

The Effect of Offshoring on Skill Premiums: Evidence from Japanese Matched Worker–Firm Data

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Abstract: This study estimates the effect of offshoring on workers' hourly wages and annual income in Japan by constructing matched worker–firm data. I use two sets of dummies to take into account two aspects of worker skills: field of skills and level of skills. Interestingly, the estimated scale of impact from offshoring and exports on hourly wages and annual income of male low-skilled workers is statistically insignificant in Japan. Regarding skill premiums, offshoring increases wage premium for higher level of skill as well as that for science-oriented knowledge and administrative tasks. Interestingly, exports decrease these skill premiums, meaning the increase of both offshoring and exports partially offsets their effect on skill premiums. In addition, it is observed that the uneven gendered effects of trade on hourly wage are leveled out to some degree by the adjustment of working hours and bonuses. These findings imply that the shock of international transaction in a particular firm is mitigated by its internal labor market.

Keywords: Offshoring; Skill premium; Matched worker–firm data; Japanese labor market; Wage; Annual income; Female worker; Labor demand

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