

Employment, skill structure and international trade: Firm-level evidence for France[☆]

Pierre Biscourp^{a,1}, Francis Kramarz^{a,b,c,*}

^a *Crest-Ensaë*

^b *Cepr*

^c *Iza*

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Abstract

We use the French Customs files, an exhaustive account of the international trade transactions carried out by firms across the period 1986–1992, to analyze the link between imports, exports, employment, and skill structure of French manufacturing firms. Our data allow us to distinguish between imports of finished goods and imports of intermediate inputs. Our results show that there is a strong correlation between increasing imports, in particular imports of finished goods, and job destruction, most notably destruction of production jobs. Interestingly, the strength of the relation between job destruction and imports is stronger for larger firms. For example, within production jobs, the association between increasing imports of finished goods and destruction of unskilled jobs is only found in large firms. These findings are robust to the introduction of firm-level measures of innovation.

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* Corresponding author. Address: 15 bd G. Péri, Malakoff 92245, France. Tel.: +33 141176033; fax: +33 141176046.
E-mail address: kramarz@ensae.fr (F. Kramarz).

¹ Address: 3 av P. Larousse, Malakoff 92240, France.

1. Introduction

Krugman hypothesized that wage inequality in the United States and unemployment in Western Europe were “the two sides of the same coin”. There is a very large literature that examines the American side of the coin (Bound and Johnson, 1992; Berman, Bound and Griliches, 1994; Revenga, 1992; Katz and Murphy, 1992). Its conclusion is that the demand for unskilled labor decreased in virtually every industry, interpreting these within-industry evolutions as evidence of skilled-biased technical change. Bernard and Jensen (1997) (BJ, hereafter) using firm-level measures of wages, skills, employment as well as exports, and in contrast to most previous analysts, find that changes in product demand were key in understanding these phenomena. Their analysis confirmed that exporting plants played a key role during this period of rapid change. This paper examines the other side of the coin by investigating the relation between trade and employment in France, taking stock of the decrease in wage inequality in this country up to 1984 and its stability afterwards (see Buchinsky et al., 2003 for a description of these trends from 1967 to 1999).² We also use firm-level micro-data sources for this purpose. Our analysis distinguishes itself from that of Bernard and Jensen not only because its period is slightly more recent (1986 to 1992) or because we study France. The main difference is our use of French Customs data in which all flows of goods — imports and exports — are recorded. This administrative database also contains the origin or the destination as well as the product that is imported or exported. Of course, a thorough examination of the relationship between trade, most particularly imports, and employment is of potential academic interest given this debate. But, our results should also allow us to understand if the fears regularly expressed about globalization by the popular press, the unions, or some politicians, and not only in Europe, have any empirical support.

1.1. The road map

Following BJ, in order to examine the role of imports and exports on employment, we adopt a very descriptive perspective. Our empirical analysis comprises three stages. First, we study the relation between trade and the creation and destruction of manufacturing jobs using a quasi-exhaustive panel of firms. In particular, this file includes very small firms. Then, we examine the relation between trade and skill structure using measures of the share of production jobs in total employment of manufacturing firms and of the fraction of unskilled workers within these production jobs. Unfortunately, the size of the sample is reduced because the Survey on Skill Structure includes only establishments with at least 20 employees. Following the literature we apportion the job-skill composition changes to between-industry effects, within-industry but between firm effects, and within firms effects. Finally, we examine the robustness of our results to the introduction of firm-level measures of innovation, to control for changes in technology.

At each stage, we relate changes in employment or skill structure, both measured at the firm-level between 1986 and 1992, to changes of trade activity, also measured at the firm-level and over the same period. When we use our exhaustive manufacturing dataset, we also compare the contributions of firms that are present at both ends of our sample period with those that die and are born during the period.

Again at each stage, because our data allow us to identify the categories of imported goods (using a 3-digit classification), we distinguish between two types of imported goods (following Feenstra and Hanson, 1995, 1996). When the classification of the imported good exactly coincides with that of the importing firm, we label the imported good “finished” (hereafter, FG).

² See also Card, Kramarz, and Lemieux (1999) for an (negative) evaluation of Krugman’s story.

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