

THE DEMAND FOR SKILLS AND THE LABOR COST IN PARTNER COUNTRIES: EVIDENCE FROM THE ENLARGED EU

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Abstract

Using recently released sector-level industrial statistics we analyse the consequences of trade integration in Europe (1995-2005) and quantify how changes in labor costs in partner countries change the demand for domestic high- and low-skilled labor in 20 European Union economies (EU-15 and five new member states). The general result we obtain is that independently on the skill level there are rather complementary relations between domestic and foreign labor force in our sample of EU countries. We do not find evidence suggesting that recent trade integration in Europe and tightening of the links with relatively low wage partner countries from Central and Eastern Europe has posed a threat to the EU-15 based labor force.

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