

Changes in Wages and Industry-Level Export Exposure: Implications for Wage Inequality

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Abstract: This paper examines how industry-level export exposure influences wages and wage inequality in India's manufacturing sector from 1999 to 2017, using household survey data (NSS, PLFS) and 4-digit industry level trade data. Despite theoretical predictions that trade should reduce inequality in labor-abundant economies, wage inequality in India increased post-1991 liberalization, peaking in 2004 (Gini 0.46) before declining to 0.35 by 2017. We find that a Rs 1 trillion increase in industry's exports raises wages by 0.0482% in 2017, suggesting an export wage premium that could widen disparities between workers in export-intensive versus less-exposed industries. However, declining education premiums and policy interventions compressed the wage distribution, ultimately leading to a net reduction in inequality. Our findings suggest export exposure plays a dual role: raising wages while introducing between-worker inequality, with these effects moderated by India's informal labor market and structural transformations.

Keywords: trade, wages, inequality, India

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