

ABSTRACT

This study involves the determination of the significant wage differentials between the domestic and multinational enterprises of the Indian Manufacturing Sector. This study is based on an analysis of the period of 16 years from 2000-2015 for Indian manufacturing sector. The aim of this paper is to determine out whether there is a wage differential between the MNE and domestic firms, explain the determinants of the remuneration to the employees under different set of circumstances and find out the firm level and industrial level characteristics that govern the differences. An important feature of this paper is that this divides the whole Indian Manufacturing sector into different sets based on (1) the National Industrial Classification (NIC 2008), (2) the OECD Technological Classification (3) the firms which are paying more than average salaries and wages and (4) their ownership structure. Our analysis confirms the hypothesis that there is a significant difference between the salaries and wages paid by the MNE and domestic firms in Indian Manufacturing Sector. Further, it points out that the wage structure of the domestic enterprises varies more because of the change in the characteristics of firms and the industry vis-à-vis the multinational affiliates.

Keywords: Indian manufacturing sector, wage differentials, multinational affiliates, total factor productivity, labour intensity, panel data, tobit model.