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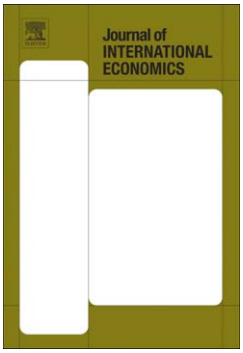

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Measured Skill Premia and Input Trade Liberalization: Evidence from Chinese Firms*

Bo Chen† Miaojie Yu‡ Zhihao Yu§

September 4, 2017

Abstract

Using Chinese firm-level production data, this paper developed a Mincer (1974)-type approach to investigate the impact of input trade liberalization on firms' wage inequality between skilled and unskilled workers (or skill premium). When controlling for product-market tariffs in a firm's industry, we find robust evidence that reduced input tariffs in a firm's industry are associated with a higher skill premium at firms with more skilled workforces. This effect is more pronounced at ordinary (non-processing) firms. We also provide evidence that reduced input tariffs in a firm's industry are associated with higher value added and profits at firms with more skilled workforces.

JEL Classifications: F10, F12, F14

Keywords: Skill Premium, Input Trade Liberalization, Firm Evidence

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