

**Economics**  
**Seminar**  
**Series**  
**2017**



**SOUTH ASIAN UNIVERSITY**  
**FACULTY OF ECONOMICS**

***Seminar***

**Trade Competition, Labour Market Duality and  
Productivity Growth**

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**Date:** April 28, 2017  
(Friday)  
**Time:** 2:30 p.m.  
**Venue:** FSI Hall, Akbar Bhawan  
Satya Marg, Chanakyapuri, New Delhi

**All are Welcome**

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**ABSTRACT**

The impact of trade competition on innovation and resultant productivity is limited by the labour market rigidity in the existing literature. In this paper, we argue that even if the rigidity declines as an indirect pressure of trade competition a typical firm who has outsourcing option to informal sector in a developing world does not necessarily raise R&D expenditure. Hence, the impact of trade competition on productivity growth seems to be ambiguous. We find anecdotal and econometric evidences from Indian economy. It confirms that labour market rigidity declines while subcontracting to the informal sector rises in response to trade competition. This increased subcontracting limits innovation and productivity of a firm.