

Macro Roundup Article

Headline: [How Technology Is Redrawing the Boundaries of the Firm](#)

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Tweet: Firms are using technology to shift work to remote employees and third-party subcontractors. Outsourcing intensity has doubled from 11% in 2005 to 22% in 2021, which may compress white-collar wages going forward. @TheEconomist

Summary: Pinning down just how much firms depend on outsiders is tricky—companies do not advertise this sort of thing. A measure, “outsourcing intensity,” [tracks] a firm’s external purchase commitments in the upcoming year as a share of its cost of sales. The Economist has calculated the measure using data from financial reports for a sample of large listed firms from America and Europe. Average outsourcing intensity across our sample has nearly doubled from 11% in 2005 to 22% in the most recent year of data (either 2021 or 2022). This growth is especially pronounced among tech titans such as Apple and Microsoft; businesses that grew little over the analyzed period, such as Unilever, a British consumer-goods giant, saw only small increases. This is consistent with research which finds that as firms grow ever larger and adopt more technologies, thus becoming more complex and unwieldy, they outsource more operations—precisely as Coase would have predicted.

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Primary Topic: Institutional Capabilities

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