

### **Abstract**

Evidence based on the National Sample Survey Organisation (NSSO) data points to a particularly acute decline in employment absorption in Tamil Nadu as compared to other states with similar growth rates in Net State Domestic Product. This report, based on a survey of a sample of enterprises across fast growing manufacturing sectors, construction, and wholesale & retail trade, seeks to identify some factors responsible for this phenomenon. Reduction in employment absorption appears to be an outcome of technological changes, in line with world-wide trends in manufacturing. Given a greater exposure to the global market, it is possible that firms in Tamil Nadu are accessing recent technologies to compete, reinforcing the decline in employment absorption observed.