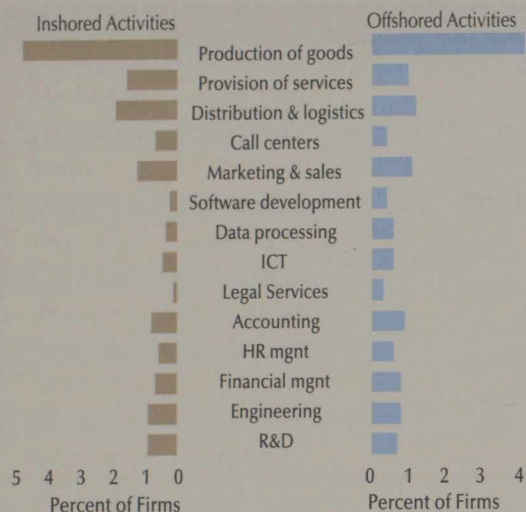


Inshoring and Offshoring of Business Activities In Manufacturing

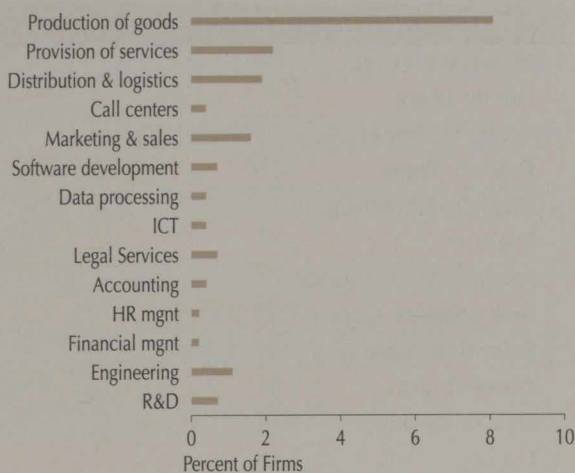


Data: Statistics Canada – SIBS Survey.

and 3.1 percent, respectively, for small firms. While large firms were much more likely to offshore activities compared to inshoring activities (17.6 percent compared to 12.1 percent), small firms were more likely to do the reverse (3.1 percent for offshoring compared to 3.5 percent for inshoring). In terms of numbers, small firms carry significant weight, but much less so when values are considered.

A key aspect in the conceptual framework of global value chains is the idea of activities. While firms are usually organized by industries (such as the electronics industry) there can be a great deal of variation with respect to how firms organize themselves within an industry. For example, one firm may choose to be an integrated producer with most activities taking place within the firm and within the home country while a competitor may focus on a few key activities and offshore or outsource much else. The Survey of Innovation and Business Strategy (SIBS) identifies 14 business activities (see chart) that are integral to the operation of most firms.¹⁶ Understanding the “footloose” nature of

Outsourcing of Business Activities In Manufacturing



Data: Statistics Canada – SIBS Survey.

these fourteen activities (i.e. whether or not they are likely to be inshored or offshored) is crucial to understanding how GVCs work, and Canada’s global business operations within them.

Of these fourteen activities, the most footloose activity (the activity most likely to be offshored or inshored) is the production of goods. In terms of offshoring, the production of goods was nearly four times as likely to be offshored as the next most footloose activity, distribution and logistics. For inshoring, production of goods was about three times as likely to be inshored as the next most common activity. Overall, firms are more likely to inshore than offshore provision of services as well as distribution and logistics, call centers and R&D, which may suggest that Canada has a comparative advantage in these activities. On the other hand, net offshoring is observed in data processing, ICT, legal and accounting services, among others. Calculations of net inshoring or offshoring must be interpreted with caution as we only have

¹⁶ The list of business activities is consistent with that used by Eurostat and by Michael Porter in “The Competitive Advantage of Nations.”