



that are most subject to offshoring witnessed weaker employment growth. "Between 2000 and 2006, employment in occupations potentially affected by service offshoring grew 1.8 per cent per year, on average. Employment in other occupations grew at the same rate".³¹ In the case of clerical employment, the authors conclude that these losses occurred too early and in industries that are unlikely to be subject to offshoring and are thus probably not related to the offshoring phenomenon.

Baldwin and Gu (2007) find that between 1961 and 2003, there has been a trend of increased outsourcing of services (replacing what was once done inside the firm toward arms-length purchases – outsourcing) by the manufacturing sector, but even more so for the service sector itself. Furthermore, an increasing share of these purchases were from outside of the country (offshoring). The share of imports in

service inputs almost tripled over the period. They also find that services offshoring is associated with a shift to higher value-added activities being performed in Canada but has not had a detrimental impact on service employment.

As with manufacturing, there is also a concern that Canadian companies are not taking full advantage of the opportunities raised by the ability to move some work to lower-cost locations. It has been found, for example, that a one percentage point increase in offshoring in the services sector leads to a 0.43 to 0.57 percentage point increase in labour productivity.³² Outsourcing, as expected has had a positive impact on the wages of non-production workers, on the wages of skilled workers and on employment of skilled labour.³³

31 Morissette and Johnson (2007).

32 Amity and Wei (2004b)

33 Feenstra and Hanson (1999), Hijzen, Gorg and Hine (2003) and Egger and Egger (2001) respectively.