

Abstract

Robots, Reshoring, and the Lot of Low-Skilled Workers
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We propose a theoretical framework to analyze the offshoring and reshoring decisions of firms in the age of automation. Our theory suggests that increasing productivity in automation leads to a relocation of previously offshored production back to the home economy but without improving low-skilled wages and without creating jobs for low-skilled workers. Since it leads also to increasing wages for high-skilled workers, automation induced reshoring is associated with an increasing skill premium and increasing inequality. Using a new measure of reshoring activity and data from the world input output table, we find evidence for a positive association between reshoring and the degree of automation. On average, within manufacturing sectors, an increase by one robot per 1000 workers is associated with a 3.5% increase of reshoring activity. We also provide evidence that reshoring is positively associated with wages and employment for high-skilled labor but not for low-skilled labor.

Keywords: Automation, Reshoring, Employment, Wages, Inequality, Tariffs.
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