

Outsourcing and Productivity Growth – An Econometric Analysis

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ABSTRACT

‘Outsourcing’ differs from ‘off shoring’ in that outsourcing relates to the restructuring of the firm’s production process while offshoring is related to the location of production. As the two terms outsourcing and off shoring are not mutually exclusive, it is useful for clarity to refer to domestic outsourcing and non –domestic outsourcing. Outsourcing permits the purchase of intellectual capital that might not otherwise available. It can increase productivity and contribute to better focus on an organizational strategic direction. The impacts on productivity, however have received only little attention. The paper examines the firm and plant level production functions in which the possibility of production subcontracting is structurally considered with the aid of review of relating literature.

Key Words: Productivity growth, Human resource management, Econometric analysis.