

# International Trade and Job Polarization: Evidence at the Worker Level

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Job polarization is the shift of employment and earnings from mid-level wage jobs to both high- and low-wage jobs. Employing longitudinal employee-employer matched data on all workers and firms in Denmark we investigate the role of international trade for job polarization as Danish workers faced intense import competition from China over the period 1999 to 2009. Using an instrumental variables approach we show that import competition from China is an important cause of job polarization in Denmark, about four times the size of the effect of offshoring. We confirm a strong role for technical change and computerization for polarization, although these factors cannot explain the rise in low-wage employment by the early 2000s. The removal of restrictions on textile exports with Chinas entry in the World Trade Organization provides a quasi-experimental setting that shows our instrumental variables approach captures the substance of trades causal effect on job polarization. Import competition leads to job polarization by shifting workers from initially abundant manufacturing jobs to both high- and low-paying services jobs. Low-educated workers lose mid-level jobs, and move into low-wage jobs to a greater extent than more educated workers. Finally, when exposed to import competition women transition less well than men into high-wage jobs.

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