Does Export Destination Matter for Skill Upgrading?

Evidence from Brazilian linked employer–employee and customs data

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Abstract

Linking Brazilian customs microdata to the universe of formal employment relationships, we compare firms making a first sustained entry into a high-income destination with firms making an equally new and equally major entry into a non-high-income country, a comparison that separates the effect of breaking into a large new market from the effect of that market being rich. Five years after entry, high-income entrants export 1.28 log points more than the comparison entrants and employ 0.40 log points more labour, with revenue outrunning payroll roughly three to one. The expansion runs entirely through retention: hire rates are indistinguishable across the two groups, while high-income entrants separate from four per cent fewer workers a year. Workforce skill does not rise on any of three measures. The mean worker component of wages on the standing roster falls by 0.041 log points relative to the comparison entrants; formal education is unchanged at five years and falls over shorter horizons; occupational tier does not move. Pay for given worker quality rises, locating the wage gains documented in this literature in rents rather than in skill. High-income destinations do pay a unit-value premium for the same product from the same firm, of nine per cent per product line, but the premium is an order of magnitude too small to account for the revenue response, which is almost entirely quantity. The quality mechanism's premise holds while its labour-market implication does not.

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