

# ”Imported Intermediate Inputs and Workforce Composition: Evidence from India's Tariff Liberalization”

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This paper extends the literature on trade liberalization and labour by investigating the relationship between imports of intermediate inputs and plant-level workforce composition during India’s tariff liberalization. Using detailed plant-level data from the Indian manufacturing sector, I first show that the increase in imports of intermediate inputs in response to input tariff liberalization has strong displacement effects on production workers employed by importing plants. Next, I decompose the impact of intermediate inputs on labour into “quality”, “variety”, and “scale” effects, based on the availability and prices of domestically-produced inputs. I find that the displacement of production workers is driven by lower-priced imported intermediate inputs, the “scale” effect. Finally, I examine the differential effect of tariff liberalization based on whether plants experience import competition or not. This analysis reveals that domestic plants facing import competition experience a displacement of both skilled and unskilled workers in response to tariff liberalization. Plants that switch from in-house production to importing some intermediate inputs however only displace production workers while retaining skilled workers. This suggests that skilled workers are indispensable to plants switching to importing as a productivity enhancing strategy.