Labor Market Polarization and International Macroeconomic Dynamica

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Abstract:

During the last thirty years, labor markets in advanced economies where characterized by their striking polarization. As job opportunities in middle-skill occupations disappeared, employment opportunities concentrated in the highest- and lowest wage occupations. I show that a model that incorporates trade in tasks rather than in goods can replicate the observed polarization. This polarization, however, was not monotonic: the relative employment share for each skill group significantly fluctuated over time. The domestic and international macroeconomic shocks estimated in this paper can rationalize the observed short- to medium-run dynamics of employment shares for each skill group.