

## **Economics Seminar, Indian Statistical Institute, New Delhi.**

SPEAKER: Priya Ranjan, University of California (Irvine)

TITLE: Can Offshoring Reduce Unemployment?

TIME: 11:30-1:00 P.M.

DAY & DATE: Friday, 19<sup>th</sup> September 2008

PLACE: Seminar Room 2

### **Abstract:**

In this paper, in order to study the impact of offshoring on sectoral and economywide rates of unemployment, we construct a two-sector, general-equilibrium model in which labor is mobile across the two sectors, and unemployment is caused by search frictions. We find that, contrary to general perception, wage increases and sectoral unemployment decreases due to offshoring. This result can be understood to arise from the productivity enhancing (cost reducing) effect of offshoring. If the search cost is identical in the two sectors, or is higher in the sector which experiences offshoring, the economywide rate of unemployment decreases. When we modify the model to disallow intersectoral labor mobility, the negative relative price effect on the offshoring sector may offset the positive productivity effect, and result in a rise in unemployment in that sector. In the other sector, offshoring has a much stronger unemployment reducing effect in this case.

<http://www.isid.ac.in/~pu/seminar.html>