

outsourcers are “outstanding” in that they are larger, more capital intensive and more productive. Görg et al. (2008) use firm level data for Ireland to look at differences in productivity between firms that offshore services (i.e., import services inputs from abroad) and firms that do not. They also find that outsourcers are more productive than firms that do not engage in offshoring of services.

From a somewhat different angle, Geishecker et al. (2009) use a large European firm level dataset and investigate the characteristics of firms that trigger the decision to set up affiliates abroad. They find that firms that own affiliates abroad account for an over-proportionally large share of output, employment and profits in their home countries. These firms also exhibit higher survival rates and productivity growth when compared to firms that did not expand abroad.

Thus, theory and evidence strongly suggest that it is indeed the “better” firms, i.e., those that are more productive and larger, that are linked into global value chains through offshoring activities abroad.

Evidence for Germany

For the specific case of Germany, the survey evidence from Statistisches Bundesamt (2008) provides some useful information. In particular, the survey asks firms about their potential motives and possible barriers for relocating activity. These questions are answered by firms that did relocate as well as those that did not. The possible motives are displayed in Table 8.

Table 8: Motives for relocating production abroad

Motive	Companies	Importance				
		Very important	Important	Barely important	Not important	Don't know
		Number	%			
Labour costs	16 649	39.7	42.2	11.2	2.9	4.1
Access to new markets	16 651	45.3	36.5	9.9	4.2	4.1
Other costs	16 649	25.7	48.0	17.8	4.0	4.5
Tax incentives	16 649	17.0	42.0	29.4	7.3	4.3
Strategical target	16 642	21.7	35.8	19.4	17.3	5.8
Less regulation	16 644	15.1	33.4	34.9	11.9	4.7
Implementation of a new business model	16 644	14.5	34.0	31.0	15.1	5.5
Product development	16 647	18.0	29.3	33.2	14.9	4.6
Access to new know-how	16 644	13.7	30.0	33.3	18.5	4.5
Following customers or competitors	16 644	8.8	30.9	38.6	17.0	4.7
Others	524	71.4	26.3	/	/	/

Source: Statistisches Bundesamt (2008), own translation. “/” means that this number is uncertain and thus not disclosed by the Statistical Office.