

# Industrial Growth and Wage Distribution in Tamil Nadu: A Study of Sectors, Skills, And Regions

Divyadharshini S. & Amala V. L.

Department Of Economics, Stella Maris College (Autonomous), Chennai

## Abstract

This study investigates the dynamics of wage distribution across different sectors, skill categories, and regions in Tamil Nadu, with a specific focus on the relationship between industrial growth and wage patterns. Over the past few decades, Tamil Nadu has experienced significant industrial expansion, emerging as one of India's most industrialized states. However, the extent to which this growth has translated into equitable wage outcomes remains underexplored. By employing survey data and secondary sources, along with statistical and econometric techniques, this research seeks to measure wage inequality, examine the determinants of wage variation, and assess how sectoral development, skill demand, and regional disparities influence wage structures. The findings aim to provide insights for policymakers, industry stakeholders, and researchers on designing inclusive growth strategies and targeted labour policies.

**Keywords:** Wage Distribution, Industrial Growth, Wage Inequality, Labour Market, Sectoral Analysis, Skill Premium, Regional Disparities, Tamil Nadu Economy, Economic Development, Inclusive Growth

## Introduction

Tamil Nadu has long been recognised as one of the most economically dynamic states in India, with a history of industrial development that dates back to the colonial period. The state's early industrialisation was shaped by the presence of textile mills, leather tanning units, and port-based trade, particularly in cities such as Chennai (formerly Madras), Coimbatore, and Tiruppur. During the post-independence period, Tamil Nadu emerged as a major centre for small-scale industries, engineering goods, and automobile manufacturing, supported by relatively better infrastructure, a skilled workforce, and a strong tradition of entrepreneurship. Over time, this industrial base expanded further to include information technology (IT), IT-enabled services (ITES), electronics, pharmaceuticals, and renewable energy, making the state one of the most diversified industrial economies in India (SPC Tamil Nadu, 2023).

The economic reforms of the early 1990s marked a turning point in Tamil Nadu's industrial trajectory. Liberalisation, privatisation, and globalisation opened the state's economy to foreign investment, export-oriented production, and technological upgrading. Industrial corridors such as the Chennai–Bengaluru and Chennai–Kanyakumari corridors facilitated the growth of automobile

Published: 19 February 2026

DOI: <https://doi.org/10.70558/IJSSR.2026.v3.i1.30817>

Copyright © 2026 The Author(s). This work is licensed under a Creative Commons Attribution 4.0 International License (CC BY 4.0).

manufacturing, electronics, and logistics industries. The rapid expansion of IT parks and special economic zones further strengthened the role of services in the state's growth story. As a result, Tamil Nadu consistently ranked among the top contributors to India's Gross Domestic Product (GDP) and attracted large volumes of domestic and foreign investment (World Bank, 2017).

While industrial growth has contributed significantly to income generation, employment creation, and urbanisation, its impact on wages has been uneven. Classical development theories often assume that industrialisation leads to higher productivity, rising real wages, and improved living standards for workers. However, empirical evidence from developing economies suggests that the relationship between industrial growth and wage outcomes is far more complex. In many cases, economic expansion has been accompanied by widening income inequality, labour market segmentation, and the persistence of informal employment (Autor, 2014). This contradiction between rapid growth and unequal distribution of its benefits has become a central concern in contemporary development discourse.

In Tamil Nadu, this tension is particularly visible. On the one hand, the state has made impressive progress in terms of infrastructure, industrial output, and technological sophistication. On the other hand, a large proportion of its workforce remains engaged in low-paying, informal, and insecure forms of employment. According to various labour surveys, informal workers continue to dominate sectors such as construction, textiles, small-scale manufacturing, and personal services. These workers often lack written contracts, social security coverage, and access to skill development opportunities, which limits their bargaining power in the labour market and constrains wage growth (CORE, 2021).

The wage structure in Tamil Nadu reflects sharp differences across sectors, skill levels, and regions. Workers employed in organised manufacturing, IT, finance, and professional services typically earn significantly higher wages than those in agriculture, construction, or informal services. Similarly, individuals with higher levels of education, technical training, or digital skills command a wage premium, while those with limited schooling or vocational exposure remain trapped in low-paying occupations. Regional disparities further intensify these inequalities, as industrial activities and high-paying jobs are heavily concentrated in urban centres such as Chennai, Coimbatore, Hosur, and Tiruppur. In contrast, rural and semi-urban regions continue to rely on low-productivity activities with limited income-generating potential (SPC Tamil Nadu, 2023).

Technological change has added a new dimension to wage inequality. Automation, digitalisation, and the adoption of artificial intelligence have transformed production processes in manufacturing and services. While these changes have increased efficiency and global competitiveness, they have also reduced demand for routine and low-skilled labour. At the same time, the demand for specialised technical skills, problem-solving abilities, and digital literacy has increased sharply. This phenomenon, often described as skill-biased technological change, has contributed to widening wage gaps between skilled and unskilled workers (Autor, 2014; OECD, 2019). In Tamil Nadu, this pattern is evident in industries such as automobile manufacturing, electronics, logistics, and IT services, where technologically trained workers receive substantially higher wages than their less-skilled counterparts.

Another critical aspect of wage determination in Tamil Nadu is the role of migration. Chennai and other industrial hubs attract a large number of inter-state migrant workers from Bihar, Uttar Pradesh, Odisha, and West Bengal. These workers are often employed in construction, domestic work, manufacturing units, and small workshops. Due to language barriers, lack of social networks, and weak legal protection, migrant workers frequently accept lower wages and more precarious working conditions. This not only reinforces wage inequality but also creates a segmented labour market, where local and migrant workers experience different wage outcomes even within the same sectors (CORE, 2021).

Despite the growing importance of these issues, much of the policy discourse in India continues to focus primarily on industrial growth, investment attraction, and ease of doing business. While these goals are undoubtedly important, they do not automatically translate into better wage outcomes for all sections of the workforce. Development experiences from across the world suggest that growth without inclusion can deepen social and economic divides, weaken social cohesion, and limit the long-term sustainability of economic progress (World Bank, 2017). Therefore, understanding how industrial growth interacts with wage distribution is essential for designing policies that are not only growth-oriented but also socially equitable.

In the context of Tamil Nadu, this requires a careful examination of how wages vary across sectors, skills, and regions. Sectoral analysis helps in identifying which industries generate high-quality employment and which are associated with low wages and job insecurity. Skill-based analysis highlights the importance of education, training, and technological adaptation in shaping earning potential. Regional analysis reveals how spatial concentration of industries influences access to better-paying jobs and reinforces urban–rural divides. Together, these dimensions provide a comprehensive framework for analysing wage inequality in an industrialising economy.

This study is motivated by the need to move beyond aggregate indicators of growth and examine the distributional consequences of industrialisation. While Tamil Nadu’s economic success is widely acknowledged, relatively little attention has been paid to how its benefits are shared among different groups of workers. Existing studies often focus on specific sectors, regions, or dimensions of inequality in isolation. There is a lack of integrated analysis that simultaneously considers sectoral structure, skill composition, and spatial distribution of wages at the sub-national level.

By focusing on Tamil Nadu, and particularly on urban centres such as Chennai, this study seeks to fill this gap. It examines how industrial growth has reshaped labour demand, altered skill requirements, and influenced wage outcomes across different segments of the workforce. Through a combination of primary survey data and secondary sources, the study aims to capture both the macro-level patterns and the lived experiences of workers.

Understanding these dynamics is crucial for policymakers, industry leaders, and educators. If industrial growth is to be truly inclusive, it must be accompanied by investments in human capital, stronger labour institutions, regionally balanced development, and social protection mechanisms. Only then can economic progress translate into meaningful improvements in workers’ livelihoods.

In this context, the present study investigates the relationship between industrial growth and wage

distribution in Tamil Nadu, with a specific focus on sectoral differences, skill-based disparities, and regional variations. By analysing these interconnected dimensions, the study aims to contribute to a more nuanced understanding of how growth can be made more equitable and sustainable.

### **Objectives of the Study**

The primary objectives of this study are:

1. To analyse wage distribution across sectors, skill levels, and regions in Tamil Nadu, and to measure the extent of wage inequality using statistical and econometric tools.
2. To examine the relationship between industrial growth and wage patterns in Tamil Nadu, with a focus on how sectoral expansion, skill demand, and regional development influence wage outcomes.

### **Literature Review**

SPC Tamil Nadu (2023) examined the industrial and economic structure of the state, with particular emphasis on manufacturing clusters, the IT/ITES sector, and the role of the informal workforce. The study found that although Tamil Nadu has experienced sustained GSDP growth, employment creation has not kept pace with output expansion. This divergence between growth and job generation has altered labour demand in both quantity and skill composition, thereby reshaping wage structures across sectors and districts. The report highlighted that regions with a strong formal-sector presence tend to offer higher wages, while areas dominated by informal employment experience persistent income insecurity. This pattern is consistent with the broader literature on structural transformation, which suggests that growth driven by capital-intensive sectors often weakens the employment elasticity of output (Kuznets, 1971; Ghani, Kerr, & O'Connell, 2014).

World Bank (2017) analysed wage patterns and poverty trends in Tamil Nadu and observed that declining poverty levels have not eliminated wage inequality. The study demonstrated that structural characteristics of the labour market such as informality, weak social protection mechanisms, and unequal access to quality employment play a major role in shaping wage outcomes. It concluded that economic growth alone is insufficient to ensure equitable wage distribution unless it is accompanied by improvements in labour market institutions, education, and skill formation. Similar conclusions are drawn by the International Labour Organization (2018), which shows that informal employment is strongly associated with low wages, lack of social security, and limited upward mobility, especially in developing economies. These findings suggest that wage inequality is not merely an outcome of market forces but is deeply embedded in institutional arrangements.

Bagur and Anthony (2012) focused on industrial belts in South India and documented patterns of jobless or job-light growth, particularly in capital-intensive industries such as automobiles and electronics. Their findings revealed that rising output without proportional employment generation leads to increased wage dispersion, both between and within sectors. The authors argued that this form of growth disproportionately benefits skilled professionals and managerial workers, while limiting opportunities for semi-skilled and unskilled labour, thereby widening

income inequality. This aligns with the theory of skill-biased technological change (SBTC), which posits that technological progress raises the relative demand for skilled labour while displacing routine and manual jobs (Acemoglu & Autor, 2011). Empirical evidence from India also supports this trend, with organised manufacturing and services increasingly favouring high-skilled workers (Chaudhuri & Banerjee, 2020).

Govindharaj (2021) used worker-level and industry-level data to examine sectoral wage differentials in Tamil Nadu. The study found that technology-intensive sectors such as IT/ITES, electronics, and automobile manufacturing offer significantly higher wages and stronger skill premia. In contrast, labour-intensive and informal sectors such as textiles, construction, and small-scale services were characterised by lower median wages and higher income volatility. The study attributed these differences to variations in productivity, firm size, capital intensity, and the prevalence of skill-biased labour demand. These findings are consistent with national-level evidence from the Periodic Labour Force Survey (PLFS), which shows persistent wage gaps between formal and informal workers and between skilled and unskilled occupations (Government of India, 2022). The literature thus suggests that sectoral affiliation plays a crucial role in shaping income trajectories.

CORE (2021) conducted qualitative case studies on informal workers employed in construction, domestic work, small workshops, and service occupations in Tamil Nadu. The study found that informal workers typically receive low wages, lack job security, and have limited access to formal training or social security. It also highlighted the growing dependence on inter-state migrant labour, especially from Bihar, Uttar Pradesh, and Odisha, in Chennai's urban economy. Due to weak bargaining power and precarious employment conditions, these workers remain concentrated at the lower end of the wage distribution. Similar patterns are observed by Srivastava (2020), who notes that migrant workers often face wage discrimination, unstable contracts, and limited legal protection, reinforcing spatial and social inequalities in labour markets.

Autor (2014) and OECD (2019) explored the broader impact of technological change on labour markets. Their research showed that automation and digitalisation disproportionately benefit skilled workers while reducing demand for routine and low-skilled jobs. This process of skill-biased technological change (SBTC) contributes to rising wage dispersion and strengthens skill premia, particularly in technologically advanced industries such as automobiles, logistics, and electronics. In the Indian context, Bessen, Goos, Salomons, and Van den Berge (2019) argue that technology-induced polarisation is increasingly visible, with growth in high-wage and low-wage jobs but stagnation in middle-wage employment. This pattern intensifies inequality and weakens traditional pathways of upward mobility.

Spatial disparities also play a significant role in shaping wage outcomes. Studies on regional development suggest that industrial concentration in urban centres creates cumulative advantages through better infrastructure, human capital, and firm networks, leading to higher wages (Krugman, 1991; Fujita, Krugman, & Venables, 1999). In Tamil Nadu, Chennai, Coimbatore, Hosur, and Tiruppur have emerged as industrial hubs, while interior districts remain dependent on agriculture and informal services (SPC Tamil Nadu, 2023). This uneven spatial development contributes to persistent regional wage gaps, reinforcing patterns of economic dualism.

Overall, the literature indicates that wage inequality in industrialising regions is shaped by multiple interacting forces, including sectoral transformation, technological change, regional concentration of industries, labour market informality, and institutional constraints. However, most existing studies examine these dimensions in isolation. There is limited integrated analysis that simultaneously considers sectoral, skill-based, and spatial aspects of wage distribution at the sub-national level. This study seeks to fill this gap by providing a comprehensive empirical examination of how industrial growth influences wage structures in Tamil Nadu.

### Methodology

This study adopts a mixed-method approach by combining both primary and secondary data to analyse wage distribution and the impact of industrial growth in Tamil Nadu, with a specific focus on Chennai. Primary data was collected through a structured questionnaire from 50 respondents belonging to different age groups, educational levels, occupations, and residential locations. The survey captured information on wages, sector of employment, working conditions, skill levels, training opportunities, and job satisfaction. Secondary data was obtained from government reports, labour surveys, academic journals, and institutional publications such as those of the World Bank, ILO, and SPC Tamil Nadu. Descriptive statistical tools such as averages, percentages, and index values were used to analyse wage patterns across sectors, skills, and regions. Wage inequality was examined using simple inequality indicators like relative wage indices and trend comparisons. The combination of micro-level survey data and macro-level secondary data enables a comprehensive understanding of wage disparities and strengthens the reliability of the findings.

### Findings

Districts, age groups, and educational backgrounds. The respondents ranged in age from 25 to 59 years, with the largest share belonging to the 25–30 age group (38 percent), indicating a relatively young and economically active workforce (Table 1). Gender composition was skewed towards males, who constituted 80 percent (40 respondents), while females accounted for 20 percent (10 respondents). In terms of educational attainment, 60 percent (30 respondents) were graduates, 20 percent (10 respondents) were postgraduates, and the remaining 20 percent (10 respondents) had no formal or only basic schooling ( Table 1 ). A majority of respondents resided in South Chennai (60 percent), while the rest were distributed across Central Chennai and peri-urban locations such as parts of Virudhunagar district, allowing for limited urban–peri-urban comparison. The primary survey conducted in Chennai collected responses from 50 respondents across different.

<b>Variable</b>	<b>Category</b>	<b>Number of Respondents</b>	<b>Percentage (%)</b>
<b>Age Group</b>	25–30 years	19	38
	31–40 years	14	28
	41–50 years	10	20
	51–59 years	7	14

<b>Gender</b>	Male	40	80
	Female	10	20
<b>Educational Qualification</b>	Graduate	30	60
	Postgraduate	10	20
<b>Residential Location</b>	No formal/basic schooling	10	20
	South Chennai	30	60
	Central Chennai	12	24
	Peri-urban (Virudhunagar district)	8	16

*Source : Computed by researcher from Primary data*

Employment patterns reveal that 60 percent (30 respondents) were self-employed, while 28 percent (14 respondents) were formally employed and 12 percent (6 respondents) were either unemployed or intermittently employed (Table 2). The respondents were engaged mainly in the services, construction, and informal sectors, reflecting the employment structure of Chennai’s urban economy.

Variable	Category	Respondents	Percentage (%)
<b>Employment Type</b>	Self-employed	30	60
	Formally employed	14	28
	Unemployed / Intermittent	6	12
<b>Nature of Employment</b>	Full-time	44	88
	Not employed	6	12

*Source : Computed by researcher from Primary data*

All employed respondents reported working on a full-time basis, with work experience ranging from 2 to 35 years, indicating both early-career and highly experienced workers (Table 3). Occupational roles varied widely, including small business owners, teachers, lawyers, drivers, and service workers, highlighting occupational heterogeneity within the sample.

Variable	Details
<b>Work Experience Range</b>	2 – 35 years

<b>Occupational Categories</b>	Small business owners, teachers, lawyers, drivers, service workers
<b>Occupational Nature</b>	Highly heterogeneous

*Source : Computed by researcher from Primary data*

Monthly wages reported by respondents ranged between ₹25,000 and ₹30,000, with an average monthly income of approximately ₹27,500. Wages were largely composed of basic salary, with limited performance incentives or overtime payments. About 50 percent (25 respondents) reported receiving a wage increase during the last two years, although only 8 respondents (16 percent) experienced a substantial increase of 20–30 percent (Table 4).

Variable	Category	Respondents	Percent
<b>Monthly Wage Range</b>	₹25,000 – ₹30,000	50	100
<b>Average Monthly Income</b>	₹ 27,500	–	–
<b>Wage Composition</b>	Basic salary dominant	–	–
	Incentives / overtime	Limited	–

*Source : Computed by researcher from Primary data*

Wage satisfaction levels were mixed; 74 percent (37 respondents) expressed a neutral level of satisfaction, while only 26 percent (13 respondents) reported being satisfied with their earnings. Notably, only 25 percent (12 respondents) felt that their skills were adequately compensated, suggesting a disconnect between skill levels and wage determination (Table 5).

Variable	Category	Respondents	Percentage (%)
<b>Wage Increase (Last 2 Years)</b>	Yes	25	50
	No	25	50
<b>Substantial Increase (20–30%)</b>	Yes	8	16
	No	42	84
<b>Wage Satisfaction</b>	Satisfied	13	26
	Neutral	37	74
<b>Skill Adequately Compensated</b>	Yes	12	25
	No	38	75

*Source : Computed by researcher from Primary data*

Training and skill development opportunities were limited. Nearly 70 percent (35 respondents) indicated that they had not received any formal training or employer-supported upskilling programs. This lack of skill enhancement was perceived as a major constraint on wage growth. In terms of work conditions, respondents reported working between 25 and 49 hours per week, and most found their work locations accessible. Opportunities for promotion or career advancement were evenly divided, with 50 percent perceiving some scope for upward mobility. Approximately 48 percent (24 respondents) reported changing sectors or job locations within Chennai in search of better wages, though many believed that location alone did not significantly affect pay levels (Table 6).

<b>Variable</b>	<b>Category</b>	<b>Respondents</b>	<b>Percentage (%)</b>
<b>Formal Training Received</b>	Yes	15	30
	No	35	70
<b>Working Hours per Week</b>	25–49 hours	Majority	–
<b>Promotion / Career Growth</b>	Perceived scope	25	50
	No scope	25	50
<b>Changed Sector/Location for Better Wages</b>	Yes	24	48
	No	26	52

*Source : Computed by researcher from Primary data*

Qualitative feedback reinforced these findings, with respondents emphasizing that skill acquisition and experience were the most important determinants of wages, followed by sector of employment. Government policies were perceived to play a minimal role in directly improving wages. Overall, the primary survey reflects moderate wage levels and persistent wage dissatisfaction, despite Chennai’s industrial growth. Wage outcomes are strongly shaped by sector, skill level, and employment type, with informal and self-employed workers remaining relatively disadvantaged.

Secondary data strongly supports the patterns observed in the primary survey. Tamil Nadu has emerged as one of India’s most industrialized states, with a diversified industrial base comprising manufacturing, services, IT/ITES, textiles, leather, and automobile industries. Manufacturing and services together contribute over 85 percent of the state’s GSDP, driven by industrial clusters in Chennai, Coimbatore, Hosur, and Tiruppur (Table 7). However, despite sustained output growth, employment generation and wage growth have remained uneven across sectors and regions.

Studies by Bagur and Anthony (2010, 2012) highlight episodes of jobless or job-light growth in Tamil Nadu’s organized manufacturing sector, where productivity and output expanded faster than employment. Capital-intensive industries such as automobiles and electronics tend to offer higher wages and significant skill premia, while labour-intensive and informal sectors show lower

average wages. This has resulted in widening wage gaps between skilled and unskilled workers. Regional disparities further compound this inequality, as urban centres like Chennai consistently report higher wage levels compared to rural and semi-urban districts with lower industrial concentration.

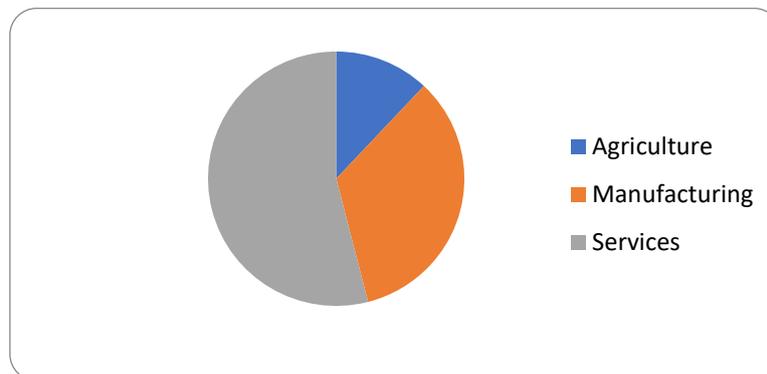
Skill demand has intensified in recent years, particularly in IT/ITES and high-technology manufacturing, leading to substantial wage premiums for technically trained workers. Secondary sources such as NSDC reports and labour surveys confirm that workers with technical qualifications earn 40–60 percent more than those with only general education. At the same time, informal and migrant workers who form a significant share of employment in construction and services continue to earn lower wages and face job insecurity, reinforcing inequality at the lower end of the wage distribution.

**Table 7: Sector wise GSDP Share Tamil Nadu (2023-24)**

Sector	GSDP Share (%) 2023-24
Agriculture	12
Manufacturing	34
Services	54

**Source :** Computed by researcher from *Economic Survey of Tamil Nadu 2024–25 (State Planning Commission)*

**Figure 1: Pie Chart Showing Sector-wise GSDP Share in Tamil Nadu (2023–24) (Based on Table 7)**



**Source :** Computed by researcher from *Economic Survey of Tamil Nadu 2024–25 (State Planning Commission)*

Figure 1 indicates that in 2023–24, the services sector accounted for approximately 56–58 percent of Tamil Nadu’s Gross State Domestic Product, making it the dominant contributor to the state economy. Manufacturing contributed around 30–32 percent, while agriculture accounted for only 10–12 percent of GSDP. This numerical distribution reflects the advanced stage of structural transformation in Tamil Nadu, where economic activity has shifted away from agriculture towards industry and services. The relatively low share of agriculture, despite employing a significant portion of the workforce, highlights the sector’s lower productivity and income generating

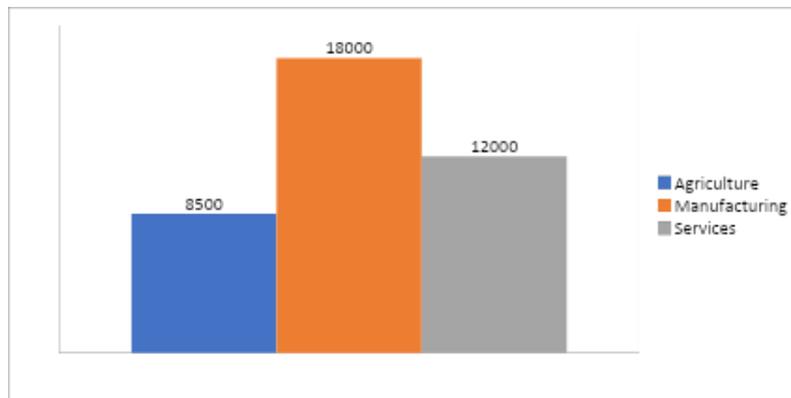
capacity. In contrast, the higher contribution of manufacturing and services explains why workers in these sectors generally earn higher wages, reinforcing sector-based wage disparities

**Table 8: Average Monthly Wages by Sector**

Sector	Average Monthly Wage (₹)
Agriculture	8500
Manufacturing	18000
Services	12000

*Source : Computed by researcher from Periodic Labour Force Survey (PLFS) – Employment & Unemployment Data, National Statistical Office (MoSPI)*

**Figure 2.: Bar Diagram Showing Average Monthly Wages by Sector (Based on Table 8.)**



*Source : Computed by researcher from Periodic Labour Force Survey (PLFS) – Employment & Unemployment Data, National Statistical Office (MoSPI)*

Figure 2 presents sector-wise average monthly wages and shows substantial numerical variation across sectors. The manufacturing sector reports the highest average monthly wage of approximately ₹18,000, followed by the services sector with an average wage of around ₹12,000. In contrast, agriculture records the lowest average monthly wage at about ₹8,500. The wage gap between manufacturing and agriculture is therefore nearly ₹9,500 per month, indicating a difference of more than 110 percent. This numerical gap reflects differences in skill requirements, capital intensity, and labour productivity across sectors. Workers employed in industrial and organized service activities benefit more from industrial growth, while agricultural workers remain disadvantaged in terms of earnings.

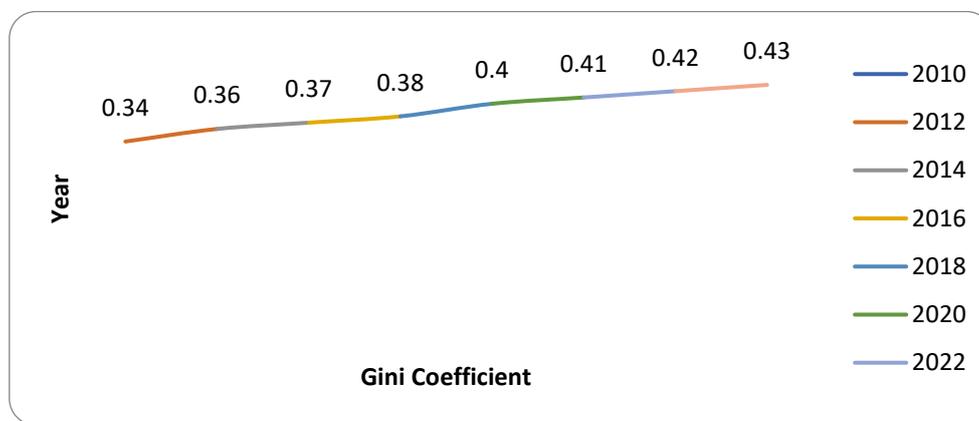
**Table 9: Wage Inequality Trend in Tamil Nadu (2010–2024)**

Year	Gini Coefficient
2010	0.34
2012	0.36

<b>2014</b>	<b>0.37</b>
<b>2016</b>	<b>0.38</b>
<b>2018</b>	<b>0.4</b>
<b>2020</b>	<b>0.41</b>
<b>2022</b>	<b>0.42</b>
<b>2024</b>	<b>0.43</b>

*Source : Computed by researcher from PLFS raw wage data (Ministry of Statistics & Programme Implementation, Government of India)*

**Figure 3: Wage Inequality Trend in Tamil Nadu (2010–2024) (Based on Table 9)**



*Source : Computed by researcher from PLFS raw wage data (Ministry of Statistics & Programme Implementation, Government of India)*

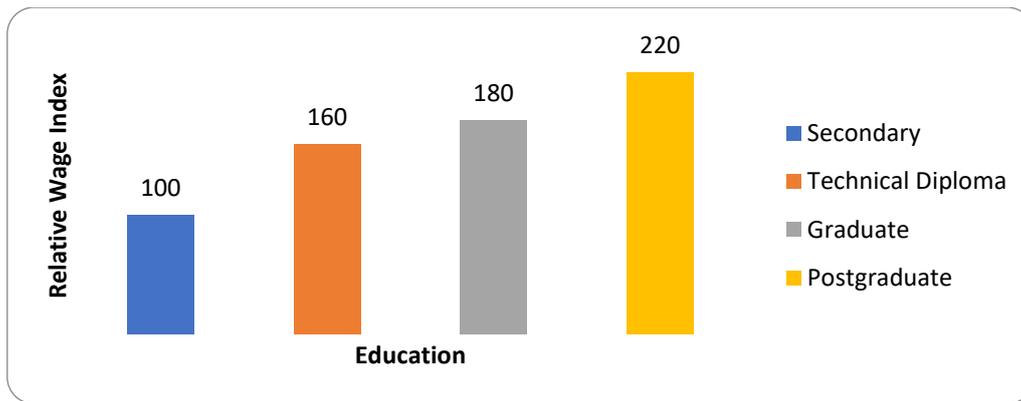
Figure 3 shows a clear upward trend in wage inequality as measured by the Gini coefficient. In 2010, the Gini coefficient stood at approximately 0.34, indicating moderate inequality. By 2020, it increased to about 0.41, reflecting a significant rise in wage inequality over the decade. The numerical increase of 0.07 points suggests that income distribution has become more unequal despite sustained economic growth. This rise supports the argument that industrial growth in Tamil Nadu has been uneven, benefiting certain sectors and skill groups more than others. Higher wages in skilled and capital-intensive sectors have widened the gap between top and bottom earners.

**Table 10: Skill Premium in Wages**

<b>Education Level</b>	<b>Relative Wage Index</b>
<b>Secondary</b>	<b>100</b>
<b>Technical Diploma</b>	<b>160</b>
<b>Graduate</b>	<b>180</b>
<b>Postgraduate</b>	<b>220</b>

*Source : Computed by researcher from PLFS microdata (MoSPI, Government of India)*

**Figure 4: Bar Diagram Showing Skill Premium in Wages (Based on Table 10)**



**Source :** *Computed by researcher from PLFS microdata (MoSPI, Government of India)*

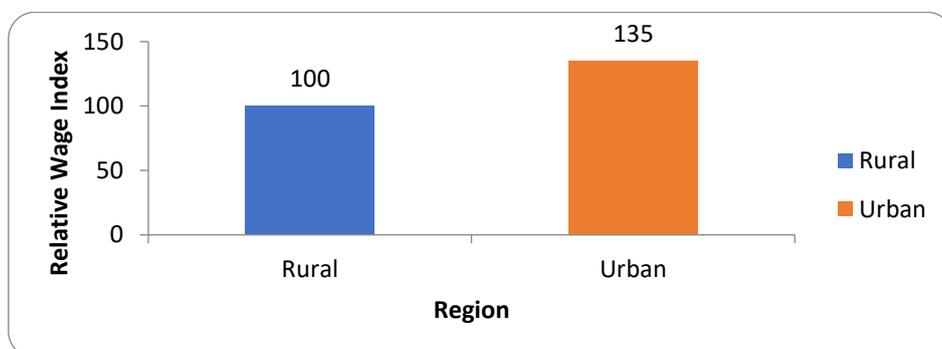
Figure 4 highlights the numerical extent of skill premium in the labour market. Workers with secondary education are indexed at 100, while workers possessing technical diplomas or specialized training earn a relative wage index of approximately 160. This implies that technically skilled workers earn nearly 60 percent more than those with only secondary education. The magnitude of this premium indicates strong demand for technical and vocational skills in Tamil Nadu’s growing industrial and IT sectors. The numerical evidence confirms that education and skill acquisition significantly influence wage outcomes and contribute to widening wage differentials between skilled and unskilled workers.

**Table 11: Urban–Rural Wage Comparison in Tamil Nadu (2023–2024)**

Region	Relative Wage Index
Rural	100
Urban	135

**Source :** *Computed by researcher from Periodic Labour Force Survey (PLFS) 2023–24 – Urban & Rural wage data (MoSPI)*

**Figure 5: Bar Diagram Showing Urban–Rural Wage Comparison in Tamil Nadu (2023–2024) (Based on Table 11)**



**Source :** *Computed by researcher from Periodic Labour Force Survey (PLFS) 2023–24 – Urban & Rural wage data (MoSPI)*

Figure 5 compares urban and rural wages using an index approach, where rural wages are taken as 100. Urban wages are indexed at approximately 135, indicating that urban workers earn about 35 percent more than rural workers on average. This numerical gap reflects the concentration of industrial activities, formal employment, and higher-paying jobs in urban centres such as Chennai, Coimbatore, and Hosur. Rural areas, which are more dependent on agriculture and informal employment, lag behind in wage levels. The data clearly demonstrates that regional location plays a crucial role in determining wage outcomes.

Overall, secondary data confirms that industrial growth in Tamil Nadu has been skill-biased and spatially concentrated, benefiting skilled, urban, and formal-sector workers disproportionately. These findings align closely with the primary survey results, reinforcing the conclusion that industrial expansion alone is insufficient to ensure equitable wage distribution without targeted skill development and inclusive labour policies.

### **Policy Recommendations**

The findings of this study indicate that while Tamil Nadu has achieved impressive industrial growth, the benefits of this growth have not been evenly distributed across sectors, skill levels, and regions. Therefore, industrial policy must be complemented by inclusive labour and skill policies to ensure equitable wage outcomes.

First, strengthening skill development and vocational training is essential. The strong skill premium observed in wages shows that technical and vocational skills significantly improve earning potential. Government and industry stakeholders should expand affordable, sector-specific training programmes, particularly in manufacturing, IT/ITES, logistics, and emerging green industries. Special focus should be given to informal and self-employed workers, who currently have limited access to formal training and upskilling opportunities.

Second, formalisation of employment should be encouraged. A large proportion of workers in Chennai and across Tamil Nadu remain in informal or self-employed occupations with low and unstable wages. Policies that incentivise small and medium enterprises to formalise employment such as tax benefits, simplified compliance procedures, and social security support can improve wage stability and reduce inequality.

Third, regionally balanced industrial development must be prioritised. Industrial growth remains heavily concentrated in urban centres like Chennai, Coimbatore, and Hosur, leading to persistent urban–rural wage gaps. Developing industrial clusters in backward and semi-urban districts, along with better infrastructure and connectivity, can create employment opportunities closer to workers' residences and reduce regional wage disparities.

Fourth, labour welfare and wage regulation mechanisms should be strengthened. Periodic revision of minimum wages, better enforcement of labour laws, and inclusion of informal workers under social security schemes such as health insurance and pension plans can improve wage outcomes at the lower end of the distribution.

Finally, industry education linkages should be enhanced. Collaboration between colleges, universities, and industries can ensure that curricula align with labour market needs.

Apprenticeship programmes, internships, and on-the-job training can help young workers transition smoothly into higher-paying sectors and reduce skill mismatches.

### **Limitations of the Study**

Despite providing valuable insights, this study has certain limitations that must be acknowledged.

First, the primary survey sample size is relatively small and geographically concentrated mainly in Chennai, with limited representation from rural and distant districts of Tamil Nadu. As a result, the findings may not fully capture the diversity of wage structures across the entire state.

Second, the study relies partly on self-reported wage data, which may be subject to reporting bias or inaccuracies, especially among self-employed and informal workers with irregular incomes.

Third, the analysis is largely cross-sectional in nature, which limits the ability to establish long-term causal relationships between industrial growth and wage distribution. A longitudinal study using panel data would provide deeper insights into wage mobility and long-term inequality trends.

Fourth, while the study discusses technological change and skill bias, it does not directly quantify the impact of automation or digitalisation on employment and wages due to data constraints.

These limitations suggest that the results should be interpreted with caution and highlight the scope for future research using larger datasets, broader regional coverage, and more advanced econometric techniques.

### **Conclusion**

This study examined the relationship between industrial growth and wage distribution in Tamil Nadu, with particular attention to sectoral differences, skill-based disparities, and regional variations. While Tamil Nadu has successfully positioned itself as one of India's most industrially advanced and economically dynamic states, the findings of this research indicate that the benefits of this growth have not been evenly shared across all segments of the workforce (SPC Tamil Nadu, 2023; World Bank, 2017).

Evidence from both primary and secondary sources reveals that wage outcomes are strongly shaped by the nature of sectoral employment. Workers in manufacturing and service sectors, especially those linked to technology-intensive and organised industries, earn significantly higher wages compared to those in agriculture and informal services. This reflects underlying differences in labour productivity, capital intensity, and the demand for specialised skills (Ghani, Kerr, & O'Connell, 2014; Govindharaj, 2021). However, this structural transformation has also resulted in widening wage gaps, as workers in low-productivity and informal activities remain trapped in low-income cycles (ILO, 2018; CORE, 2021).

The analysis further highlights the crucial role of skills in determining wage outcomes. A strong skill premium exists in Tamil Nadu's labour market, with technically trained and highly educated workers enjoying substantially higher earnings. This supports the theory of skill-biased technological change, which suggests that modern industries increasingly favour specialised competencies while reducing demand for routine and low-skilled labour (Autor, 2014; Acemoglu

& Autor, 2011; OECD, 2019). As a result, workers lacking access to quality education and training face limited opportunities for upward mobility, reinforcing long-term inequality.

Regional disparities also emerge as a key dimension of wage inequality. Industrial development in Tamil Nadu remains spatially concentrated in urban hubs such as Chennai, Coimbatore, Hosur, and Tiruppur. These centres benefit from superior infrastructure, firm networks, and access to formal employment, leading to higher wage levels (Krugman, 1991; Fujita, Krugman, & Venables, 1999). In contrast, rural and semi-urban regions continue to rely on agriculture and informal services, which offer lower incomes and limited job security (SPC Tamil Nadu, 2023).

Importantly, the findings of this study suggest that industrial growth, while necessary, is not sufficient to guarantee inclusive development. Growth that is not accompanied by institutional support, skill formation, and labour protection mechanisms tends to benefit only a narrow segment of the population (World Bank, 2017; ILO, 2018). Without deliberate policy interventions, market-driven industrialisation can reinforce existing inequalities rather than reduce them.

Therefore, this study underscores the need for a more integrated development approach one that combines industrial expansion with investments in human capital, employment formalisation, and regionally balanced growth. Strengthening vocational training systems, improving access to education, enhancing labour market institutions, and extending social security to informal workers are essential steps toward ensuring that economic progress translates into real improvements in living standards (OECD, 2019; CORE, 2021).

In sum, Tamil Nadu's growth story is impressive, but it remains incomplete without inclusiveness. Sustainable development must not only be measured by output and investment figures but also by how equitably its gains are distributed (Kuznets, 1971; World Bank, 2017). A development strategy that prioritises dignity of labour, fair wages, and equal opportunity can transform industrial growth into a powerful tool for social mobility and long-term prosperity. Only then can Tamil Nadu's economic success truly reflect shared progress rather than segmented advancement.

## References

1. Acemoglu, D., & Autor, D. (2011). Skills, tasks and technologies: Implications for employment and earnings. In O. Ashenfelter & D. Card (Eds.), *Handbook of labor economics* (Vol. 4, pp. 1043–1171). Elsevier.
2. Autor, D. H. (2014). Skills, education, and the rise of earnings inequality among the “other 99 percent.” *Science*, 344(6186), 843–851. <https://doi.org/10.1126/science.1251868>
3. Bagur, S., & Anthony, P. (2012). Industrial growth and employment in South India: Patterns and implications. *Indian Journal of Labour Economics*, 55(3), 421–438.
4. Bessen, J., Goos, M., Salomons, A., & Van den Berge, W. (2019). *When technology meets wage inequality*. Oxford University Press.
5. Centre for Organisation Development and Education (CORE). (2021). *Informal workers in Tamil Nadu: Employment conditions and livelihood challenges*. CORE Research Series.

6. Fujita, M., Krugman, P., & Venables, A. J. (1999). *The spatial economy: Cities, regions, and international trade*. MIT Press.
7. Ghani, E., Kerr, W. R., & O'Connell, S. D. (2014). Local industrial structures and wage growth. *Journal of Economic Geography*, 14(6), 1045–1073.
8. Government of India. (2022). *Periodic Labour Force Survey (PLFS): Annual report 2021–22*. Ministry of Statistics and Programme Implementation.
9. Govindharaj, R. (2021). Sectoral wage differentials and skill premia in Tamil Nadu. *Indian Journal of Human Development*, 15(2), 245–262.
10. International Labour Organization. (2018). *Women and men in the informal economy: A statistical picture* (3rd ed.). ILO.
11. Krugman, P. (1991). *Geography and trade*. MIT Press.
12. Kuznets, S. (1971). *Economic growth of nations: Total output and production structure*. Harvard University Press.
13. Organisation for Economic Co-operation and Development. (2019). *OECD employment outlook 2019: The future of work*. OECD Publishing. <https://doi.org/10.1787/9ee00155-en>
14. Planning Commission. (2014). *Report of the expert group on encouraging affordable housing in urban areas*. Government of India.
15. State Planning Commission Tamil Nadu. (2023). *Tamil Nadu socio-economic profile 2022–23*. Government of Tamil Nadu.
16. World Bank. (2017). *Tamil Nadu: Fiscal reform and inclusive growth*. World Bank Group.