

**LABOUR MARKET CONCENTRATION AND WAGES: EVIDENCE FROM
FACTORY-LEVEL PANEL DATA ON INDIAN ORGANISED
MANUFACTURING**

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ABSTRACT

Burgeoning literature has shown that employers have considerable market power in the labour market. One strand of literature trying to examine the implications of this phenomenon is that which tries to establish an empirical relationship between labour market concentration (as measured by the Herfindahl-Hirschman index) and wages of workers. While a large proportion of this literature focuses on developed countries, this paper estimates this relationship in the context of the organised manufacturing sector of India using the nationally representative Annual Survey of Industries. I use Ordinary Least Squares (OLS) and Instrumental Variables (IV) methodologies to estimate the elasticities of wages with respect to HHI. The results reveal a quadratic - rather than linear-relationship, where wages decrease with concentration at lower levels of concentration but rise at higher levels. Further, disaggregation by worker type shows that these wage changes are primarily driven by Directly Employed Workers and Supervisory and Managerial Staff, while Contracted Workers do not experience a significant impact. These findings highlight nuances in earnings distributions across worker groups.