

APPENDIX

Report
on
Effect of Economic Slowdown
on Employment in India
(January 2009)

Executive Summary

- A quick thin sample survey has been conducted to assess the employment situation in the month of January, 2009 over December, 2008.
- Data have been collected from 682 sample units by revisiting them during the survey.
- The survey covers 11 centres spread across 7 States/UT.
- The rate of decline in employment has increased from 1.01 per cent during Oct-Dec, 2008 to 1.17 per cent during the January, 2009.
- Based on thin sample, about 1 lakh jobs are estimated to be lost in the month of January, 2009.
- In IT/BPO the employment trend has reversed during January, 2009. It was the only sector which was showing increase in employment during Oct-Dec, 2008.
- In Automobiles sector, the employment has further declined to 3.10 per cent in the month of January, 2009.
- In the non-exporting units the employment has declined more rapidly in the month of January, 2009.
- During the month of January, 2009 rate of decline has slowed in units of Textiles and Metals.

Introduction

- 1.1 Labour Bureau submitted a report on “Effect of Economic slowdown on Employment in India” during October-December, 2008 to the Ministry of Labour & Employment on 30th January, 2009. Keeping in view the sensitivity of the issue, the Ministry desired a quick assessment of employment situation in the month of January, 2009 for discussion in the forthcoming session of Indian Labour Conference. Thus the Labour Bureau undertook this study with a small sample of 682 due to paucity of time and limited manpower.
- 1.2 The first detailed survey covering October-December, 2008 period was conducted by Labour Bureau in January, 2009. It covered eight important sectors of the economy viz. Mining, Textiles, Metals, Automobiles, Gems & Jewellery, Transport, Construction and IT/BPO and a sample of 2,581 units spread across 11 States/UT was taken to assess the employment situation during the period.
- 1.3 During the current survey about 26 per cent of the units covered in the main survey have been revisited to find out

acceleration / deceleration in employment scenario during January, 2009 as compared to December, 2008. The findings of the survey are based on very thin sample size and estimates may not be stable and may have large standard errors. However, the estimates do indicate the direction of change.

- 1.4 The four regional offices of the Bureau as well as office of the Labour Bureau, Chandigarh have been engaged to collect data from the nearby centres. The survey has accordingly been conducted in 11 centres spread across 7 States/ UT of Chandigarh. Details of the centres covered are presented in Table 1.1.

Table 1.1

Centres and States covered

| Sl.No. | Centre | State/UT |
|---------------|----------------------|-----------------|
| 1 | Chandigarh | Chandigarh |
| 2 | Ludhiana | Punjab |
| 3 | Jalandhar | |
| 4 | Delhi and NCR region | Delhi |
| 5 | Kanpur | Uttar Pradesh |
| 6 | Lucknow | |
| 7 | Kolkata | West Bengal |
| 8 | Howrah | |
| 9 | Ahmedabad | Gujarat |
| 10 | Surat | |
| 11 | Chennai | Tamil Nadu |

1.5 As compared to the main survey conducted in January, 2009 wherein a sample of 2,581 units was taken from 8 important sectors, the scope of present survey is restricted to 6 sectors covering 682 units. The maximum units have been drawn from Metals (314 units) followed by Textiles (222 units),

IT/BPO (75 units), Automobiles & Transport (33 units each) and Gems & Jewellery (5 units).

- 1.6 About 50 officers were deputed for canvassing the schedules. The field work was done during the period 11th Feb, 2009 to 14th Feb, 2009.

Analysis of Employment Trends

- 2.1 A majority of employment in India is in the unorganized sector constituting more than 90 per cent of the total labour force. The scope of the survey is, however, limited to organized sector of the economy. The objective of the present survey is to assess employment trends in January, 2009 as compared to December, 2008 by revisiting some of the sample units covered during the main survey. The assessment is made in terms of direction of change and rate of change in the trend in the month of January, 09 in relation to the quarterly survey done covering the period Oct-Dec, 2008. The results of the present survey are based on a very thin sample as only 26 per cent of the units have been covered.
- 2.2 In the survey, total employment figure of the unit on last working day of the respective month is taken. Unlike in the main survey the employment figures for manual and non-manual workers have, however, not been taken separately.
- 2.3 The monthly average rate of employment loss during Oct-Dec, 2008 was 1.01 per cent whereas in January, 2009 the

rate of decline has increased to 1.17 per cent. The increase in rate of change is mainly due to the decline in employment in IT/BPO sector in January, 2009 in contrast to the increase in employment during Oct-Dec, 2008 and also higher rate of unemployment in Automobile Sector. The month wise employment trends are presented in Table 2.1.

Table 2.1

Trends in Average Employment

| Sl. No. | Period | % Rate of decline |
|----------------|---|--------------------------|
| 1 | October, 2008 | 1.21 |
| 2 | November, 2008 | 0.74 |
| 3 | December, 2008 | 1.12 |
| 4 | Average Monthly Change during Oct-Dec, 2008 | 1.01 |
| 5 | January, 2009 | 1.17 |

2.4 Sector-wise Average Monthly changes in employment during Oct-Dec, 2008 and in January, 2009 are presented in Table 2.2. It may be observed from the table that during January, 2009 the rate of decline in employment in Textile, Metals, Gems & Jewellery and Transport sector has been lower than earlier months. The average monthly decline in Textile sector during Oct-Dec, 08 was 0.91 per cent which has come down to 0.35 per cent in Jan, 09. Similarly for Metals and Transport sector the decline in employment has come down from 1.91 per cent to 1.31 per cent and from 4.03 per cent to 2.62 per cent respectively. In case of Automobiles, the employment has declined more rapidly in January, 2009. The average monthly decline in Automobile sector during October-December, 2008 was 2.42 per cent which has increased to 3.10 per cent in January, 2009. In case of IT/BPO the employment during Oct-Dec, 08 had increased by 0.55 per cent per month whereas in January, 2009 it has declined by 1.66 per cent.

Table 2.2

Sector-wise change Trends in Employment

| Sl.No. | Sectors | Average Monthly Change in Oct- Dec, 2008 ** | Monthly Change in Dec, 2008 - Jan, 2009\$ |
|---------------|------------------|--|--|
| 1 | Mining * | -0.33 | - |
| 2 | Textiles | -0.91 | -0.35 |
| 3 | Metals | -1.91 | -1.31 |
| 4 | Gems & Jewellery | -8.58 | -8.44 |
| 5 | Automobiles | -2.42 | -3.10 |
| 6 | Transport | -4.03 | -2.62 |
| 7 | IT/BPO | 0.55 | -1.66 |
| | Overall | -1.01 | -1.17 |

* Mining Sector was not covered during the present survey.

** Average Monthly change based on 2581 sample units

\$ Monthly change based on 682 sample units

2.5 The employment trends in export and non-export units are presented in Table 2.3. It is observed that the rate of decline in employment in export units has remained stationary at 1.13 per cent. It has however, increased from 0.81 per cent

per month during Oct-Dec, 2008 to 1.24 per cent in Jan, 09 in case of non-export units. It may be mentioned here that the present sample did not cover units of Tirupur (Tamil Nadu) which is a major export centre. It is evident that the increase in rate of unemployment during January, 09 is mainly contributed by the non-exporting units.

Table 2.3

Trends in Employment of Export and Non-Export Units

| Period | Monthly change in Employment (%) | | |
|--|----------------------------------|------------------|--------------|
| | Export Units | Non Export Units | Overall |
| October, 2008 | -1.30 | -1.05 | -1.21 |
| November, 2008 | -0.45 | -1.24 | -0.74 |
| December, 2008 | -1.66 | -0.15 | -1.12 |
| Average Monthly change during Oct-Dec,08 | -1.13 | -0.81 | -1.01 |
| January, 2009 over December, 2008 | -1.13 | -1.24 | -1.17 |

2.6 It may be seen from Table 2.4 that the rate of decline in employment in export units has slowed in Textiles and Metals in January, 2009. In case of Automobiles, the rate of decline has accelerated from 1.26 per cent to 4.13 per cent during the period. The trend in IT/BPO sector has reversed in January, 2009. In the export units of IT/BPO sector the average monthly employment change was positive during Oct-Dec, 2008 (0.33 per cent). However, the current survey reveals that in January, 2009 the employment in export oriented units of IT/BPO has declined by 0.13 per cent in Jan, 09. The employment trends show higher rate of job loss in non-export units (1.24 per cent) as compared to export units (1.13 per cent) during January, 2009. The most affected sectors are IT/BPO, Transport and Metals where the employment in the non-exporting units has declined by 4.07 per cent, 2.62 per cent and 1.71 per cent respectively in January, 2009.

Table 2.4
Sector-wise Trends in Employment in
Export & Non-Export units

| Sl. No. | Sectors | Average Monthly rate of change during Oct-Dec, 2008 (%) | | Monthly Change in Jan,09 over Dec, 08 (%) | |
|---------|------------------|---|---------------|---|--------------|
| | | Export | Non-Export | Export | Non-Export |
| 1 | Mining | -0.32 | -0.33 | - | - |
| 2 | Textiles | -1.29 | 0.32 | -0.49 | 0.01 |
| 3 | Metals | -2.60 | -1.24 | -0.70 | -1.71 |
| 4 | Gems & Jewellery | -8.43 | -11.9 | -8.44 | - |
| 5 | Automobiles | -1.26 | -4.79 | -4.13 | -0.78 |
| 6 | Transport | - | -4.03 | - | -2.62 |
| 7 | IT/BPO | 0.33 | 1.08 | -0.13 | -4.07 |
| | Overall | -1.13 | - 0.81 | -1.13 | -1.24 |

2.7 The economic slowdown is expected to adversely impact the quality of employment besides the quantity reflected by decline in employment. The quality aspect is measured in terms of decrease in average wages received by the employees. Hence information is also collected on the total

earnings of workers. The results of the survey reveal that the average monthly wages have also declined by 0.26 per cent in January 2009. The average monthly decline during Oct-Dec, 2008 was 3.45 per cent. During the current survey the average monthly wages for direct and contract workers are also collected. The findings of the survey reveal that average monthly decline in the wages are 0.25 per cent for direct category of workers and 0.63 per cent for contract workers in January, 2009. The information is presented in Table 2.5.

Table 2.5
Percentage change in Average Monthly Earnings

| Sl.No. | Period | Percentage Change |
|---------------|---|--------------------------|
| 1 | October, 2008 | 1.74 |
| 2 | November, 2008 | -11.43 |
| 3 | December, 2008 | -0.5 |
| 4 | Average Monthly Change during Oct-Dec, 2008 | -3.45 |
| 5 | January, 2009 | -0.26 |

2.8 As mentioned earlier, it is hazardous to estimate the total loss of employment using a purposive thin sample and compare these estimates with the estimates of the previous study based on a comparatively larger sample selected using Stratified Random Sampling method. However, in order to satisfy the natural human curiosity of knowing the numbers, the total loss of employment in January, 2009 is also estimated and is presented below in Table 2.6.

Table 2.6

Month Wise Estimated Job Loss

| Sl.No. | Period | Estimated Job Loss | Cumulative Job Loss |
|---------------|----------------------|---------------------------|----------------------------|
| 1 | October, 2008 | 1,96,092 | 1,96,092 |
| 2 | November, 2008 | 1,17,550 | 3,13,642 |
| 3 | December, 2008 | 1,77,222 | 4,90,864 |
| 4 | January, 2009 | 98,156 | 5,89,020 |

- 2.9 It needs to be noted that the rate of decline in employment in January, 2009 is higher than average monthly rate of the previous quarter, whereas the total loss of employment estimated is less than the previous monthly estimates. This could be mainly due to non-coverage of centres like Mumbai, Pune and Bangalore, in the present sample. These centres have large units and thus had contributed significant employment loss in the previous sample.
- 2.10 However, it is reasonable to assume that these sampling errors do not affect the rate of change and the proportion, *ceteris paribus*. Some of these methodological problems would be addressed in the next study covering January-March, 2009 period. To conclude, it is safe to say that the observations on direction of change are reasonably reliable and the quantitative estimates need to be taken with caution.

**February 2009
Chandigarh**