

Labor costs in India抐 organized manufacturing sector

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ABSTRACT

Compensation costs in India抐 organized manufacturing sector were 91 cents per hour for all employees in 2005; this amounted to about 3 percent of hourly labor costs in the U.S. manufacturing sector, but was above BLS estimates of labor costs in China.

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EXCERPT

India抐 important role in the global economy is perhaps best exemplified by its membership in the G-20, the group that has replaced the G-8 as the major international economic forum. Although India is the fourth-largest economy in the world, accounting for 4.6 percent of the world抐 GDP, the value of India抐 exports in 2007 was only 1 percent of the world抐 total exports.¹ Many factors affect the level of a country抐 exports and the growth of its GDP. The Government of India抐 National Manufacturing Competitiveness Council has identified manufacturing as "the main engine for economic growth and creation of wealth" for the country.² Currently, the Council believes that India抐 export levels are far below its potential. India has been identified as a potential manufacturing giant by outsiders, as well, and has generated interest in the global marketplace because of its low cost of labor and large population.

Because of India抐 economic prominence, and in light of BLS抐 history of providing comparative statistics, BLS has undertaken a research project to study the manufacturing industry in India, supported by the expertise of coauthors Haub and Sharma. This article presents, for the first time, BLS estimates of compensation in India抐 "organized" manufacturing sector抐 the portion of the country抐 manufacturing activity that is formally registered with Indian state governments, making it subject to regulation. BLS estimates that in 2005, the latest

full year for which data were available at the time this article was written, employers in India抐 organized manufacturing sector compensated employees at a mean rate of \$0.91 an hour梐 approximately 3 percent of the compensation level of manufacturing employees in the United States. (All averages referred to in this article are means.)

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Footnotes

[1](#) "Table. PPP Conversion Factors and Share of Global Output, 2007" (Washington, DC, International Monetary Fund, January 8, 2008). Visit www.imf.org/external/pubs/ft/survey/so/2008/res018a.htm and click on "Link to PPP data" under "Related Links (visited Apr. 26, 2010); *WTO: developing, transition economies cushion trade slowdown*, Press/520/Rev. 1 (World Trade Organization) Apr. 17, 2008, Appendix Table 3, "Merchandise trade: leading exporters and importers, 2007," on the Internet at www.wto.org/english/news_e/pr520_e/pr520_e.htm#appendix_table3 (visited Apr. 26, 2010).

[2](#) *The National Strategy for Manufacturing* (Government of India National Manufacturing Competitiveness Council, March 2006), 1.1, p. 2, on the Internet at http://nmcc.nic.in/pdf/strategy_paper_0306.pdf (visited Apr. 26, 2010).

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