

LETTER TO THE EDITOR

Dear Editor,

Thank you for giving us the opportunity to submit a revised version of our manuscript. We are very grateful to the reviewers for their insightful comments. We have been able to incorporate changes to reflect the suggestions provided by the reviewers. Below we highlight the main changes we have carried out:

- According to both reviewers, we have restructured the introduction. We have split it into three parts. The first one is now the introduction *per se*, where we include the motivation of the paper including a literature review focusing on the general literature related to our study, as well as the objectives and contributions of our paper. The second part is now devoted to explain why Spain is an interesting case to study our research question, i.e. to investigate the role of export participation as a means to maintain employment in recessive periods in which domestic demand is depressed. Finally, section 3 contains the explanation of the database and some descriptives.
- The rest of changes have been made following the suggestions made by reviewer 2 (since the comments from reviewer 1 were mainly about the introduction and some typographical errors that we have corrected). To take account of his/her suggestions has implied the following:
 - We have emphasised the differences between large and small firms adding more descriptives and through a more extensive literature review.
 - In particular, we have included a broader literature review especially focusing on SMEs and their role on the different aspects of our work: the effects of the cleansing mechanism, the phenomena that change with recessions that makes firms adjust differently, their role on export participation or their effects in the presence of a crisis. Moreover, we have deepened on the relationship between exports and employment relying on papers using firm-level data.
 - We have also developed a theoretical framework following the lines suggested by the reviewer. For this purpose, we rely on the model developed in Almunia *et al.* (2021) that establishes a causal link between drops in domestic demand and greater firm's incentives to export (the so-called "venting out"). Furthermore, as suggested by the reviewer, we have also considered another theoretical prediction in this model, which states that those firms with the highest capacity utilization are the ones that have the greatest incentives to export when domestic demand falls. In short, we pay attention to these theories and then move on to testing them empirically.
 - Therefore, we have also re-estimated our equations in the paper accordingly to better verify these theories (those already considered in the previous version of the paper and the recently introduced one on the use of productive capacity). In addition, we have also performed some robustness checks to further confirm our results of the employment equations. Due to these changes in estimations and to our general theoretical framework developed in this version of the paper, we have restructured section 4 (the section now devoted to explain the theoretical framework and the estimations results).

We hope that with the changes made according to the reviewers' suggestions, the paper has improved.

Your sincerely,

The authors.