

# Preface

The German economy has exhibited strong export performance over many years, which, nonetheless, has failed to translate into higher economic growth and better employment performance during the last decade. This has often been attributed to a reduction in domestic manufacturing production linked to a greater fragmentation or unbundling of production activities, sometimes called the “bazaar-effect”. However, fragmentation, outsourcing, and offshoring reflect an overall trend in international trade which has raised fears in the more advanced economies of job losses due to globalization.

Deborah Winkler focuses on the growing phenomenon of services offshoring, which is driven by information and communication technologies as well as by trade liberalization. Her investigation is a well-balanced synthesis of theoretical analysis, detailed empirical studies, and a good sense for economic policy relevance. She has already applied the findings to a study of globalization, offshoring, and economic insecurity in industrialized countries for the U.N. Department of Economic and Social Affairs (co-authored with William Milberg).

Particularly innovative and of greater value to the international research community is the rich empirical material on German services offshoring in an international comparison which Winkler presents in Chap. 3, and the empirical evidence on the labor market effects of services offshoring on productivity, labor demand, and the relative demand for less-skilled labor in Chap. 5. The econometric findings in the three subsections of this chapter, which are based on input-output data for the Federal Republic of Germany for the period 1991–2004, can well be regarded as the core and most innovative contribution of the book. Whereas Winkler’s findings for the period 1991–2000 could be expected, namely that services offshoring has reduced relative demand for less-skilled labor, her results for the period 1995–2004 – which indicate a relative demand shift away from high-skilled labor – might be more surprising, although it is too early to identify a new trend. Nevertheless it

may foster concern over the new phenomenon of skilled-labor offshoring. I do hope that Deborah Winkler's study will contribute to a more dispassionate and critical analysis of an important topic which, in the public domain, very often leads to overheated controversies.

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