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Diasporas and Outsourcing: Evidence from oDesk and India

by Ejaz Ghani, [William R. Kerr](#) and Christopher Stanton

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Abstract

This study examines the role of the Indian diaspora in the outsourcing of work to India. Our data are taken from oDesk, the world's largest online platform for outsourced contracts, where India is the largest country in terms of contract volume. We use an ethnic name procedure to identify ethnic Indian users of oDesk in other countries around the world. We find very clear evidence that diaspora-based links matter on oDesk, with ethnic Indians in other countries 32% (9 percentage points) more likely to choose a worker in India. Yet, the size of the Indian diaspora on oDesk and the timing of its effects make clear that the Indian diaspora was not a very important factor in India becoming the leading country on oDesk for fulfilling work. In fact, multiple pieces of evidence suggest that diaspora use of oDesk increases with familiarity of the platform, rather than a scenario where diaspora connections serve to navigate uncertain environments. We further show that diaspora-based contracts mainly serve to lower costs for the company contacts outsourcing the work, as the workers in India are paid about the market wage for their work. These results and other observations lead to the conclusion that diaspora connections continue to be important even as online platforms provide many of the features that diaspora networks historically provided (e.g., information about potential workers, monitoring, and reputation foundations).

Keywords: [Diaspora](#); [Ethnicity](#); [Outsourcing](#); [oDesk](#); [Networks](#); [India](#); [South Asia](#); [Networks](#); [Job Cuts and Outsourcing](#); [Diasporas](#); [Ethnicity Characteristics](#); [India](#);

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