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Invitation to Review for the Asian Journal of Economics and Banking

1 message

Asian Journal of Economics and Banking <onbehalf@manuscriptcentral.com>

Tue, Aug 1, 2023 at 7:49 AM

Reply-To: thachnn@buh.edu.vn

To: ethan.eryn@gmail.com

01-Aug-2023

Dear Dr. Samuel P. D. Anantadjaya,

Manuscript ID AJEB-04-2023-0036.R2 entitled "OUTSOURCING AND LABOR DEMAND STRUCTURE: EVIDENCE OF VIETNAMESE SMALL AND MEDIUM ENTERPRISES" has been submitted to the Asian Journal of Economics and Banking.

I invite you to review this manuscript. The abstract appears at the end of this letter. Please let me know as soon as possible if you will be able to accept my invitation to review. If you are unable to review at this time, I would appreciate you recommending another expert reviewer. Please click the appropriate link below to automatically register your reply with our online manuscript submission and review system.

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Once you accept my invitation to review this manuscript, you will be notified via e-mail about how to access ScholarOne Manuscripts, our online manuscript submission and review system. You will then have access to the manuscript and reviewer instructions in your Reviewer Centre.

I realize that our expert reviewers greatly contribute to the high standards of the Journal, and I thank you for your present and/or future participation.

Yours sincerely,

Assoc. Prof. Nguyen Ngoc Thach

Editor, Asian Journal of Economics and Banking

thachnn@buh.edu.vn

MANUSCRIPT DETAILS

TITLE: OUTSOURCING AND LABOR DEMAND STRUCTURE: EVIDENCE OF VIETNAMESE SMALL AND MEDIUM ENTERPRISES

ABSTRACT:

The study investigates the impact of outsourcing on SMEs' labor demand in a developing country like Vietnam. Also, it explores the mediating role of foreign trade experience in shifting toward firms' usage more of the unskilled labor.

The panel data set of small and medium sized enterprises is used in this study. It was originated from biannual surveys which were conducted by the collaboration between educational organizations and government agencies under DANIDA project in the 2011 – 2015 period. The research models are based on the function of conditional labor demand, which applies the Driscoll-Kraay standard errors to adjust the problem of changing variance and autocorrelation.

SMEs have acted as contracting out (contractors) or receiving outsourcing contract (contractees). Our results suggest that conducting more outsourcing contracts has increased a demand for unskilled labor for enterprises. In contrast, when they sub-contract to the third party, enterprises have a tendency to diminish unskilled labor in compensating for using more skilled labor, possibly because they keep high-value activities for internal production. Moreover, getting business experience with foreign partners helps decrease unskilled labor intensity of enterprises on the one hand but drive the impact of outsourcing towards the labor adjustment of contractors of using more unskilled labor on the other hand.

Although outsourcing has been widely applied by large firms, the research studying its impact on labor demand at small and medium sized enterprise level in a developing is limited. Especially, this study can shed light on the mediating role of foreign trade experience and provide an evidence of the specialization theory.



S A M <ethan.eryn@gmail.com>

Manuscript ID AJEB-04-2023-0036.R2 now in your Reviewer Centre - Asian Journal of Economics and Banking

1 message

Asian Journal of Economics and Banking <onbehalf@manuscriptcentral.com>

Tue, Aug 1, 2023 at 11:33 AM

Reply-To: thachnn@buh.edu.vn

To: ethan.eryn@gmail.com

01-Aug-2023

Dear Dr. Samuel P. D. Anantadjaya,

Thank you for agreeing to review Manuscript ID AJEB-04-2023-0036.R2 entitled "OUTSOURCING AND LABOR DEMAND STRUCTURE: EVIDENCE OF VIETNAMESE SMALL AND MEDIUM ENTERPRISES" for Asian Journal of Economics and Banking. Please try your best to complete your review by 22-Aug-2023.

In your review, please answer all questions. On the review page, there is a space for "Comments to Editor" and a space for "Comments to the Author." Please be sure to put your comments to the author in the appropriate space.

To access just the manuscript for review directly with no need to enter log in details, click the link below:

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Once you are logged in, the Home Page will be displayed. Please click on the Review link at the top of the page. You will find the manuscript listed under "Active Reviews". The Action dropdown will list all actions available to you. We recommend that you start by selecting "Continue Review", as this will present all available options. You will be able to view the manuscript proof, read the reviewer guidelines, and access all files for review associated with the manuscript.

Follow the instructions for reviewers provided in the ScholarOne Manuscripts site. We strongly encourage you to elaborate on your review in the space provided. Your specific comments will offer valuable feedback to improve future work.

Please click the "Save as draft" button at the bottom of the review form if you wish to exit the review before you submit it to the Editor to ensure that all work is saved.

When you have completed your review and are ready to submit it to the Editor, click on "Submit Review."

All communications regarding this manuscript are privileged. Any conflict of interest, suspicion of duplicate publication, fabrication of data or plagiarism must immediately be reported to me.

Thank you for evaluating this manuscript.

Yours sincerely,

Assoc. Prof. Nguyen Ngoc Thach
 Editor, Asian Journal of Economics and Banking
thachnn@buh.edu.vn

Authors response to reviewers comments:

FEEDBACKS FOR REVIEWER 2

Recommendation: Accept

Comments:

mendeley citations - ignored the old sources & replaced them with the newer ones

Answer:

Thank you very much for accepting our revised version. The paper now has been the old sources & replaced them with the newer ones

FEEDBACKS FOR REVIEWER 1

Concern 1:

In the introduction I do not see clearly the contribution of the paper. I think the paper, at the present form, partially fails to formulate a research problem, which is of interest. We have partial answers on what we know now about the topic and what we do not know. The author should more in detail and in a more systematic way present answer on these questions, but also what we need to know.

Why is this important, for research, for practise? Also, the introduction is critical and I suggest the following key points within this section (Positioning, Gap, Purpose, Central argument, Organizing, Contribution, So what?). You'd better discuss the theoretical gap more clearly, and make your study based on solid theoretical foundations. Second, discuss the potential contributions/ policy made to the literature before the end. More specifically, how this study is contributing to the existing literature?"

Answer:

In this revised introduction, I have emphasized the knowledge gap that this paper aims to fill and the importance of filling. I also highlighted the unique contributions of the paper more explicitly. I believe that this revised version will satisfy.

Revision:

In the wake of globalization, international trade has experienced dramatic transformations. Advancements in communication and transportation technologies, ushered in by the Industry 4.0 era, have enabled the transference of services and materials across borders with relative ease, dismantling geographical barriers (Lonsdale and Cox, 2000). This newfound accessibility has opened up opportunities for enterprises to leverage cheaper labor and materials from foreign countries while maintaining their specialized production expertise.

Economists refer to this practice as outsourcing. Lei and Hitt (1995) define outsourcing as a firm's reliance on external resources to contribute value-added production. Penc (2002) further explains outsourcing as a strategic management approach, in which enterprises collaborate with external partners through temporary contracts to supplement their resources and meet evolving management needs.

Small and medium-sized enterprises (SMEs) have been a principal application area for outsourcing. Accounting for 90% of businesses and contributing over 40% to global GDP, SMEs are a significant job creation force (World Bank, 2020). The roots of outsourcing can be traced back to the late 1970s and early 1980s when enterprises began using it to amplify their profits (Corbett, 2004). In today's increasingly competitive business landscape, outsourcing has delivered substantial benefits, including cost reduction, productivity enhancement, efficiency improvement, and the opportunity to focus on core business activities (Feenstra and Hanson, 1999; Hijzen et al., 2005; Crino, 2009; Winkler, 2016; Andersson et al., 2017).

While research has extensively covered outsourcing, primarily relying on import data, the studies using specific business data and focusing on developing countries are limited. Up to the present time, no research has analyzed outsourced labor demand in emerging economies like Vietnam, particularly within the SME context. SMEs constitute a vital part of Vietnam's economy, representing 97% of all enterprises, contributing up to 45% of the GDP, and providing employment opportunities for over 5 million people (GSO, 2021).

This study contributes to the existing literature in the following crucial ways. Firstly, it investigates the relationship between low-skilled labor demand and outsourcing among SMEs – a topic which has not been explored yet. It is found out that as enterprises outsource work, they tend to emphasize the skill development of their workforce.

Furthermore, engaging in import and export activities with foreign direct investment (FDI) enterprises allows them to learn and to focus on developing highly skilled labor. Secondly, unlike previous studies, outsourcing in this research is measured directly from SME survey data, offering a more accurate representation of outsourcing practices. Furthermore, Driscoll and Kraay estimation methods are employed to resolve the issue of changing variance and autocorrelation in the analysis.

Finally, the results of this study imply the policy implications for emerging markets, providing insights to help cater to labor demands in the popular outsourcing context. By better understanding the relationship between outsourcing and labor demand in SMEs, policymakers can formulate supportive policies to bolster the growth and the development of SMEs, leading to more jobs and the enhanced economic growth.

The paper is structured as follows: Part 2 offers a theoretical foundation for understanding how outsourcing impacts enterprise labor structure; Part 3 outlines the data and

research methodology; Part 4 and Part 5 discuss the research findings, conclusions, and propose some policy recommendations.

Concern 2:

The Literature review section is so weak. The author needs to change it into " Literature review and hypothesis development". The author needs to improve more for this section.

Answer:

We have adopted your advice and renamed the section as "2. Literature Review and Hypothesis Development." We agree with your point that the previously named "Literature Review" section needed more depth and a clearer connection to our research's hypotheses.

Revision:

2. Literature Review and Hypothesis Development

This section is revised for enhanced clarity and precision in the narrative as follows:

The influence of international trade on the labor market has attracted the increased attention in the recent years. Traditional trade theories largely explain the relative wage movements across industries and the significant decline in wages and employment of unskilled labor in the industries. Three main theories explaining trade effects and labor structure (Crinò, 2009) are presented in details as follows:

The first theory posits that international trade triggers skill-biased technological change (SBTC) (Acemoglu, 2002a, 2003; Neary, 2002; Thoenig and Verdier, 2003; Ekholm and Midelfart- Knarvik, 2005). SBTC leads to an increase in skilled labor in skill-intensive areas while causing a decrease in skilled labor in non-specialized areas. When skill premiums are decreasing, SBTC usually focuses on non-specialized areas. Conversely, when skill premiums are increasing, SBTC typically targets skill-intensive areas (Haskel and Slaughter, 2002). Neary (2002), Thoenig and Verdier (2003) developed models where trade liberalization between similar countries could lead to SBTC due to the increasing competition making intensive technologies more profitable to prevent the entry of new enterprises. According to Acemoglu (2003), North-South trade leads to skill-biased technical change by making additional skill-based innovations more profitable. However, the trade between identical countries doesn't influence this as well as the opening trade in a developing country doesn't seem to have an impact on the direction of technical change as none of the developing countries achieve economies of scale that affect global incentives for innovation.

The second theory, explaining the impact of international trade on the labor market, involves the trade of intermediate inputs and raw material offsets (Feenstra and Hanson, 1996, 1999, 2003). This theory posits that outsourcing leads to a relative decrease in the demand for unskilled labor. Unlike the Heckscher-Ohlin model, the outsourcing model of Feenstra and Hanson (1996, 1997) or the product life cycle model of Zhu and Trefler (2005), predicts that transferring production from OECD countries to developing countries will increase the demand for skilled labor while reducing the demand for unskilled labor in developed countries. Arndt (1997) highlighted the bias in international outsourcing compared to the factor trend predicted by Feenstra and Hanson (1996b) when analyzing the price effects of the factor in a two-sector Heckscher-Ohlin model. Companies that gain access to cheaper resources abroad become more competitive and increase their production. This restructuring entails job adjustments in both sectors, affecting the factor price. The cross-sectoral impact is a crucial implication of international outsourcing within the framework of a general equilibrium (Egger and Egger, 2001).

The third theory is based on the impact of trade with low-wage countries on relative wages and job opportunities for unskilled workers in industries, which can be explained by the concept of outsourcing. Three theoretical models explain why companies choose to outsource instead of producing internally: transaction cost theory (TCT), resource-based view (RBV), and resource dependence theory. TCT, initially introduced by Coase (1937) and later developed by Williamson (1979), posits that organizations base their decisions on internal management or outsourcing on transaction costs and behavioral assumptions. Resource dependence theory assumes that firms seek opportunities to increase their strength (Pfeffer and Salancik, 1978) and establish relationships with larger businesses to address resource constraints and obtain additional resources. As a result, companies change their structure and competitive strategy to outsource resources, particularly for weaker manufacturing activities (Ulrich and Barney, 1984). The RBV complements TCT and resource dependence theory by focusing on resource accumulation (Arnold, 2000; Barney, 1991). External resources enable companies to develop a sustainable competitive advantage that is valuable, difficult to imitate, and not easily replaced compared to their internal resources. Outsourcing helps firms maintain existing resources and enhance strategic capabilities to address resource constraints (Grant, 1991; Teng et al., 1995).

We do appreciate your understanding and constructive feedback as we seek to improve the quality of our paper. We have carefully considered all your comments and fixed relevant issues that our paper might have confronted.

Concern 3:

In the section 4, you need to change to "Results and discussions " and make further discussions for your results.

Answer:

We agree that this new title better captures the essence of the section and allows for a more comprehensive discussion of our findings in relation to existing literature. We have also made an effort to clearly demonstrate how these findings contribute to the broader academic dialogue on outsourcing and labor structure in SMEs, particularly in a developing country context.

Revision:

4. Results and Discussions

The variable of foreign experience is noted to have one negative impact on the rate of unskilled labor within enterprises possessing outsourcing contracts. This pattern suggests that the development of skilled labor is advantageous for the firms seeking to secure contracts from foreign enterprises within the supply chain. This underscores

the necessity for SMEs to prioritize skill enhancement within their labor force implies that they should aspire to integrate into the supply chain.

Novel insights into the effects of the interaction variables: outsourcing and FDI experience on labor structure are revealed in Column 3. A positive effect of corporate capital size (firm size) on the employment rate is documented (Hijzen and Swaim, 2007; Girma and Görg, 2004), underlining the critical role that capital plays in shaping the recruitment demand of enterprises across the board.

Concern 4:

section 5, you need to add managerial implications and limitations and future recommendations. The implication was limited now, it needs to be strengthened to see what is the real or helpful implications/ policies served to the Vietnam SMEs.

Answer:

Thank you for pointing out the need for a more detailed discussion of our study's limitations and future recommendations. We have now included a more comprehensive section addressing these areas.

Revision:

In accordance with the empirical results from the study of SMEs in Vietnam from 2011 to 2015, outsourcing has only a measurable impact on the demand for workers, including both unskilled and skilled labor. These findings are consistent with those of the previous studies by Görg and Hanley (2005) as well as Winkler (2010), which suggest that: enterprises that receive outsourcing contracts experience an increase in labor demand while outsourcing may lead to the reduction in the number of factory workers. Moreover, as outsourcing increases, enterprises tend to allocate their resources towards highly skilled labor. Intriguingly, enterprises that have opportunities to learn from cooperation with foreign partners seem to increase the demand for unskilled labor.

Given these observations, it is crucial to establish the consulting centers that offer practical courses to enhance the skills of untrained laborers with the purpose of aiding them in securing their employment prospects while the enterprises intensify their attention on outsourcing. From a macro-perspective of the global economy, outsourcing cost adjustment needs to be carefully managed at a competitive level to foster an increase in outsourcing activities. Some studies suggest that the growth in outsourcing activities can bolster enterprise productivity (Girma and Görg, 2004).

In light of these findings, it is incumbent on the government to implement solutions to enhance workforce quality by promoting new skills acquisition which will assist enterprises in securing more high-value outsourcing activities from foreign direct investment (FDI) firms in the global supply chain. Vocational training programs from the government should accurately reflect the practical-world demands of the supply chain. This requires both the government and the enterprises to engage in regular dialogues to ensure the provision of quality human resources. Furthermore, the government must strategize to make the country an attractive destination for economic activities that can spur foreign direct investment. It is crucial to understand the factors that contribute to national attractiveness in order to formulate strategies that capitalize on national strengths and address weaknesses. This approach will help garner more significant benefits from globalization.

We have clarified the limitations of our study and provided future recommendations

The primary limitation of the present study is its limited temporal scope, with data restricted to the years 2011 to 2015. Despite this limitation, valuable insights are provided regarding the influence of outsourcing on labor demand in SME in developing nations like Vietnam. Due to the exclusion of larger manufacturing companies and those in the state and private sectors from the dataset, the generalizability of the findings is limited. In addition, the impact of outsourcing on the high-tech and low-tech manufacturing industries has not been thoroughly studied. Given the prevalence of low-tech businesses in developing nations, this is an essential area that merits additional research. To address these limitations, future research could make use of a larger and more recent data set, and the scope could be broadened to include larger manufacturing enterprises and additional industries. Thus, a more comprehensive comprehension of the relationship between outsourcing and labor demand across a variety of business sizes and industries could be obtained.

Concern 5:

Your manuscript currently has a similarity rate of 28%, which is quite high. Please revise your text to reduce the similarity index to a more acceptable level, ideally below 12-15%.

Answer:

We have revised our manuscript extensively to address this issue, making sure to rephrase and restructure our text where needed. Post-revision, we utilized the Turnitin software to check for similarity, which resulted in a decreased index of 20%.

While we understand that this is still higher than the desired 12-15%, we assure you that our manuscript is significantly more original now. We believe most of the remaining similarities are likely due to common terminologies and methodologies in the field.

Concern 6:

The author needs to study again for the Author's guideline in this journal to format the "et al." and the reference list need to format again based on Emerald or author's guideline of the journal.

Answer:

We have revisited the journal's author guidelines and have made careful adjustments to our manuscript. We have correctly reformatted the usage of "et al." as per the specified guidelines. In addition, we have thoroughly reviewed and reformatted our reference list to align with the Emerald or the specific reference style dictated by the journal.

 **Review Due Date Asian Journal of Economics and Banking.ics**
1K



S A M <ethan.eryn@gmail.com>

Reminder: Review Due Today - Asian Journal of Economics and Banking

1 message

Asian Journal of Economics and Banking <onbehalf@manuscriptcentral.com>

Wed, Aug 23, 2023 at 1:04 PM

Reply-To: thachnn@buh.edu.vn

To: ethan.eryn@gmail.com

23-Aug-2023

Dear Dr. Samuel P. D. Anantadjaya,

Recently, you agreed to review Manuscript ID AJEB-04-2023-0036.R2, entitled "OUTSOURCING AND LABOR DEMAND STRUCTURE: EVIDENCE OF VIETNAMESE SMALL AND MEDIUM ENTERPRISES." This e-mail is a reminder that your review is now due.

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Do not hesitate to contact me if I can be of any assistance.

Yours sincerely,
Assoc. Prof. Nguyen Ngoc Thach
Editor, Asian Journal of Economics and Banking
thachnn@buh.edu.vn



S A M <ethan.eryn@gmail.com>

Reviewer update for Asian Journal of Economics and Banking

1 message

Asian Journal of Economics and Banking <onbehalf@manuscriptcentral.com>

Fri, Aug 25, 2023 at 10:53 AM

Reply-To: thachnn@buh.edu.vn

To: thachnn@buh.edu.vn

25-Aug-2023

Dear Reviewer,

Thank you for your review of AJEB-04-2023-0036.R2 entitled OUTSOURCING AND LABOR DEMAND STRUCTURE: EVIDENCE OF VIETNAMESE SMALL AND MEDIUM ENTERPRISES for Asian Journal of Economics and Banking.

This paper has received a Minor Revision decision.

Thank you for offering your expertise and on-going support. It is much appreciated.

Yours sincerely,
Assoc. Prof. Nguyen Ngoc Thach
Editor-in-Chief
Asian Journal of Economics and Banking

Reviewers' comments:

Reviewer: 1

Recommendation: Accept

Comments:

Dear Authors,

I have read and reviewed your revised manuscript. The manuscript has been improved better and addressed in all comments. Thus, I accept for publication.

Congratulations to your hard work.

Best regards,

Additional Questions:

1. Originality: Does the paper contain new and significant information adequate to justify publication?: Yes,
2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: Yes,
3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?: Yes
4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: Yes,
5. Practicality and/or Research implications: Does the paper identify clearly any implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper?: Yes, it is improved.
6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: Yes.

Reviewer: 2

Recommendation: Minor Revision

Comments:

require proofreading once it is published

Additional Questions:

1. Originality: Does the paper contain new and significant information adequate to justify publication?: yes, it does have sufficient data

2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: it does have a level of understanding of the relevant sources & information, particularly on the direction of technical change
3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?: yes, it does have shown the necessary basis of theory
4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: yes, it contains all the results appropriately
5. Practicality and/or Research implications: Does the paper identify clearly any implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper?: it has the practicality of the research on the labor demand and skilled/unskilled labor
6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: ok, but it is requires a speed reading & proofread before it is published

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OUTSOURCING AND LABOR DEMAND STRUCTURE: EVIDENCE OF VIETNAMESE SMALL AND MEDIUM ENTERPRISES

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Yes

No

*** 1. Originality: Does the paper contain new and significant information adequate to justify publication?**

yes, it does have sufficient data

*** 2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?**

it does have a level of understanding of the relevant sources & information, particularly on the direction of technical change

*** 3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?**

yes, it does have shown the necessary basis of theory

*** 4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?**

yes, it contains all the results appropriately

*** 5. Practicality and/or Research implications: Does the paper identify clearly any implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper?**

it has the practicality of the research on the labor demand and skilled/unskilled labor

*** 6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.**

ok, but it requires a speed reading & proofread before it is published

*** Recommendation**

- Accept
 Minor Revision
 Major Revision
 Reject

Confidential Comments to the Editor-in-Chief

ΩSpecial Characters

***Comments to the Author**

ΩSpecial Characters

require proofreading once it is published