

# Discussion: Outsourcing, Occupational and Industrial Concentration

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# This Paper

- Great data on
  - ▶ BLS: Establishment employment by occupation (2000-2015)
  - ▶ Census: Establishment, Industry, employment, firm (1976-2015)
- Multiple facts
  - ▶ Today: within-establishment occupation concentration (outsourcing)
  - ▶ Agnostic about source
- Discussion: Implications for labor market concentration

# Key Result and Implications

1. Within-establishment occupational concentration increasing
    - ▶ Handwerker and Spletzer (2015), Chan (2017)
  2. Small establishments outsource more
    - ▶ Chan (2017)
- **Implications for labor market concentration:**
- ▶ Local industrial concentration  $\neq$  Local occupational concentration
  - ▶ Increasing local industrial concentration

# Local industrial concentration

- Decreasing

- ▶ Rinz (2018), Dey and Handwerker (2019), Rossi-Hansberg, Sarte, and Tracter

- Employment and sales trends similar

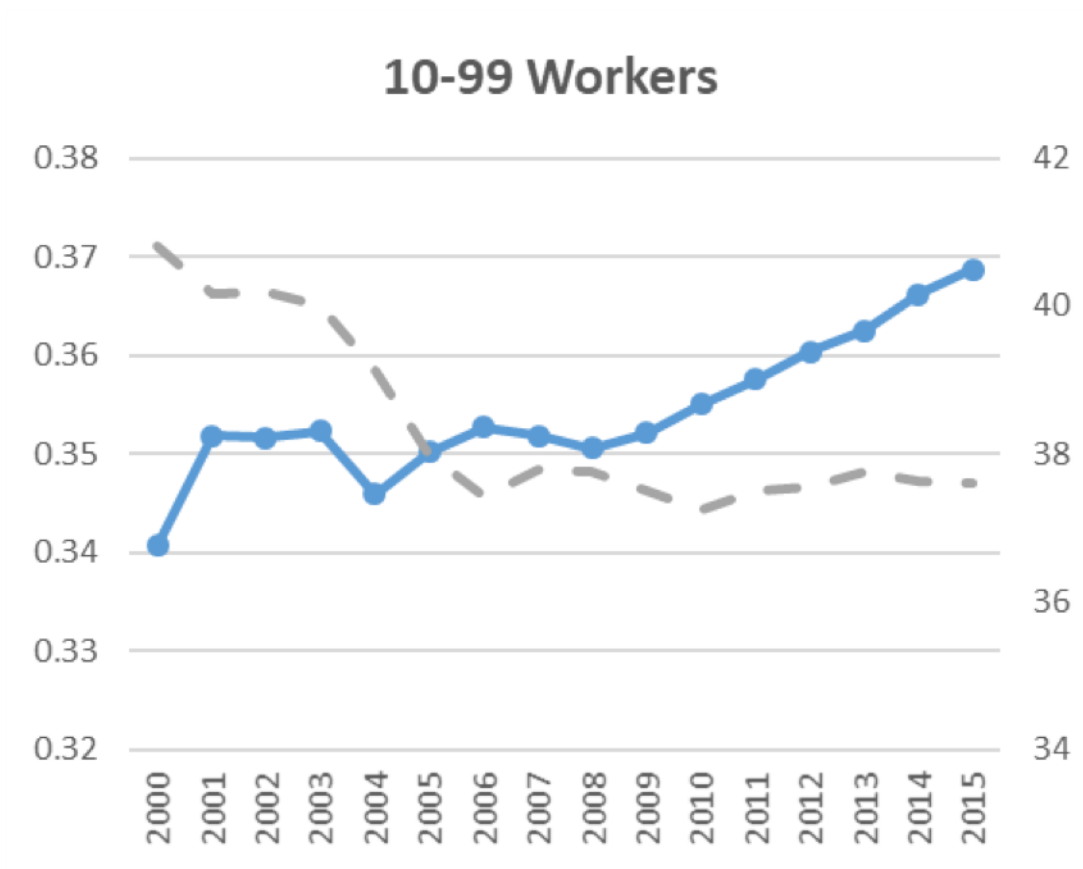
- Exception? Retail

- ▶ Rinz (2018), Smith and Ocampo (2019)

# Hypothesis 1: Firm vs. Establishment

- Punchline: Outsourcing doesn't shrink smallest establishments
  - ▶ Shrinks smallest firms
- 1. Small firms outsource
- 2. Correlation between establishment and firm size  $>0$ , but  $\ll 1$
- 3. Megafirms (outsourcers) and Monopsonists are not the same
  - ▶ Dey and Handwerker (2019)

# Hypothesis 2: Outsourcing estabs don't shrink

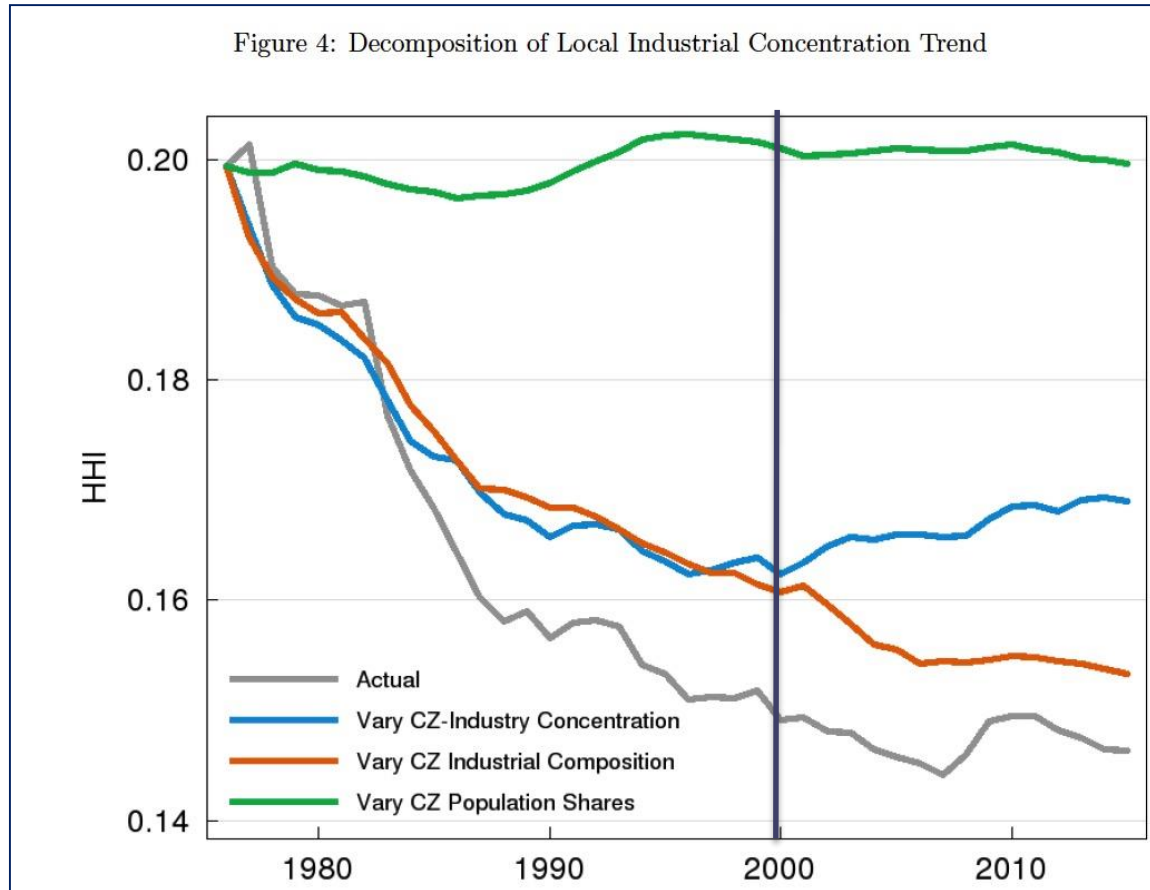


- Outsourcing has lower marginal cost?
- Inconsistent with
  - ▶ Chan (2017)
  - ▶ Small estabs outsourcing

# Hypothesis 3: Things are Small

- Outsourcing estabs are small:
  - ▶ HHI mostly determined by largest 4 estabs
  - ▶ Small outsourcing estabs don't affect industrial HHI
- Outsourcing changes are small
  - ▶ 6.5 to 5.5 occupations
  - ▶ Occupational HHI 0.40 to 0.43

# Hypothesis 4: Composition

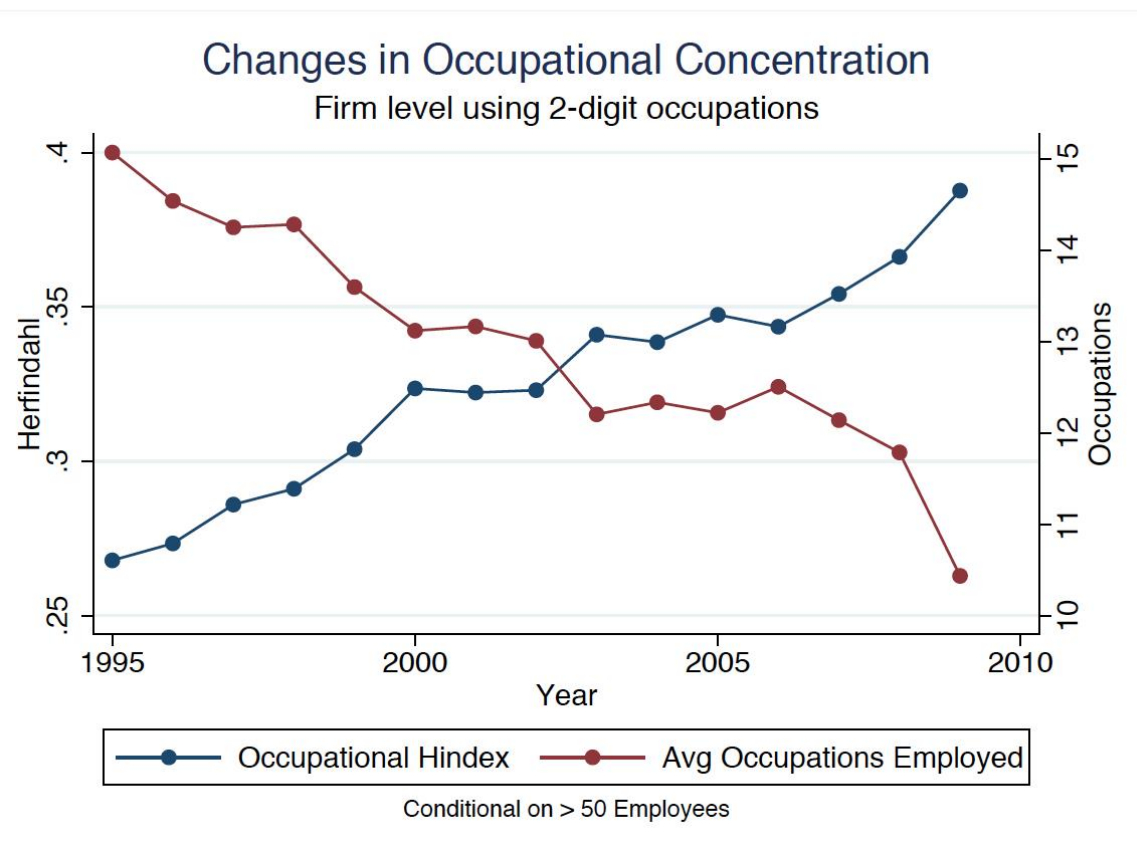


- Within-industry concentration increasing after 2000 (Blue line)
- Source: Rinz (2018)



# Side Note: Increasing Concentration in 1990s?

Figure 2: Changes in occupational concentration over time



- Occupational concentration increasing since mid-90s
- Danish data
- Source: Chan (2017)

# Going Forward

- Unique data access
- Relation between occupational concentration and industrial
  - ▶ Dey and Handwerker (2019): Cross section highly correlated

