

Employment in the Corporate Sector: FY17

Contact:

Madan Sabnavis

Chief Economist
madan.sabnavis@careratings.com
91-22-6754489

Dr. Rucha Ranadive

Associate Economist
rucha.ranadive@careratings.com
91-22-67543531

Mradul Mishra (Media Contact)

mradul.mishra@careratings.com
91-22-67543515

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The concept of employment is quite amorphous in India given the fact that a large part of the workforce is in the unorganized sector where the definition gets fuzzy. The corporate sector provides some insights into employment trends though would be biased to the extent that such information is available for the medium to larger companies and hence, excludes the SME sector which is dominant in the employment space. Yet, notwithstanding this limitation, a look at such trends is still illuminating as it reflects certain critical facets of employment in the corporate sector. *Data presented in this study must be interpreted with caution as the sample size does determine to an extent the differing trends.* Further, some of the industries classified here may not be representative given the data gaps. It is however believed by this research that these numbers are broadly indicative of the trends witnessed in the last two years.

Overview of employment

To begin with, a period of five years has been analyzed to provide a prelude to the issue of job creation by the corporate sector. The sample comprises 715 companies and in FY17 had an aggregate of 3.92 mn employees rising from 3.85 mn in FY13 (Table 1). This is a CAGR of just about half a percent, which is quite low. This, however, is not in consonance with GDP growth at the macro level, which grew by an increasing rate till FY16 before slowing down in FY17. This indicates that the organized corporate sector did not witness the growth in accordance with the GDP growth.

While considering the employment in the 1,473 companies for the past 3 years (Table 2), the employment rose from 5.01 mn in FY15 to 5.18 mn in FY17- a growth of 2.25% in FY17 that was higher than the growth rate of 1.18% in FY16. Compared with the growth of sample of 715 companies, employment growth of 1,473 companies was lower at 1.18% in FY16. However, in FY17, the aggregate employment growth of 1,473 companies outpaced the growth registered by 715 companies. Despite, the employment growth has been much lower than the GDP growth and also indicated opposite growth trend in FY17 – increased employment growth and fall in GDP growth. This corroborates the fact that organized corporate sector growth was not aligned to the GDP growth.

Table 1: Aggregate Employment: 715 companies

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Total employed	3,851,174	3,873,880	3,809,924	3,870,513	3,928,208
Growth in employment (%)	-	0.59	-1.65	1.59	1.49
GDP growth (%)	5.5	6.5	7.2	8.0	7.1

Source: Ace Equity, CSO

Table 2: Aggregate Employment: 1,473 companies

Particulars	2014-15	2015-16	2016-17
Total	5,010,642	5,069,925	5,184,222
Growth in employment (%)		1.18	2.25
GDP growth (%)	7.2	8.0	7.1

Source: Ace Equity, CSO

Sectoral Distribution of Employment

- Sectoral bifurcation of employment suggests that banks were seen to employ highest number of employees in FY17 (21.3%).
- Top 5 sectors with highest number of employment are banks, IT, mining, healthcare and textiles, collectively accounting for nearly 60% of the total employment.
- 11 sectors having more than 1 lakh employees account for nearly 80% of the total employment.
- Out of 31 sectors, 13 sectors registered increase in employment in terms of growth such as retailing (47.89%), healthcare (12.46%), plastic products (8.30%), IT (6.66%) and electricals (5.74%) in FY16 while in FY17, as many as 16 sectors recorded positive growth in the employment, the highest being in electricals (14.85%), finance (11.24%) and trading (6.53%).
- 10 sectors witnessed growth in employment in both the years FY16 and FY17 such as retail, textile, healthcare, banks, electricals, IT, logistics, plastic products, chemicals and non-ferrous metal products.
- Conversely, 12 sectors recorded negative growth in employment in FY16 as well as in FY17.
- FMCG, media & entertainment and paper exhibited fall in employment in FY17 after increasing in FY16.
- On the other hand, crude oil, infrastructure, trading, automobile & ancillaries, finance and hospitality, which had recorded negative growth in employment in FY16, witnessed growth in FY17.

Table 3: Sector Wise Employment and Growth (%)

Sector	Number	2014-15	2015-16	2016-17	Growth FY16	Growth FY17
All	1473	5,010,642	5,069,925	5,184,222	1.18	2.25
Banks	35	1,034,544	1,073,043	1,106,542	3.72	3.12
IT	70	915,800	976,761	1,033,508	6.66	5.81
Mining	4	347,115	336,466	323,694	-3.07	-3.80
Healthcare	76	269,977	303,613	319,780	12.46	5.32
Textiles	115	306,162	306,202	316,798	0.01	3.46
Automobiles & Ancillaries	102	241,485	224,551	228,573	-7.01	1.79
Agri	55	213,177	205,859	203,746	-3.43	-1.03
Iron & Steel	52	201,012	192,719	187,158	-4.13	-2.89
Finance	143	183,019	168,040	186,926	-8.18	11.24
FMCG	49	117,424	124,122	120,067	5.70	-3.27
Capital Goods	103	113,981	109,834	108,221	-3.64	-1.47
Infrastructure	44	99,151	96,491	98,263	-2.68	1.84
Chemicals	112	92,879	93,770	96,801	0.96	3.23
Crude Oil	14	95,382	92,942	93,318	-2.56	0.40
Construction Material	46	89,975	85,736	85,324	-4.71	-0.48
Telecom	25	88,287	85,764	78,238	-2.86	-8.78
Power	22	82,611	80,267	77,796	-2.84	-3.08
Diversified	13	67,259	62,719	59,396	-6.75	-5.30
Non - Ferrous Metals	17	49,196	49,199	49,291	0.01	0.19
Media & Entertainment	39	49,690	50,595	48,719	1.82	-3.71
Hospitality	33	50,864	45,324	48,106	-10.89	6.14
Logistics	26	45,138	45,411	47,419	0.60	4.42
Retailing*	8	28,585	42,274	43,678	47.89	3.32
Plastic Products	35	32,323	35,006	35,763	8.30	2.16
Consumer Durables	18	26,050	24,348	24,043	-6.53	-1.25
Paper	22	21,470	22,190	21,750	3.35	-1.98
Realty	52	24,928	23,257	21,564	-6.70	-7.28
Trading	66	19,713	18,394	19,596	-6.69	6.53
Diamond & Jewellery	11	15,752	15,744	15,383	-0.05	-2.29
Electricals	18	9,404	9,944	11,421	5.74	14.85
Alcohol	8	12,366	10,991	10,296	-11.12	-6.32

Source: Ace Equity, Annual Reports of companies.

Note: * Increase in employment in retailing can be ascribed to M & A activity within the industry.

If we step-wise exclude sectors with highest employment, the aggregate growth in the employment turns negative as indicated in the table below. In FY16, the employment growth is dragged down by decline in employment in automobile and ancillaries, mining, power and finance while in FY17, the negative employment growth has emanated from reduction in employment especially in the mining, telecom and power sector.

Table 4: Growth in Employment (%)

Particulars	2015-16	2016-17
Aggregate	1.18	2.25
Excluding Banks	0.52	2.02
Excluding banks and IT	-1.31	0.80
Excluding Banks, IT and Healthcare	-2.65	0.29
Excluding Banks, IT, healthcare and Textiles	-2.97	-0.11

Source: Ace Equity and CARE Estimation

Cost of employment

With regard to employment, the cost of employment to be borne by the companies also matters as it is a part of the committed expenditure and affects the overall profitability of the companies. An attempt has been made to assess the average salary bands across the sample companies. The salary bill and average salaries of the sample of 1,473 companies, given in Table 4, suggests that aggregate salary bill has increased from FY15 to FY17, though salary pay out grew at a slower pace in FY17 at 8.36% than that in the previous year at 11.85%. The average salary per employee has increased consistently from Rs. 7.13 lakh in FY15 to Rs. 8.35 lakh in FY17. Thus, growth in employment is also associated with increased salaries over the years. *(Please note: as these numbers are based on averages for the year, any VRS package or separation payments could overstate the average salary with numerator increasing and denominator decreasing. Similarly end-year increase in headcount can indicate lower average salary. Hence, these numbers are broadly indicative).*

Table 5: Aggregate Salary Bill – 1,473 companies

Particulars	2014-15	2015-16	2016-17
Salary bill (Rs. Lakh)	357,278	399,606	433,023
Growth (%)	n.a.	11.85	8.36
Average Salary (Rs. Lakh)	7.13	7.88	8.35

Source: Ace Equity

Table 6: Frequency Distribution of Avg. Salary of sectors

Rs. Lakh	2014-15	2015-16	2016-17
> 10	3	5	8
8-10	8	9	7
5-8	10	10	10
< 5	10	7	6

Source: Ace Equity

- Table 6 provides the frequency distribution of the average salary across sectors over the period of 3 years. It can be observed that salary payouts have improved over the years.
- The number of sectors with average salary above Rs. 10 lakh increased to 8 sectors in FY17.
- Sectors within the average salary band of Rs. 8-10 lakh and Rs. 5-8 lakh have remained more or less stable.
- The number of sectors with average salary being less than Rs. 5 lakh declined over the three year period. Agriculture, mining, textiles, retailing and finance are the sectors that remained in this category for the past 3 years.

- It has also been observed that certain sectors have moved up the ladder of average salary over the years. For example, the average salary of consumer durables, telecom and infrastructure moved up from the band of Rs. 8-10 lakh per employee to the band of greater than Rs. 10 lakh per employee in FY17.
- Likewise, hospitality and logistics, which were in the average salary band of less than Rs. 5 lakh in FY15 moved to the average salary band of Rs. 5-8 lakh per employee in the subsequent years.

Table 7: Average Salary of Sectors (Rs. Lakh)

	Number	2014-15	2015-16	2016-17	Growth FY16	Growth FY17
Agri	55	1.58	1.79	2.02	12.9	12.9
Alcohol	8	8.91	10.83	12.06	21.5	11.3
Automobile & Ancillaries	102	7.79	9.08	9.77	16.6	7.6
Banks	35	8.73	9.27	9.50	6.2	2.5
Capital Goods	103	8.14	8.52	9.58	4.7	12.5
Chemicals	112	7.84	8.11	8.60	3.4	6.1
Construction Material	46	5.59	6.56	7.07	17.2	7.9
Consumer Durables	18	8.31	9.46	10.38	13.8	9.7
Crude Oil	14	18.48	20.09	24.76	8.7	23.2
Diamond & Jewellery	11	5.55	5.70	6.51	2.7	14.3
Diversified	13	4.53	5.21	5.92	15.1	13.7
Electricals	18	5.46	5.98	6.48	9.5	8.3
Finance	143	3.33	4.09	4.21	22.8	3.0
FMCG	49	6.12	6.68	7.15	9.1	6.9
Healthcare	76	5.35	5.41	5.61	1.0	3.7
Hospitality	33	4.66	5.69	5.56	21.9	-2.2
Infrastructure	44	8.42	9.88	10.11	17.4	2.4
Iron & Steel	52	9.16	9.50	9.71	3.7	2.2
IT	70	10.38	11.87	12.22	14.4	2.9
Logistics	26	4.64	5.23	5.17	12.7	-1.2
Media & Entertainment	39	5.64	6.09	6.49	8.1	6.6
Mining	4	0.42	0.43	0.54	3.2	25.7
Non - Ferrous Metals	17	9.95	10.17	10.67	2.3	4.9
Paper	22	4.33	4.72	5.61	9.2	18.7
Plastic Products	35	3.60	3.69	3.98	2.6	7.8
Power	22	11.26	11.63	14.15	3.3	21.7
Realty	52	6.57	7.30	8.30	11.1	13.7
Retailing	8	4.40	3.90	3.67	-11.3	-5.9
Telecom	25	8.92	9.34	10.19	4.8	9.1
Textile	115	2.05	2.23	2.36	8.4	6.1
Trading	66	7.33	8.20	8.16	11.9	-0.5
All	1473	7.13	7.88	8.35	10.5	6.0

Source: Ace Equity

- Sector-wise classification of average salary indicated that crude oil sector had highest average salary, followed by power and IT sector. Conversely, the average salaries were lowest in mining, agriculture and textiles.
- Despite being lowest, the average salary of the mining sector grew at a highest rate of 25.7% in FY17 than the growth of 3.2% in FY16.

- Crude oil and power sector, which were one of the highest paying sectors, also indicated growth in the average salaries by 23.2% and 21.7% respectively.
- Average salaries in realty, agriculture and alcohol grew at double digit growth in both years FY16 and FY17.
- Services related sectors like trading, logistics and hospitality, which grew at double digit growth in FY16, recorded contraction in average salaries in FY17. Salaries in hospitality contracted by -2.2%, logistics by -1.2% and trading by -0.5% in FY17.
- Retail sector witnessed decline in average salaries. In FY16, average salaries contracted by -11.3% in FY16 and further by -5.9% in FY17.

Concluding Remarks

In the recent years, employment in the corporate sector has grown though the growth has been quite lackluster given the ever growing working population in India. In addition, the employment growth has not kept pace with the economic growth of the country that is growing at average growth rate of 7%. While the services sector has extended some relief with regard to job creation, manufacturing has failed to create jobs in recent times. Banks, IT, retailing, and healthcare continue to provide increasing job opportunities while sectors like mining, power, telecom have witnessed reduction in the employees.

It, thus, becomes a major cause of concern for a developing country like India and calls for some proactive measures. The recent initiative by the government to push infrastructure in the country is likely to pave way for creation of jobs that might change the scenario going forward. Further, as shown in the study, growth per se cannot foster employment generation and has to be backed by strong investment and new business opportunities.

CORPORATE OFFICE:

CARE RATINGS LIMITED (Formerly known as CREDIT ANALYSIS & RESEARCH LIMITED)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022.

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457

E-mail: care@careratings.com | Website: www.careratings.com