Abstract

Labour Demand in Global Value Chains: Is There a Bias against Unskilled Work?

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Rodrik (2018) hypothesizes that technology used in global value chains (GVCs) is biased against the use of unskilled workers. To test this hypothesis, we estimate a GVC production function in which final output is related to labour and capital employed in any country in the world. We derive substitution elasticities and technical change bias in a system of translog cost equations. We find that technical change in GVCs was strongly biased against the use of low-educated workers, neutral for middle-educated workers and in favour of high-educated workers. We show that the biases moderate the potential of GVCs to increase demand for low-educated workers in poor countries.