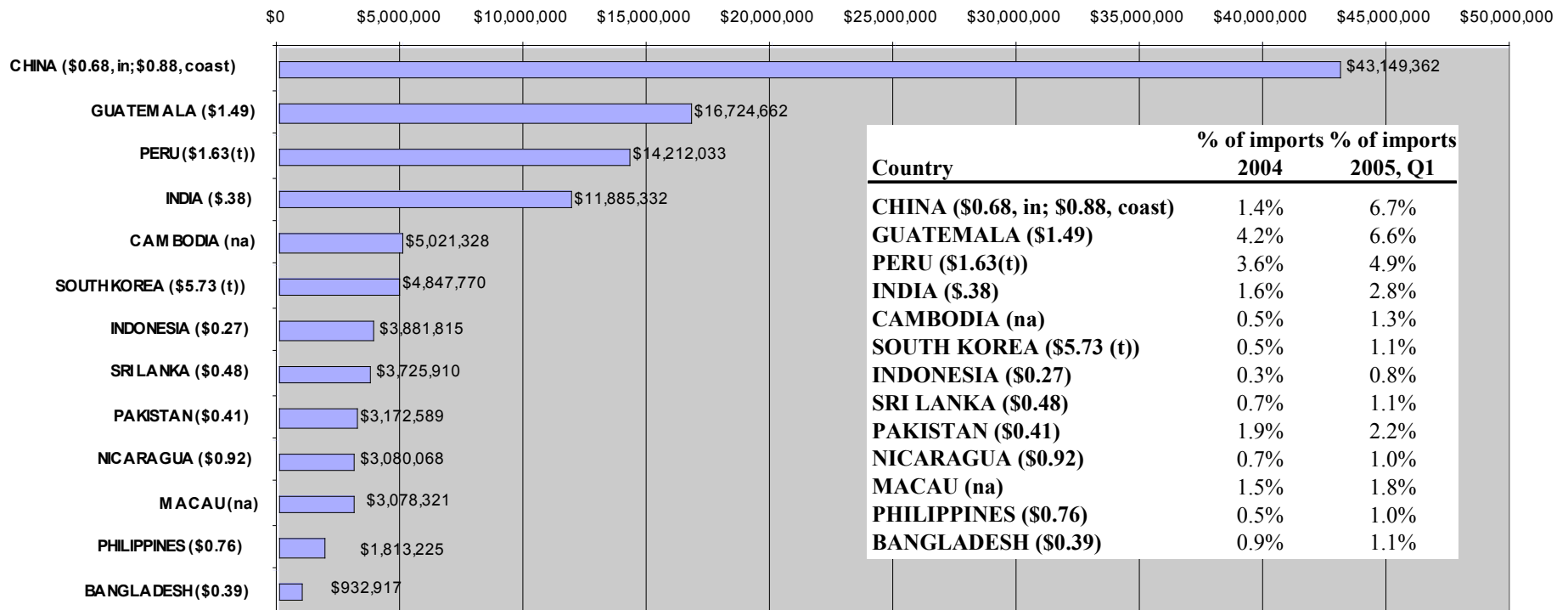
Changes in apparel imports, jeans: Losers
Q1 2004 v. Q1 2005 (\$s)



Source: HCTAR analysis of OTEXA data.

The end of quotas marked by shifts in sources of US imports: T-shirt winners

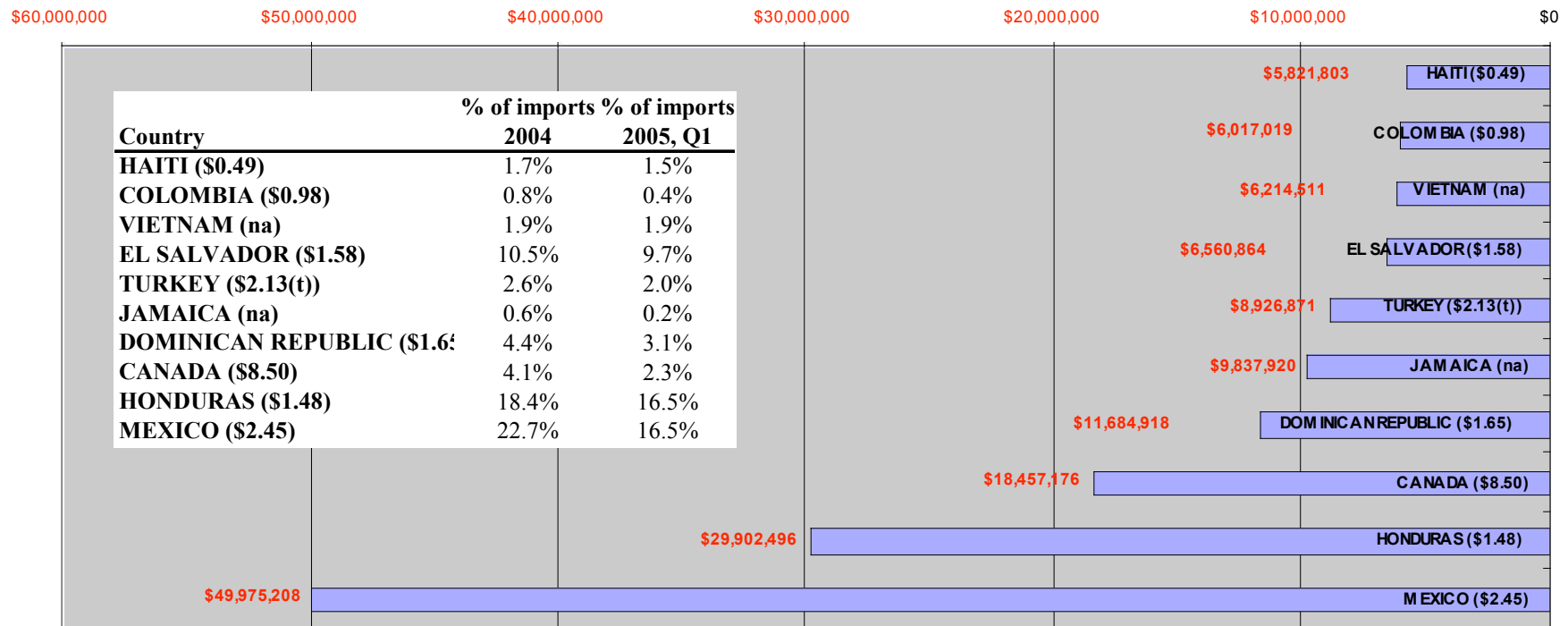
Changes in apparel imports, T-shirts: Winners
Q1 2004 v. Q1 2005 (\$s)



Source: HCTAR analysis of OTEXA data.

The end of quotas marked by shifts in sources of US imports: T-shirt Losers

Changes in apparel imports, T-shirts: Losers
Q1 2004 v. Q1 2005 (\$s)



Source: HCTAR analysis of OTEXA data.

Acknowledging the primary bases of debate allows for a search for more creative policies

- Creative policies that impact winners and losers not only about tariffs and quotas
- Examples:
 - Infrastructure development (Bangladesh)
 - Competitive readjustment and positioning (Mexico)
 - Creative policies regarding equity (Cambodia)
 - Unexpected policy synergies (Southern California)
- Similar need to focus on aspects driving concern in offshoring debate, yet doing so in a systematic manner.