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Title: Skill Adaptation to Shifting Job Tasks in the Face of Offshoring

Abstract:

Skill demand shifts through offshoring are commonly considered to especially affect low-skilled manufacturing labor, performing tasks that are relatively more 'offshorable'. Whether this group nevertheless gains in terms of wage through offshoring is uncertain since several mechanisms are at work (Grossman and Rossi-Hansberg, 2008). A mechanism that has received very little attention is skill adaptation. We use the German Socio-Economic Panel in combination with industry-level and occupational data to assess whether training participation aimed at adaptation to shifting job tasks is associated with higher wages, depending on the degree of exposure to offshoring. We find that workers adapting to new job requirements through training earn more the higher the degree of occupational exposure to offshoring. The difference in training returns between the 90th and the 10th percentile of the offshoring distribution amounts to 6.73 percent, i.e. 1.31 EUR per hour. In above-average offshoring segments training aimed at adaptation is sufficient to compensate potential negative wage effects of skill demand shifts.