

Unpacking the Implications of Outsourcing and Offshoring for Work in Canada

Cambrian Shield, Rockies, or Western Canadian Sedimentary Basin ?

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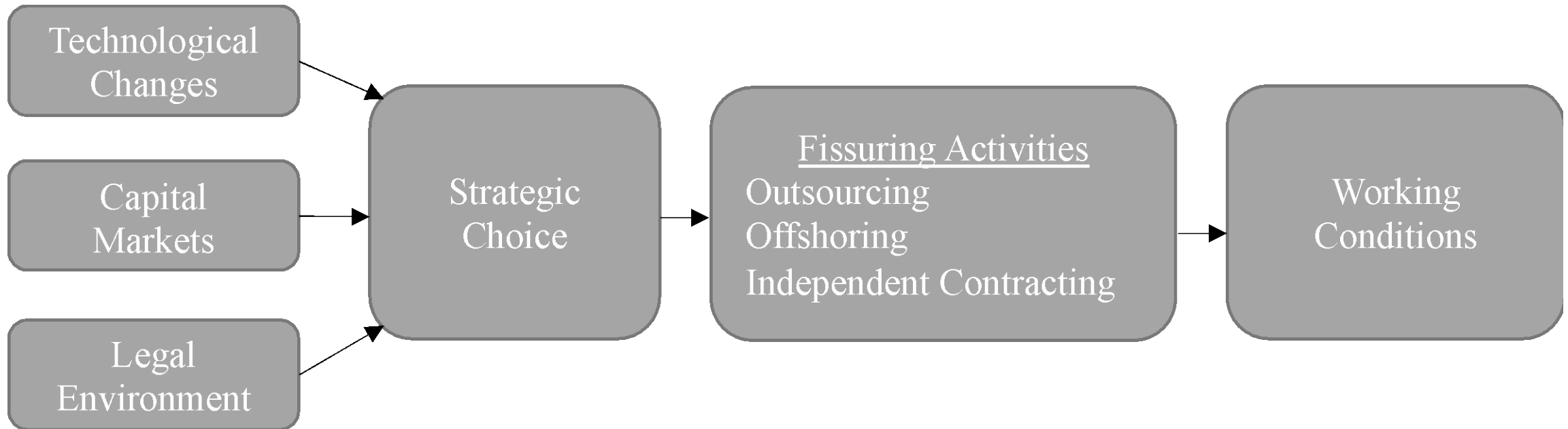
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Agenda

- Theoretical Model
- Key Findings
- Implications
- Gaps in Knowledge



Theoretical Model



Primary Source: Weil, 2014



Key Findings

- Fissured workplace incapable of precise definition
- Measuring fissuring is difficult
 - Requires linking business transaction data with worker data
 - A lower-bound rough estimate that 19% of US private-sector workforce were in highly fissured industries (Weil, 2019)
 - Lack of Canadian prevalence data on outsourcing



Key Findings

- There's a lot we don't know (despite model being intuitive)
- ICTs are increasingly making it possible to offshore services, not just manufacturing activities, to countries outside Canada
 - High-skilled jobs are increasingly being outsourced
- Fissuring is increasing
- Some empirical evidence confirming that capital markets are causing employers to make the strategic choice to shed employees
- A norm of shareholder primacy has evolved in Canadian corporate law

Key Findings: Impact on Compensation

- Some evidence that fissuring is causing an erosion in internal equity in firm compensation systems
- Some evidence that fissuring is causing a destruction of economic rents in US and Germany, particularly for low and medium-paid workers
- Some evidence that domestic outsourcing is contributing to income inequality in US and Germany
- Recent meta-analysis on the impact of offshoring on wages failed to detect any statistically significant average effect

Key Findings: Employment Levels

- About 1/5 of service jobs in Canada could potentially be outsourced (Gomez and colleagues, 2013).
 - The offshoring of business service jobs is unlikely to lead to large adverse effects on Canadian employment.
- For manufacturing GVC, Canada increased inputs from capital and high-skilled, while decreasing those from low-skilled and medium-skilled labour.
- Canada lost low-skilled jobs in the GVC to developing countries more quickly than other advanced economies.

Key Findings: Employment Levels

- From 2000 to 2013, Canada's jobs related to the GVC decreased from about a third to approximately a quarter
- Canada has the most concentrated GVC-related job dependency in the world, with around half of all its GVC-related jobs relying on exports to US

Key Findings: Adherence to Labour Standards

- Franchised outlets have far higher levels of noncompliance than comparable company-owned establishments (Ji and Weil, 2015)



Important Implications

- Waning utility of model of unitary employer
- Not all outsourcing/offshoring is bad
- Fissuring has spillover effects on employees not working in fissured environments
- COVID has impacted fissuring, both in the short-term, and the long-term.
- Policy implications
 - Balance between equity and efficiency
 - Outsourcing and offshoring make labour markets more competitive (disappearance of economic rents)
 - Negative impacts are most heavily borne by most vulnerable workers.



Gaps in Knowledge

