

# Why benefits from India's IT boom were unequal

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India is one of the countries that benefited the most from the expansion in the information technology (IT) sector during the 1990s. However, the question is who in India benefited the most from this IT boom. Research suggests it was those with better access to jobs and education who benefited the most.

In her job market paper, Devaki Ghose of the University of Virginia explores the distributional impact of the increase in IT exports on India's labour market.

To do this, she uses IT employment data from the Economic Census and state and district migration data

from the Census of India. She finds that while the IT sector's contribution to India's service exports jumped from 15% to 40% between 1998 to 2008, the share of engineering enrolment in overall college enrolment doubled and this generated a significant boost to IT employment.

Ghose, however, finds that this welfare impact was not equally distributed. This was because individual decisions of

whether to invest in the skills needed for the IT sector depended on access to higher education and the ability to migrate to places with colleges and jobs.

Thus, though the IT boom improved the average welfare of individuals, defined as access to better job opportunities and education, by 1.1%,



Areas with better access to education and jobs gained the most from India's IT boom, suggests new research.

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those who already had better access to jobs and education benefited more (2.4%) while those in remote districts saw only a marginal increase in welfare (0.7%). This also resulted in regional disparities and, thereby, skewed the expansion of IT production.

Thus, the author concludes that the key to minimising the

regional inequalities generated by external trade shock, such as the IT boom, is to implement policies that allow people to move easily across regions for both education and work.

Also read: *Trade, Internal Migration, and Human Capital: Who Gains from India's IT Boom?* ([bit.ly/2NnWmQh](http://bit.ly/2NnWmQh))