

Employment and salary outgo in FY21

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CARE Ratings' studies on employment in the corporate sector have indicated that there has been a slowdown in growth in headcount in the last couple of years with FY21 being affected the most. The present study looks at a larger sample of 969 companies spread across over 30 sectors. As expected, with an increase in the number of companies in the sample the picture becomes more disturbing. Here we look at both the movement in headcount or employment as well as average compensation to employees in the last 2 years where compensation is defined as the total staff expenses across the headcount as of March 31 of the year.

Employment scene

There was degrowth in employment in FY21, albeit marginal, by 0.7% after growth of 3.4% in FY20 for a sample of 969 companies.

Employment count as of March and growth rate %

Sector	2019	2020	2021	Growth: 2020	Growth 2021
IT	12,23,786	13,09,215	13,98,438	7.0	6.8
Banks	9,62,515	10,30,188	10,47,093	7.0	1.6
Healthcare	4,06,306	4,13,279	4,34,947	1.7	5.2
Automobile & Ancillaries	4,10,925	4,05,890	4,00,948	-1.2	-1.2
Mining	2,98,354	2,85,079	2,70,221	-4.4	-5.2
Finance	2,69,936	2,83,146	2,69,946	4.9	-4.7
Textile	2,63,412	2,57,812	2,52,534	-2.1	-2.0
Iron & Steel	1,75,888	1,79,189	1,60,655	1.9	-10.3
FMCG	1,25,317	1,32,733	1,33,292	5.9	0.4
Capital Goods	1,45,585	1,41,139	1,32,004	-3.1	-6.5
Crude Oil	1,27,176	1,21,821	1,15,591	-4.2	-5.1
Chemicals	98,253	1,01,395	1,05,322	3.2	3.9
Infrastructure	1,12,614	1,13,476	1,02,363	0.8	-9.8
Retailing	1,30,768	1,16,698	96,860	-10.8	-17.0
Construction Materials	77,872	79,710	79,649	2.4	-0.1
Insurance	76,170	78,834	76,721	3.5	-2.7
Power	71,300	69,973	69,324	-1.9	-0.9
Diversified	76,318	70,355	66,306	-7.8	-5.8
Agri	64,200	64,731	63,919	0.8	-1.3
Realty	58,037	60,217	55,774	3.8	-7.4
Logistics	52,762	46,855	47,571	-11.2	1.5
Non - Ferrous Metals	47,612	46,201	42,628	-3.0	-7.7
Media & Entertainment	52,530	52,924	41,357	0.8	-21.9
Telecom	37,013	35,136	35,392	-5.1	0.7
Plastic Products	35,695	33,941	34,261	-4.9	0.9
Consumer Durables	29,592	31,988	32,147	8.1	0.5
Hospitality	31,344	27,860	21,886	-11.1	-21.4
Paper	17,907	17,731	17,763	-1.0	0.2
Electricals	14,183	14,818	12,992	4.5	-12.3
Trading	14,654	15,073	12,760	2.9	-15.3
Diamond & Jewellery	11,408	11,567	11,165	1.4	-3.5
Alcohol	8,924	8,888	8,708	-0.4	-2.0
Others	5,52,356	5,55,676	5,50,623	0.6	-0.9
All sectors	60,80,712	62,86,854	61,61,479	3.4	-0.7

Source: CARE Ratings

Total employment in these companies was 6.16 million in FY21 compared with 6.29 mn in FY20 and 6.08 mn in FY19. The lockdown did have its effects as it was sudden and there was a lot of uncertainty on its duration. While the economy first opened in June 2020, it was done very gradually with services largely out of the ambit of this process. Even within manufacturing there was differentiation between essential and non-essential goods. For the sample companies 569 (59%) had witnessed a reduction in employment while 375 an increase. 25 had retained their headcount.

The 32 industries considered here are the ones which had at least 5 companies in the sample to make it representative. The rest have been classified under 'others'. The observations here are:

1. Only 10 industries had witnessed growth in employment in FY21 over FY20. The leading two sectors in terms of being the largest employers were IT and banks which were not affected by the pandemic as even the lockdown did not come in the way of their operations. However, growth was modest for banks in FY21 as they witnessed high growth rate in FY20.

2. These 10 industries added around 1.34 lakhs jobs in FY21 while the remaining 22 lost 1.77 lakh jobs. Of the 1.34 lakh jobs created, IT (0.89 lakhs), banks (0.17 lakhs) and healthcare (0.22 lakhs) accounted for 96% of the additions.
3. Healthcare was a major contributor to employment with growth of 5.2%. This includes both drugs & pharma industry and hospitals. They were at the forefront all through the year.
4. The other sectors which witnessed improvement in employment, albeit with low growth rates, were chemicals, FMCG, consumer durable goods, paper, plastic products, logistics and telecom. As can be seen each of these sectors were important from the point of view of the pandemic as they covered activities involving use of chemical, packing, transporting and essential goods. Consumer durables, however, does come as a surprise.
5. The sharpest decline in employment defined as above 10,000 in a sector was witnessed in retailing, mining, iron and steel, finance, infrastructure, media & entertainment. These sectors lost 0.89 lakh jobs and accounted for 50% of the total jobs lost in this year. In percentage terms the fall in employment was highest for hospitality and media followed by retail and iron and steel. A prolonged lockdown and slow resumption of activity affected these sectors quite perceptibly.

Therefore, the picture of employment in the corporate sector has been not so bright in FY21 with there being a fall in headcount. The picture would get darker as the sample increases and covers the smaller units which were buffeted more by the lockdown than the organized sector.

The compensation packages

The lockdown that came in April was a shock for companies which had to resort to salary cuts to begin with followed by layoffs as production came to a standstill in several sectors. Post the unlock process being initiated by the government, some companies tended to roll back the pay cuts of some of their employees, though jobs lost were not restored mainly due to the uncertainty of the possible second wave. The government did give incentives to factories to re-employ those who were laid off towards the end of calendar 2020 and did work to an extent. The table below gives the movement of the employee cost for various sector in the three years ending FY21 along with the growth rates. The employee cost includes not just the salary component but various other benefits that are paid by the company including contribution to social security.

Total Employees cost for sectors: Rs crore and growth rate in %

Sector	2019	2020	2021	Growth 2020	Growth 2021
Insurance	7,090	7,440	9,141	4.9	22.9
Bank	1,02,685	1,21,759	1,34,477	18.6	10.4
Iron & Steel	18,925	19,356	21,209	2.3	9.6
FMCG	10,023	10,293	11,242	2.7	9.2
Telecom	5,013	5,005	5,356	-0.2	7.0
IT	1,55,761	1,73,236	1,83,726	11.2	6.1
Crude Oil	28,774	27,185	28,793	-5.5	5.9
Healthcare	24,113	26,319	27,839	9.1	5.8
Agri	2,871	3,127	3,289	8.9	5.2
Chemicals	10,101	11,196	11,715	10.8	4.6
Plastic Products	1,729	1,845	1,917	6.7	3.9
Non - Ferrous Metals	6,221	5,719	5,799	-8.1	1.4
Logistics	2,988	3,020	3,026	1.1	0.2
Alcohol	1,346	1,266	1,269	-5.9	0.2
Power	14,022	14,076	13,978	0.4	-0.7
Automobile & Ancillaries	34,285	33,935	33,451	-1.0	-1.4
Construction Materials	6,817	7,286	7,147	6.9	-1.9
Finance	14,098	15,356	15,030	8.9	-2.1
Capital Goods	19,445	20,070	19,583	3.2	-2.4
Consumer Durables	3,791	4,148	4,034	9.4	-2.7
Mining	1,762	2,227	2,159	26.4	-3.0
Diversified	4,653	4,895	4,724	5.2	-3.5
Paper	1,231	1,328	1,281	7.8	-3.5
Trading	1,065	1,066	1,019	0.1	-4.4
Infrastructure	10,615	11,360	10,563	7.0	-7.0
Realty	2,301	2,435	2,263	5.8	-7.1
Electricals	1,165	1,385	1,279	18.9	-7.7
Media & Entertainment	3,424	3,589	3,225	4.8	-10.1
Textile	7,306	7,647	6,773	4.7	-11.4
Diamonds & Jewellery	1,070	1,202	1,027	12.3	-14.6
Retailing	4,297	4,590	3,575	6.8	-22.1
Hospitality	2,346	2,440	1,756	4.0	-28.0
Others	23,820	28,612	26,541	20.1	-7.2
All sectors	5,35,152	5,84,411	6,08,207	9.2	4.1

Source: CARE Ratings' calculations

The staff cost increased by a more modest 4.1% for the sample companies compared with 9.2% in FY20. This is understandable as companies did witness pressure on sales which had declined for the sector in the first two quarters. This had to be compensated by reducing costs and there was a tendency to lower staff costs through a combination of cut in headcount and control in salary hikes. The table shows that the most affected sectors like hospitality, retail, diamonds and jewelry, textiles and media witnessed the sharpest decline in staff cost of over 10% each. Infrastructure, realty and electricals witnessed decline of around 7% each.

On the other hand, the financial services of banks and insurance witnessed the highest increase in staff cost followed by sectors such as iron & steel, telecom, FMCG, IT, crude oil, healthcare and agricultural based products.

How has average compensation fared?

Average compensation here is defined as the total staff cost divided by number of employees as of yearend.

Average staff cost across sectors Rs lakhs and growth %

Sector Rs lakhs	2019	2020	2021	Growth 2020	Growth 2021
Crude Oil	22.63	22.32	24.91	-1.4	11.6
Power	19.67	20.12	20.16	2.3	0.2
Telecom	13.54	14.24	15.13	5.2	6.2
Capital Goods	13.36	14.22	14.84	6.5	4.3
Alcohol	15.09	14.25	14.57	-5.6	2.3
IT	12.73	13.23	13.14	4.0	-0.7
Non - Ferrous Metals	13.07	12.38	13.60	-5.3	9.9
Iron & Steel	10.76	10.80	13.20	0.4	22.2
Banks	10.67	11.82	12.84	10.8	8.7
Consumer Durables	12.81	12.97	12.55	1.2	-3.2
Insurance	9.31	9.44	11.91	1.4	26.2
Chemicals	10.28	11.04	11.12	7.4	0.7
Infrastructure	9.43	10.01	10.32	6.2	3.1
Electricals	8.21	9.34	9.84	13.8	5.3
Diamonds & Jewellery	9.38	10.39	9.20	10.8	-11.5
Construction Materials	8.75	9.14	8.97	4.4	-1.8
FMCG	8.00	7.75	8.43	-3.0	8.8
Automobile & Ancillaries	8.34	8.36	8.34	0.2	-0.2
Hospitality	7.48	8.76	8.02	17.0	-8.4
Trading	7.27	7.07	7.98	-2.7	12.9
Media & Entertainment	6.52	6.78	7.80	4.1	15.0
Paper	6.88	7.49	7.21	8.9	-3.7
Diversified	6.10	6.96	7.12	14.1	2.4
Healthcare	5.93	6.37	6.40	7.3	0.5
Logistics	5.66	6.44	6.36	13.8	-1.3
Plastic Products	4.84	5.44	5.60	12.3	2.9
Finance	5.22	5.42	5.57	3.8	2.7
Agri	4.47	4.83	5.15	8.0	6.5
Realty	3.97	4.04	4.06	2.0	0.3
Retailing	3.29	3.93	3.69	19.7	-6.2
Textile	2.77	2.97	2.68	6.9	-9.6
Mining	0.59	0.78	0.80	32.3	2.3
Others	4.31	4.55	4.47	5.5	-1.7
All sectors	8.80	9.30	9.87	5.6	6.2

Source: CARE Ratings' calculations

The table above is quite illuminating not just from the point of view of the trends across sectors witnessed in increase in average pay but also the levels of staff cost (to be used as synonym for average pay).

- Interestingly, the top 4 pay industries are not in the services domain but in infra related manufacturing and include crude oil, power, telecom and capital goods.
- 13 of the 32 sectors have average pay of above Rs 10 lakhs and include alcohol, IT, iron and steel, non-ferrous metals, banks, insurance, consumer durables, infrastructure and chemicals.
- The lowest paid workers are in mining where it is less than a lakh which can be accounted for the unskilled workers. This is followed by textiles, retailing and realty. Here the pay was less than Rs 5 lakhs per employee.
- Plastics, finance and agri products were in the group of Rs 5-6 lakhs.

The average pay increased by 6.2% in FY21 from Rs 9.30 lakhs to Rs 9.87 lakhs. Of the sample of 969 companies 516 had increased their average pay while 427 had lowered the same. 26 had virtually no change in the average compensation.

In terms of growth in average pay, the following are the trends observed.

- Increase of over 20% was in insurance and iron and steel followed by media with 15%.
- Crude oil with 11.6% and trading with 12.9% witnessed increases of above 10%.

- Sectors that witnessed increase of between 5-10% were non-ferrous, banks, FMCG, agri, and telecom.
- The ones which witnessed a decline in average pay were IT, diamonds, textiles, hospitality, retail paper, logistics, construction materials and consumer durables.

The relation between changes in employment and average pay is important as this period was used by some sectors to rationalize staff but still reward the existing personnel well. The overall coefficient of correlation between changes in average pay and employment was low at -0.13. While the coefficient is low, the negative sign supports this argument.

- Symmetry in terms of decline in both headcount and compensation was witnessed in auto, construction material, diamonds, hospitality, retail and textiles.
- An anomaly was in sectors where average pay increased sharply but employment was cut. These include crude oil, iron and steel, non-ferrous metals, trading, insurance. Media – where the increase in average pay was above 10%. Here clearly the companies made use of the lockdown as a basis for rationalizing staff as they continued to reward the staff with smart pay hikes.
- The sectors which witnessed an increase in employment as well as compensation were banks, FMCG, telecom, plastics, healthcare and chemicals. The first 4 had increase in average pay of above 5%.

Concluding remarks

FY21 has been a challenging year for the economy which has also put pressure on companies in managing their business. The lockdown and fear of another one in 2020 had made corporates cautious in managing their workforce. Two months of virtual no business for several industries meant that companies had to manage their staff cost by either downsizing or invoking pay cuts. Based on our sample study, there was marginal fall in employment at the aggregate level while only 10 of the 32 industries witnessed an increase in headcount.

In terms of remuneration to staff, the picture was lopsided in some sectors as decline in headcount went along with higher average pay in some sectors. At the aggregate level, there was higher growth in average pay for the sample companies by 6.2% as against 5.6% in FY20.

An economic recovery is on the cards this year with growth expected to be 9-9.2% which should stabilize employment. We believe that 2022-23 will be the year that can see more generalized increase in employment in the corporate sector as growth in FY22 will be localized to industries that are already on the high growth path like BFSI, pharma, FMCG, metals, chemicals among others. A factor working in our favour is the sharp growth witnessed in exports which is expected to be sustained in the second half too with the world economy looking up.

Services, in particular, would trail as even after 6 months of the financial year have passed; they are still to reach an optimal utilization level with several restrictions in place. As the vaccination coverage increases across the country, services would be more open for the vaccinated that in turn will help to bring about a revival. This is when we believe jobs will be created in sectors such as hospitality, tourism, entertainment, retail among others.

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