

Local Labor Market Effects of Offshoring and Technological Change: Evidence for the Netherlands

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This paper studies the effects of technological change and firms' offshoring behavior on employment changes across local labor markets in the Netherlands between 2006 and 2014. The new data on offshoring activities of firms allows us to distinguish business functions and map them to occupations, which closely follows how firms offshore and its links to the labor market outcomes. The unique Regional Database enables us to provide new evidence on the geography of business functions and technological change. It therefore provides a novel analysis for local labor market outcomes of the Netherlands. We combine information from the international sourcing survey with local labor market characteristics to determine the exposure of local areas to offshoring of different business functions. Adding the data of technological change in terms of recent investment in computerization and R&D by region, new evidence on job composition, technological change and offshoring trends in the Netherlands by local labor markets are provided. By further mapping business functions from international sourcing survey and occupations from labor force survey, we find that offshoring does not play a significant role in affecting local labor market in the Netherlands. It is technological change that plays a major role in reshaping the local labor markets in the Netherlands. In particular, regions that are more exposed to technological change experience a higher average annual growth rate in non-routine jobs, but a lower average annual growth rate in routine jobs.