

Trade Liberalization and Demand for Skill in Brazil

Bruno Giovannetti and Naércio Menezes-Filho

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Abstract: This paper examines the relationship between trade liberalization and the evolution of the demand for skill in Brazil during the past decade. We use matched employer-employee panel data to test the hypothesis that the reduction in input tariffs made it easier for Brazilian firms to acquire technologically advanced inputs from abroad, which raised the demand for skilled labor. We find that input tariffs have a negative effect on skill upgrading and that this effect is stronger in firms that use inputs that are complements with skilled labor.

Key words: Relative demand for skills, economic opening, technological advances

JEL Classification: J23, J31