Trade, Volatility, and Workers: A Closer Look at the Role of Human Capital

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The mobility (or lack of mobility) of factors has consequences for welfare in trade models. Specifically, trade generates volatility, which impacts workers welfare. As we know, labor is not perfectly mobile and recently the trade literature has moved towards incorporated labor frictions in developing new insights. In this paper, we aim to extend that literature by connecting labor frictions and human capital with trade and volatility.

To that end, we take advantage of a unique combination of datasets: the matched employer-employee dataset at the IAB linked to the task level data from the BIBB. Then, we construct multi-dimensional measures of human capital that include information on education, tenure, and task specificity. Using these measures we are able to better understand how specific versus general aspects of human capital affect workers' mobility, job turnover and wages in response to trade-induced volatility.

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