

## The Effect of Firms' Trade on Skill Premiums through Internal Labor Market

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This study estimates the effect of firms' import and export on their workers' skill premiums by constructing a matched worker-firm panel data in Japan and using IV strategy for trade. The results show that firms' import change skill premiums positively for college graduates and negatively for non-production workers in manufacturing sector, due to the change of labor demand. The effect of export is similar to that of import but weaker. Both firms' import and export decrease skill premium of middle managers. Firm-level factors such as firm size and productivity barely affect the change of skill premium induced by firms' trade.