

THE EXCHANGE RATE OF RMB AND THE EMPLOYMENT IN CHINA

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ABSTRACT

Since the reform of the Chinese exchange rate system, the more flexible fluctuation of Renminbi (RMB) causes a wide public concern. The research on the issue of the exchange rate fluctuation is popular in foreign countries. However, the study of China starts relatively late. This study investigates the impact of the exchange rate fluctuation on the employment in China, and attempts to add new findings to the existing literature.

Provincial panel data during the period of 1994 to 2006 are employed. Findings include that the fluctuation of RMB's exchange rate has negative effect on the number

of staff and worker in the manufacturing sector, while it has a relatively larger negative impact on the export value of the manufacturing products. Simultaneously, the change in the export value has a small positive effect on the number of staff and worker. Moreover, the exchange rate fluctuation has a different degree of impact on employment and the export value in the three regions. The eastern region receives the largest effect on employment but the smallest effect on the export value. However, the western region has the smallest effect on employment, and the central region has the largest effect on the export value.