

Employment versus Wage Adjustment and the U.S. Dollar

ABSTRACT

Using two decades of annual data, we explore the links between real exchange rates and employment, wages and overtime activity in specific U.S. manufacturing industries. Across two-digit industry levels of aggregation, exchange rate movements do not have large effects on numbers of jobs or on hours worked. More substantial effects are picked up in industry wages, especially for industries characterized by low price-over-cost markup ratios, and in overtime wages and overtime employment. The industry-by-industry pattern of wage responsiveness is not strongly related to industry export orientation or changes in overall external orientation. Industries with low price-over-cost markups and those with a less skilled workforce exhibit relatively larger employment elasticities but lower wage elasticities.

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