

CIFREM SEMINARS

THE EXCHANGE RATE, EMPLOYMENT AND HOURS: WHAT FIRM-LEVEL DATA SAY

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14.30 PM – DISA seminar room
Faculty of Economics

Using a representative panel of manufacturing firms, the response of job and hours worked to currency swings is estimated, showing that it depends primarily on firms' exposure to foreign sales and their reliance on imported inputs. It is also shown that, for the given international exposure, the response to exchange rate fluctuations is magnified when firms exhibit a lower monopoly power and when they face foreign pressure in the domestic market through import penetration. The degree of substitutability between imported and other inputs and the distribution of workers by type introduce additional degrees of specificity in the employment sensitivity to exchange rate swings. Moreover, episodes of entry and exit in the export market are associated with a heterogeneous employment response depending on the degree of external orientation when the switch of export status occurs.

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