Employment in Corporate India: 2015-19

November 19, 2019 I Industry Insights

Contact:
Madan Sabnavis
+91-22- 6837 4433

Manisha Sachdeva
+91-22-68374346

Mradul Mishra (Media Contact)
mradul.mishra@careratings.com
+91-22-6837 4424

The issue of employment has been contentious in India as there are no clear indicators at the national level. However, corporate India provides objective information which can be obtained from Annual Reports. This has been the source explored for the study on trends in employment in the last 4 years. Data is objective as this is disclosed in the Annual Reports. However, such data has limitations in so far as that it includes only on-rolls employees as there is a large outsourcing industry which is outside the purview of the Study. Also, the data can have an upward bias when M & A activity has taken place as information is taken for the same set of companies for 5 years for this exercise. Hence, the acquired or merged entity will appear only in the combined entity and get reflected in a sharp increase in headcount. Notwithstanding these limitations such a study is a fair indicator of what is happening in the reorganized sector.

The study is based on a set of 1,938 companies spread across all sectors. The value of sales in FY19 was Rs 69 lkh crore thus covering the entire corporate sector. It includes all listed public sector entities too for which information is available. However, the SME segment may find less representation in this sample.

The Study reveals that aggregate headcount or employment increased at a CAGR of 3.3% between 2014-15 and 2018-19 i.e. over a four-year period. Ideally, the rate of growth in employment should link with growth in GDP which is the broadest indicator of economic growth. This compares with a CAGR of 7.5% in GDP during this period. On an annual basis the difference between the growth rate in GDP and employment was 5.5% in 2015-16, 4.1%, 3.3% and 4% respectively in the subsequent years. Therefore, there is a case that supports the argument that employment growth has not been commensurate with GDP growth with a difference of 4.2% in CAGR during this period.

In terms of growth in employment on an annual basis, it was 2.5% in 2015-16, 4.1% in 2016-17 and 3.9% and 2.8% respectively 2017-18 and 2018-19 respectively. Hence there has been a slowdown in growth in the last 2 years after a sharp recovery in 2016-17.

Distribution of employment

The top 10 sectors covering 895 companies with employment of 4.70 mn in 2018-19 accounted for ¾ of total employment of the sample companies. As can be seen in the table below , 42.4% share was from three service industries while the balance was from manufacturing

(30%) and agriculture (3%). At the aggregate level the share of services is around 50%.

Distribution of employment across sectors

Table 1: Distribution of employment across sectors

Sector	Number of Companies	2019	Share
Bank	37	1,168,235	18.7
IT	88	1,135,765	18.2
Textile	164	383,847	6.2
Finance	205	341,956	5.5
Miscellaneous	25	339,132	5.4
Healthcare	97	331,819	5.3
Auto & Ancillary	123	328,060	5.3
Mining	7	301,429	4.8
Iron & Steel	72	189,855	3.0
Agri	77	184,580	3.0

There were 107 companies that had employment count of above 10,000 each in 2018-19 with aggregate headcount of 4.36 mn or 70% of aggregate workforce.

Distribution of companies according to CAGR

To further understand the trends in employment, the sample companies can be separated according to the CAGR during this period.

Table 2: Distribution of companies by CAGR

Range of CAGR growth	Number of companies	Employment count 2018-19	Share in total employment	CAGR
Equal to or above 3.3	678	3,470,788	55.6	11.5
3-3.3	30	76,502	1.2	3.1
2-3	82	263,331	4.2	2.5
1-2	91	296,932	4.7	1.6
0-1.0	150	403,051	6.5	0.7
Negative	907	1,730,170	27.7	-6.7
All	**1938**	**6,240,774**	**100.0**	**3.3**

The table shows that around half the companies had witnessed a decline in growth in employment over this time period while 35% of them had witnessed growth of 11.5% on the aggregate each with an above average CAGR of 3.3%.

Interestingly in the range of 3.3% and above, the top 10 companies in terms of employment number had headcount of 1.82 mn which is around 30% of the universe of 6.24 mn. Within this set 20 companies accounted for 1 mn of employment in 2018-19 and registered growth of 23%. However, there has been an upward bias in this range group due to M & A activity which takes in the terminal year of merger and excludes the comparable headcount in the previous years.

Employment across industries

The table below provides trends in employment number across various industries and covers 1,893 companies in the sample of 1,938. Those left out are not representative of the relevant industry. They have been broadly clubbed under an economic classification: core sector, consumer oriented, investment oriented, other manufacturing, financial sector, non-financial services and others.

Some observations:

- The core industries have witnessed virtually negative growth in headcount, with crude oil just about maintaining the employment level. These industries have been impacted by the slowdown in GDP growth as well as the challenges on the NPA side for banks.
- A similar picture is witnessed for the heavy investment industries where growth has tended to be negative for power and capital goods and just 0.4% for infra.
- The consumer oriented industries show a varied pattern :
  - In case of agricultural and durable goods there has been a deceleration in employment while there has been an increase for FMCG and textiles albeit at a lower than sample average of 3.3%.
  - This is reflective of the slow uptick in consumer demand which has affected these industries not just in terms of sales as it evident from financial performance numbers but also a cautious approach to manpower planning.
- The category other manufacturing had witnessed fairly good growth in employment with 5 of the 8 industries registering higher than sample growth in employment. Two have witnessed negative growth i.e. paper and gems and jewellery while chemicals recorded growth of just 1.6%. Healthcare and automobiles have registered a healthy growth of 4.8% in employment which is quite impressive.
- The financial sector's performance has by far been most impressive with banks, NBFCs and insurance witnessing impressive growth. The highest growth was in the NBFC segment which has added more from 2016-17 onwards as the sector also witnessed sharp growth in business.
- In the non-financial sector segment, the IT and retail industries have registered near or above average growth. However, telecom, hospitality and realty have witnessed negative growth reflecting the state of the industry. The telecom industry has been through upheavals which have led to several mergers that have impacted headcount. In case of realty the decline in growth in business impacted job prospects.
- The 'others' category showed high growth with the miscellaneous group of companies witnessing the highest growth with the inclusion of a large outsourcing company.

Table 3: Trends in employment: Industry-wise

Sector	Nos.	2015	2016	2017	2018	2019	CAGR
Core sector							
Mining	7	349,488	338,859	326,138	314,206	301,429	-3.6
Iron & Steel	72	210,208	199,904	193,660	188,091	189,855	-2.5
Crude Oil	17	129,064	127,351	127,454	130,127	129,485	0.1
Construction Materials	57	91,738	87,840	85,262	86,299	85,306	-1.8
Consumer oriented industries							
Textile	164	345,678	355,128	369,679	381,442	383,847	2.7
Agri	77	225,862	216,649	215,051	210,815	184,580	-4.9
FMCG	72	121,722	127,370	124,531	128,165	131,893	2.0
Consumer Durables	22	26,921	25,532	24,954	24,794	26,145	-0.7
Investment oriented industries							
Capital Goods	122	140,699	135,437	133,061	126,706	124,996	-2.9
Infrastructure	52	111,863	111,254	98,519	107,241	113,667	0.4
Power	27	99,711	95,418	92,118	91,656	86,247	-3.6
Other Manufacturing							
Healthcare	97	275,032	295,392	317,989	327,014	331,819	4.8
Automobile & Ancill.	123	272,358	301,296	310,091	319,142	328,060	4.8
Chemicals	142	108,040	107,670	110,321	110,674	114,118	1.4
Non - Ferrous Metals	23	64,174	60,816	71,791	75,518	79,726	5.6
Plastic Products	57	46,590	50,253	52,347	55,228	54,235	3.9
Paper	30	26,909	27,839	27,237	26,074	26,393	-0.5
Electricals	28	10,715	11,636	13,284	13,479	13,943	6.8
Diamond & Jewellery	15	14,749	14,993	15,079	15,184	14,478	-0.5
Financial sector							
Banks	37	1,002,253	1,053,385	1,086,790	1,160,076	1,168,235	3.9
Finance	205	194,217	204,133	268,727	308,059	341,956	15.2
Insurance	5	53,629	56,121	57,425	65,049	66,553	5.5
Non-financial services							
IT	88	943,040	1,013,769	1,053,493	1,067,557	1,135,765	4.8
Retailing	13	63,229	57,399	59,887	65,638	71,792	3.2
Telecom	19	85,428	85,074	73,181	69,970	63,745	-7.1
Media & Entertainment	44	53,904	50,973	59,653	58,851	59,903	2.7
Hospitality	42	58,992	53,506	54,869	54,684	51,043	-3.6
Logistics	29	46,019	47,049	49,012	48,619	48,587	1.4
Trading	91	26,761	26,909	28,780	28,212	29,007	2.0
Realty	77	27,819	26,029	24,627	25,316	26,416	-1.3
Others							
Miscellaneous	25	132,874	136,945	208,332	281,781	339,132	26.4
Diversified	14	73,305	68,783	70,807	64,043	75,466	0.7

Is there a relationship between employment growth and production?

Prima facie it does appear that as production grows, the demand for labour would also increase and hence a positive correlation is expected. In this context, the CAGR in the employment in various industries is mapped with the growth witnessed as per the IIP. The sector in the IIP (both within manufacturing or use-based) which comes closest to the industries mentioned in Table 3 have been mapped. The coefficient of correlation between the two is -0.05 indicating there is no relationship between the two.

Table 4 presents information on compound growth in employment and equivalent IIP growth number for the 4 years ending 2018-19. As can be seen the two do not appear to be related.

- A reason can be that even if production declines, companies do not always resort to reducing employment of permanent staff and would prefer to bench them so that when the cycle turns around, there would be no issue in having the requisite manpower. Human resources are often planned keeping in mind prospective requirements too and are not just restricted to present circumstances.
- Negative growth in employment indicates that there is a lower number of staff which has been associated with positive production growth. This can be attributed to non-replacement of certain categories of staff which retire, higher use of technology, greater recourse to outsourced labour especially where specialized skills are not required.

Also often companies prefer not to have staff on rolls as it is cumbersome to rationalize when business is down due to the prevalence of the labour laws. This also leads to higher dependence on outsourced labour as well as technology.

Table 4: CAGR employment and IIP (2014-15 to 2018-19)

Sector	Employment	IIP	Sector	Employment	IIP
Mining	-3.6	3.7	Infrastructure	0.4	4.7
Iron & Steel	-2.5	4.9	Power	-3.6	5.5
Crude Oil	0.1	3.9	Healthcare	4.8	16.5
Construction Materials	-1.8	5.6	Auto & Ancillaries	4.8	4.6
Textile	2.7	0.4	Chemicals	1.4	2.2
Agri	-4.9	3.9	Non - Ferrous Metals	5.6	3.8
FMCG	2.0	6.2	Plastic Products	3.9	-2.1
Consumer Durables	-0.7	3.1	Paper	-0.5	-2.5
Capital Goods	-2.9	3.2	Electricals	6.8	-2.5

Concluding remarks:

1. Growth in employment has trailed growth in GDP indicating that the two have not moved in commensurate terms.
2. The CAGR in employment and growth in physical production for industries in the manufacturing sector are not well related.
3. Service sector has performed better than manufacturing with financial sector industries doing better in terms of higher recruitment. The IT sector too had an impressive performance