Import Competition, Employment and Wage Inequality in India's Formal Manufacturing Sector: Does Labor Market Regulation Matter?

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Abstract

Labor market rigidity in developing countries can influence labor market effects of import competition by increasing the costs of adjustment to trade shocks and slowing down the reallocation of resources across firms. But the issue has been little researched. The sharp rise in import competition from China in the aftermath of its accession to WTO and the variation in India's labor market present an ideal setup to explore this issue in developing country context. I find that the rise in import competition from China leads to a general increase in within-plant wage inequality between skilled and unskilled workers in large plants driven by much larger adjustment of within-plant skill premium in the flexible markets. But there is no evidence of skill premium adjustment in response to intensified Chinese import competition in the inflexible markets. Another key finding is that in the flexible labor markets, only the average wage of white-collar workers rises in the face of rising Chinese import competition. In a sample of large plants, rising import competition from China causes a downsizing of low-productivity plants through employment destruction, and an expansion of high-productivity plants via employment creation, particularly in the flexible labor market.

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1. Introduction

The impact of trade on wage inequality and unemployment are the two core issues of the globalization debate that has been reignited with the economic rise of China and the concurrent increase in south-south trade. In 2011, world merchandise exports reached a level of USD (US Dollar) 18 trillion from a level of USD 6 trillion in 2001 (at current prices and current exchange rates). Remarkably, south-south trade alone has contributed 30 percent (or USD 3.6 trillion) of the USD 12 trillion increase in world exports.[1] Such a spectacular expansion of south-south trade in a very short period has been driven largely by an extraordinary expansion of China's exports following its integration into WTO together with rapid export growth from other major developing countries.

A set of research questions emerges from this debate: Does rise in import competition from China affect wage inequality and employment in low-wage developing countries? Who are the gainers and losers in the process of adjustment to trade? What is the role of labor market frictions (e.g. regulation) in the level and process of adjustment to trade? Using detailed data of India's formal manufacturing sector this paper investigates how import competition shock from China affects the pattern of wage inequality and employment. In particular, this paper shows that import competition from China after its accession to WTO in 2001 increases wage inequality between skilled and unskilled labor in large manufacturing plants and that the institutional flexibility of the labor market influences the distributional consequences of trade shocks. This paper finds that the rise in import competition from China leads to a general increase in within-plant wage inequality between skilled and unskilled workers in large plants. But when the plants located in flexible labor markets are separated from those located

[1]As of 2011, the share of south-south trade accounts for a quarter (or USD 4.4 trillion) of world merchandise exports -almost twice as much compared to 2001. During 2002-2011, south-south export increased by 19 percent on average annually, where manufacturing sector export alone grew by 17 percent. Developing Asia accounts for 73 percent (or 3.2 trillion USD) of total south-south trade in 2011. Source: UNCTAD Handbook of Statistics 2013.

in inflexible markets, it appears that the overall pattern is driven by much larger adjustment of within-plant skill premium in the flexible markets. But there is no evidence of skill premium adjustment in response to intensified Chinese import competition in the inflexible markets. Another key finding is that in the flexible labor markets, only the average wage of white-collar workers rises in the face of rising Chinese import competition. Finally, for the sample comprising large plants it is observed that rising import competition from China causes a downsizing of low-productivity plants through employment destruction, and an expansion of high-productivity plants via employment creation, particularly in the flexible labor market.

Recent studies (Acemoglu et al. 2016; Autor, Dorn, and Hanson 2013; and Bloom, Draca, and Van Reneen 2016) find that the rise in import competition from China after its WTO accession has a strong destructive impact on the labor markets of developed economies. A few recent studies (Mion and Zhu 2013; Utar 2014) document that Chinese import competition also led to skill upgrading in the manufacturing sector of developed countries. In a recent study, Lu and Ng (2013) show that though import competition affects skill content in U.S. manufacturing industries, this result is not driven by low-wage sources or China. However, their paper is based on data that predate China's accession to WTO in 2001. As mentioned above, the pattern of international competition has dramatically changed after China's integration to WTO in December 2001. Against this backdrop, there are reasons to believe that the integration of China into the world economy also has an impact on wage inequality in labor-abundant countries. However, the impact of this huge trade shock on the evolution of low-wage developing economies remains unexplored. The paper aims to fill this gap in this literature by investigating the impact of this extraordinarily large trade shock on employment and wage inequality in low-wage developing country context. For instance, in the 2000s, India's formal manufacturing sector experienced a sharp rise in inequality between skilled and unskilled workers – the ratio of the average wage of non-production and production employees increased from 2.27 in 2001 to 3.03 in 2009. At the same time, China's share of India's imports (non-oil) increased from 5 percent in 2001 to 16 percent in 2010. Is there a causal link between the rise in India's imports from China and rising wage inequality in India?

While I focus on the impact of import competition from China on labor market outcomes, rigidity of the labor market can influence the consequences of such trade shock. Firstly, labor market inflexibility can influence labor market effects of import competition by creating higher cost of adjustment and impeding the reallocation of resources across firms. One key component of labor market regulation in India is that a plant with more than 100 workers must obtain permission from the government to retrench any worker or close its operation even while incurring losses. This kind labor market regulation imposes significant restrictions on plants' ability to adjust to shocks. Secondly, labor regime is not uniform across Indian states (Besley and Burgess 2004). As a result, labor market consequences of trade shock in the flexible states may be different from those in the inflexible states. The variation in India's labor market environment presents an ideal setup to test whether plants located in inflexible labor markets face any additional cost while adjusting to intensified import competition from China.

To investigate the impact of the rise in Chinese import exposure on plant-level outcomes, I use plant-level micro data from India's formal manufacturing sector and the HS 6-digit product level bilateral trade data from UN Comtrade database. I primarily rely on differential changes in China's import share across industries and over time to identify the impact of Chinese import competition on wage inequality and employment. The rapidly growing trade between China and India, two emerging giants – particularly in the aftermath of China's accession to WTO, coupled with intrinsic diversity of the large Indian economy presents an appropriate setup for this analysis. It appears that China's accession to WTO in 2001 occurred during a period when Indian economy was relatively stable, which allows us to uniquely identify the effects of China's emergence on Indian economy.[2]

I separate my empirical analysis into two core labor market issues –wage inequality and employment. In order to control for plant-specific unobserved heterogeneity, I use five-year changes in plant-level outcomes and associate them with a similarly differenced measure of Chinese import competition. However, how such a trade shock affects plant-level margin of adjustment depends on the labor market regulations of the state where the plant resides. In order to address this potential heterogeneity in exposure to shocks across states, I re-estimate the impact of Chinese import competition separately for different labor market regimes using the classification of India's labor market developed by Besley and Burgess (2004). The authors developed a labor market classification of Indian states based on their direction of amendment (pro-employer or neutral or pro-worker) to Industrial Disputes Act (IDA) of 1947. In the baseline specification, I classify the states into two broad groups –flexible (or pro-employer) and inflexible (either neutral or pro-worker).In order to control for state-level macroeconomic shocks that are common to all the plants within a state, I include state-year fixed effects. Another interesting feature of India's labor market regulation is that the extent of regulatory burden increases with size of the plants. In order to test whether import competition has a disproportionate effect on plants within a particular labor market regime, I perform the regressions separately according to different plant size thresholds.

Though the above framework addresses a number of important issues for the identification of the impact of exposure to Chinese import competition, there are still potential sources of endogeneity that may bias our coefficients of interest. First, there may be unobserved

[2] Indian economy went through substantial changes in the- first half of 1990s, following liberalization shock in the early 1990s. The trade reforms in the late 1990s were rather slow and more selective, allowing the economy to become settled in a new liberalized environment.

technology shocks that can have a simultaneous effect on an industry's relative demand for skilled workers and imports in that industry. Second, there may be causality running from skill premium or employment to changes in import demand in an industry. Third, industry-specific policy shocks may affect firms in a particular industry and imports from China. Finally, the import competition variable may be subject to measurement error that can lead to attenuation bias in the coefficient of interest. I address these endogeneity concerns by applying an instrumental variable (IV) estimation approach. I use one period lag changes in share of Chinese imports at the industry-level in Indonesia as an instrument for changes in Chinese import exposure in India.

This paper contributes to the literature on international trade by investigating the causal effects of import competition from China on wage inequality and employment at the plant-level in low-wage country context. There are a few recent studies that investigate the impact of globalization on adjustment of wages and employment within-plant. Amiti and Cameron (2012) and Amiti and Devis (2012) explore the impact of tariff liberalization on changes in wage inequality, and wages within-firm, respectively, using firm-level data from Indonesia. A few studies exploit the Indian liberalization episodes in the 1990s, particularly in the early 1990s, to identify the impact of trade reform on wage inequality in India. On the poverty impact of trade reform, Topalova (2007, 2010) observes that the benefits of trade liberalization differ across Indian districts corresponding to their exposure to international trade. Chamarbagwala and Sharma (2011) using ASI data from 1980-81 to 1994-95 find that in pre-trade-liberalization era industrial de-licensing played a role in increasing the demand for skilled labor via output-skill or capital-skill complementarities, which is reflected in the rise of wage bill share and relative employment of skilled workers in the de-licensed industries. However, there is weaker evidence of capital-skill and output-skill complementarities in post liberalization era, which they argued as an indication of less significant role of trade on demand for skilled workers.[3]

The rest of the chapter is organized as follows. Section two discusses the theoretical link between import competition, wage inequality and employment. Section three describes the data. Section four and five define the measures of import competition and labor market flexibility, respectively. Section six presents the empirical strategy and section seven discusses the regression results. Section eight concludes the paper.

2. Institutional Background

India is the world's largest democracy and a home for about 18 percent of world's population. India became independent in 1947 and largely adhered to an inward-looking, import substitution strategy and enforced state's control on industrial production activity in the first three decades. During the era, entry and production activity in the industrial sector were tightly regulated by licensing requirement under the Industries (Development and Regulation) Act (IDRA), 1951.[4] Between 1980 and 2000, the Government of India undertook major reform initiatives in several phases. Though the steps toward liberalization started in the second-half of 1970s, policy changes were rather ad-hoc. The first major phase of reform was materialized in 1985 with the de-licensing of one-third of the organized industries at the 3-digit level. However, on the external-sector, there was no such development at that time: trade and foreign direct investment restrictions remained abound during the whole 1980s. While, the second phase, compared to the first, was rather drastic and much comprehensive in scope, –prescribed by IMF as pre-conditions for much needed financing at the time of balance of payment crisis that had been gradually building up in the late 1980s. The key

[3]They use repeated cross section of plant-level ASI data from 1980-81 to 1994-95.
[4]For a detailed discussion on the License Raj see Aghion, Burgess, Redding, and Zilibotti (2008), Panagariya (2008) and Chamarbagwala and Sharma (2011).

elements of 1990s reform program include: de-licensing, FDI liberalization and trade liberalization. Licensing requirement almost abolished in 1991 except for few exceptional cases (Aghion, Burgess, Redding, and Zilibotti 2008). In addition, exchange rates liberalization and abandoning the licensing requirement for the imports of capital and intermediate goods were also initiated (Harrison, Martin, and Nataraj 2012).

India's growth trajectory has changed after it has crossed a decade of significant liberalization in its economic environment both externally and internally. India achieved an amazingly high average growth rate of 8.5 percent during 2003-4 to 2010-11 period. Despite rapid growth acceleration its speed of poverty reduction has been rather slow relative to other faster growing economies. Many believe that the growth process has been largely driven by capital- and skill intensive manufacturing industries rather than unskilled labor-intensive sectors. As a result, the process could not attract a large number of agricultural workers into manufacturing sector. A large proportion of India's huge workforce is employed in small informal enterprises where labor productivity is very low. As a result, the real wage of a large proportion of employed individuals has been trapped at a low-level even though the economy has been growing rapidly. Studies find that even after decades of liberalization changes India's restrictive labor market regime still constrains the growth of the economic establishments in a significant way. Among various labor legislations, Industrial Development Act (IDA) of 1947 is considered the most significant one for the rigidity of India's labor market. One key part of this act requires that a plant with more than 100 workers must obtain permission from the government to retrench any worker or close its operation even while incurring losses. In several studies, it has been argued that the labor market regulations that are created to preserve the well-being of labor are limiting their welfare in reality.

3. The Link between Import Competition, Wage Inequality and Employment

The link between trade and wage inequality is one of the principal predictions of Heckscher-Ohlin model of international trade. The Stolper-Samuelson theorem of H-O model predicts that trade between skilled-labor-abundant north and unskilled-labor-abundant south increases wage-inequality in the north and reduces it in the south. However, the overwhelming finding is that trade liberalization increases wage inequality in both developed and developing countries alike (for a survey Goldberg and Pavcnik 2007).[5] There could be numerous underlying factors including globalization, skill-biased technical change and urbanization that may have contributed towards rising wage inequality in low-wage developing countries. This paper emphasizes on the role of globalization in general and south-south globalization in particular as the source of rising wage inequality in low-wage developing countries. Understanding the patterns and causes of wage-inequality within firm can enrich our understanding of overall wage inequality. In the discussion that follows, I delineate a few channels through which import competition can affect wage inequality and employment changes within firm.

Quality upgrading: A new line of research proposes product quality upgrading as one of the sources of rising wage inequality in developing countries. Trade can lead to quality upgrading of products both through export incentive channel and import competition channel. Verhoogen (2008) highlights the former channel of rising wage inequality by extending heterogeneous firm model of trade developed by Melitz (2003). In this quality upgrading model, within industry most productive plants export and as the income of consumers differ

[5] This finding is supported by theoretical trade models developed by Feenstra and Hanson (1996) and Zhu and Trefler (2005). Helpman, Itskhoki, and Redding (2010), shows that trade liberalization can increase wage inequality across firms within-industry in both developed and developing countries but unemployment can rise or fall.

across countries, exporters in developing countries produce higher quality goods for foreign than for the home market and pay higher wages for higher quality workers. The model predicts that a fall in exporting cost incentivizes plants to improve product quality –as product quality improvement requires higher productivity plants to demand more of higher-quality workers and pay higher wages within the same industry, ultimately wage inequality rises within-industry.

Amiti and Khandelwal (2013) highlight the link between import competition and product quality upgrading. The authors find that tariff liberalization encourages quality upgrading of products that are close to world quality frontier but discourages for the products that are far away from the frontier. Martin and Mejean (2014) explore the impact of low-wage competition on product quality of French exports. They find that product quality upgrading is more pronounced in sectors and destinations where firms face more intense competition from low-wage countries. The observed relationship between import competition and quality upgrading suggests that import competition can also affect relative demand for skilled workers and hence wage inequality within industry through the mechanism highlighted by Verhoogen (2008). By the same token, if competition leads to an improvement of product quality of the plants than the wages of skilled workers may also rise relative to unskilled workers within-plant.

Product Mix: Recent developments in the theory of multi-product heterogeneous firms suggest that firms reduce their product scope in response to trade liberalization and drop the products away from their core competence. If skill-intensity of products differs from each other within firm than the relative demand for skilled workers will also be affected by trade shocks. Bernard, Redding, and Schott (2011) show that trade liberalization induces the surviving firms to drop their low quality products in the domestic market due to rise in product market competition, and derive more revenue from higher quality products in the foreign market. Eckel and Neary (2010) develop a multi-product model of firms where marginal cost differs across varieties. A rise in competition induces firms to drop their higher marginal cost varieties and focus on the core competence, which the firm can produce most efficiently. These multi-product models of firms suggest that competition can affect firms' relative demand for skilled workers through its effect on firms' product portfolio.

Cotemporary empirical evidence also supports the theoretical predictions of these models. Bernard, Jensen, and Schott (2006) find that the U.S. firms alter their product mix in response to low-wage import growth and these switches are biased towards skill- and capital-intensive industries. Iacovone, Rauch, and Winters (2013), and Liu (2010) also find that in the face of import competition plants are more likely to drop the products away from their core competence and refocus on core competence products. The former study investigates the impact of Chinese import exposure in Mexico during 1994-2004 and the latter explores the effect of import competition in the United States over the period 1984-1996.

Innovation: Recent developments in endogenous growth literature (Aghion et al. 1997, 2001, and Aghion et al. 2005) highlight the relationship between product market competition and innovation. This literature suggests that heightened product market competition encourages firms to innovate to help escape competition. Thoenig and Verdier (2003) suggest that international competition may lead to wage inequality by encouraging firms to invest in skilled-biased technology. Bloom, Draca, and Van Reenen (2016)find significant within-firm effect of Chinese trade on various measures of technical change: patents, IT intensity, R&D, management practices and TFP in European firms. Utar (2014) documents that competition from China have affected the skill composition within firm in Danish Textile and Clothing industry by having a significant negative impact on the employment of low-educated workers. Mion and Zhu (2013) using Belgian manufacturing firm data find that import competition leads to skill-upgrading in low-tech industries.

4. Data

In this paper, I use the Annual Survey of Industries (ASI) plant-level data from 1998 to 2009 period. The survey is conducted by Central Statistical Office (CSO), Government of India and it collects detailed information about registered manufacturing establishments in India. Each establishment in the survey is identified by a unique factory identifier from 1998 survey onwards.[6] The ASI data include all establishments registered under the Factories Act, 1948: (i) Factories that use power and employ more than 10 employees (ii) factories that do not use power and employ more than 20 workers. The Chief Inspector of factories in each state maintains a list of registered factories, which serves as a sampling frame. The frame is regularly updated on periodic basis to take into account of entry and exit of plants. The ASI data are recorded by financial year (e.g. April 1998 to March 1999). The ASI data reports the name of the state where it is located and whether it is a rural or urban area.

Based on employment level, the ASI sampling frame divides the plants into census and sample sectors. The census sector includes plants with at least 200 workers in the 1998 and 1999 survey and with at least 100 workers from 2000 onwards. The census plants are surveyed every year. The sample sector plants are randomly selected from the list of sample sector plants. ASI sampling weight (inverse of the sampling frequency) is available against each of the plant identifiers. The ASI data use National Industrial Classification (NIC) for the industrial classification of the plants. From 1998 to 2007 survey plants are classified by NIC-2004 and from 2008 to 2009 survey by NIC-2008. The first one follows Industrial Standard of Industrial Classification (ISIC) Rev 3.1 and the second one ISIC Rev 4. I use NIC-2004 as the main classification system by using a concordance from ISIC Rev 4 to ISIC 3.1. For the

[6]Factory identifiers are made available only recently and not available for surveys before 1998. As a result, previous studies have been unable to use the panel information (Nataraj, 2011) or relied on a form of matching algorithm (Harrison et al. 2011; Bollard, Klenow, and Sharma, 2013) to construct a panel.

purpose of this paper, I use only manufacturing sector plants for analysis,-sector 15 to 36 of NIC-2004 industry codes.

The ASI records information on employment and labor cost (wage bill) by occupational categories – regular workers, contract workers, supervisors and managers, other employees and unpaid workers. These categories are then broadly defined into two main groups – production (or blue-collar) workers and non-production (or white-collar) workers. The set of production workers comprises regular and contract workers, and that of non-production workers comprises supervisors and managers, other employees and unpaid workers. The ASI reports total number of employees (L) of a plant as the sum of the average number of production (Lbl) and non-production workers (Lwh). The share of white-collar workers is defined as the ratio of number of white-collar workers and total employees. Total wage bill is calculated as the sum of the wages and salaries including bonuses, provident fund and welfare expenses. The average wage of white-collar (blue-collar) workers is calculated as the total white-collar (blue-collar) wage bill divided by the total number of paid white-collar (blue collar) workers –comprising supervisors and managers and other employees. The skill premium at the plant-level is calculated as the ratio of the average wage bill to paid white-collar workers to the average wage bill to blue-collar workers. For the purpose of the analysis, I include the plants that report all the information required to construct employment, wages and skill premium. All the key inputs and output variables are winsorized at 1st and 99th percentiles.

I restrict the sample size for the analysis to 16 major states in India which are included in the study of Besley and Burgess (2004) for the construction of labor market flexibility variable. Since the extent of labor market regulations depends on a certain predefined threshold number of employees, I classify each ASI plant by its level of employment in the year when it is first observed in the ASI data. As the sample of the ASI data only span from

1998-2009, I calculate the initial size of the plants using the average number of total employees reported by the plants in the year when it is first observed in ASI data. I refer to plant size in the initial year as "LFirst". For instance, a sample comprising only plants with at least 200 workers in the initial period is denoted as "LFirst200" sample.

Table A.1.b (appendix) shows how wage inequality evolved over time in India's formal manufacturing sector across different labor markets. The table highlights few important points. First, wage inequality increased steadily over the entire period, 1998-2009, in the manufacturing sector overall. Second, the rising pattern of wage-inequality is a common phenomenon in all the three different types of labor market. Third, average wage inequality in the pro-employer states has always been higher than that of pro-worker states. Fourth, there is no substantial difference between pro-employer and neutral states in terms of average wage inequality during 1998-2009, though the latter frequently exceeds the former in most years from 2000 to 2004. Therefore, the concern that high-skill-intensive firms may self select themselves to establish plants only in pro-employer states and experience a faster increase in skill premium is unlikely to undermine our identification strategy.

5. Measure of Import Competition

In this paper, I use a variant of the "value share" approach proposed by Schott (2002) and Bernard and Jensen (2002) as the measure of import competition. The authors define

$$I_{IN,jt}^{S} = \frac{\sum_k V_{kjt,S}}{\sum_k V_{kjt,W}} \qquad (1)$$

where $V_{kjt,s}$ ($V_{kjt,w}$) is the import value of product k in industry j at time t from source S (W). Here k represents a particular HS 6-digit product category that corresponds to industry j (ISIC 4-digit industry). $I_{IN,jt}^{S}$ is the source S's share of the value of India's imports in Industry j.

However, this measure includes four different types of products - consumer goods, capital goods, intermediate goods and raw materials.[7] Industry-level aggregation of all the types of (HS6-digit) products may therefore hide the competitive effects that particular types of imports may exert in some industries, leading to attenuation bias in the estimated impact of import competition. In order to obtain a more precise measure of competition at the industry-level, I modify the above measure of import competition by excluding all raw materials (RM) imports from the numerator. That is, the degree of import competition in industry j is the ratio of the sum of the value of all products imported from source S (China or high-wage countries) except raw materials and the sum of the value of all products including raw materials imported from the World.

$$M_{IN,jt}^{S} = \frac{\sum_{k,k\neq RM} V_{kjt,S}}{\sum_{k} V_{kjt,W}} \quad (2)$$

6. Labor Market Rigidity and its Implications for India's Manufacturing Sector Performance

India's labor market regulation has been considered as one of the major obstacles to efficiency in the organized manufacturing sector (Besley and Burgess 2004), in general and growth of labor-intensive manufacturing sector, in particular (Panagariya 2008). Even during this spectacular era of liberalization, there were no major changes in India's labor regulations.

India's manufacturing firms are divided into the formal (or organized) and informal (or unorganized) sector. The organized sector includes factories that use power for manufacturing activities and employ more than 10 employees (20 if operate without power) and are registered under the Factories Act, 1948.[8] All organized sector firms are subject to inspection on a range of issues under the act: health and safety provisions, working hours, employment of women and young persons, annual leave and facilities within the premise.

[7]The categorization is based on UNCTAD standard product group classification.
[8] Only around 10 percent of the manufacturing workers are employed in organized sector, while rest belongs to informal sector.

The number of regulatory issues increases as firms grow larger (in terms of employment). Once firms reach 20 or more workers, a firm is required to set up retirement funds, while at 50 or more workers it has to offer mandatory health insurance services.[9] In addition, firms with more than 50 employees are also subject to Industrial Disputes Act (IDA) of 1947 for settlement of disputes between workers and management. IDA contains especially stringent set of rules and regulation for firms with 100 or more workers. The most conspicuous part of the act is that any establishment with more than 100 workers must get prior permission from the appropriate government agency in order to layoff a worker or stop production.[10] Because the state governments are generally responsible for approving such authorizations, retrenchment of workers has become an extremely difficult task for the large employers (Panagariya, 2008). However, firms partially circumvent the stringency of IDA by employing contract workers who are not protected by IDA.

Rigidity in the labor market limits the ability of the firms to adjust to shocks by increasing cost of hiring and dismissal of labor. For example, Aghion, Burgess, Redding and Zilibotti (ABRZ, 2008) show that the impact of industrial de-licensing on performance of manufacturing sector differs across states with different labor market regulations.[11] Lafontaine and Sivadasan (2009) using outlet level data of a fast-food chain find that the responsiveness of labor cost with respect to previous period's labor cost (hysteresis) is higher in highly regulated countries. Their study also finds that labor cost responds less to sales revenue in inflexible labor market. Another important implication of labor market rigidity is that it hinders reallocation of resources from less to more productive firms. Kambourov

[9] The former is under Employees Provident Fund and Miscellaneous Provisions Act of 1952 and latter is under the Employee State Insurance Act of 1948

[10] The amendment was originally introduced in 1976 with applicability for the plant having three hundred or more workers and the threshold brought down to 100 or more with a further amendment in 1982.

[11] Industrial licensing was the key tool of the Central government in India to regulate the manufacturing activities towards a desired direction: the characteristics of entrants, how much a plant can produce, the amount of input firms are allowed to use among others.

(2009) highlights that labor market rigidity, in the form of high firing cost, slows down reallocation of labor across sectors in response to trade reforms.

The Measure of Labor Market Rigidity: In this paper, I exploit the variation in labor regulations across states to identify the differential impact of labor market outcomes in response to intensified import competition. State level differences in India's labor regulations arise from the fact that both central and state governments have concurrent jurisdiction over industrial relation laws in India. State governments have the authority to amend labor regulation legislation that was set at the federal level. For the purpose of this paper, I primarily use IDA based labor market classification of Besley and Burgess (2004) to categorize the states by labor market regime. Many studies (Panagariya 2008; ABRZ 2008; Dougherty 2008) consider IDA as the key legislation for determining labor market stringency in India. According to Panagariya (2008) the amendments to IDA, in 1976 and 1982, that impose restriction on large plants ability to retrench workers, have severely affected the efficiency of the workers and thereby effective costs of labor. Besley and Burgess (2004) document a strong positive relation between IDA based labor regulation measure and working time lost due to strikes. In order to develop a measure of labor market stringency, Besley and Burgess (BB) evaluate state level amendments to the IDA 1947, and assign a particular numeric code (1, -1, 0) to each amendment to indicate whether adjustments are made in favor of workers (1) or employers (-1) or whether no considerable impact in either direction (0). For instance, an amendment that prohibits strikes and lockouts is considered as a move towards pro-employer direction, whereas an amendment that imposes a requirement to include union representative in worker retrenchment negotiations is considered a move towards pro-worker direction. They aggregate the index over time to obtain a summary measure of regulatory environment at state level. Finally, they classify 16 major states of India into pro-employer, neutral and pro-worker category: Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu are classified as pro-employer states; Orissa, Gujarat, Maharashtra and West Bengal as pro-worker states; and Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh as neutral states.

The analysis of the paper is based on the ASI sample of these sixteen states covered by Besley and Burgess (2004) study. Over the period 1998 to 2009, these sixteen major states account for 91 percent of employment and 89 percent of total output of the formal manufacturing sector, on average. For the baseline analysis, I reclassify them into two groups –flexible or pro-employer and inflexible comprising neutral and pro-worker states. In the appendix, I also report results based on original BB classifications. ABRZ (2008) update the BB index until 1997, where they noted that overall regulatory stance of the states remains unchanged over the 1980-1997 period with one exception: Madhya Pradesh moved towards pro-employer direction in 1982 but reversed to neutral status by a pro-worker change in 1983. OECD (2007) updates the BB study through 2005 and documents that after 1990 only three states brought some changes to IDA by eight amendments in total and only change that has some labor market implication is that of 2004 amendment in Gujarat. Therefore, the original BB classification is still applicable for the purpose of this study.

7. Empirical Strategy

7.A Import Competition and Wage Inequality

In order to estimate the effect of Chinese competition on plant-level skill premium and wages of different categories of employees, I use the following specification,

$$\Delta_5 ln(y)_{ijt} = \alpha + \tau_{st} + \boldsymbol{\mu} X_i + \beta_1 \Delta_5 (M_{IN}^{CH})_{j,t-l} + \beta_2 \Delta_5 (M_{IN}^{EJU})_{j,t-l} + \xi_{ijt} \quad (3)$$

where*y* is a particular outcome variable of interest: skill premium (w_w/w_b), average wages of production or blue-collar workers (w_b) or average wages of non-production or white-collar workers (w_w). If y is (w_w/w_b), then $\Delta_5 ln(w_w/w_b)_{ijt}$ is the five-year change in log of the ratio of average wages of non-production (or white-collar) employees to average wages of production (or blue-collar) employees at plant i in industry j at time t. If $y$isw_b (or w_w),then$\Delta_5 \ln(w_b)_{ijt}$(or $\Delta_5 \ln(w_w)_{ijt}$) is the five-year change in employment of production (or non-production) workers at plant i. The matrix $X_i$includes a set of control variables –a set of initial technology intensity dummies and a rural/urban location dummy. The term ξ_{ijt} is an idiosyncratic error term assumed to be uncorrelated with the measures of trade shocks and other right hand side variables. The key coefficient of interest in equation (3) is β_1 corresponding to $\Delta_5(M_{IN}^{CH})_{jt-l}$ that measures changes in China's share of India's imports in industry j in period t-l. In this specification, I also control for changes in import competition from high-wage countries $(\Delta_5(M_{IN}^{EJU})_{jt-l})$ in order to address the issue that import competition from high-wage sources is also skill-intensive and can have an effect on plant-level outcomes. The set of high-wage countries include EU, Japan and USA (EJU). In the appendix, I also report results after controlling for import competition from other low-wage (LW) countries.

Differencing eliminates the plant fixed effects that account for sources of time-invariant unobserved heterogeneity, such as differences in production efficiency, managerial ability or organizational characteristics that could be correlated with the plant-level skill premium and the firms' general capacity to face import competition.

The state-year fixed effects,τ_{st}control for macroeconomic shocks over time at the state level that are common to all plants within state. The inclusion of the state-year fixed effects also addresses the concern that labor market regulations in India can change over time across states. τ_{st} also control for the potential changes in speed of adjustment to workforce due to change in political regime at the state level. For example, if political power of a state switches towards a pro-employer government then it may be easier for the plants to adjust their workforce by retrenching workers.

7.B Import Competition and Employment

The empirical specification for plant employment analysis is similar to Bloom, Draca, and Van Reenen (2016). I take five-year difference form of the employment and measures of import competition to remove the influence of unobserved plant characteristics that may bias the coefficient of interest. In a heterogeneous firm model of trade, Melitz and Ottavanio (2008) predict that import competition intensifies competition in the domestic product market causing the least productivity firms to exit and relatively higher productivity firms to survive. In line with this prediction, I hypothesize that import competition causes reallocation of resources (labor) from less to more productive plants. In order to capture this asymmetric impact of import competition, I include five-year lagged plant Total Factor Productivity (TFP) along with its interaction with the measure of import competition. In order to examine the overall impact of import competition on employment dynamics, I perform pooled regressions on the sixteen state sample. To test whether labor market rigidity creates any additional adjustment cost for plants, I perform regressions separately for flexible and inflexible labor market.

$$\Delta_5 lnL_{ij}^{C} = \alpha + \tau_{st} + \boldsymbol{\mu} X_i + \beta_1 \Delta_5 (M_{IN}^{CH})_{jt-l} + \beta_2 \Delta_5 (M_{IN}^{EJU})_{jt-l} + \delta lnPr_{ijt-5} + \gamma_1 \Delta_5 (M_{IN}^{CH})_{jt-l} * lnPr_{ijt-5} + \gamma_2 \Delta_5 \left(M_{IN}^{EJU}\right)_{jt-l} * lnPr_{ijt-5} + \xi_{ijt} \quad (4)$$

In equation (4), the dependent variable, $\Delta_5 lnL_{ijt}^{C}$, is the change in log employment of a particular category of workers over a five-year period in plant *i* in industry *j* at time *t*. The superscript *c*, refers to the type of workers: all, blue-collar or white-collar. The first coefficient of interest is β_1 that shows the effect of Chinese import competition on plant employment. The second coefficient of interest isγ_1, which shows whether import competition from China disproportionately affects plants with different productivity levels.

The expected signs of both β_1 and β_2 are negative. The reallocation coefficients γ_1 and γ_2 would be positive if there is a reallocation of resources from less to more productive plants in response to import competition. When the lag operator l equal to 1, the trade variable becomes $\Delta_5(M_{IN}^{CH})_{jt-1}$ or the first lag of the five-year difference in China's value share. The state-year fixed effects,τ_{st}, control for any state specific macro shocks overtime that affect all the plants within the same state. For notational simplicity, in the discussion that follows, I use ΔCHN for $\Delta_5(M_{IN}^{CH})_{jt}$ and ΔEJU for $\Delta_5(M_{IN}^{EJU})_{jt}$.

7.C Endogeneity

The empirical frameworks mentioned above exploit the differential changes in Chinese import exposure across industries and over time in the aftermath of China's accession to WTO to identify the impact of intensified Chinese import competition on plant-level outcomes. The structure also controls for time invariant unobserved heterogeneity by taking the five-year difference of variable of interest, which can also help reduce measurement error bias. The approach also controls for omitted variable bias emanating from changes in macroeconomic policies and labor market regulations over time and across states. Nonetheless, there are still potential sources of endogeneity that may bias our coefficients of interest.

First, there may be skill-biased technology shocks that may simultaneously affect the relative demand for skilled workers in plants of a particular industry and imports from China in that industry. A related concern is that an industry's skill intensity in the home country may affect the level and growth of imports in that industry. If India employs comparatively more skilled workers vis-à-vis China in a particular industry there could be observed or unobserved import barriers in place to protect its domestic industry. This type of reverse causality may bias the coefficient of Chinese import competition. Another source of concern is that India has beenexperiencing gradual liberalization changes over the last two decades. Though, as a WTO member, India cannot restrain Chinese imports differentially by tariff barriers, it can apply a few non-tariff barriers such as antidumping to deter imports from China. This type of measures can also bias the estimates of interest. Finally, though the five-year differencing helps to reduce the error in the measure of import competition, there could still be some error leading to attenuation bias in the coefficient of interest. In order to address the concerns mentioned above, I utilize instrumental variable estimation approach to identify the impact of Chinese import competition.

I use one period lag changes in China's share of Indonesia's imports by industry (ISIC Rev 3.1) as the instrument for corresponding changes in China's share of India's imports. The instrument is similar to spirit of Acemoglu et al. (2016) and Autor, Dorn, and Hanson(2013), where they usegrowth of Chinese imports in eight other developed economies as instrument for growth of U.S. imports from China. The aim here is to identify the impact of supply-driven component of India's imports from China, which has been contributed by several factors including economic liberalization within China and its WTO accession in 2001. For example, Khandelwal et al. (2013) show that removal of export quotas paved the way for more efficient Chinese exporters to flourish in the global market. The dismantling of quotas induced entry of more productive firms and thereby lowered the prices of exported products. The validity of the instrument relies on the assumption that Chinese import growth is not driven by the shocks to import demand in Indonesia. Since, Indonesia is a much smaller economy relative to China, this assumption seems innocuous.

Indonesia is the third largest low-wage economy after China and India, and it has experienced significant rise in imports from China in the 2000s. Importantly, Indonesia accounts for only a fraction of India's total trade –between 1998 and 2009, Indonesia contributed, on average, only 2.2 percent of India's total imports and 1.4 percent of total exports. More specifically, the share of Indonesia's imports increased from 2.0 percent in 1998 to only 2.9 percent in 2009, while the share of exports increased from only 0.56 percent in 1998 to 1.70 in 2009, though both series show some fluctuations over the period. In Figure 1, I find that both India and Indonesia had roughly similar exposure to Chinese competition at the sector-level(NIC 2-digit) during 1998 to 2001 period. In Figure 2, I observe that they have experienced approximately similar pattern of changes in exposure to Chinese imports after China's WTO accession. A comparison between Figure 1 and 2 clearly suggests that both the countries experienced increase in exposure to imports from China in most of the sectors.

Figure 1–Share of Chinese Imports in India and Indonesia (1998-2001)

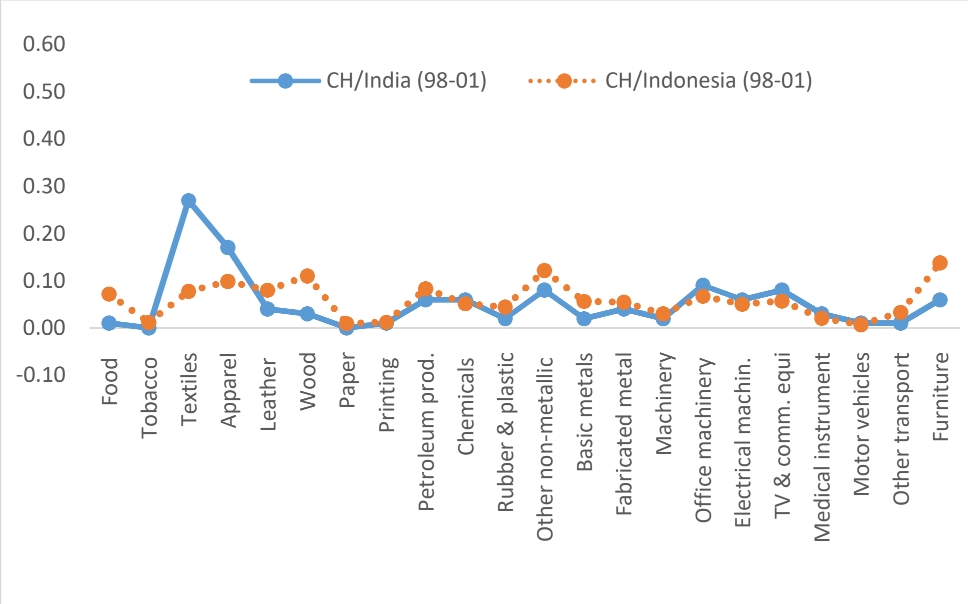
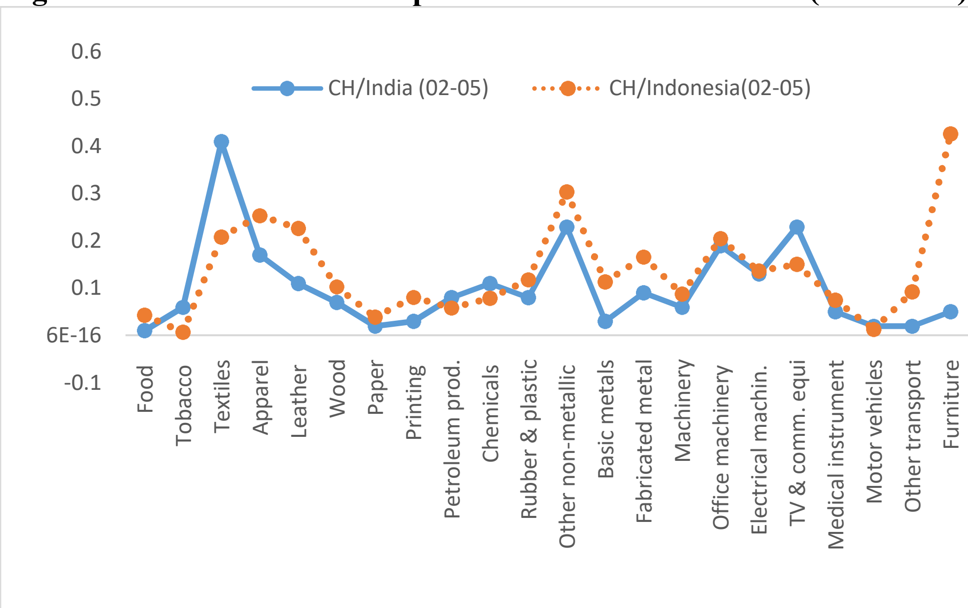


Figure 2–Share of Chinese Imports in India and Indonesia (2002-2005)



8. Results

This section presents the relationship between labor market outcomes and industry-level import exposure from China. The analysis shows how plant-level skill premium, wages and employment change in response to import competition and whether import competition effects skilled and unskilled workers differentially. Further, in order to investigate the implications of labor market rigidities for the impact of import exposure on skill premium and wages, I present regression results separately by different labor market regimes along with the full sample results. To address the fact that regulatory burden in India increases with the size threshold of the plants, the regression results are shown according to different threshold levels of initial firm employment.

8.A Effect of Import Competition on Wage Inequality

Table 1 shows the impact of Chinese import exposure on changes in skill premium, blue-collar wages and white-collar wages. Panel-A reports the results for LFirst200 sample and Panel-B reports the results for LFirst100 sample and Panel-C reports the results for LFirst20 Sample. Columns (1)-(3) report results for the full sample, columns (4)-(6) include only the flexible and (7)-(9) include only the inflexible market sample. All the regressions include state by year fixed effects, rural/urban dummy and technology intensity dummies. Plant specific sampling weights are applied in all regressions. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level.

Columns (1), (4), and (7) show the results for OLS regression for changes in skill premium. Column (1) in Panel (A) shows that the coefficient of changes in Chinese import exposure (ΔCHN), β_1 is positive and statistically significant at 5 percent level. The estimate implies that a 10 percentage point increase in share of Chinese imports leads to 1.35 percent increase in skill premium within-plant in the full sample. In column (4), I find that the same amount of increase in Chinese import intensity leads to a 2.65 percent increase in skill premium in the flexible market, which is statistically significant at 5 percent level. In contrast, in the inflexible labor market, in column (7), the estimate of β_1 is just 0.013 with a much higher standard error of 0.05. The result suggests that the observed increase in skill premium, in the full sample, is mostly driven by the rise in skill premium in the flexible labor market. In

Table A.7 (section 3.9 appendix) separate regression results for neutral and pro-worker states show that skill premium is negatively associated with Chinese import competition in the neutral regime and but not in the pro-employer states.

Columns (2), (5) and (8) show the results of OLS regression for changes in blue-collar wages. In column (2) and (5) of Panel-A, the coefficient of ΔCHN are -0.02 and -0.105 respectively, though both the coefficients are statistically insignificant. In contrast, the sign of the same coefficient of ΔCHN is actually positive (0.058) and statistically significant at 10 percent level in column (8). Table A.7 (section 3.9 appendix) reveals that Chinese competition positively affects blue-collar wages only in the neutral labor market. One plausible explanation for this finding is that there is some selection effect within the set of blue-collar workers. In the neutral market, although it is difficult to retrench regular workers who are covered by IDA, plants can retrench their contractual workers who are not protected by IDA and whose wages are relatively lower than the regular workers. As a result average wage of blue-collar workers increases in the wake of rising import competition.

Columns (3), (6) and (9) show the results for changes in white-collar wages. In column (3) of Panel-A, for the full sample the estimates of β_1 is 0.103 with a standard error of 0.045. In the flexible market, in column (6), the estimate of β_1 is 0.183 with a standard error of 0.082. The latter result suggests that a 10 percentage point increase in Chinese import exposure leads to 1.8 percent increase in wages of white-collar workers in the flexible market. In column (9), the β_1 coefficient for the inflexible labor market is statistically insignificant and much smaller than the flexible market. Again, the reading remains the same in Table A.7 (section 3.9 appendix), where the regressions are shown separately for neutral and pro-workers market.

Table 1–Effect of Import Competition on Wage Inequality (OLS)

Panel A OLS Regression Results LFirst200 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	0.135**	-0.022	0.103**	0.265**	-0.105	0.183**	0.013	0.058*	0.038
	(0.059)	(0.04)	(0.045)	(0.113)	(0.074)	(0.082)	(0.052)	(0.034)	(0.048)
$\Delta_5EJU_{(t-1)}$	-0.028	-0.022	-0.034	0.125	-0.126**	0.015	-0.138***	0.054	-0.071
	(0.049)	(0.037)	(0.054)	(0.084)	(0.054)	(0.079)	(0.039)	(0.035)	(0.048)
R-squared	0.007	0.016	0.018	0.007	0.014	0.017	0.008	0.019	0.02
N	22596	22596	22596	9415	9415	9415	13181	13181	13181

Panel B OLS Regression Results LFirst100 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	0.104	0.024	0.118**	0.261**	-0.046	0.231**	-0.034	0.087**	0.025
	(0.076)	(0.046)	(0.051)	(0.13)	(0.073)	(0.096)	(0.043)	(0.035)	(0.04)
$\Delta_5EJU_{(t-1)}$	-0.014	-0.036	-0.043	0.079	-0.123**	-0.031	-0.085**	0.026	-0.056
	(0.05)	(0.037)	(0.049)	(0.086)	(0.052)	(0.078)	(0.041)	(0.036)	(0.043)
R-squared	0.007	0.02	0.019	0.007	0.017	0.019	0.007	0.021	0.02
N	31452	31452	31452	13106	13106	13106	18346	18346	18346

Panel C OLS Regression Results LFirst20 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	0.099	-0.001	0.091	0.226**	-0.079	0.165	-0.002	0.059	0.03
	(0.064)	(0.041)	(0.056)	(0.110)	(0.071)	(0.103)	(0.051)	(0.036)	(0.047)
$\Delta_5EJU_{(t-1)}$	0.005	-0.059	-0.045	0.069	-0.140**	-0.06	-0.043	-0.002	-0.038
	(0.042)	(0.036)	(0.046)	(0.074)	(0.059)	(0.086)	(0.041)	(0.029)	(0.039)
R-squared	0.009	0.024	0.022	0.007	0.021	0.018	0.01	0.025	0.025
N	38062	38062	38062	15915	15915	15915	22147	22147	22147

Notes: Table reports results from OLS regression of five-year changes in log skill premium/average blue-collar wages/average white-collar wages on lag changes in China's and EJU's import share in India. Here skill premium is measured as ratio of average wages paid to non-production workers to average wages paid to production workers. Columns (1)-(3) include full sample and columns (4)-(6) include flexible and (7)-(9) include inflexible labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log of wage skill premium (SK), columns (2), (5) and (8) use changes in log of average wages of blue-collar workers and columns (3), (6) and (9) use changes in log of average wages of white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant-specific sampling weights are applied in all regressions. Flexible or employer friendly states refer to Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu; inflexible labor market includes both worker friendly:Orissa, Gujarat, Maharashtra and West Bengal, and neutral states: Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh . * p<.1; ** p<.05; *** p<.01

The changes in import competition from high-wage countries (ΔEJU) has no statistically significant impact on skill premium, blue-collar wages and white-collar wages in the full sample results reported in Panel-A and Panel-B of Table 1. In the flexible market, average wages of blue-collar workers (column 5)is negatively correlated with import competition from EJU, though there is no statistically significant impact on skill premium or white-collar wages. In the inflexible states skill premium is negatively associated with EJU import exposure (column 7) for LFirst200 sample. The results suggest that a 10 percentage point increase in EJU import exposure leads to 1.38 percent fall in skill premium in the inflexible market.The results for LFirst100 sample in Panel-B and LFirst20 sample in Panel-C show that the coefficient of ΔCHN becomes statistically insignificant in skill premium regression for the full sample (column 1), but remains statistically significant in the flexible sample in column (4). The coefficient of ΔCHN for average wages of blue-collar workers remains positive and statistically significant for LFirst100 sample in the inflexible market, but becomes statistically insignificant for LFirst20 sample.

Table 2 reports the 2SLS regression where (t-1) lag of five-year changes in Chinese import competition in India is instrumented by ((t-1)-1)lag of five-year changes in Chinese import share in Indonesia. The dependent variable in each columns of Table 2 remains same to corresponding columns in Table 1. Panel-A of Table2 reports the IV regression results for LFirst200 sample. In column (1), the IV estimate of ΔCHN coefficient is 0.236 with a standard error of 0.107. This is almost twice as much relative to the corresponding OLS estimates in column (1) of Table 2. The result implies that a 10 percentage point increases in Chinese import competition causes 2.3 percent increase in skill premium in India's formal manufacturing sector. Again, in the case of flexible labor market in column (4), the IV estimate of Chinese import exposure is much stronger than the corresponding OLS estimate in Table 1. Though the coefficient of ΔCHN also increases in the case of inflexible labor market, it becomes statistically insignificant as in the case of OLS.

Table 2–Effect of Import Competition on Wage Inequality (2SLS)

Panel A IV Regression Results LFirst200 Sample									
	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	0.236**	0.013	0.222**	0.362**	-0.071	0.262**	0.09	0.115	0.186*
	(0.107)	(0.098)	(0.091)	(0.157)	(0.152)	(0.12)	(0.106)	(0.078)	(0.101)
$\Delta_5EJU_{(t-1)}$	-0.012	-0.014	-0.009	0.136	-0.120*	0.029	-0.125**	0.067*	-0.036
	(0.06)	(0.039)	(0.057)	(0.092)	(0.062)	(0.081)	(0.051)	(0.035)	(0.055)
R-squared	0.007	0.016	0.018	0.007	0.014	0.017	0.01	0.019	0.019
N	22596	22596	22596	9415	9415	9415	13181	13181	13181
Panel B IV Regression Results LFirst100 Sample									
	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	0.098	0.072	0.145	0.259	-0.036	0.19	-0.069	0.175**	0.089
	(0.137)	(0.099)	(0.108)	(0.208)	(0.14)	(0.167)	(0.096)	(0.082)	(0.095)
$\Delta_5EJU_{(t-1)}$	-0.014	-0.026	-0.038	0.079	-0.121**	-0.038	-0.091*	0.047	-0.041
	(0.063)	(0.041)	(0.055)	(0.1)	(0.058)	(0.084)	(0.048)	(0.039)	(0.05)
R-squared	0.007	0.02	0.019	0.007	0.017	0.019	0.008	0.02	0.02
N	31452	31452	31452	13106	13106	13106	18346	18346	18346
Panel C IV Regression Results LFirst20 Sample									
	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	-0.034	0.133	0.099	0.079	0.069	0.15	-0.139	0.185**	0.048
	(0.182)	(0.106)	(0.158)	(0.244)	(0.177)	(0.225)	(0.159)	(0.084)	(0.146)
$\Delta_5EJU_{(t-1)}$	-0.02	-0.031	-0.043	0.033	-0.112	-0.063	-0.064	0.027	-0.034
	(0.068)	(0.046)	(0.053)	(0.098)	(0.070)	(0.095)	(0.061)	(0.038)	(0.048)
R-squared	0.009	0.023	0.022	0.006	0.019	0.018	0.011	0.023	0.025
N	38062	38062	38062	15915	15915	15915	22147	22147	22147

Notes: Table reports results from IV regression of five-year changes in log skill premium/average blue-collar wages/average white-collar wages on lag changes in China's and EJU's import share in India. In the first stage, $\Delta_5CHN_{(t-1)}$ is instrumented by (t-1)-1 lag of five-year changes in Chinese import share in Indonesia $\Delta_5(CH)IDN_{(t-1)-1}$. Here skill premium is measured as ratio of average wages paid to non-production workers to average wages paid to production workers. Columns (1)-(3) include full sample and columns (4)-(6) include flexible and columns (7)-(9) include inflexible labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log of wage skill premium (SK), columns (2), (5) and (8) use changes in log of average wages of blue-collar workers and (3), (6) and (9) use changes in log of average wages of white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. Flexible or employer friendly states refer to Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu; inflexible labor market includes both worker friendly:Orissa, Gujarat, Maharashtra and West Bengal, and neutral states: Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh . * p<.1; ** p<.05; *** p<.01

In columns (2), (5) and (8) of Panel-A, I find that there is no statistically significant impact of Chinese import exposure on the wages of blue-collar workers for LFirst200 sample. In column (8) the estimate is significantly greater than the OLS counterpart in Table 1, but it has become statistically insignificant.

In columns (3), (6) and (9), I find that the coefficient of ΔCHN is much larger than the corresponding OLS estimates. In column (3), the IV estimate is 0.222 with a standard error of 0.09. In column (9), the IV estimate for ΔCHN coefficient is 0.186 with a standard error of 0.10 is quite close to full sample estimate in column (3). This IV estimate is statistically significant at 10 percent level. Notice that, the corresponding OLS estimate was much smaller and statistically insignificant.

Therefore, it appears that in general OLS underestimates the impact of import competition shocks from China on skill premium for the sample of large plants. One potential explanation for this finding is that unobserved skill-biased technology shocks in India may be negatively correlated with India's imports from China. This kind of reverse causality can bias the OLS coefficient downwards. In addition, measurement error problem may also cause OLS to underestimate the impact of Chinese import competition.

The 2SLS regressions for LFirst100 sample in Panel-B, and LFirst20 sample in Panel-C find no statistically significant impact of import competition from China on skill premium and average wages of white-collar workers. However, in the inflexible labor market, average wages of blue-collar workers increase with the rise in import competition from China. In fact, Table A.9 (section 3.9 appendix) reveals that these changes happen only in the neutral states.

The preceding analysis suggests that overall an increase in import exposure from China has a statistically significant impact on skill premiums in the large plants (with at least 200 employees in the initial period). However, when plants are separated by the flexibility of labor market, it appears that the skill premium increases in the face of rising Chinese import competition only in the flexible or pro-employer labor market, whereas the coefficient is much smaller and statistically insignificant in the inflexible labor market. In the flexible market, the rise in skill premium is mainly driven by rise in the plant-level wages of white-collar workers. In the neutral labor market, the Chinese competition has some positive impact on average wages of blue-collar workers.

The result suggests that even in the neutral labor market there may be some adjustment taking place within the group of blue-collar workers. The findings in this section are consistent with the quality upgrading or product mix channel that predicts an increase in wages of white-collar workers in response to import competition. In Chapter 2, I find that import competition from China induces plants to rationalize their product scope and the selection across products within-plant plays an important role in the rationalization process. The finding that Chinese import exposure has positive effect on skill premium is consistent with the findings of Bloom, Draca, and Van Reneen 2016, Mion and Zhu 2013, and Utar 2014, who document similar results in European context.

8.B Effect of Import Competition on Employment

Table 3.a and Table 3.b report results from OLS regression of five-year changes in employment on five-year changes in measures of import competition based on equation (4), the base specification for employment regression. In Table 3.a, Panel-A reports results for plants with at least 200 employees (LFirst200) and Panel-B reports results for plants with at least 100 employees (LFirst100) in the initial period. Table 3.b reports results for plants with at least 20 employees (LFirst20) in the initial year. Columns (1)-(3) report results for the full sample by pooling plants in both flexible and inflexible states and columns (4)-(6) include only plants in flexible states, and columns (7)-(9) include plants in the inflexible states. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. All the

regressions include state by year fixed effects, OECD technology intensity dummies and a rural/urban dummy. Plant specific sampling weights are applied in all regressions.

Table 3.a–Effect of Import Competition on Employment (OLS)

Panel A OLS Regression Results LFirst200 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	-0.847**	-0.849**	-0.51	-1.297**	-1.451**	-0.78	-0.38	-0.27	-0.37
	(0.383)	(0.421)	(0.469)	(0.524)	(0.585)	(0.661)	(0.465)	(0.564)	(0.452)
$TFP_{(t-5)}$	0.011	0.008	0.034***	0.008	0.005	0.040***	0.014	0.01	0.030**
	(0.012)	(0.012)	(0.010)	(0.018)	(0.019)	(0.012)	(0.009)	(0.009)	(0.012)
$\Delta_5CHN_{(t-1)}$	0.106**	0.104**	0.057	0.173***	0.190***	0.09	0.032	0.017	0.037
$\times TFP_{(t-5)}$	(0.042)	(0.046)	(0.052)	(0.062)	(0.070)	(0.071)	(0.052)	(0.065)	(0.054)
$\Delta_5EJU_{(t-1)}$	-0.745***	-0.816**	-0.17	-1.264***	-1.289**	-0.36	-0.16	-0.23	-0.11
	(0.265)	(0.318)	(0.394)	(0.421)	(0.503)	(0.587)	(0.323)	(0.402)	(0.345)
$\Delta_5EJU_{(t-1)}$	0.082***	0.091**	-0.0	0.148***	0.153***	0.009	0.003	0.01	-0
$\times TFP_{(t-5)}$	(0.030)	(0.036)	(0.048)	(0.045)	(0.054)	(0.069)	(0.039)	(0.051)	(0.042)
R-squared	0.033	0.028	0.029	0.038	0.034	0.031	0.032	0.026	0.029
N	22596	22596	22596	9415	9415	9415	13181	13181	13181

Panel B OLS Regression Results Lfirst100 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	-0.56	-0.5	-0.48	-0.53	-0.43	-0.7	-0.52	-0.52	-0.36
	(0.374)	(0.396)	(0.434)	(0.516)	(0.553)	(0.548)	(0.457)	(0.529)	(0.452)
$TFP_{(t-5)}$	0.01	0.007	0.034***	0.007	0.006	0.037***	0.013	0.009	0.032***
	(0.011)	(0.011)	(0.010)	(0.017)	(0.018)	(0.011)	(0.008)	(0.008)	(0.011)
$\Delta_5CHN_{(t-1)}$	0.078*	0.07	0.06	0.084	0.071	0.084	0.062	0.06	0.046
$\times TFP_{(t-5)}$	(0.043)	(0.045)	(0.047)	(0.065)	(0.069)	(0.059)	(0.050)	(0.060)	(0.052)
$\Delta_5EJU_{(t-1)}$	-0.853***	-0.886***	-0.54	-1.372***	-1.351***	-0.76	-0.4	-0.47	-0.44
	(0.223)	(0.258)	(0.368)	(0.346)	(0.400)	(0.512)	(0.299)	(0.361)	(0.331)
$\Delta_5EJU_{(t-1)}$	0.098***	0.103***	0.048	0.157***	0.158***	0.06	0.041	0.048	0.044
$\times TFP_{(t-5)}$	(0.025)	(0.029)	(0.045)	(0.039)	(0.045)	(0.061)	(0.038)	(0.047)	(0.040)
R-squared	0.026	0.021	0.029	0.028	0.022	0.028	0.027	0.021	0.032
N	31452	31452	31452	13106	13106	13106	18346	18346	18346

Notes: Table reports results from OLS regression of five-year changes in employment on lag of five-year changes in import exposure and lag TFP of plants. Panel-A reports results for LFirst200 and panel-B reports LFirst100 sample. Columns (1)-(3) include full sample,and columns (4)-(6) include flexible, and (7)-(9) include inflexible labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log total employment (L), columns (2), (5) and (8) use changes in log blue-collar employment and (3), (6) and (9) use changes in white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. Flexible or employer friendly states refer to Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu; inflexible labor market includes both worker friendly:Orissa, Gujarat, Maharashtra and West Bengal, and neutral states: Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh . * p<.1; ** p<.05; *** p<.01

Table 3.b–Effect of Import Competition on Employment (LFirst20, OLS)

OLS Regression Results LFirst20 Sample									
	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Δ_5CHN$_{(t-1)}$	-0.59	-0.565	-0.446	-0.924	-0.933	-0.699	-0.347	-0.305	-0.302
	(0.425)	(0.464)	(0.412)	(0.668)	(0.729)	(0.566)	(0.412)	(0.469)	(0.435)
TFP$_{(t-5)}$	0.011	0.008	0.030***	0.006	0.003	0.030***	0.014**	0.011	0.030***
	(0.009)	(0.009)	(0.009)	(0.014)	(0.015)	(0.010)	(0.007)	(0.007)	(0.009)
Δ_5CHN$_{(t-1)}$	0.085	0.081	0.062	0.122	0.122	0.086	0.054	0.049	0.046
×TFP$_{(t-5)}$	(0.052)	(0.056)	(0.047)	(0.082)	(0.089)	(0.065)	(0.047)	(0.055)	(0.050)
Δ_5EJU$_{(t-1)}$	-0.719***	-0.795***	-0.351	-1.130***	-1.267***	-0.325	-0.376	-0.428	-0.334
	(0.252)	(0.297)	(0.338)	(0.395)	(0.473)	(0.502)	(0.274)	(0.317)	(0.292)
Δ_5EJU$_{(t-1)}$	0.092***	0.103***	0.033	0.136***	0.151***	0.031	0.051	0.061	0.03
×TFP$_{(t-5)}$	(0.027)	(0.032)	(0.042)	(0.044)	(0.053)	(0.060)	(0.032)	(0.037)	(0.036)
R-squared	0.023	0.019	0.023	0.023	0.018	0.019	0.025	0.021	0.028
N	38062	38062	38062	15915	15915	15915	22147	22147	22147

Notes: Table reports results from OLS regression of five-year changes in employment on lag of five-year changes in import exposure and lag TFP of plants. Table reports results for LFirst20 sample only. Columns (1)-(3) include full sample, and columns (4)-(6) include flexible, and (7)-(9) include inflexible labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log total employment (L), columns (2), (5) and (8) use changes in log blue-collar employment and (3), (6) and (9) use changes in white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. Flexible or employer friendly states refer to Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu; inflexible labor market includes both worker friendly: Orissa, Gujarat, Maharashtra and West Bengal, and neutral states: Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh . * p<.1; ** p<.05; *** p<.01

Columns (1), (4) and (7) show the results for total employment in full sample, flexible and inflexible labor market, respectively, by regressing changes in log of total employment on one year lag changes in industry import exposure from China (ΔCHN) and high-wage countries (ΔEJU) and five-year lag of plant TFP (TFP$_{t-5}$) and its interaction with import exposure variables. The key estimates of interest are the coefficient of ΔCHN, β_1 and the coefficient of interaction, between TFP and ΔCHN, γ_1.

In column (1) of Panel-A in Table 3.a, for LFirst200 sample, the coefficient $\beta_1$is -0.847 with a standard error of 0.383 and $\gamma_1$is 0.106 with a standard error of 0.042. These results suggest that Chinese import competition have a negative effect on the demand for labor in low productivity plants, while a positive effect on the demand for labor in high productivity plants. In order to estimate the impact of import competition for plants at different points of initial TFP distribution, summary statistics of five-year lag TFP is calculated separately for the full sample, flexible market and inflexible market at each threshold level of employment (200, 100 and 20) and reported in Table A.6 (section 3.9 appendix). In the sample of all states, a 10 percentage point increase in China's share of India's imports leads to a 1.2 percent decline in total employment of a plant at the 25th percentile of initial TFP (6.86), in the set of plants with at least 200 employees. On the other hand, the same 10 percentage point increase in Chinese import exposure leads to a 0.5 percent increase in total employment of a plant at the 75th percentiles of initial TFP (8.57).

Column (2) of Panel A in Table 3.a uses five-year difference of only blue-collar workers (ΔlnLbl) as the dependent variable for LFirst200 sample. The results are almost unchanged: β_1 is -0.849 and γ_1 is 0.104, with standard error 0.421 and 0.046 respectively. A 10 percentage point increase in Chinese import exposure induces a 1.36 percent decline in blue-collar employment of a plant at the 25th percentile, but leads to a 0.3 percent increase in employment of a plant at the 75th percentiles of initial TFP. Column (3) in Panel A shows the results for changes in non-production or white-collar workers (ΔlnLwh) only. In this case, the size of the estimates of both β_1 and γ_1 have fallen, though the sign of the coefficients remain unchanged. The estimates together implies that employment of non-production workers declines by 1.2 percent in plants at the 25thpercentile and by 0.28 percent in plants at the 75th percentiles of initial TFP. However, both the estimates are statistically insignificant for non-production workers.

Columns (4)-(6) in BlockA show the results for LFirst200 plants located in flexible labor market only. The sign and statistical significance of the estimates of β_1 and γ_1 remain similar to the full sample results, but the size of both the coefficients increases considerably – magnifying the asymmetric response to plant employment towards high productivity plants in the face of rising import exposure. The estimates in column (5) implies that in the flexible market a 10 percentage point increase in Chinese import exposure leads to a decline in blue-collar employment by 0.9 percent for plants at the 25th percentiles, but leads to a 2 percent increase for plants at the 75th percentiles. For the white-collar workers, the sign of the coefficients β_1 and γ_1 is negative and positive respectively, as in the case of full sample, but the magnitude of the coefficients are higher in the case of flexible states. Again the impact on the demand for white-collar workers are statistically insignificant even in the flexible labor market.

Columns (7)-(9) in Panel-A present results for LFirst200 sample in the inflexible labor market only. Though the estimates of Chinese import competition and its interaction with lag TFP are statistically insignificant, there are some interesting observations. First, both β_1 and γ_1 for white-collar workers (9) are slightly larger than that of blue-collar workers (8). Second, the interaction coefficient γ_1 is not large enough to command any reallocation of employment towards high productivity plants. For example, in the case of plants at 75th percentiles of TFP a 10 percent increase in Chinese import competition leads to a 1.1 percent fall in blue-collar employment (column 8) and 0.6 percent fall in white-collar employment (column 9). A clearer picture emerges from Table A.11 (appendix), which shows separate regression results for neutral and pro-employer states. As in the case of inflexible sample regression, the impact of Chinese competition remains statistically insignificant in both types of states. Though both β_1 and γ_1 appear with theoretically expected sign in neutral states, the sign of these coefficients are not reasonably consistent in the pro-worker states.

OLS results for LFirst100 sample (Panel-B of Table 3.a) and LFirst20 sample (Table 3.b) show that the sign of β_1 and γ_1 remain similar to their LFirst200 sample counterparts. However, the coefficient of Chinese import competition and its interaction with initial plant TFP become statistically insignificant for LFirst100 and LFirst20 sample.

The coefficient of initial TFP, δ, is positive in all the columns in Panel-A and Panel-B. A noticeable point is that the coefficient is larger for non-production employment compared to the production or total employment in all the cases –full sample, flexible and inflexible labor market. Moreover, the coefficient is statistically significant only in the case of non-production (white-collar) workers, column (3), (6) and (9). In column (1) of Panel-A, for LFirst200 sample, the coefficient is 0.011 with a standard error of0.012 for total employment, whereas the coefficient is 0.034 with a standard error of 0.01 in the case of the non-production workers. The latter is statistically significant at 1 percent level. The result suggests that holding the level of import exposure fixed, higher the initial productivity of the plants the greater the increase in employment of white-collar workers. The relationship between initial productivity and employment of white-collar workers holds in all cases irrespective of labor market rigidity and size threshold of the plants.

Import competition from high-wage countries also causes reallocation of labor from less productive plants to ones that are more productive. In Table 3.a, for LFirst200 sample, impact of import competition from EJU on total employment is statistically significant in the full sample (column 1) and flexible market sample only (column 4). Separate regressions for blue-collar (column 2 and 5) and white-collar employment (column 3 and 6) suggest that in both full sample and flexible market, the effect is statistically significant for blue-collar employment only. Columns (1) and (2) of Table 3.a, show that the coefficient of changes in high-wage countries import share (ΔEJU), and the coefficient of interaction term between TFP and ΔEJU, aresimilar in magnitude and statistical significance to the corresponding coefficient for China. Therefore, the results suggest that import competition from China and high-wage countries have similar effects on reallocation of employment across large plants in India. But interestingly, the impact of import competition shocks from high-wage countries remains statistically significant for the sample of plants with initial employment of at least

100 workers and 20 workers, respectively. In Panel-B of Table 3.a, both size and statistical significance of the coefficients β_2, and γ_2 for LFirst100 sample remain close to that of Panel-A.

IV regression Results:

Table 4.a and Table 4.b show the relationship between plant employment and Chinese import penetration based on 2SLS regression. In Table 4.a, Panel-A and Panel-B report regression results for LFirst200 and LFirst100 sample, respectively. Table 4.b shows 2SLS regression results for LFirst20 sample. In general, I find that the size of the IV estimates for Chinese import competition are much larger in comparison to corresponding OLS estimates and the impacts are statistically significant for LFirst200 plants. In Panel-B, for LFirst100 sample, IV estimates are again larger than their OLS counterparts, but statistically insignificant.

In this section, I discuss the key finding from LFirst200 sample reported in Panel-A. In column (1), the coefficient of changes in Chinese import share, β_1 is -2.442 and the coefficient of TFP interaction, γ_1, is 0.315, where both are significant at 10 percent and 5 percent level, respectively, for LFirst200 sample. Together the result implies that a 10 percentage point rise in Chinese import competition leads to a 2.8 percent fall in total employment of a plant at the 25th percentiles of the TFP, whereas the same amount of increase causes a 2.2 percent increase employment of a plant at the 75th percentiles of TFP. In column (2), the IV estimates of β_1 and $\gamma_1$for blue-collar workers are very close to total employment regression in column (1) as in the case of OLS. Both the coefficients are statistically significant at 5 percent level. In column (3), IV estimates for white-collar workers are again larger than the corresponding OLS estimates, but remain statistically insignificant.

Table 4.a–Effect of Import Competition on Employment (2SLS)

Panel A IV Regression Results LFirst200 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	-2.442*	-2.509**	-1.517	-3.607**	-3.883**	-1.329	-1.583	-1.493	-1.773*
	(1.246)	(1.264)	(1.138)	(1.833)	(1.839)	(1.519)	(1.024)	(1.101)	(1.071)
$TFP_{(t-5)}$	-0.003	-0.006	0.025**	-0.011	-0.015	0.035**	0.004	0	0.018
	(0.016)	(0.016)	(0.013)	(0.024)	(0.025)	(0.016)	(0.012)	(0.012)	(0.014)
$\Delta_5CHN_{(t-1)}$ $\times TFP_{(t-5)}$	0.315**	0.325**	0.197	0.471*	0.507**	0.169	0.188	0.176	0.230*
	(0.161)	(0.163)	(0.135)	(0.244)	(0.246)	(0.176)	(0.123)	(0.132)	(0.129)
$\Delta_5EJU_{(t-1)}$	-1.025***	-1.106***	-0.34	-1.563***	-1.601***	-0.42	-0.43	-0.507	-0.43
	(0.318)	(0.375)	(0.444)	(0.474)	(0.548)	(0.638)	(0.358)	(0.438)	(0.381)
$\Delta_5EJU_{(t-1)}$ $\times TFP_{(t-5)}$	0.119***	0.129***	0.022	0.185***	0.193***	0.019	0.038	0.046	0.044
	(0.037)	(0.044)	(0.054)	(0.054)	(0.062)	(0.075)	(0.043)	(0.054)	(0.047)
R-squared	0.029	0.025	0.027	0.03	0.027	0.03	0.03	0.025	0.026
N	22596	22596	22596	9415	9415	9415	13181	13181	13181

Panel B IV Regression Results LFirst100 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
$\Delta_5CHN_{(t-1)}$	-1.22	-1.233	-0.921	-1.727	-1.707	-0.89	-0.955	-1.005	-1.141
	(1.300)	(1.334)	(1.076)	(1.750)	(1.767)	(1.294)	(1.023)	(1.121)	(1.048)
$TFP_{(t-5)}$	0.004	0.001	0.029**	-0.003	-0.005	0.035**	0.009	0.005	0.024
	(0.016)	(0.016)	(0.014)	(0.022)	(0.023)	(0.015)	(0.012)	(0.011)	(0.015)
$\Delta_5CHN_{(t-1)}$ $\times TFP_{(t-5)}$	0.165	0.167	0.132	0.228	0.228	0.123	0.124	0.13	0.162
	(0.179)	(0.183)	(0.128)	(0.242)	(0.245)	(0.152)	(0.128)	(0.141)	(0.121)
$\Delta_5EJU_{(t-1)}$	-0.974***	-1.020***	-0.618	-1.544***	-1.535***	-0.78	-0.5	-0.575	-0.612*
	(0.301)	(0.340)	(0.396)	(0.401)	(0.452)	(0.540)	(0.342)	(0.412)	(0.350)
$\Delta 5EJU_{(t-1)}$ $\times TFP_{(t-5)}$	0.114***	0.120***	0.061	0.177***	0.179***	0.066	0.055	0.064	0.070*
	(0.038)	(0.043)	(0.047)	(0.050)	(0.056)	(0.063)	(0.042)	(0.052)	(0.041)
R-squared	0.025	0.02	0.028	0.026	0.021	0.028	0.026	0.021	0.03
N	31452	31452	31452	13106	13106	13106	18346	18346	18346

Notes: Table reports results from IV regression of five-year changes in employment on lag of five-year changes in import exposure and lag TFP of plants. In the first stage, $\Delta_5CHN_{(t-1)}$ and $\Delta_5CHN_{(t-1)}\times TFP_{(t-5)}$ are instrumented by (t-1)-1 lag of five-year changes in Chinese import share in Indonesia $\Delta_5(CH)IDN_{(t-1)-1}$ and its interaction with lag TFP, $\Delta_5(CH)IDN_{(t-1)-1}\times TFP_{(t-5)}$. Panel-A reports results for LFirst200 and panel-B reports LFirst100 sample. Columns (1)-(3) include full sample,and columns (4)-(6) include flexible, and (7)-(9) include inflexible labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log total employment (L), columns (2), (5) and (8) use changes in log blue-collar employment and (3), (6) and (9) use changes in white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. Flexible or employer friendly states refer to Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu; inflexible labor market includes both worker friendly Orissa, Gujarat, Maharashtra and West Bengal, and neutral states: Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh . * p<.1; ** p<.05; *** p<.01

In the flexible labor market, for LFirst200 sample, both $\beta_1$and γ_1 are larger for total employment in column (4) and blue-collar employment in column (5) compared to full sample regression. As already seen in the case of OLS regression, the growth of total employment in the high-productivity plants is higher in the flexible market, which is driven by changes in employment of blue-collar workers. The IV estimates suggest that a 10 percentage point increase in Chinese import exposure leads to 5 percent increase in employment of blue-collar workers of plants at the 75th percentiles of TFP distribution, which is more than twice as much of what we observe for the full sample.

Table 4.b–Effect of Import Competition on Employment (2SLS)

Panel A IV Regression Results LFirst20 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Δ_5CHN$_{(t-1)}$	-0.744	-0.785	-0.288	-1.558	-1.739	-0.195	-0.296	-0.239	-0.513
	(1.303)	(1.352)	(1.055)	(1.759)	(1.827)	(1.325)	(1.045)	(1.150)	(1.005)
TFP$_{(t-5)}$	0.009	0.005	0.030**	0	-0.004	0.034**	0.014	0.01	0.027**
	(0.015)	(0.014)	(0.013)	(0.021)	(0.021)	(0.015)	(0.010)	(0.011)	(0.013)
Δ_5CHN$_{(t-1)}$	0.118	0.125	0.061	0.212	0.236	0.047	0.061	0.056	0.089
×TFP$_{(t-5)}$	(0.179)	(0.185)	(0.128)	(0.246)	(0.255)	(0.162)	(0.130)	(0.143)	(0.118)
Δ_5EJU$_{(t-1)}$	-0.752**	-0.841**	-0.328	-1.233***	-1.397***	-0.242	-0.379	-0.43	-0.395
	(0.337)	(0.383)	(0.367)	(0.441)	(0.515)	(0.529)	(0.343)	(0.397)	(0.310)
Δ_5EJU$_{(t-1)}$	0.099**	0.112**	0.035	0.151***	0.169***	0.025	0.054	0.065	0.042
×TFP$_{(t-5)}$	(0.040)	(0.045)	(0.043)	(0.054)	(0.062)	(0.062)	(0.040)	(0.046)	(0.037)
R-squared	0.023	0.019	0.023	0.022	0.017	0.018	0.025	0.02	0.027
N	38062	38062	38062	15915	15915	15915	22147	22147	22147

Notes: Table reports results from IV regression of five-year changes in employment on lag of five-year changes in import exposure and lag TFP of plants. In the first stage, Δ_5CHN$_{(t-1)}$ and Δ_5CHN$_{(t-1)}$ ×TFP$_{(t-5)}$ are instrumented by (t-1)-1 lag of five-year changes in Chinese import share in Indonesia Δ_5(CH)IDN$_{(t-1)-1}$ and its interaction with lag TFP, Δ_5(CH)IDN$_{(t-1)-1}$×TFP$_{(t-5)}$. Table reports results for LFirst20 sample only. Columns (1)-(3) include full sample, and columns (4)-(6) include flexible, and (7)-(9) include inflexible labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log total employment (L), columns (2), (5) and (8) use changes in log blue-collar employment and (3), (6) and (9) use changes in white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. Flexible or employer friendly states refer to Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu; inflexible labor market includes both worker friendly Orissa, Gujarat, Maharashtra and West Bengal, and neutral states: Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh . * $p<.1$; ** $p<.05$; *** $p<.01$

In the inflexible labor market, though the impact of import competition appears to be statistically insignificant for total (7) and blue collar employment (8), both the coefficients, $\beta_1$and γ_1 are now statistically significant at 10 percent level for white-collar employment (9). For plants at the 75 percentiles of TFP, a 10 percent point increase in the Chinese import exposure leads to a 1.4 percent increase in employment of white-collar workers, but causes a 0.27 percent decline in employment of blue-collar workers in the inflexible market.

Table 4.a shows that the impact of import competition from high-wage countries is now even higher in the IV regression and statistically significant for total and blue-collar employment in the full sample and flexible market both in Panel-A and Panel-B.

In IV regression, the coefficient of lag TFP becomes negative for total employment and blue-collar employment but remains positive for white-collar workers. Though the TFP coefficient for white-collar workers is also slightly smaller than the corresponding OLS estimates, it is statistically significant at 5 percent level in the full sample and flexible market.

Overall, both OLS and IV estimates suggest that Chinese import exposure has a significant impact on total employment and blue-collar employment for plants with at least 200 employees in the initial period but has no statistically significant impact on white-collar employment in the full sample and flexible labor market. However, in the inflexible labor market, the impact of competition seems to have slightly stronger effect on white-collar employment. However, plants located in the inflexible labor market show no statistically significant adjustment to employment of blue-collar workers in response import competition shocks.[12]

9. Concluding Remarks

Competition from imports can significantly affect labor market outcomes in destination countries through both destruction and reallocation of employment and redistribution of income across skill-categories. Based on plant-level data from 16 major Indian states this paper documents that intensified import competition from China leads to an increase in within-plant wage inequality between skilled and unskilled workers in large plants. One key finding of the paper is that the impact of trade shocks on within-plant wage inequality differs

[12] I have verified the robustness of the main results using a modified version of BB classification proposed by Gupta, Hasan and Kumar (2009). The authors suggest that Gujrat should be considered as a neutral state rather than a pro-worker state. Similarly, Madhya Pradesh should be treated as a neutral state rather than a pro-employer state. Our main findings remain robust to this modified classification of labor market flexibility. Results are not reported in the paper.

by flexibility of labor market. I find that in flexible labor markets, in large plants, only the average wage of white-collar workers rises due to increase in Chinese import competition, while no significant adjustment of blue-collar wages occurs, which leads to rise in wage-inequality within-plant. In the inflexible (neutral and pro-worker) labor markets skill premium does not respond to import exposure from China.

However, import competition from high-wage countries is not associated with wage inequality in the sample of 16 major states. Similar results appear in the flexible labor market as well. But the picture changes dramatically for the inflexible labor market, where import competition from high-wage countries has a negative impact wage inequality. This finding is consistent with Bloom, Draca, and Van Reneen (2016) and Mion and Zhu (2013), who also find that competition from China is different from that of high-wage countries.

I observe that reallocation of labor across plants occurs in response to import competition, in the sample of large plants. In the face of rising import competition from China, the low-productivity plants shrink by reducing the number of employees, whereas the high-productivity plants expand by hiring more employees. However, mainly blue-collar workers bear the brunt of the shocks, while there is no significant impact on the employment of white-collar workers. Therefore, the impact of Chinese import exposure on plant employment is not symmetric across different skill categories of workers.

The results suggest that the impact of Chinese import exposure on plant labor adjustment differs across labor market regime. This result is consistent with ABRZ (2008), who show that the impact of reform differs by labor market flexibility in India, and with the cross country evidence that speed of adjustment to shocks is slower in more rigid labor markets (Lafontaine and Sivadasan 2009; Caballero et al. 2013). The findings also support the prediction of Kambourov (2009), who shows that labor market rigidity hinders reallocation of labor across sectors.

10 Appendix

Table A.1.a–India's and Indonesia's Exposure to Chinese Imports by sector (NIC 2-digit)

	India's Imports from China			Indonesia's Imports from China		
	1998-01	2002-05	2006-09	1998-01	2002-05	2006-09
Food	0.01	0.01	0.01	0.07	0.04	0.04
Tobacco	0.00	0.06	0.04	0.01	0.01	0.04
Textiles	0.27	0.41	0.52	0.08	0.21	0.33
Apparel	0.17	0.17	0.28	0.10	0.25	0.46
Leather	0.04	0.11	0.25	0.08	0.23	0.35
Wood	0.03	0.07	0.18	0.11	0.10	0.18
Paper	0.00	0.02	0.11	0.01	0.04	0.06
Printing	0.01	0.03	0.07	0.01	0.08	0.09
Petroleum prod.	0.06	0.08	0.07	0.08	0.06	0.03
Chemicals	0.06	0.11	0.17	0.05	0.08	0.12
Rubber & plastic	0.02	0.08	0.23	0.04	0.12	0.16
Other non-metallic	0.08	0.23	0.39	0.12	0.30	0.33
Basic metals	0.02	0.03	0.07	0.06	0.11	0.17
Fabricated metal	0.04	0.09	0.27	0.05	0.17	0.30
Machinery	0.02	0.06	0.16	0.03	0.09	0.16
Office machinery	0.09	0.19	0.39	0.07	0.20	0.33
Electrical machin.	0.06	0.13	0.28	0.05	0.14	0.23
TV & comm. Equi	0.08	0.23	0.43	0.06	0.15	0.25
Medical instrument	0.03	0.05	0.09	0.02	0.07	0.12
Motor vehicles	0.01	0.02	0.06	0.01	0.01	0.03
Other transport	0.01	0.02	0.05	0.03	0.09	0.08
Furniture	0.06	0.05	0.09	0.14	0.43	0.45
Minimum	0.00	0.01	0.01	0.01	0.01	0.03
Maximum	0.27	0.41	0.52	0.14	0.43	0.46
Standard Deviation	0.06	0.10	0.14	0.04	0.10	0.14

Table A.1.b–Wage Inequality 1998-2009 and Labor Market Rigidity

Year	Overall	Pro-employer	Neutral	Pro-worker
1998	2.14	2.21	2.13	2.04
1999	2.20	2.38	2.16	2.01
2000	2.22	2.30	2.32	2.04
2001	2.27	2.31	2.34	2.15
2002	2.33	2.40	2.41	2.18
2003	2.38	2.45	2.43	2.24
2004	2.46	2.52	2.53	2.31
2005	2.52	2.56	2.66	2.35
2006	2.65	2.69	2.75	2.51
2007	2.77	2.81	2.85	2.64
2008	2.98	3.01	3.15	2.81
2009	3.03	3.10	3.24	2.78
1998-01	2.21	2.30	2.24	2.06
2002-05	2.42	2.48	2.51	2.27
2006-09	2.86	2.90	3.00	2.69

Note: The Table shows the ratio of the wage of white-collar to the wage of blue-collar employees based on balanced sample of ASI plants from 1998 to 2009 period. Labor Market Classification is Based on Besley and Burgess (2004)

Table A.2–Effect of Import Competition on Wage Inequality with other LWs (OLS)

Panel A OLS Regression Results LFirst200 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	0.150***	-0.019	0.121***	0.310***	-0.118	0.215***	0.011	0.070**	0.048
	(0.056)	(0.041)	(0.046)	(0.101)	(0.072)	(0.073)	(0.051)	(0.032)	(0.052)
$\Delta_5EJU_{(t-1)}$	-0.004	-0.017	-0.006	0.196**	-0.147**	0.065	-0.140***	0.072**	-0.055
	(0.049)	(0.041)	(0.057)	(0.078)	(0.059)	(0.078)	(0.041)	(0.036)	(0.054)
$\Delta_5LW_{(t-1)}$	0.065	0.014	0.078***	0.183**	-0.053	0.130***	-0.007	0.054	0.046
	(0.044	(0.029)	(0.029)	(0.075)	(0.042)	(0.046)	(0.028)	(0.035)	(0.036)
R-squared	0.007	0.016	0.019	0.008	0.014	0.018	0.008	0.019	0.02
N	22596	22596	22596	9415	9415	9415	13181	13181	13181

Panel B OLS Regression Results LFirst100 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
$\Delta_5CHN_{(t-1)}$	0.119	0.025	0.134**	0.302**	-0.057	0.260***	-0.035	0.096***	0.031
	(0.074)	(0.048)	(0.052)	(0.123)	(0.073)	(0.093)	(0.043)	(0.037)	(0.044)
$\Delta_5EJU_{(t-1)}$	0.011	-0.034	-0.018	0.149*	-0.142**	0.019	-0.087**	0.04	-0.047
	(0.052)	(0.042)	(0.054)	(0.087)	(0.058)	(0.083)	(0.041)	(0.038)	(0.048)
$\Delta_5LW_{(t-1)}$	0.069	0.005	0.070*	0.185**	-0.051	0.133**	-0.005	0.039	0.028
	(0.046)	(0.031)	(0.036)	(0.08)	(0.037)	(0.055)	(0.028)	(0.032)	(0.036)
R-squared	0.007	0.02	0.019	0.008	0.017	0.02	0.007	0.021	0.02
N	31452	31452	31452	13106	13106	13106	18346	18346	18346

Panel C OLS Regression Results LFirst20 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
$\Delta_5CHN_{(t-1)}$	0.104	-0.001	0.095	0.251**	-0.091	0.179*	-0.011	0.066*	0.028
	(0.065)	(0.042)	(0.058)	(0.108)	(0.070)	(0.105)	(0.051)	(0.037)	(0.048)
$\Delta_5EJU_{(t-1)}$	0.012	-0.059	-0.039	0.11	-0.159**	-0.038	-0.055	0.007	-0.042
	(0.046)	(0.040)	(0.052)	(0.077)	(0.066)	(0.095)	(0.043)	(0.030)	(0.043)
$\Delta_5LW_{(t-1)}$	0.02	0	0.018	0.117	-0.052*	0.062	-0.039	0.029	-0.012
	(0.041)	(0.023)	(0.041)	(0.076)	(0.031)	(0.065)	(0.030)	(0.029)	(0.038)
R-squared	0.009	0.024	0.022	0.007	0.021	0.018	0.01	0.025	0.025
N	38062	38062	38062	15915	15915	15915	22147	22147	22147

Notes: Table reports results from OLS regression of five-year changes in log skill premium/average blue-collar wages/average white-collar wages on lag changes in China's, EJU's and LW's import share in India. Here skill premium is measured as ratio of average wages paid to non-production workers to average wages paid to production workers. Columns (1)-(3) include full sample, columns (4)-(6) include flexible and (7)-(9) include inflexible labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log of wage skill premium (SK), column (2), (5) and (8) use changes in log of average wages of blue-collar workers and (3), (6) and (9) use changes in log of average wages of white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. Flexible or employer friendly states refer to Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu; inflexible labor market includes both worker friendly Orissa, Gujarat, Maharashtra and West Bengal, and neutral states: Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh . * p<.1; ** p<.05; *** p<.01

Table A.3–Effect of Import Competition on Wage Inequality with other LWs (2SLS)

Panel A IV Regression Results LFirst200 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
$\Delta_5CHN_{(t-1)}$	0.250**	0.016	0.236**	0.396***	-0.079	0.285**	0.094	0.125	0.196*
	(0.099)	(0.100)	(0.093)	(0.131)	(0.150)	(0.121)	(0.108)	(0.082)	(0.105)
$\Delta_5EJU_{(t-1)}$	0.021	-0.008	0.024	0.212***	-0.138**	0.081	-0.117**	0.087**	-0.015
	(0.057)	(0.044)	(0.061)	(0.082)	(0.069)	(0.083)	(0.053)	(0.037)	(0.060)
$\Delta_5LW_{(t-1)}$	0.095*	0.018	0.094***	0.205**	-0.047	0.141**	0.024	0.061*	0.064*
	(0.050)	(0.028)	(0.031)	(0.085)	(0.045)	(0.056)	(0.033)	(0.033)	(0.033)
Adj_R2	0.008	0.016	0.018	0.009	0.014	0.017	0.01	0.019	0.019
N	22596	22596	22596	9415	9415	9415	13181	13181	13181

Panel B IV Regression Results LFirst100 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
$\Delta_5CHN_{(t-1)}$	0.111	0.074	0.156	0.288	-0.043	0.209	-0.068	0.183**	0.095
	(0.13)	(0.102)	(0.108)	(0.19)	(0.139)	(0.164)	(0.096)	(0.088)	(0.097)
$\Delta_5EJU_{(t-1)}$	0.015	-0.022	-0.012	0.15	-0.139**	0.007	-0.088*	0.064	-0.029
	(0.065	(0.046	(0.061	(0.101	-0.065	(0.092	(0.049	(0.043	(0.054)
$\Delta_5LW_{(t-1)}$	0.082*	0.012	0.073*	0.194**	-0.048	0.124**	0.007	0.051*	0.036
	(0.048)	(0.031)	(0.037)	(0.084)	(0.039)	(0.06)	(0.029)	(0.031)	(0.035)
Adj_R2	0.008	0.02	0.019	0.009	0.017	0.02	0.008	0.02	0.02
N	31452	31452	31452	13106	13106	13106	18346	18346	18346

Panel C IV Regression Results LFirst20 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
$\Delta_5CHN_{(t-1)}$	-0.033	0.135	0.102	0.092	0.065	0.159	-0.145	0.192**	0.046
	(0.185)	(0.110)	(0.160)	(0.240)	(0.180)	(0.228)	(0.163)	(0.087)	(0.149)
$\Delta_5EJU_{(t-1)}$	-0.017	-0.025	-0.037	0.064	-0.122	-0.043	-0.077	0.041	-0.037
	(0.076)	(0.052)	(0.060)	(0.107)	(0.082)	(0.108)	(0.068)	(0.042)	(0.054)
$\Delta_5LW_{(t-1)}$	0.009	0.02	0.019	0.089	-0.027	0.058	-0.042	0.046	-0.009
	(0.047)	(0.027)	(0.044)	(0.082)	(0.043)	(0.073)	(0.038)	(0.029)	(0.041)
Adj_R2	0.009	0.023	0.022	0.006	0.02	0.018	0.011	0.023	0.025
N	38062	38062	38062	15915	15915	15915	22147	22147	22147

Notes: Table reports results from IV regression of five-year changes in log skill premium/average blue-collar wages/average white-collar wages on lag changes in China's, EJU's and LW's import share in India. In the first stage, $\Delta_5CHN_{(t-1)}$ is instrumented by (t-1)-1 lag of five-year changes in Chinese import share in Indonesia $\Delta_5(CH)IDN_{(t-1)-1}$. Here skill premium is measured as ratio of average wages paid to non-production workers to average wages paid to production workers. Columns (1)-(3) include full sample and columns (4)-(6) include flexible and columns (7)-(9) include inflexible labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log of wage skill premium (SK), columns (2), (5) and (8) use changes in log of average wages of blue-collar workers and (3), (6) and (9) use changes in log of average wages of white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. Flexible or employer friendly states refer to Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu; inflexible labor market includes both worker friendly: Orissa, Gujarat, Maharashtra and West Bengal, and neutral states: Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh . * p<.1; ** p<.05; *** p<.01

Table A.4.a–Effect of Import Competition on Employment with other LWs (OLS)

Panel A OLS Regression Results LFirst200 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	-0.802**	-0.801*	-0.363	-1.372**	-1.542***	-0.556	-0.244	-0.116	-0.284
	(0.389)	(0.433)	(0.471)	(0.524)	(0.584)	(0.672)	(0.483)	(0.597)	(0.462)
$TFP_{(t-5)}$	0.011	0.008	0.035***	0.007	0.004	0.042***	0.015*	0.012	0.031***
	(0.012)	(0.012)	(0.010)	(0.018)	(0.019)	(0.012)	(0.009)	(0.009)	(0.012)
$\Delta_5CHN_{(t-1)}$	0.101**	0.099**	0.035	0.184***	0.204***	0.059	0.015	-0.003	0.025
$\times TFP_{(t-5)}$	(0.043)	(0.047)	(0.051)	(0.061)	(0.068)	(0.071)	(0.055)	(0.070)	(0.055)
$\Delta_5EJU_{(t-1)}$	-0.690**	-0.751**	-0.027	-1.327***	-1.357**	-0.127	-0.043	-0.095	-0.037
	(0.282)	(0.342)	(0.381)	(0.439)	(0.527)	(0.566)	(0.330)	(0.413)	(0.350)
$\Delta 5EJU_{(t-1)}$	0.077**	0.085**	-0.022	0.158***	0.166***	-0.021	-0.011	-0.007	-0.011
$\times TFP_{(t-5)}$	(0.031)	(0.039)	(0.046)	(0.045)	(0.055)	(0.065)	(0.040)	(0.052)	(0.043)
$\Delta_5LW_{(t-1)}$	0.223	0.268	0.502***	-0.175	-0.179	0.688**	0.562*	0.666**	0.318
	(0.169)	(0.203)	(0.186)	(0.247)	(0.308)	(0.337)	(0.285)	(0.309)	(0.210)
$\Delta_5LW_{(t-1)}$	-0.023	-0.026	-0.067***	0.028	0.033	-0.089**	-0.070**	-0.082**	-0.043
$\times TFP_{(t-5)}$	(0.020)	(0.024)	(0.022)	(0.028)	(0.035)	(0.036)	(0.035)	(0.038)	(0.027)
R-squared	0.033	0.029	0.029	0.038	0.034	0.032	0.033	0.027	0.029
N	22596	22596	22596	9415	9415	9415	13181	13181	13181

Panel B OLS Regression Results Lfirst100 Sample

	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	-0.531	-0.492	-0.287	-0.583	-0.503	-0.472	-0.434	-0.439	-0.194
	(0.374)	(0.399)	(0.441)	(0.511)	(0.548)	(0.563)	(0.469)	(0.552)	(0.461)
$TFP_{(t-5)}$	0.01	0.007	0.036***	0.007	0.005	0.039***	0.014*	0.01	0.033***
	(0.011)	(0.011)	(0.010)	(0.017)	(0.018)	(0.011)	(0.008)	(0.008)	(0.011)
$\Delta_5CHN_{(t-1)}$	0.075*	0.071	0.032	0.093	0.085	0.053	0.05	0.05	0.021
$\times TFP_{(t-5)}$	(0.043)	(0.045)	(0.048)	(0.064)	(0.068)	(0.060)	(0.052)	(0.064)	(0.053)
$\Delta_5EJU_{(t-1)}$	-0.814***	-0.861***	-0.348	-1.393***	-1.392***	-0.474	-0.323	-0.394	-0.294
	(0.236)	(0.276)	(0.355)	(0.340)	(0.394)	(0.497)	(0.308)	(0.379)	(0.335)
$\Delta_5EJU_{(t-1)}$	0.095***	0.103***	0.021	0.164***	0.169***	0.024	0.031	0.039	0.022
$\times TFP_{(t-5)}$	(0.027)	(0.032)	(0.042)	(0.038)	(0.043)	(0.058)	(0.039)	(0.049)	(0.040)
$\Delta_5LW_{(t-1)}$	0.152	0.116	0.649***	-0.032	-0.08	0.828**	0.331	0.307	0.555**
	(0.201)	(0.221)	(0.224)	(0.287)	(0.315)	(0.346)	(0.272)	(0.288)	(0.232)
$\Delta_5LW_{(t-1)}$	-0.014	-0.007	-0.087***	0.016	0.026	-0.102***	-0.043	-0.038	-0.079***
$\times TFP_{(t-5)}$	(0.022)	(0.025)	(0.026)	(0.029)	(0.033)	(0.037)	(0.035)	(0.037)	(0.029)
R-squared	0.026	0.021	0.029	0.028	0.023	0.029	0.027	0.021	0.032
N	31452	31452	31452	13106	13106	13106	18346	18346	18346

Notes: Table reports results from OLS regression of five-year changes in employment on lag of five-year changes in import exposure and lag TFP of plants. Panel-A reports results for LFirst200 and panel-B reports LFirst100 sample. Columns (1)-(3) include full sample, and columns (4)-(6) include flexible, and (7)-(9) include inflexible labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log total employment (L), columns (2), (5) and (8) use changes in log blue-collar employment and (3), (6) and (9) use changes in white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. Flexible or employer friendly states refer to Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu; inflexible labor market includes both worker friendly: Orissa, Gujarat, Maharashtra and West Bengal, and neutral states: Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh . * p<.1; ** p<.05; *** p<.01

Table A.4.b–Effect of Import Competition on Employment with LWs (LFirst 20, OLS)

Panel C OLS Regression Results LFirst20 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Δ_5CHN$_{(t-1)}$	-0.592	-0.592	-0.256	-0.987	-1.034	-0.449	-0.299	-0.275	-0.155
	(0.430)	(0.473)	(0.424)	(0.677)	(0.740)	(0.593)	(0.417)	(0.482)	(0.441)
TFP$_{(t-5)}$	0.011	0.007	0.032***	0.005	0.002	0.032***	0.015**	0.011	0.031***
	(0.009)	(0.009)	(0.008)	(0.014)	(0.015)	(0.010)	(0.007)	(0.008)	(0.009)
Δ_5CHN$_{(t-1)}$	0.087*	0.087	0.035	0.134	0.139	0.052	0.048	0.047	0.025
×TFP$_{(t-5)}$	(0.052)	(0.056)	(0.048)	(0.083)	(0.089)	(0.068)	(0.048)	(0.057)	(0.050)
Δ_5EJU$_{(t-1)}$	-0.710***	-0.808**	-0.153	-1.174***	-1.350***	-0.015	-0.328	-0.395	-0.202
	(0.267)	(0.317)	(0.330)	(0.403)	(0.483)	(0.497)	(0.286)	(0.336)	(0.297)
Δ5EJU$_{(t-1)}$	0.093***	0.108***	0.006	0.147***	0.167***	-0.008	0.045	0.059	0.01
×TFP$_{(t-5)}$	(0.029)	(0.035)	(0.040)	(0.046)	(0.054)	(0.059)	(0.034)	(0.041)	(0.036)
Δ_5LW$_{(t-1)}$	0.082	0.024	0.688***	-0.074	-0.183	0.964***	0.228	0.197	0.518**
	(0.183)	(0.198)	(0.232)	(0.268)	(0.305)	(0.367)	(0.235)	(0.254)	(0.220)
Δ_5LW$_{(t-1)}$	-0.003	0.008	-0.090***	0.022	0.038	-0.117***	-0.026	-0.018	-0.073**
×TFP$_{(t-5)}$	(0.022)	(0.024)	(0.029)	(0.027)	(0.031)	(0.042)	(0.031)	(0.034)	(0.029)
R-squared	0.023	0.019	0.024	0.023	0.019	0.02	0.025	0.021	0.028
N	38062	38062	38062	15915	15915	15915	22147	22147	22147

Notes: Table reports results from OLS regression of five-year changes in employment on lag of five-year changes in import exposure and lag TFP of plants. Table reports results for LFirst20 sample only. Columns (1)-(3) include full sample, and columns (4)-(6) include flexible, and (7)-(9) include inflexible labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log total employment (L), columns (2), (5) and (8) use changes in log blue-collar employment and (3), (6) and (9) use changes in white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. Flexible or employer friendly states refer to Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu; inflexible labor market includes both worker friendly: Orissa, Gujarat, Maharashtra and West Bengal, and neutral states: Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh . * p<.1; ** p<.05; *** p<.01

Table A.5.a–Effect of Import Competition on Employment with other LWs (2SLS)

Panel A IV Regression Results LFirst200 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Δ_5CHN$_{(t-1)}$	-2.580*	-2.668*	-1.386	-4.075**	-4.429**	-1.012	-1.469	-1.353	-1.783
	(1.360)	(1.381)	(1.177)	(2.066)	(2.067)	(1.550)	(1.064)	(1.152)	(1.139)
TFP$_{(t-5)}$	-0.004	-0.008	0.026**	-0.015	-0.02	0.038**	0.005	0.002	0.018
	(0.017)	(0.017)	(0.013)	(0.026)	(0.026)	(0.016)	(0.012)	(0.012)	(0.015)
Δ_5CHN$_{(t-1)}$ ×TFP$_{(t-5)}$	0.335*	0.348*	0.178	0.536*	0.583**	0.125	0.172	0.156	0.231*
	(0.178)	(0.181)	(0.141)	(0.279)	(0.280)	(0.179)	(0.128)	(0.139)	(0.140)
Δ_5EJU$_{(t-1)}$	-1.085***	-1.167***	-0.258	-1.842***	-1.907***	-0.213	-0.354	-0.41	-0.435
	(0.366)	(0.430)	(0.461)	(0.527)	(0.598)	(0.651)	(0.375)	(0.458)	(0.406)
Δ_5EJU$_{(t-1)}$ ×TFP$_{(t-5)}$	0.129***	0.141***	0.011	0.224***	0.237***	-0.009	0.029	0.035	0.045
	(0.044)	(0.052)	(0.056)	(0.061)	(0.069)	(0.075)	(0.046)	(0.057)	(0.051)
Δ_5LW$_{(t-1)}$	-0.146	-0.125	0.266	-0.750*	-0.801*	0.575	0.325	0.424	-0.013
	(0.239)	(0.262)	(0.236)	(0.409)	(0.438)	(0.429)	(0.260)	(0.282)	(0.261)
Δ_5LW$_{(t-1)}$ ×TFP$_{(t-5)}$	0.026	0.027	-0.035	0.102**	0.113**	-0.074	-0.039	-0.049	0.002
	(0.032)	(0.034)	(0.029)	(0.051)	(0.054)	(0.048)	(0.034)	(0.036)	(0.035)
R-squared	0.029	0.024	0.028	0.028	0.025	0.031	0.031	0.025	0.026
N	22596	22596	22596	9415	9415	9415	13181	13181	13181

Panel B IV Regression Results LFirst100 Sample

	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Δ_5CHN$_{(t-1)}$	-1.279	-1.346	-0.665	-1.993	-2.055	-0.576	-0.86	-0.946	-0.95
	(1.444)	(1.493)	(1.113)	(1.962)	(1.989)	(1.326)	(1.097)	(1.215)	(1.099)
TFP$_{(t-5)}$	0.004	0	0.031**	-0.005	-0.008	0.038**	0.01	0.005	0.026*
	(0.017)	(0.017)	(0.013)	(0.024)	(0.024)	(0.015)	(0.012)	(0.012)	(0.015)
Δ_5CHN$_{(t-1)}$ ×TFP$_{(t-5)}$	0.174	0.184	0.096	0.265	0.276	0.079	0.111	0.122	0.135
	(0.200)	(0.207)	(0.132)	(0.274)	(0.278)	(0.154)	(0.139)	(0.155)	(0.129)
Δ_5EJU$_{(t-1)}$	-0.991***	-1.063**	-0.445	-1.678***	-1.707***	-0.504	-0.44	-0.531	-0.505
	(0.373)	(0.417)	(0.409)	(0.472)	(0.515)	(0.549)	(0.376)	(0.456)	(0.372)
Δ_5EJU$_{(t-1)}$ ×TFP$_{(t-5)}$	0.118**	0.129**	0.037	0.199***	0.207***	0.031	0.048	0.059	0.054
	(0.050)	(0.055)	(0.047)	(0.062)	(0.067)	(0.063)	(0.048)	(0.059)	(0.043)
Δ_5LW$_{(t-1)}$	-0.014	-0.073	0.522*	-0.305	-0.386	0.769*	0.221	0.18	0.343
	(0.319)	(0.334)	(0.287)	(0.423)	(0.439)	(0.415)	(0.322)	(0.345)	(0.289)
Δ_5LW$_{(t-1)}$ ×TFP$_{(t-5)}$	0.008	0.019	-0.068**	0.05	0.064	-0.093**	-0.028	-0.02	-0.049
	(0.042)	(0.044)	(0.035)	(0.053)	(0.054)	(0.047)	(0.043)	(0.046)	(0.037)
R-squared	0.025	0.02	0.029	0.026	0.021	0.029	0.026	0.021	0.031
N	31452	31452	31452	13106	13106	13106	18346	18346	18346

Notes: Table reports results from IV regression of five-year changes in employment on lag of five-year changes in import exposure and lag TFP of plants. In the first stage, Δ_5CHN$_{(t-1)}$ and Δ_5CHN$_{(t-1)}$ ×TFP$_{(t-5)}$ are instrumented by (t-1)-1 lag of five-year changes in Chinese import share in Indonesia Δ_5(CH)IDN$_{(t-1)-1}$ and its interaction with lag TFP, Δ_5(CH)IDN$_{(t-1)-1}$×TFP$_{(t-5)}$. Panel-A reports results for LFirst200 and panel-B reports LFirst100 sample. Columns (1)-(3) include full sample, and columns (4)-(6) include flexible, and (7)-(9) include inflexible labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log total employment (L), columns (2), (5) and (8) use changes in log blue-collar employment and (3), (6) and (9) use changes in white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. Flexible or employer friendly states refer to Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu; inflexible labor market includes both worker friendly Orissa, Gujarat, Maharashtra and West Bengal, and neutral states: Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh . * p<.1; ** p<.05; *** p<.01

Table A.5.b–Effect of Import Competition on Employment with other LWs (2SLS)

Panel C IV Regression Results LFirst20 Sample

	Full Sample			Flexible			Inflexible		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
$\Delta_5CHN_{(t-1)}$	-0.83	-0.94	0.021	-1.848	-2.134	0.21	-0.243	-0.229	-0.298
	(1.442)	(1.506)	(1.091)	(2.003)	(2.096)	(1.368)	(1.105)	(1.224)	(1.048)
$TFP_{(t-5)}$	0.008	0.004	0.033***	-0.003	-0.007	0.037***	0.014	0.01	0.029**
	(0.016)	(0.016)	(0.012)	(0.022)	(0.023)	(0.014)	(0.011)	(0.011)	(0.013)
$\Delta_5CHN_{(t-1)}$	0.131	0.147	0.018	0.253	0.292	-0.011	0.054	0.056	0.059
$\times TFP_{(t-5)}$	(0.200)	(0.210)	(0.131)	(0.282)	(0.296)	(0.165)	(0.141)	(0.157)	(0.123)
$\Delta_5EJU_{(t-1)}$	-0.782*	-0.908**	-0.11	-1.376***	-1.609***	0.114	-0.337	-0.409	-0.265
	(0.403)	(0.451)	(0.384)	(0.525)	(0.597)	(0.544)	(0.381)	(0.442)	(0.342)
$\Delta_5EJU_{(t-1)}$	0.106**	0.125**	0.006	0.174**	0.202***	-0.019	0.05	0.065	0.023
$\times TFP_{(t-5)}$	(0.052)	(0.057)	(0.045)	(0.068)	(0.076)	(0.063)	(0.048)	(0.056)	(0.041)
$\Delta_5LW_{(t-1)}$	-0.01	-0.097	0.690**	-0.289	-0.459	1.049**	0.2	0.16	0.438
	(0.314)	(0.332)	(0.289)	(0.448)	(0.484)	(0.418)	(0.300)	(0.326)	(0.286)
$\Delta_5LW_{(t-1)}$	0.011	0.026	-0.088**	0.051	0.075	-0.125***	-0.021	-0.012	-0.06
$\times TFP_{(t-5)}$	(0.042)	(0.045)	(0.036)	(0.056)	(0.061)	(0.048)	(0.042)	(0.046)	(0.038)
R-squared	0.023	0.019	0.023	0.022	0.017	0.019	0.025	0.02	0.028
N	38062	38062	38062	15915	15915	15915	22147	22147	22147

Notes: Table reports results from IV regression of five-year changes in employment on lag of five-year changes in import exposure and lag TFP of plants. In the first stage, $\Delta_5CHN_{(t-1)}$ and $\Delta_5CHN_{(t-1)} \times TFP_{(t-5)}$ are instrumented by (t-1)-1 lag of five-year changes in Chinese import share in Indonesia $\Delta_5(CH)IDN_{(t-1)-1}$ and its interaction with lag TFP, $\Delta_5(CH)IDN_{(t-1)-1}\times TFP_{(t-5)}$. Table reports results for LFirst200 and panel-B reports LFirst100 sample. Columns (1)-(3) include full sample, and columns (4)-(6) include flexible, and (7)-(9) include inflexible labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log total employment (L), columns (2), (5) and (8) use changes in log blue-collar employment and (3), (6) and (9) use changes in white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. Flexible or employer friendly states refer to Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu; inflexible labor market includes both worker friendly Orissa, Gujarat, Maharashtra and West Bengal, and neutral states: Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh . * p<.1; ** p<.05; *** p<.01

Table A.6–Summary Statistics for Initial TFP

	Lfirst200			Lfirst100			Lfirst20		
	Full Sample	Flexible	Inflexible	Full Sample	Flexible	Inflexible	Full Sample	Flexible	Inflexible
N:	22596	9415	13181	31452	13106	18346	38062	15915	22147
Mean:	7.73	7.94	7.59	7.69	7.85	7.57	7.62	7.76	7.53
p5:	4.84	5	4.75	4.89	5.01	4.82	4.84	4.89	4.82
p25:	6.86	6.99	6.75	6.81	6.92	6.73	6.71	6.79	6.64
p75:	8.45	8.66	8.33	8.42	8.57	8.31	8.39	8.52	8.3
p95:	11.23	11.54	10.88	11.03	11.37	10.68	10.91	11.24	10.59
SD:	1.74	1.81	1.68	1.69	1.75	1.64	1.69	1.76	1.63
Skewness:	0.32	0.31	0.29	0.32	0.33	0.28	0.3	0.31	0.27
Kurtosis:	4.02	3.77	4.22	4.13	3.93	4.26	4.05	3.87	4.16

Table A.7–Effect of Import Competition on Wage Inequality (BB, OLS)

Panel A OLS Regression Results LFirst200 Sample

	Pro-Employer			Neutral			Pro-worker		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5 CHN_{(t-1)}$	0.265**	-0.105	0.183**	-0.111*	0.156***	0.034	0.111	-0.022	0.039
	(0.113)	(0.074)	(0.082)	(0.057)	(0.051)	(0.067)	(0.094)	(0.047)	(0.077)
$\Delta_5 EJU_{(t-1)}$	0.125	-0.126**	0.015	-0.151**	0.02	-0.121**	-0.140**	0.099**	-0.022
	(0.084)	(0.054)	(0.079)	(0.061)	(0.049)	(0.058)	(0.066)	(0.045)	(0.077)
R-squared	0.007	0.014	0.017	0.006	0.026	0.022	0.011	0.016	0.017
N	9415	9415	9415	5310	5310	5310	7871	7871	7871

Panel B OLS Regression Results LFirst100 Sample

	Pro-Employer			Neutral			Pro-worker		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
$\Delta_5 CHN_{(t-1)}$	0.261**	-0.046	0.231**	-0.159**	0.190***	0.026	0.088	-0.021	0.018
	(0.130)	(0.073)	(0.096)	(0.064)	(0.052)	(0.084)	(0.070)	(0.048)	(0.074)
$\Delta_5 EJU_{(t-1)}$	0.079	-0.123**	-0.031	-0.085	0.01	-0.074	-0.104	0.058	-0.041
	(0.086)	(0.052)	(0.078)	(0.054)	(0.050)	(0.068)	(0.064)	(0.043)	(0.071)
R-squared	0.007	0.017	0.019	0.006	0.027	0.026	0.008	0.02	0.016
N	13106	13106	13106	7888	7888	7888	10458	10458	10458

Panel C OLS Regression Results LFirst20 Sample

	Pro-Employer			Neutral			Pro-worker		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
$\Delta_5 CHN_{(t-1)}$	0.226**	-0.079	0.165	-0.106*	0.158***	0.038	0.107	-0.05	0.018
	(0.110)	(0.071)	(0.103)	(0.061)	(0.059)	(0.083)	(0.076)	(0.052)	(0.073)
$\Delta_5 EJU_{(t-1)}$	0.069	-0.140**	-0.06	-0.059	-0.007	-0.063	-0.034	0.012	-0.013
	(0.074)	(0.059)	(0.086)	(0.055)	(0.038)	(0.064)	(0.063)	(0.048)	(0.067)
R-squared	0.007	0.021	0.018	0.008	0.033	0.029	0.012	0.021	0.021
N	15915	15915	15915	9917	9917	9917	12230	12230	12230

Notes: Table reports results from OLS regression of five-year changes in log skill premium/average blue-collar wages/average white-collar wages on lag changes in China's and EJU's import share in India. Here skill premium is measured as ratio of average wages paid to non-production workers to average wages paid to production workers. Columns (1)-(3) include flexible or pro-employer and columns (4)-(6) include neutral and (7)-(9) include pro-worker labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log of wage skill premium (SK), columns (2), (5) and (8) use changes in log of average wages of blue-collar workers and (3), (6) and (9) use changes in log of average wages of white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. In this tableAndhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu are pro-employer; Orissa, Gujarat, Maharashtra and West Bengal are pro-worker; and Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh are neutral states. * p<.1; ** p<.05; *** p<.01

Table A.8–Effect of Import Competition on Wage Inequality with other LWs (BB, OLS)

Panel A OLS Regression Results LFirst200 Sample

	Pro-Employer			Neutral			Pro-worker		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	0.310***	-0.118	0.215***	-0.129**	0.176***	0.036	0.118	-0.014	0.054
	(0.101)	(0.072)	(0.073)	(0.055)	(0.050)	(0.069)	(0.097)	(0.045)	(0.085)
$\Delta_5EJU_{(t-1)}$	0.196**	-0.147**	0.065	-0.176***	0.049	-0.118*	-0.127*	0.111**	0.002
	(0.078)	(0.059)	(0.078)	(0.059)	(0.048)	(0.064)	(0.070)	(0.052)	(0.085)
$\Delta_5LW_{(t-1)}$	0.183**	-0.053	0.130***	-0.066	0.073**	0.008	0.043	0.041	0.082
	(0.075)	(0.042)	(0.046)	(0.050)	(0.033)	(0.045)	(0.037)	(0.050)	(0.067)
R-squared	0.008	0.014	0.018	0.006	0.026	0.022	0.011	0.016	0.017
N	9415	9415	9415	5310	5310	5310	7871	7871	7871

Panel B OLS Regression Results LFirst100 Sample

	Pro-Employer			Neutral			Pro-worker		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
$\Delta_5CHN_{(t-1)}$	0.302**	-0.057	0.260***	-0.173**	0.211***	0.031	0.094	-0.019	0.025
	(0.123)	(0.073)	(0.093)	(0.066)	(0.051)	(0.088)	(0.072)	(0.046)	(0.079)
$\Delta_5EJU_{(t-1)}$	0.149*	-0.142**	0.019	-0.103*	0.038	-0.067	-0.093	0.061	-0.029
	(0.087)	(0.058)	(0.083)	(0.056)	(0.052)	(0.077)	(0.067)	(0.052)	(0.080)
$\Delta_5LW_{(t-1)}$	0.185**	-0.051	0.133**	-0.048	0.075**	0.017	0.031	0.008	0.037
	(0.080)	(0.037)	(0.055)	(0.037)	(0.033)	(0.051)	(0.039)	(0.059)	(0.072)
R-squared	0.008	0.017	0.02	0.006	0.028	0.026	0.008	0.02	0.016
N	13106	13106	13106	7888	7888	7888	10458	10458	10458

Panel C OLS Regression Results LFirst20 Sample

	Pro-Employer			Neutral			Pro-worker		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
$\Delta_5CHN_{(t-1)}$	0.251**	-0.091	0.179*	-0.118*	0.169***	0.036	0.101	-0.047	0.014
	(0.108)	(0.070)	(0.105)	(0.064)	(0.058)	(0.084)	(0.076)	(0.051)	(0.076)
$\Delta_5EJU_{(t-1)}$	0.11	-0.159**	-0.038	-0.075	0.007	-0.065	-0.045	0.017	-0.018
	(0.077)	(0.066)	(0.095)	(0.061)	(0.040)	(0.075)	(0.063)	(0.056)	(0.074)
$\Delta_5LW_{(t-1)}$	0.117	-0.052*	0.062	-0.048	0.045	-0.008	-0.034	0.016	-0.017
	(0.076)	(0.031)	(0.065)	(0.043)	(0.039)	(0.061)	(0.045)	(0.056)	(0.077)
R-squared	0.007	0.021	0.018	0.008	0.033	0.029	0.012	0.021	0.021
N	15915	15915	15915	9917	9917	9917	12230	12230	12230

Notes: Table reports results from OLS regression of five-year changes in log skill premium/average blue-collar wages/average white-collar wages on lag changes in China's, EJU's and LW's import share in India. Here skill premium is measured as ratio of average wages paid to non-production workers to average wages paid to production workers. Columns (1)-(3) include flexible or pro-employer and columns (4)-(6) include neutral and (7)-(9) include pro-worker labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log of wage skill premium (SK), columns (2), (5) and (8) use changes in log of average wages of blue-collar workers and (3), (6) and (9) use changes in log of average wages of white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. In this table Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu are pro-employer; Orissa, Gujarat, Maharashtra and West Bengal are pro-worker; and Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh are neutral states. * p<.1; ** p<.05; *** p<.01

Table A.9–Effect of Import Competition on Wage Inequality (BB, 2SLS)

Panel A IV Regression Results LFirst200 Sample

	Pro-Employer			Neutral			Pro-worker		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Δ_5CHN$_{(t-1)}$	0.362**	-0.071	0.262**	-0.091	0.361***	0.336***	0.225	-0.068	0.075
	(0.157)	(0.152)	(0.120)	(0.147)	(0.095)	(0.125)	(0.167)	(0.086)	(0.143)
Δ_5EJU$_{(t-1)}$	0.136	-0.120*	0.029	-0.148*	0.077	-0.037	-0.127	0.090*	-0.016
	(0.092)	(0.062)	(0.081)	(0.079)	(0.060)	(0.072)	(0.079)	(0.047)	(0.085)
R-squared	0.007	0.014	0.017	0.01	0.021	0.018	0.011	0.016	0.017
N	9415	9415	9415	5310	5310	5310	7871	7871	7871

Panel B IV Regression Results LFirst100 Sample

	Pro-Employer			Neutral			Pro-worker		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
Δ_5CHN$_{(t-1)}$	0.259	-0.036	0.19	-0.17	0.373***	0.235	0.027	-0.019	-0.054
	(0.208)	(0.140)	(0.167)	(0.110)	(0.085)	(0.157)	(0.132)	(0.097)	(0.113)
Δ_5EJU$_{(t-1)}$	0.079	-0.121**	-0.038	-0.079	0.065	-0.011	-0.118*	0.058	-0.054
	(0.100)	(0.058)	(0.084)	(0.066)	(0.061)	(0.086)	(0.065)	(0.046)	(0.075)
R-squared	0.007	0.017	0.019	0.009	0.024	0.024	0.009	0.02	0.015
N	13106	13106	13106	7888	7888	7888	10458	10458	10458

Panel C IV Regression Results LFirst20 Sample

	Pro-Employer			Neutral			Pro-worker		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
Δ_5CHN$_{(t-1)}$	0.079	0.069	0.15	-0.163	0.378***	0.221	-0.109	-0.035	-0.146
	(0.244)	(0.177)	(0.225)	(0.213)	(0.099)	(0.229)	(0.163)	(0.113)	(0.128)
Δ_5EJU$_{(t-1)}$	0.033	-0.112	-0.063	-0.064	0.054	-0.012	-0.065	0.015	-0.042
	(0.098)	(0.070)	(0.095)	(0.085)	(0.053)	(0.085)	(0.071)	(0.053)	(0.071)
R-squared	0.006	0.019	0.018	0.01	0.028	0.028	0.012	0.021	0.02
N	15915	15915	15915	9917	9917	9917	12230	12230	12230

Notes: Table reports results from IV regression of five-year changes in log skill premium/average blue-collar wages/average white-collar wages on lag changes in China's and EJU's import share in India. In the first stage, Δ_5CHN$_{(t-1)}$ is instrumented by (t-1)-1 lag of five-year changes in Chinese import share in Indonesia Δ_5(CH)IDN$_{(t-1)-1}$. Here skill premium is measured as ratio of average wages paid to non-production workers to average wages paid to production workers. Columns (1)-(3) include flexible or pro-employer and columns (4)-(6) include neutral and (7)-(9) include pro-worker labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log of wage skill premium (SK), columns (2), (5) and (8) use changes in log of average wages of blue-collar workers and (3), (6) and (9) use changes in log of average wages of white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. In this table, Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu are pro-employer; Orissa, Gujarat, Maharashtra and West Bengal are pro-worker and Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh are neutral states. * p<.1; ** p<.05; *** p<.01

Table A.10–Effect of Import Competition on Wage Inequality with other LWs (BB, 2SLS)

Panel A IV Regression Results LFirst200 Sample

	Pro-Employer			Neutral			Pro-worker		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	0.396***	-0.079	0.285**	-0.1	0.383***	0.347***	0.234	-0.063	0.086
	(0.131)	(0.150)	(0.121)	(0.150)	(0.097)	(0.125)	(0.173)	(0.087)	(0.149)
$\Delta_5EJU_{(t-1)}$	0.212***	-0.138**	0.081	-0.163**	0.115*	-0.019	-0.105	0.101*	0.009
	(0.082)	(0.069)	(0.083)	(0.078)	(0.063)	(0.077)	(0.085)	(0.055)	(0.094)
$\Delta_5LW_{(t-1)}$	0.205**	-0.047	0.141**	-0.04	0.101***	0.049	0.075*	0.036	0.085
	(0.085)	(0.045)	(0.056)	(0.059)	(0.033)	(0.050)	(0.040)	(0.052)	(0.067)
R-squared	0.009	0.014	0.017	0.01	0.022	0.018	0.011	0.016	0.017
N	9415	9415	9415	5310	5310	5310	7871	7871	7871

Panel B IV Regression Results LFirst100 Sample

	Pro-Employer			Neutral			Pro-worker		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
$\Delta_5CHN_{(t-1)}$	0.288	-0.043	0.209	-0.177	0.396***	0.247	0.031	-0.018	-0.05
	(0.190)	(0.139)	(0.164)	(0.114)	(0.087)	(0.159)	(0.132)	(0.097)	(0.117)
$\Delta_5EJU_{(t-1)}$	0.15	-0.139**	0.007	-0.09	0.102	0.008	-0.106	0.061	-0.045
	(0.101)	(0.065)	(0.092)	(0.069)	(0.066)	(0.096)	(0.068)	(0.054)	(0.085)
$\Delta_5LW_{(t-1)}$	0.194**	-0.048	0.124**	-0.031	0.104***	0.05	0.039	0.008	0.028
	(0.084)	(0.039)	(0.060)	(0.042)	(0.039)	(0.057)	(0.040)	(0.057)	(0.075)
R-squared	0.009	0.017	0.02	0.009	0.025	0.024	0.009	0.02	0.015
N	13106	13106	13106	7888	7888	7888	10458	10458	10458

Panel B IV Regression Results LFirst20 Sample

	Pro-Employer			Neutral			Pro-worker		
	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw	$\Delta_5$lnSK	$\Delta_5$lnWb	$\Delta_5$lnWw
$\Delta_5CHN_{(t-1)}$	0.092	0.065	0.159	-0.169	0.391***	0.224	-0.115	-0.033	-0.15
	(0.240)	(0.180)	(0.228)	(0.219)	(0.096)	(0.233)	(0.169)	(0.114)	(0.133)
$\Delta_5EJU_{(t-1)}$	0.064	-0.122	-0.043	-0.074	0.077	-0.006	-0.08	0.02	-0.053
	(0.107)	(0.082)	(0.108)	(0.095)	(0.056)	(0.097)	(0.075)	(0.061)	(0.081)
$\Delta_5LW_{(t-1)}$	0.089	-0.027	0.058	-0.034	0.077*	0.02	-0.053	0.017	-0.038
	(0.082)	(0.043)	(0.073)	(0.056)	(0.043)	(0.068)	(0.057)	(0.054)	(0.087)
R-squared	0.006	0.02	0.018	0.01	0.029	0.028	0.011	0.021	0.02
N	15915	15915	15915	9917	9917	9917	12230	12230	12230

Notes: Table reports results from IV regression of five-year changes in log skill premium/average blue-collar wages/average white-collar wages on lag changes in China's and EJU's import share in India. In the first stage, $\Delta_5CHN_{(t-1)}$ is instrumented by (t-1)-1 lag of five-year changes in Chinese import share in Indonesia $\Delta_5(CH)IDN_{(t-1)-1}$. Here skill premium is measured as ratio of average wages paid to non-production workers to average wages paid to production workers. Columns (1)-(3) include flexible or pro-employer and columns (4)-(6) include neutral and (7)-(9) include pro-worker labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log of wage skill premium (SK), columns (2), (5) and (8) use changes in log of average wages of blue-collar workers and (3), (6) and (9) use changes in log of average wages of white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. In this table, Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu are pro-employer; Orissa, Gujarat, Maharashtra and West Bengal are pro-worker and Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh are neutral states. * p<.1; ** p<.05; *** p<.01

Table A.11–Effect of Import Competition on Employment (BB, OLS)

Panel A OLS Regression Results LFirst200 Sample

	Pro-employer			Neutral			Pro-worker		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	-1.297**	-1.451**	-0.776	-0.894	-0.895	-0.673	0.042	0.219	-0.169
	(0.524)	(0.585)	(0.661)	(0.887)	(1.028)	(0.852)	(0.533)	(0.631)	(0.541)
$TFP_{(t-5)}$	0.008	0.005	0.040***	0.033**	0.031**	0.049***	0.005	0.001	0.02
	(0.018)	(0.019)	(0.012)	(0.014)	(0.015)	(0.015)	(0.010)	(0.010)	(0.013)
$\Delta_5CHN_{(t-1)}$	0.173***	0.190***	0.09	0.073	0.068	0.066	-0.001	-0.023	0.019
$\times TFP_{(t-5)}$	(0.062)	(0.070)	(0.071)	(0.107)	(0.124)	(0.105)	(0.056)	(0.069)	(0.062)
$\Delta_5EJU_{(t-1)}$	-1.264***	-1.289**	-0.355	-0.568	-0.737	-0.523	0.074	0.068	0.187
	(0.421)	(0.503)	(0.587)	(0.476)	(0.561)	(0.382)	(0.412)	(0.493)	(0.499)
$\Delta_5EJU_{(t-1)}$	0.148***	0.153***	0.009	0.067	0.088	0.055	-0.039	-0.042	-0.041
$\times TFP_{(t-5)}$	(0.045)	(0.054)	(0.069)	(0.058)	(0.069)	(0.047)	(0.048)	(0.061)	(0.058)
R-squared	0.038	0.034	0.031	0.026	0.02	0.03	0.043	0.036	0.031
N	9415	9415	9415	5310	5310	5310	7871	7871	7871

Panel B OLS Regression Results Lfirst100 Sample

	Pro-employer			Neutral			Pro-worker		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	-0.533	-0.426	-0.699	-1.154	-1.216	-0.991	-0.09	-0.024	-0.007
	(0.516)	(0.553)	(0.548)	(0.771)	(0.872)	(0.719)	(0.493)	(0.565)	(0.540)
$TFP_{(t-5)}$	0.007	0.006	0.037***	0.024*	0.02	0.042***	0.008	0.004	0.026**
	(0.017)	(0.018)	(0.011)	(0.012)	(0.014)	(0.015)	(0.009)	(0.009)	(0.012)
$\Delta_5CHN_{(t-1)}$	0.084	0.071	0.084	0.13	0.135	0.123	0.02	0.012	0.005
$\times TFP_{(t-5)}$	(0.065)	(0.069)	(0.059)	(0.093)	(0.105)	(0.088)	(0.053)	(0.063)	(0.062)
$\Delta_5EJU_{(t-1)}$	-1.372***	-1.351***	-0.757	-0.882**	-1.008**	-0.984***	-0.132	-0.142	-0.066
	(0.346)	(0.400)	(0.512)	(0.399)	(0.470)	(0.336)	(0.390)	(0.449)	(0.481)
$\Delta_5EJU_{(t-1)}$	0.157***	0.158***	0.06	0.114**	0.130**	0.116***	-0.003	-0.003	-0.002
$\times TFP_{(t-5)}$	(0.039)	(0.045)	(0.061)	(0.050)	(0.059)	(0.041)	(0.047)	(0.056)	(0.057)
R-squared	0.028	0.022	0.028	0.018	0.015	0.028	0.036	0.028	0.035
N	13106	13106	13106	7888	7888	7888	10458	10458	10458

Notes: Table reports results from OLS regression of five-year changes in employment on lag of five-year changes in import exposure and lag TFP of plants. Panel-A reports results for LFirst200 and panel-B reports LFirst100 sample. Columns (1)-(3) include flexible or pro-employer and columns (4)-(6) include neutral and (7)-(9) include pro-worker labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log total employment (L), columns (2), (5) and (8) use changes in log blue-collar employment and (3), (6) and (9) use changes in white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. In this table, Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu are pro-employer; Orissa, Gujarat, Maharashtra and West Bengal are pro-worker and Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh are defined as neutral states. * p<.1; ** p<.05; *** p<.01

Table A.12–Effect of Import Competition on Employment with LWs (BB, OLS)

Panel A OLS Regression Results LFirst200 Sample

	Pro-employer			Neutral			Pro-worker		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Δ_5CHN$_{(t-1)}$	-1.372**	-1.542***	-0.556	-0.797	-0.818	-0.605	0.198	0.423	-0.079
	(0.524)	(0.584)	(0.672)	(0.915)	(1.064)	(0.871)	(0.551)	(0.666)	(0.547)
TFP$_{(t-5)}$	0.007	0.004	0.042***	0.034**	0.032**	0.049***	0.007	0.003	0.021*
	(0.018)	(0.019)	(0.012)	(0.014)	(0.015)	(0.015)	(0.010)	(0.010)	(0.013)
Δ_5CHN$_{(t-1)}$	0.184***	0.204***	0.059	0.058	0.056	0.055	-0.02	-0.049	0.007
×TFP$_{(t-5)}$	(0.061)	(0.068)	(0.071)	(0.110)	(0.129)	(0.107)	(0.059)	(0.074)	(0.064)
Δ_5EJU$_{(t-1)}$	-1.327***	-1.357**	-0.127	-0.48	-0.672	-0.468	0.204	0.242	0.259
	(0.439)	(0.527)	(0.566)	(0.511)	(0.608)	(0.397)	(0.414)	(0.493)	(0.510)
Δ_5EJU$_{(t-1)}$	0.158***	0.166***	-0.021	0.054	0.076	0.045	-0.054	-0.061	-0.05
×TFP$_{(t-5)}$	(0.045)	(0.055)	(0.065)	(0.062)	(0.074)	(0.049)	(0.048)	(0.060)	(0.060)
Δ_5LW$_{(t-1)}$	-0.175	-0.179	0.688**	0.358	0.26	0.213	0.740**	1.006***	0.4
	(0.247)	(0.308)	(0.337)	(0.367)	(0.398)	(0.341)	(0.304)	(0.334)	(0.262)
Δ_5LW$_{(t-1)}$	0.028	0.033	-0.089**	-0.052	-0.04	-0.036	-0.087**	-0.115***	-0.048
×TFP$_{(t-5)}$	(0.028)	(0.035)	(0.036)	(0.045)	(0.048)	(0.044)	(0.037)	(0.041)	(0.034)
R-squared	0.038	0.034	0.032	0.026	0.02	0.03	0.044	0.038	0.031
N	9415	9415	9415	5310	5310	5310	7871	7871	7871

Panel B OLS Regression Results Lfirst100 Sample

	Pro-employer			Neutral			Pro-worker		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Δ_5CHN$_{(t-1)}$	-0.583	-0.503	-0.472	-1.103	-1.202	-0.832	0.014	0.08	0.156
	(0.511)	(0.548)	(0.563)	(0.801)	(0.907)	(0.745)	(0.515)	(0.601)	(0.549)
TFP$_{(t-5)}$	0.007	0.005	0.039***	0.024*	0.02	0.043***	0.009	0.005	0.028**
	(0.017)	(0.018)	(0.011)	(0.012)	(0.014)	(0.014)	(0.009)	(0.009)	(0.011)
Δ_5CHN$_{(t-1)}$	0.093	0.085	0.053	0.123	0.133	0.098	0.006	-0.001	-0.018
×TFP$_{(t-5)}$	(0.064)	(0.068)	(0.060)	(0.097)	(0.110)	(0.091)	(0.056)	(0.068)	(0.063)
Δ_5EJU$_{(t-1)}$	-1.393***	-1.392***	-0.474	-0.837*	-0.996*	-0.847**	-0.045	-0.049	0.065
	(0.340)	(0.394)	(0.497)	(0.433)	(0.507)	(0.353)	(0.388)	(0.457)	(0.484)
Δ_5EJU$_{(t-1)}$	0.164***	0.169***	0.024	0.107*	0.128**	0.093**	-0.014	-0.015	-0.021
×TFP$_{(t-5)}$	(0.038)	(0.043)	(0.058)	(0.054)	(0.064)	(0.042)	(0.046)	(0.057)	(0.057)
Δ_5LW$_{(t-1)}$	-0.032	-0.08	0.828**	0.146	0.041	0.395	0.431	0.468	0.630**
	(0.287)	(0.315)	(0.346)	(0.354)	(0.401)	(0.291)	(0.337)	(0.392)	(0.298)
Δ_5LW$_{(t-1)}$	0.016	0.026	-0.102***	-0.021	-0.005	-0.063*	-0.055	-0.057	-0.084**
×TFP$_{(t-5)}$	(0.029)	(0.033)	(0.037)	(0.043)	(0.048)	(0.038)	(0.042)	(0.048)	(0.038)
R-squared	0.028	0.023	0.029	0.018	0.015	0.029	0.036	0.028	0.036
N	13106	13106	13106	7888	7888	7888	10458	10458	10458

Notes: Table reports results from OLS regression of five-year changes in employment on lag of five-year changes in import exposure and lag TFP of plants. Panel-A reports results for LFirst200 and panel-B reports LFirst100 sample. Columns (1)-(3) include flexible or pro-employer and columns (4)-(6) include neutral and (7)-(9) include pro-worker labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log total employment (L), columns (2), (5) and (8) use changes in log blue-collar employment and columns (3), (6) and (9) use changes in white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural/urban dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. In this table, Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu are pro-employer; Orissa, Gujarat, Maharashtra and West Bengal are pro-worker and Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh are defined as neutral states. * p<.1; ** p<.05; *** p<.01

Table A.13–Effect of Import Competition on Employment (IV, BB)

Panel A IV Regression Results LFirst200 Sample

	Pro-employer			Neutral			Pro-worker		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	-3.607**	-3.883**	-1.329	-3.125	-3.623	-2.038	-0.628	-0.196	-1.506*
	(1.833)	(1.839)	(1.519)	(2.314)	(2.532)	(2.304)	(0.738)	(0.766)	(0.861)
$TFP_{(t-5)}$	-0.011	-0.015	0.035**	0.017	0.011	0.038**	-0.002	-0.004	0.007
	(0.024)	(0.025)	(0.016)	(0.016)	(0.018)	(0.018)	(0.012)	(0.012)	(0.015)
$\Delta_5CHN_{(t-1)}$	0.471*	0.507**	0.169	0.342	0.399	0.235	0.102	0.051	0.220**
$\times TFP_{(t-5)}$	(0.244)	(0.246)	(0.176)	(0.275)	(0.302)	(0.280)	(0.092)	(0.094)	(0.108)
$\Delta_5EJU_{(t-1)}$	-1.563***	-1.601***	-0.42	-1.081	-1.367	-0.843	-0.082	-0.038	-0.122
	(0.474)	(0.548)	(0.638)	(0.744)	(0.850)	(0.670)	(0.421)	(0.493)	(0.516)
$\Delta_5EJU_{(t-1)}$	0.185***	0.193***	0.019	0.129	0.164	0.095	-0.016	-0.024	0.005
$\times TFP_{(t-5)}$	(0.054)	(0.062)	(0.075)	(0.091)	(0.104)	(0.082)	(0.049)	(0.060)	(0.061)
R-squared	0.03	0.027	0.03	0.018	0.012	0.028	0.041	0.035	0.026
N	9415	9415	9415	5310	5310	5310	7871	7871	7871

Panel B OLS Regression Results Lfirst100 Sample

	Pro-employer			Neutral			Pro-worker		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	-1.727	-1.707	-0.89	-2.473	-2.999	-1.446	-0.086	0.174	-1.014
	(1.750)	(1.767)	(1.294)	(2.110)	(2.399)	(1.931)	(0.775)	(0.822)	(0.900)
$TFP_{(t-5)}$	-0.003	-0.005	0.035**	0.012	0.005	0.035**	0.008	0.006	0.017
	(0.022)	(0.023)	(0.015)	(0.015)	(0.018)	(0.018)	(0.013)	(0.012)	(0.015)
$\Delta_5CHN_{(t-1)}$	0.228	0.228	0.123	0.319	0.381	0.213	0.017	-0.013	0.14
$\times TFP_{(t-5)}$	(0.242)	(0.245)	(0.152)	(0.255)	(0.293)	(0.223)	(0.100)	(0.104)	(0.107)
$\Delta_5EJU_{(t-1)}$	-1.544***	-1.535***	-0.78	-1.210*	-1.446*	-1.108**	-0.13	-0.102	-0.277
	(0.401)	(0.452)	(0.540)	(0.658)	(0.771)	(0.541)	(0.356)	(0.401)	(0.463)
$\Delta_5EJU_{(t-1)}$	0.177***	0.179***	0.066	0.162**	0.191**	0.141**	-0.003	-0.009	0.026
$\times TFP_{(t-5)}$	(0.050)	(0.056)	(0.063)	(0.082)	(0.096)	(0.064)	(0.041)	(0.047)	(0.054)
R-squared	0.026	0.021	0.028	0.015	0.011	0.026	0.036	0.028	0.034
N	13106	13106	13106	7888	7888	7888	10458	10458	10458

Notes: Table reports results from IV regression of five-year changes in employment on lag of five-year changes in import exposure and lag TFP of plants. In the first stage, $\Delta_5CHN_{(t-1)}$ and $\Delta_5CHN_{(t-1)}\times TFP_{(t-5)}$ are instrumented by (t-1)-1 lag of five-year changes in Chinese Import Share in Indonesia $\Delta_5(CH)IDN_{(t-1)-1}$ and $\Delta_5(CH)IDN_{(t-1)-1}\times TFP_{(t-5)}$. Panel-A reports results for LFirst200 and panel-B reports LFirst100 sample. Columns (1)-(3) include pro-employer, columns (4)-(6) include neutral, and columns (7)-(9) include pro-worker labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log total employment (L), columns (2), (5) and (8) use changes in log blue-collar employment and (3), (6) and (9) use changes in white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. In this table, Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu are pro-employer; Orissa, Gujarat, Maharashtra and West Bengal are pro-worker and Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh are neutral states. * p<.1; ** p<.05; *** p<.01

Table A.14–Effect of Import Competition on Employment with LW (IV, BB)

Panel A IV Regression Results LFirst200 Sample									
	Pro-employer			Neutral			Pro-worker		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta_5CHN_{(t-1)}$	-4.075**	-4.429**	-1.012	-3.078	-3.632	-1.99	-0.482	0.044	-1.603*
	(2.066)	(2.067)	(1.550)	(2.400)	(2.633)	(2.411)	(0.784)	(0.805)	(0.942)
$TFP_{(t-5)}$	-0.015	-0.02	0.038**	0.018	0.011	0.039**	0	-0.001	0.007
	(0.026)	(0.026)	(0.016)	(0.017)	(0.019)	(0.019)	(0.013)	(0.013)	(0.015)
$\Delta_5CHN_{(t-1)}$	0.536*	0.583**	0.125	0.334	0.398	0.226	0.081	0.018	0.234*
$\times TFP_{(t-5)}$	(0.279)	(0.280)	(0.179)	(0.287)	(0.316)	(0.295)	(0.100)	(0.100)	(0.123)
$\Delta_5EJU_{(t-1)}$	-1.842***	-1.907***	-0.213	-1.065	-1.395	-0.83	0.02	0.125	-0.152
	(0.527)	(0.598)	(0.651)	(0.824)	(0.944)	(0.753)	(0.426)	(0.484)	(0.542)
$\Delta_5EJU_{(t-1)}$	0.224***	0.237***	-0.009	0.124	0.164	0.09	-0.027	-0.042	0.011
$\times TFP_{(t-5)}$	(0.061)	(0.069)	(0.075)	(0.100)	(0.115)	(0.093)	(0.050)	(0.058)	(0.066)
$\Delta_5LW_{(t-1)}$	-0.750*	-0.801*	0.575	0.028	-0.15	0.004	0.544*	0.860**	-0.035
	(0.409)	(0.438)	(0.429)	(0.401)	(0.426)	(0.487)	(0.320)	(0.336)	(0.280)
$\Delta_5LW_{(t-1)}$	0.102**	0.113**	-0.074	-0.011	0.011	-0.009	-0.059	-0.094**	0.013
$\times TFP_{(t-5)}$	(0.051)	(0.054)	(0.048)	(0.051)	(0.054)	(0.062)	(0.042)	(0.043)	(0.039)
R-squared	0.028	0.025	0.031	0.018	0.011	0.028	0.042	0.037	0.025
N	9415	9415	9415	5310	5310	5310	7871	7871	7871

Panel B IV Regression Results Lfirst100 Sample									
	Pro-employer			Neutral			Pro-worker		
	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh	$\Delta_5$lnL	$\Delta_5$lnLbl	$\Delta_5$lnLwh
$\Delta_5CHN_{(t-1)}$	-1.993	-2.055	-0.576	-2.582	-3.215	-1.309	0.118	0.386	-0.83
	(1.962)	(1.989)	(1.326)	(2.294)	(2.625)	(2.070)	(0.836)	(0.895)	(0.948)
$TFP_{(t-5)}$	-0.005	-0.008	0.038**	0.011	0.003	0.036**	0.01	0.008	0.019
	(0.024)	(0.024)	(0.015)	(0.017)	(0.020)	(0.018)	(0.013)	(0.013)	(0.015)
$\Delta_5CHN_{(t-1)}$	0.265	0.276	0.079	0.334	0.411	0.193	-0.011	-0.043	0.114
$\times TFP_{(t-5)}$	(0.274)	(0.278)	(0.154)	(0.281)	(0.326)	(0.242)	(0.110)	(0.115)	(0.114)
$\Delta_5EJU_{(t-1)}$	-1.678***	-1.707***	-0.504	-1.283*	-1.591*	-1.022	-0.015	0.026	-0.178
	(0.472)	(0.515)	(0.549)	(0.776)	(0.909)	(0.637)	(0.354)	(0.397)	(0.469)
$\Delta_5EJU_{(t-1)}$	0.199***	0.207***	0.031	0.172*	0.212*	0.127*	-0.019	-0.025	0.012
$\times TFP_{(t-5)}$	(0.062)	(0.067)	(0.063)	(0.098)	(0.115)	(0.076)	(0.041)	(0.047)	(0.054)
$\Delta_5LW_{(t-1)}$	-0.305	-0.386	0.769*	-0.206	-0.412	0.215	0.467	0.543	0.391
	(0.423)	(0.439)	(0.415)	(0.462)	(0.522)	(0.457)	(0.378)	(0.415)	(0.339)
$\Delta_5LW_{(t-1)}$	0.05	0.064	-0.093**	0.029	0.057	-0.034	-0.06	-0.067	-0.052
$\times TFP_{(t-5)}$	(0.053)	(0.054)	(0.047)	(0.061)	(0.069)	(0.059)	(0.049)	(0.052)	(0.045)
R-squared	0.026	0.021	0.029	0.014	0.01	0.026	0.036	0.028	0.035
N	13106	13106	13106	7888	7888	7888	10458	10458	10458

Notes: Table reports results from IV regression of five-year changes in employment on lag of five-year changes in import exposure and lag TFP of plants. In the first stage, $\Delta_5CHN_{(t-1)}$ and $\Delta_5CHN_{(t-1)}\times TFP_{(t-5)}$ are instrumented by (t-1)-1 lag of five-year changes in Chinese Import Share in Indonesia $\Delta_5(CH)IDN_{(t-1)-1}$ and $\Delta_5(CH)IDN_{(t-1)-1}\times TFP_{(t-5)}$. Panel-A reports results for LFirst200 and panel-B reports LFirst100 sample. Columns (1)-(3) include pro-employer, columns (4)-(6) include neutral, and columns (7)-(9) include pro-worker labor market sample. Standard errors (in parenthesis) are clustered at industry (NIC 4-digit) level. Columns (1), (4) and (7) use changes in log total employment (L), columns (2), (5) and (8) use changes in log blue-collar employment and (3), (6) and (9) use changes in white-collar employment as dependent variable. All the regressions include initial technology intensity dummies, rural dummy and state by year fixed effects. Plant specific sampling weights are applied in all regressions. In this table, Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan and Tamil Nadu are pro-employer; Orissa, Gujarat, Maharashtra and West Bengal are pro-worker and Assam, Bihar, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh are neutral states. * p<.1; ** p<.05; *** p<.01

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