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Destruction or Polarization: Estimating the Impact of Technology on Jobs in Indian Manufacturing

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ABSTRACT

Indian manufacturers have invested significantly in technology upgradations since the economy opened up to foreign trade and technology in the mid-1980s. In this paper, we examine the impact of technology on employment and skill demand within the Indian manufacturing sector. Estimating a dynamic labour demand equation, we find that despite reducing the required labour per unit of output, technology has not reduced the aggregate employment in the Indian manufacturing sector. However, qualitative effect of technology on labour demand has been very significant. Our results show that adoption of new technology has increased the demand for high skilled workers at the cost of intermediary skills, leading to the polarization of manufacturing jobs. It suggests that technology has reduced the routine task content of manufacturing jobs in India.

KEYWORDS Technology; Employment; Labour Demand; Skill

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