

ABSTRACT

Labor productivity is one of the important driving factors of growth of developing economy. This paper examines the factors that determine labor productivity in Indian manufacturing sector. The study employs panel data model using data stretching over a period from 1996-97 to 2005-06 across 11 industries. In the study labour productivity has been regressed on fixed capital, expenditure on research and development, foreign direct investment, exports and skill level. Results indicate that FDI and exports are important factors in positively influencing labor productivity in Indian manufacturing industry.

Key words: *Labor productivity, manufacturing, India*