



Hitesh Doshi, Praveen Kumar 0004, Vijay Yerramilli

Uncertainty, Capital Investment, and Risk Management.

This paper studies the impact of outsourcing on individual wages. In contrast to the standard approach in the literature, we focus on domestic outsourcing as well as foreign outsourcing. We argue that if outsourcing is associated with specialization gains arising from an increase in the division of labor, domestic outsourcing tends to increase wages for both unskilled and skilled labor. We use a panel data set of workers in Danish manufacturing industries to show that domestic and foreign outsourcing affect wages as predicted.