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Human capital transfers, wage structures, and domestic outsourcing

Abstract

The outsourcing of firms' material inputs and services is a well perceived economic activity. The academic and public discussion is interested in this elemental process of labor organization, because outsourcing "creates" new boundaries of firms. Empirical studies dealing with the outsourcing activities of firms are mostly case studies or (ad-hoc) cross-sectional surveys. Especially analyses of the long-run effects of outsourcing on a micro-level are rare due to a lack of data.

In "Human capital transfers, wage structures, and domestic outsourcing" I investigate some of the long-run effects of outsourcing on firm and worker level. Furthermore, there is empirical evidence about worker mobility patterns of outsourcing firms if they outsource the production of some of their material inputs or services to other, in Germany located firms *and* "transfer" workers to these firms. Beyond analysing the structure of the respective mobility patterns, "outsourced" workers are compared with the staff of the 'old' firm and - in addition - with workers, who are not involved in any outsourcing activity in a yearly period of 1998/1999.

For the longitudinal perspective I follow the histories of firms and workers in an observation period 1998 to 2004. The analyses are based on linked employer employee data, LEE data. Standardized datasets of these German LEE-data are – after an application procedure - open for external researchers all over world via the Data Research Centre (DRC) at the Institute of Employment Research (IAB) in Nuremberg/ Germany. The aim of the paper is also a test, what the opportunities and limits for a quantitative dataset are in order to test hypotheses and empirical findings from case studies and some other (ad hoc) cross-sectional surveys.

Key words : outsourcing, labor mobility, wage structures, linked employer employee data

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