

# Workplace flexibilities and international wage dynamics

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Specifically, the authors examine the effects of remote work on (1) the disparity of wages across countries, (2) the sensitivity of wages to international shocks, and (3) the likelihood that certain jobs will be offshored. The data used in the analysis come from a large web-based job platform that allows employers and workers located in different countries (and different locations within countries) to enter contractual arrangements involving job tasks that can be performed remotely. According to the authors, their chosen platform is uniquely suited for this kind of research, because it covers a broad range of occupations amenable to telework and provides detailed information on employer locations and worker wages, qualifications, and job histories.

Perhaps counter to what one might expect, the analysis of these data suggests that remote work does not automatically equalize wages across workers performing the same jobs in different countries (or even different U.S. states). Although remote work does seem to lessen geographical wage disparities, these disparities remain substantial. As one example, the authors estimate that, on average, the wages of American workers using the platform are about 3 times those of their Indian counterparts. Moreover, the observed wage differentials are not accounted for by worker-specific characteristics (occupation, experience, etc.) or differences in employer locations; rather, they are due mainly to prevailing local labor market conditions and are highly correlated with the per capita output of the worker's country (or within-country location).

With respect to wage sensitivity to international shocks, the authors report two main findings. First, unlike nonremote wages, which move independently of short-term exchange rates, the remote wages of workers using the platform closely follow their local currency's dollar exchange rate. Second, shock-induced changes in the wages of variously located workers competing for the same jobs appear to be related and tend to move in the same direction, with a 1.0-percent change in the wages of workers in one country leading to a 0.5-percent change (of the same sign) in the wages of competing workers elsewhere.

Finally, to estimate the likelihood that a job will be offshored, the authors construct an "offshorability" index based on the probability with which U.S. employers award contracts to foreign workers in a given occupation.

Interestingly, this analysis points to considerable cross-occupational heterogeneity in offshorability, suggesting that

jobs that are performed remotely are not necessarily the ones that are offshored. However, the authors report that the wages of workers in occupations with a high offshorability index tend to be closer to one another, which indicates that offshorability does reduce cross-border wage disparities.