

DOI: 10.19275/RSEP063

Received: 17.01.2019

Accepted: 02.05.2019

## PRODUCTIVITY ATTRIBUTABLE TO OFFSHORING IN SELECTED COUNTRIES

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### Abstract

The term offshoring refers to the process when firms decide to manufacture products abroad to reduce costs and to produce more efficiently. In the field of economics, offshoring is not a new topic, however, the rapid increase in offshoring induced by the incentive of creating a more efficient production, technological changes, and competition to reduce costs has been globally overlooked. Nonetheless, the rate of change in productivity is different among countries due to their uniqueness and resources, as well as between the different sectors of the economy. Although there are many published studies about inward Foreign Direct Investment (FDI), there are not many available studies that focus on the relationship between outward FDI and productivity, additionally, much less in sectors of the economy other than manufacturing and services. For this reason, in an effort to explain the phenomenon of the latter, a multiple linear regression was created to determine the outward FDI of the sectors of the economy that significantly influence productivity. To measure productivity attributable to offshoring, the model used data on outward FDI per sector of the economy and compared to each country's Gross Domestic Product (GDP) per hour worked. It was found that, in general, there is a distinctively higher productivity in the manufacturing and services sector than other sectors of the economy. This paper presents an alternative way to measure the productivity of offshoring.

**Keywords:** Offshoring, productivity, sectors of the economy, inward Foreign Direct Investment (FDI), outward Foreign Direct Investment (FDI)

**JEL Classification:** F00, F10, F69

**Citation:** Herrera D.V.D. et.al. (2019) Productivity Attributable to Offshoring in Selected Countries, Review of Socio-Economic Perspectives, Vol 4(1), pp. 57-69, DOI: 10.19275/RSEP063