Employment scene before pandemic was not good

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The issue of employment has been debated widely with different indicators being used to draw conclusions. One way to go about it is to look at the organized sector where the Annual Reports of companies perforce provide information on the headcount as of the 31st of March of every year. This is a good indicator of employment even though it has limitations of not capturing the attrition during the year where employees could drop out from the labour force. At times they could move to other industries with the net impact being limited. Also it does not talk of the outsourced labour which can be quite significant in both the manufacturing and services sector. Organizations which provide these third-party services would not be included here. Last in case of mergers or acquisitions the acquired company gets left out in the sample and would hence tend to overstate the headcount with a sudden jump being witnessed. Notwithstanding these limitations we can still get a good idea of how employment has moved based on what companies have been doing.

The period looked at is the pre-pandemic one as the Annual Reports of most companies have not yet been published for FY21 as results are still trickling in. But the sense one gets is that with several industries being non-operational during the greater part of last year and reaching 60-70% utilization rates by the end of the year, there would tend to be more attritions rather than additions in FY21. Some sectors have remained shut for at least 4 months last year which led to layoffs. Further, several companies have switched over to deploying use of technology to replace employees with the future of the pandemic being uncertain.

What was the pre-pandemic situation like?
The period FY17-FY20 witnessed a CAGR of just 2.2% in headcount for a set of 2723 companies. In absolute number the headcount increased from 7.06 mn in FY17 to 7.54 mn in FY20. The interesting fact here is that during this period real GDP growth (CAGR) was 5.8% which supports the view that growth in the economy did not lead to commensurate growth in employment. Higher use of technology and increased productivity could be reasons for this deviation and can hence be attributed to the concept of total factor productivity.

The other disturbing sign here is that the annual growth rate has been coming down from 4% in FY18 to 2.1% in FY19 to 0.6% in FY20. Based on the trends witnessed in FY21, it can be expected that there would be degrowth in this year for certain.

Which sectors supported growth in employment?
Normally one-year variations can be ignored when it comes to employment and hence the three-year period would be unbiased in revealing trends. Given that the aggregate sample witnessed growth of 2.2%, the sectoral picture is quite revealing.

- The top seven sectors account for almost 2/3 of total headcount. This includes IT (19.7%), banks (16.1%), automobiles and ancillaries (6.7%), mining (6%), textiles (5.8%), healthcare (5.7%) and Finance (5.6%).
- If three other sectors are added i.e. agriculture, insurance and iron and steel, they would account for 74.3% of total headcount.
- The sectors which recorded higher than sample average growth rate in employment were:
  - Finance (10.7%), Realty (7.8%), IT (5.9%), Banks (5.4%), retail (4.7%), Auto (4.2%), electricals (4.2%), durables and insurance (3.7% each), non-ferrous (3.5%).
  - Those that were just close to the sample average were infra (2.4%), healthcare (2.4%), FMCG (2.1%) and aviation (2.2% includes two airlines with others being related services).
- The sectors which witnessed sharp fall in employment were the following:
  - Hospitality (-15.6%), telecom (-14.7%), alcohol (-5.7%)
  - Moderate declines were in plastics (-2.8%), power (-3.2%), agri (-4.8%), mining (-4.1%), and logistics (-4%).
  - Marginal declines were witnessed in capital goods (-1.4%), crude (-1.4%), media and entertainment (-1.6%) and textiles (-0.5%)

It can be seen that sectors which require more people on the sales side and where there is considerable penetration into the rural areas have witnessed increase in demand such as banks and finance, insurance, realty and retail. Those in the infra space like mining, capital goods, power, telecom have witnessed a decline. Hospitality is a customer centric industry but was still on the decline in terms of employment even before the pandemic.

FY20 picture
In FY20 which is the year just before the pandemic struck in the form of the lockdown which led to business being impacted, the sectors that have registered a smart increase in employment were finance (6.8%), electricals 95.8%), IT, consumer durables and banks (5.7%), FMCG and insurance (3.4%).

The sectors which were depressed in terms of witnessing sharp falls in employment of above 25% were telecom and hospitality. The other two sectors with double digit declines were logistics and education and training. Surprisingly retail trading, plastics and the diversified group of companies had witnessed also rather high declines in employment in FY20.

What could be the position in FY21
Given the rather fragile growth numbers even in the pre-pandemic period, it may be expected that there could be a fall in growth in FY21 as several sectors were under pressure due to the lockdown. While the second half of the year did see several sectors reverting to normal in operations, the services sector was impacted quite perceptibly till the end of the year.

It is true that the link between GDP growth and employment has not been one of proportion. Job creation is necessary to keep the consumption cycle ticking. One of the reasons as to why there has not been sustained pick up in consumption is the limited growth in jobs which translates into a lower spending power. Lower growth in consumption also dissuades investment and this is why it has been seen that even the investment rate in the economy has slowed down considerably in the last 7-8 years. In FY21 it was seen that companies had worked on rationalizing their employee cost to control profits as the growth in sales was uneven especially in the first two quarters. Moving to virtual platforms makes business easier and seamless but also reduces the dependence on labour. This will be a major challenge for the economy going ahead.

Employment numbers of 2723 companies in the pre-pandemic phase

Sector	No	2017	2018	2019	2020	Share	CAGR
IT	132	12,49,909	13,08,453	14,02,723	14,82,609	19.7	5.9
Bank	37	10,34,530	11,18,312	11,45,835	12,11,067	16.1	5.4
Automobile & Ancillaries	157	4,43,473	4,86,444	5,05,721	5,01,650	6.7	4.2
Mining	18	5,10,770	4,91,738	4,75,945	4,51,183	6	-4.1
Textile	220	4,48,450	4,43,770	4,47,731	4,41,218	5.8	-0.5
Healthcare	149	4,01,878	4,15,940	4,24,654	4,30,478	5.7	2.3
Finance	335	3,11,154	3,58,670	3,95,251	4,22,234	5.6	10.7
Agri	112	2,71,726	2,68,497	2,42,564	2,34,103	3.1	-4.8
Insurance	14	1,95,065	2,00,464	2,10,537	2,17,785	2.9	3.7
Iron & Steel	94	2,12,879	2,07,764	2,08,779	2,09,254	2.8	-0.6
Miscellaneous	53	1,88,936	2,04,305	1,64,136	1,70,964	2.3	-3.3
Capital Goods	181	1,73,401	1,71,933	1,73,701	1,66,359	2.2	-1.4
FMCG	105	1,50,173	1,51,310	1,54,804	1,59,974	2.1	2.1
Chemicals	177	1,19,158	1,20,591	1,24,922	1,25,814	1.7	1.8
Crude Oil	23	1,31,273	1,33,494	1,31,236	1,25,677	1.7	-1.4
Infrastructure	75	1,12,230	1,19,711	1,23,252	1,20,422	1.6	2.4
Retailing	18	1,03,617	1,14,038	1,32,383	1,18,873	1.6	4.7
Construction Materials	82	1,08,133	1,11,769	1,10,642	1,09,097	1.4	0.3
Diversified	19	86,200	94,945	93,202	86,577	1.1	0.1
Power	29	90,348	88,006	83,708	82,038	1.1	-3.2
Non - Ferrous Metals	27	71,940	75,693	79,902	79,648	1.1	3.5
Media & Entertainment	65	76,555	77,525	74,032	73,047	1	-1.6
Realty	108	55,116	62,604	67,576	69,101	0.9	7.8
Plastic Products	78	70,345	71,575	71,275	64,644	0.9	-2.8
Logistics	44	60,920	71,314	73,817	53,900	0.7	-4
Inds. Gases & Fuels	7	56,636	54,429	51,771	49,382	0.7	-4.5
Telecom	22	78,164	74,519	68,224	48,527	0.6	-14.7
Hospitality	54	79,524	78,593	75,014	47,735	0.6	-15.6
Aviation	5	22,042	27,031	35,484	40,046	0.5	22
Consumer Durables	32	31,355	31,425	33,105	34,984	0.5	3.7
Paper	0	28,695	27,727	28,912	28,893	0.4	0.2
Trading	150	24,469	22,891	26,917	25,008	0.3	0.7
Electricals	34	15,177	15,201	16,250	17,195	0.2	4.2
Diamond & Jewellery	24	15,185	15,307	14,613	14,658	0.2	-1.2
Alcohol	15	14,210	12,651	12,007	11,906	0.2	-5.7
Abrasives	3	4,354	4,290	4,614	4,713	0.1	2.7
Ship Building	4	4,342	4,031	4,416	4,378	0.1	0.3
Ferro Manganese	8	4,072	4,010	3,942	3,696	0	-3.2
Education & Training	10	3,808	3,799	2,400	2,138	0	-17.5
Gas Transmission	3	1,858	1,824	1,800	1,834	0	-0.4
All companies	2,723	70,62,070	73,46,593	74,97,797	75,42,809	100	2.2

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