

**LABOUR MARKET FLEXIBILITY AND WORKER'S TRAINING:  
EVIDENCE FROM INDIA'S ORGANIZED MANUFACTURING SECTOR**

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## ABSTRACT

This paper examines how labour market flexibility attributed to the employment protection of employees affects employers' decision to invest in workers' on-the-job training in India. Although sufficient literature exists on this in the international context, the findings are mixed and inconclusive since they suggest both a positive and a negative relationship and the evidence in the Indian context is scarce. This study is restricted to the organized manufacturing sector of the Indian labour market. We use the Periodic Labour Force Survey 2017 -18 and the logit regression model to analyze the association between labour market flexibility and the employer's decision to invest in employee training, controlling for various control variables that might affect employee training. We exploit the state-wise spatial variation in labour market flexibility in India to analyse its association with employers' funded employee training. This study's findings suggest a positive association between labour market flexibility and worker training. The result suggests that companies tend to use training as an incentive to bring down employee turnover rates in highly flexible labour markets.

**Keywords:** Labour market flexibility, Employee training, Job security, Employee turnover, Manufacturing industry, India