

## **Export Intensity and Jobs- Evidence from India's formal manufacturing plants**

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### **Abstract**

The National manufacturing Policy (2011) as well as the “Make in India” (2014) policy initiative both aims at making Indian manufacturing competitive. Thus the Indian manufacturing sector has significant potential to generate large scale employment especially in the formal sector. Further, given that India's exports have been rising both as a percentage of GDP and as share of world exports since the trade reforms of 1990s, the exporting firms hold tremendous significance for job creation.

The present paper using the rich plant level dataset of formal manufacturing sector from the Annual survey of Industries (Government of India), attempts to examine the link between export intensity and employment behavior for firms which operate in labor market regimes – both flexible as well as non flexible. The dataset constitutes around 50,000 plants spread across different manufacturing industries for the period 2008-2015. Using a labor demand function, we examine this relationship for 3 types of employment- total persons engaged, directly employed workers and contract workers. The econometric analysis undertaken involves cross-sectional as well as the panel data analysis. Our findings show that that the export intensity of manufacturing plants has a positive and significant correlation with job creation. In addition, we also find that for plants located in flexible labor market, the export intensity impacts positively on employment both for total employed and permanent workers. Despite the extensive use of contract workers in formal manufacturing, the relationship between contract workers and export intensity seems to be weak and this has important implications for policy initiatives to enhance job creation as well as skilled versus unskilled employment.