

COVID is likely to accelerate offshoring — and voters punish governing parties when that happens

*As they rushed to adapt to the pandemic, many firms adopted remote working practices. Some of these practices may lead to offshoring — and, says **Stephanie Rickard (LSE)**, voters punish incumbent political parties when jobs go abroad.*

For years, firms moved manufacturing production abroad to take advantage of cheaper labour and lower environment standards. But the pandemic-induced move to remote working may crack open a whole new world of offshoring. If jobs can be done remotely, they can also be done abroad, and often more cheaply. Zoom meetings mean geography is no longer a limiting constraint for employment in a wide range of industries and occupations, including many high-skilled, 'white-collar' jobs. Accounting firms, for example, have already [shifted towards offshore hiring](#).

If the pandemic stimulates a new wave of offshoring, economic and political challenges will follow. When firms relocate business functions abroad, people lose their jobs and the local economy suffers. Wages in the local labour market may fall, particularly when the offshored jobs were located in areas with less diverse economies and fewer alternative job opportunities.

In a [recently published study](#), I find that the consequences of offshoring extend beyond economics to politics. Voters punish governing parties when offshoring occurs in their local area. Using a [difference-in-differences estimation strategy](#), I find that incumbent government parties lose more votes in municipalities where a local plant moved production abroad between elections than in municipalities where this did not happen. The result holds across various election years and for different incumbent parties. In multi-party governments, voters disproportionately punish the largest party in the governing coalition for offshoring. Offshoring impacts both national and regional elections. In Spain, I find that the national incumbent government party's vote share fell by an average of 15 percent in the 2004 election in municipalities where a local plant moved production abroad, and the regional government incumbent party's vote share fell by even more in the 2006 Catalan regional election.



Photo: leoplus via a [CC-BY-SA 2.0 licence](#)

Results from an original survey bear out the importance of offshoring for voters. Fifty-four percent of respondents said offshoring would make them less likely to vote for the incumbent in the next national election. And twice as many respondents said offshoring would make them less likely to vote for the incumbent government party than if a local business had moved to a different part of the country. The survey was administered online to 1,000 respondents in Spain by Netquest in October 2018. The sample was selected using age, gender, and province quotas in order to ensure it was nationally representative.

If COVID-19 accelerates the phenomenon of offshoring, incumbents should beware.

This post represents the views of the author and not those of the COVID-19 blog, nor LSE.