



सत्यमेव जयते

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

Government of India
Ministry of Labour & Employment
Labour Bureau
Chandigarh
May 2009

Acknowledgement

I, sincerely thank the Secretary, Ministry of Labour & Employment, Government of India for entrusting the important task of conducting Quarterly surveys on effect of economic slowdown on employment in India, to the Labour Bureau. We conducted the first such national survey for the quarter October-December, 2008, though on a small sample basis, during January, 2009 and submitted report within a period of one month.

Present summary report is based on the data collected during April, 2009 and relates to the quarter January-March, 2009. I appreciate the wholehearted efforts of the staff of Labour Bureau towards collection of data and preparation of the report in such a short time.

I am thankful to the Labour & Employment Adviser and Statistical Advisor of the Ministry in guiding us. I am also grateful to the State Labour authorities for the wholehearted support and co-operation extended in making this survey successful.

Dr. K.S.R.V.S Chalam
Director General

Place: Chandigarh
Date: 25.05.2009

Contents

Executive Summary

I	Introduction	1-4
II	Sampling Design & Estimation Technique	5-8
III	Analysis of Employment Trends	9-14
IV	Sectoral Analysis	15-51

Annexure

I	Questionnaire canvassed in the survey
II	Report of First Quarter Survey

EXECUTIVE SUMMARY

- This is the second quarterly survey to assess the impact of economic slowdown on employment during January-March, 2009. However for the sake of comparability, data on employment have been collected at four reference points, namely March, 2008; Sep, 2008; Dec, 2008 and March, 2009.
- The sample was drawn from 21 centres spread over eleven states/UT of Chandigarh.
- In addition to textiles, metals, gems & jewellery, IT-BPO, transport and automobiles sectors covered in the first survey, leather and handloom-powerloom have also been covered during the second survey.
- A sample of 3,192 units has been covered in the survey.
- A two stage stratified sampling is adopted. First stage units (districts/centres) are selected using purposive sampling and second stage units (establishments) are selected using circular systematic sampling with random start.
- A different sample has been drawn during the second survey using latest available list of units (frame) vis-a-vis the first survey.
- Total estimated employment in the sectors covered has increased by 0.6% during January-March, 2009 period. Non-export units have shown higher rate (0.92%) of increase in employment as compared to export units (0.28%).
- Sectors registering increase in employment during January-March, 2009 period are gems & jewellery (3.08%), textiles (0.96%), IT-BPO (0.82%), handloom-powerloom (0.28%) and automobiles (0.10%).
- A decline in employment during Jan-Mar, 2009 has been observed in leather (2.76%), metals (0.56%) and transport (0.36%).
- As compared to October-December, 2008 quarter wherein about half a million workers lost their jobs, the employment in selected sectors has increased by a quarter million during the January-March, 2009 period.
- During April, 2008-March, 2009 period employment in the sectors covered has increased by 0.15 per cent, resulting in an addition of 0.28 million jobs.

Chapter-I

Introduction

- 1.1 The recession in the United States economy and the consequent global meltdown termed as global economic recession have engulfed the whole world economies with a varying degree of economic & social impact.
 - 1.2 The global economic slowdown started in the USA in August, 2007 due to defaults in payments of housing loans and has impacted the economies of other countries. The United States accounts for one-fourth of the world's Gross Domestic Product and any significant slowdown in U.S. is bound to have reverberations elsewhere.
 - 1.3 In a globalized market scenario, the impact of recession at one place is bound to have effect at other places also. It would be naive to imagine that a recession in the United States would have no impact on India. During the second half of the financial year 2008-09, the Indian economy also decelerated resulting in loss of employment.
 - 1.4 The quantum of impact on the economies of different countries is proportional to the economic relation between the US economy and the economy of that country. World over, the impact of this global slowdown is diversified, and can be observed in the form of falling stock markets, down sizing/freezing jobs of by companies and also cutting down of the perks and salaries.
 - 1.5 The impact of this global slowdown is wide-spread and in the recently concluded G-20 summit at London, it was unanimously decided by the world leaders to take collective action, which is necessary to stabilise the world economy and secure recovery and jobs. The leaders agreed to take action on the following parameters at the earliest so that more severe downturn may be averted¹.
1. **Restore confidence, growth and jobs:** - Leaders reaffirmed their commitment to work together to restore growth and jobs, while preserving long-term fiscal sustainability. They agreed for actions to accelerate the growth and committed to taking whatever action necessary to secure that outcome. The IMF has also been called upon

¹ Source: - www.londonsummit.gov.uk

to assess regularly the actions taken and to suggest the global actions required. The Group also committed to make available an additional \$1.1 trillion support to help the world economy through the crisis and to restore credit, growth and jobs. Most of this will be provided through the international financial institutions.

2. **Strengthen financial supervision and regulation:** - Leaders agreed to strengthen the financial system by putting in place a better and more credible system of surveillance and regulation to take account of macro-prudential risks and prevent excess leveraging, including (for the first time) regulation and oversight of large hedge funds and credit rating agencies. They also agreed actions to tackle non-cooperative jurisdictions and common principles for executive remuneration.
3. **Fund and reform our international financial institutions to overcome this crisis and prevent future ones:** - Leaders agreed to make an additional \$850 billion resources available through international financial institutions like the IMF, World Bank, and other multilateral development banks, including a \$500 billion expansion of the IMF's resources, an SDR allocation of \$250 billion, and at least \$100 billion in additional lending from MDBs. The leaders also agreed to ensure the facilities needed to meet the requirements of emerging markets and developing countries and to speed up reform of international financial institutions to ensure national representation in line with the changing balance of the world economy.
4. **Promote global trade and investment and reject protectionism, to underpin prosperity:** - Leaders committed not to resort to protectionism, direct or indirect and to put in place, a transparent monitoring mechanism to achieve this; and to take measures which promote trade, including a commitment to make available \$250 billion to halt the slow-down in trade finance, which facilitates up to 90% of world trade.
5. **Build an inclusive, green, and sustainable recovery:** - Leaders reaffirmed their commitment to meet the Millennium Development Goals and to deliver up on development aid pledges; make \$50 billion available to low income countries, including through the proceeds of agreed IMF gold sales. They also agreed that the IMF would further support low income countries; and called on the UN to establish an

effective mechanism to monitor the impact of the crisis on the poorest and the most vulnerable.

- 1.6 The Government of India has taken several measures to arrest the present economic slowdown including packages for different employment generating sectors. Fiscal stimulus measures taken by Government during the quarter are - extension of the period of general reduction in three major ad valorem rates of Central Excise duty, viz 14 per cent, 12 per cent and 8 per cent applicable to non-petroleum products, by 4 percentage points. In addition, Central Excise duty is reduced from 10 per cent to 8 per cent. Service tax is also reduced from 12 per cent to 10 per cent.
- 1.7 Monetary measures during the quarter are - reduction in the provisioning requirement for all types of standard assets to uniform level of 0.40 per cent, except in case of direct advances to agricultural and micro, medium & small enterprises sector, which shall continue to attract provisioning of 0.25 per cent, as hitherto.
- 1.8 In order to provide liquidity support to housing, export and micro, medium & small enterprises sectors, Reserve Bank of India has provided a refinance facility of Rs. 4,000 crore to the NHB, Rs. 5,000 crore to the EXIM Bank and Rs. 7,000 crore to the SIDBI up to March, 2010. Interest rate on housing loan is also scaled down to promote housing activity.
- 1.9 With a view to assess the impact of economic slowdown on employment in the country during the quarter Oct-Dec, 2008, the Ministry of Labour & Employment asked Labour Bureau to conduct quick sample survey in the industries/sectors supposed to be badly affected by the slowdown and estimate the extent of employment loss. Accordingly, first such survey was conducted in January, 2009 covering eight sectors, the important findings are stated below:
 - ❖ About half a million workers have lost their jobs during October-December, 2008.
 - ❖ The most affected sectors were gems & jewellery, transport and automobiles where the employment has declined by 8.58 %, 4.03%, and 2.42 % respectively during the period Oct-Dec, 2008. In textile sector, 1.1 per cent of the workers have lost their jobs.
 - ❖ The major impact of the slowdown is noticed in the export oriented units.

- ❖ The change in the total earnings during the period under review has declined by 3.45 per cent.
- ❖ Capacity utilisation of the units came down by 7.05 per cent in automobiles and 5.68 per cent in metal sectors.

The report on first quarterly survey is appended (Annexure-II).

- 1.10 The present report on the effects of economic slowdown on employment in India, based on the second quarterly survey, covers the period from January to March, 2009. In the first quarterly survey (October-December, 2008) eight important sectors of the economy viz. mining, textiles, metals, gems & jewellery, automobiles, transport, construction and IT/BPO were covered. In the second survey two new important sectors, namely leather and handloom/power loom are additionally covered. Mining sector has, however not been covered in the second quarterly survey.
- 1.11 During the first quarterly survey, the response from the selected units of construction sector was found to be unsatisfactory as they did not provide record based information. It was, therefore not possible to present the results of unreliable and inconsistent data in the first quarter report.
- 1.12 To do any sample study, there is a need to have an up to date frame of that particular sector. In case of construction sector, no such frame is available, except the results of Economic Census 2005, which itself is dated and majority of the sample units cannot be located on the basis of this frame. Also, due to non-cooperation of the units and the unique nature of construction sector, where most of the activities are on contract, primary data on employment could not be collected. In view of the contracting and sub contracting of workers in the construction sector and as also non availability of any sampling frame, the impact on employment in the construction sector could not be assessed in the second survey also. Thus the construction sector requires a special study as during both the surveys undertaken by Labour Bureau, difficulties were experienced in the collection of data.
- 1.13 The inter-quarter comparison of data presented in the second quarterly report is based on the information collected during the second survey and the data collected during the first quarterly survey has not been referred.

Chapter-II

Sampling Design and Estimation Technique

- 2.1 A two stage stratified sampling was adopted wherein first stage units, districts/centres were selected using purposive sampling and second stage units, the establishments were selected using circular systematic sampling.
- 2.2 *First Stage:* The whole country was first classified into four zones (i.e. Northern, Southern, Western and Eastern). At least two states were selected from each zone purposively after taking into consideration the concentration of units, employment, type of industrial activity and other constraints such as feasibility and availability of time/manpower. From each selected state, centres were selected purposively based on the concentration of selected sector units.
- 2.3 *Second Stage:* At each selected centre, units in the frame were classified at National Industrial Classification (NIC) -3 digit level and taken as stratum. From each stratum, sample units were drawn using circular systematic sampling after arranging the frame units in decreasing order of employment. The systematic sampling is extensively used on account of its low cost and simplicity in selection of sample. Moreover, in systematic sampling, all size class units are covered and thus likely to give a more precise estimate of the population mean.
- 2.4 Estimation of parameters at NIC 3 digit level was done using the following formula:
- $$T = \sum t_i \cdot N_i / n_i$$
- where,
- T=Estimated parameter at the ith NIC 3 digit level.
- t_i=Sample parameter at the ith NIC 3 digit level.
- N_i=Number of units in the frame at the ith NIC 3 digit level.
- n_i =Number of units in the sample at the ith NIC 3 digit level.
- 2.5 The second quarterly report covers the period from January to March, 2009. However for the sake of comparability, data on employment have been collected at four reference points; namely March, 2008; Sep, 2008; Dec, 2008 and March, 2009. In the second survey mining

sector has been excluded while leather and handloom-powerloom have been additionally covered. During the second survey it was decided to cover a thin sample of 3,500 units from 21 centres spread over 11 States and UT of Chandigarh. List of States/UT/Centres is shown in the following table:

Table 1: Centres and States covered

Sl. No.	Centre	State/UT
1.	Chandigarh	Chandigarh
2.	Ludhiana	Punjab
3.	Jalandhar	
4.	Panipat	
5.	Faridabad	Haryana
6.	Gurgaon	
7.	Delhi	
8.	Noida	Uttar Pradesh
9.	Kanpur	
10.	Agra	
11.	Kolkata	West Bengal
12.	Howrah	
13.	Ahmadabad	Gujarat
14.	Surat	
15.	Mumbai	Maharashtra
16.	Pune	
17.	Hyderabad	Andhra Pradesh

Sl. No.	Centre	State/UT
18.	Chennai	Tamil Nadu
19.	Coimbatore/Tiruppur	
20.	Erode	
21	Bangalore	Karnataka

2.6 As compared to first round of survey conducted in January, 2009, wherein a sample of 2,581 units was covered, the present round of survey aimed to cover 3,500 units. Finally a sample of 3,192 units could be covered as some units do not exist but listed in the latest ASI 2007-08 frame used for the survey. However, the units closed after March, 2008 are not substituted and the employment of such units has been taken as loss of employment. It needs to be mentioned that in some cases it was not possible to find out the exact date of closure. The sector wise coverage of units is presented in the following table:

Table 2: Sector-wise number of units covered

Sector	Number of Units covered
Textiles including Apparel	1,224
Leather	182
Metals	889
Automobiles	160
Gems & Jewellery	240
Transport	88
IT-BPO	278
Handloom-Power loom	131
Total	3,192

2.7 In case of manufacturing sector i.e. textiles, leather, metals, automobiles and gems & jewellery, ASI frame of the year 2007-08, provided by the National Sample Survey Organisation (FOD)/Central Statistical Organisation is utilized for the survey. For IT-BPO sector, the frame has been collected from the Software Technology Parks of India (STPI). As the frame for transport sector was not available, the transport sector units located at selected centres were covered. In case of handloom-power loom, the lists of units located at selected centres were obtained from the departments of industry of the concerned states.

Chapter-III

Analysis of Employment Trends

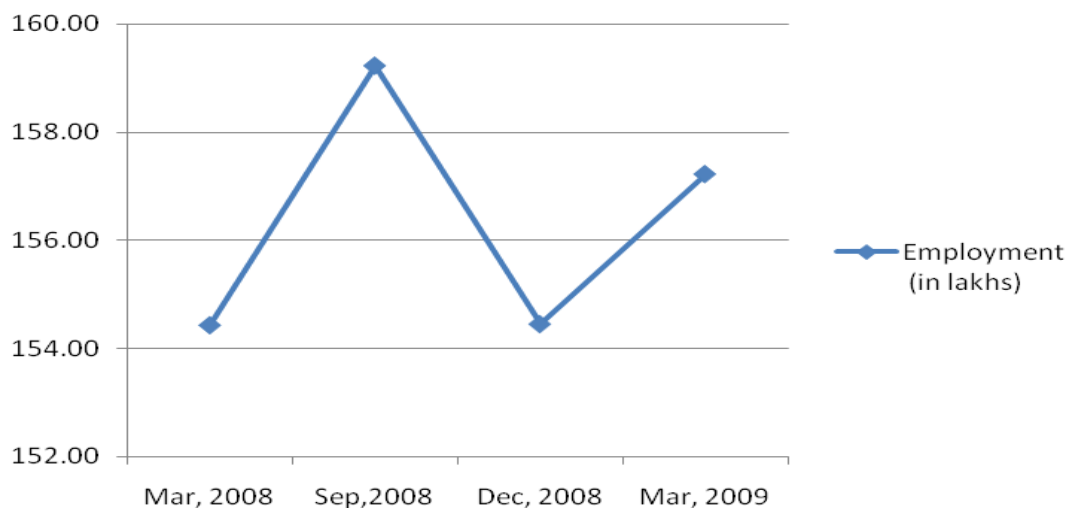
- 3.1 This is the second quarterly report on the effect of economic slowdown on employment in India. The first quarterly report (October - December, 2008) covered mining, textiles, metals, gems & jewellery, automobiles, transport, construction and IT-BPO sectors. The estimated loss of jobs in these sectors during this quarter was about half a million. The average monthly decline in employment was 1.01 per cent. The most affected sectors were gems & jewellery, transport, automobiles and textiles, wherein employment declined by 8.58 per cent, 4.03 per cent, 2.42 per cent and 0.91 per cent respectively during the period October-December, 2008. Major impact of the slowdown was experienced by the export sector. Total earnings in selected sectors had declined by 3.45 per cent during October-December, 2008 quarter. In case of construction sector, response from selected units was not found to be satisfactory as these did not supply data based on actual records. It was, therefore, not possible to present the analysis of such unreliable and inconsistent data in the report.
- 3.2 As mentioned earlier, the results of the second quarterly survey are based on a different sample. Rate of change in employment during Oct-Dec, 2008 quarter estimated on the basis of first survey's sample (-1.01 per cent) and on the basis of second survey's sample (-1.0 per cent) works out to be more or less same. It may thus safely be presumed that the samples of both the surveys are representative. It is reiterated that the inter-quarter comparison of data presented in the subsequent analysis is based on the information collected during the second survey and the data collected during the first quarterly survey has not been referred. Sector-wise changes in estimated employment of different sectors covered during the survey are presented in table 1.

Table 1: Sector-wise Employment Trends over different periods

(In millions)

Industry	Apr,08 – Mar, 09	Apr- Sep,08	Oct - Dec,08	Jan-Mar,09
Textile	0.307	0.206	-0.107	0.208
Leather	-0.019	0.008	0.006	-0.033
Metals	-0.130	-0.001	-0.100	-0.029
Automobile	-0.175	-0.008	-0.169	0.002
Gems & Jewellery	-0.104	0.022	-0.159	0.033
Transport	0.007	0.007	0.004	-0.004
IT-BPO	0.416	0.258	0.066	0.092
Handloom-Power loom	-0.023	-0.014	-0.016	0.007
Overall	0.279	0.479	-0.477	0.277

3.3 It may be observed from the above table that the employment in selected sectors increased by 0.279 million during April, 08 – March, 09 period. During the April-September, 2008 period employment in these sectors increased by 0.479 million. However, due to economic slowdown, decline in employment to the extent of 0.477 million is observed in Oct-Dec, 2008. Subsequent quarter, i.e. Jan-Mar, 2009 has registered an increase of 0.277 million jobs. During this quarter, textiles, gems & jewellery, automobiles, IT-BPO and handloom-powerloom have shown increase in employment while other sectors have registered a decrease.



3.4 Table 2 presents sector wise employment trends in percentage terms over different periods of time. It may be seen from the above table that total employment has increased by 0.15 % during April, 2008-March, 2009. The increase in employment has been registered in three sectors, viz., textiles, transport and IT-BPO. In other sectors, employment has declined over this period. There is a significant decline in gems & jewellery (1.76%), followed by 1.57 % in automobiles during the same period.

Table 2: Average monthly changes in employment (percent)

Industry	Apr,08 – Mar, 09	Apr- Sep,08	Oct - Dec,08	Jan-Mar,09
Textile	0.36	0.48	-0.49	0.96
Leather	-0.41	0.37	0.45	-2.76
Metals	-0.58	-0.01	-1.79	-0.56
Automobile	-1.57	-0.14	-6.13	0.10
Gems & Jewellery	-1.76	0.74	-10.28	3.08
Transport	0.16	0.35	0.32	-0.36
IT-BPO	1.02	1.27	0.60	0.83
Handloom-Power loom	-0.21	-0.26	-0.62	0.28
Overall	0.15	0.52	-1.00	0.60

3.5 The overall employment during January-March, 2009 period has increased by 0.6 %. The sectors registering increase in employment during this period are gems & jewellery (3.08 %), textiles (0.96 %), IT-BPO (0.83 %), handloom-power loom (0.28 %) and automobiles (0.10 %). Decline in employment during the same period has been observed in leather (2.76 %), metals (0.56 %) and transport (0.36 %).

3.6 It is believed that in the event of decline in demand for his product, the manufacturer first lays off the contract workers as the process to retrench direct workers is cumbersome. With a view to assess the impact on employment of 'direct' and 'contract' category workers, separate data has been collected for these categories. Results of the survey show an increase of 0.30 % in the employment of direct workers during April, 2008-March, 2009 period and 0.68 % during Jan-Mar, 2009 period. The significant increase in employment during Jan-Mar, 2009 quarter is registered in gems & jewellery wherein it has

increased by 3.87 %. The sector wise details of employment change in direct category of workers over different periods of time are given below in table 3.

Table 3: Average monthly changes in employment of direct category of workers (percent)

Industry	Apr,08 – Mar, 09	Apr-Sep,08	Oct - Dec,08	Jan-Mar,09
Textile	0.43	0.53	-0.50	1.15
Leather	-0.45	0.37	-0.02	-2.46
Metal	-0.39	-0.05	-0.80	-0.67
Automobile	-0.36	0.40	-1.75	-0.47
Gems & Jewellery	-1.86	0.56	-10.89	3.87
Transport	0.18	0.34	0.36	-0.31
IT-BPO	1.02	1.27	0.60	0.82
Handloom-Power loom	-0.36	-0.26	-0.88	-0.03
Overall	0.30	0.59	-0.64	0.68

3.7 During Oct-Dec, 2008 period contract workers were the most affected due to slowdown. More than 3 per cent of workers in the contract category lost their jobs during this period. Employment of contract workers decreased by 0.88 per cent during April, 2008-March, 2009 period whereas it has remained unchanged at overall level during January-March, 2009 period. During this period, while the employment has increased in automobiles, IT-BPO and handloom-power loom, it has declined in other sectors studied. The details are presented in table 4.

Table 4: Average monthly changes in employment of contract workers (percent)

Industry	Apr,08 – Mar, 09	Apr-Sep,08	Oct - Dec,08	Jan-Mar,09
Textile	-0.09	0.16	-0.38	-0.29
Leather	-0.09	0.36	4.80	-5.13
Metal	-1.42	0.16	-5.88	-0.06
Automobile	-3.29	-0.92	-12.86	1.45
Gems & Jewellery	-0.48	2.98	-3.61	-3.44
Transport	-0.22	0.78	-0.64	-1.74
IT-BPO	0.99	0.99	0.62	1.23
Handloom-Power loom	0.71	-0.23	1.08	2.19
Overall	-0.88	0.01	-3.53	0.00

3.8 In a globalised economy, recession in the developed countries would invariably impact the export sector of the emerging economies. Though our export sector accounts for less than 20 percent of the country's GDP, decline in exports would affect the employment in this sector. In order to assess the impact of recession on employment in export sector, separate data for the export and non-export units was collected. It is seen from table 5 that the exporting units registered a decline of 0.16 % in the employment during April, 2008-March, 2009 period. The worst hit was the exporting units of automobiles and gems & jewellery wherein, the employment declined by 2.90 % and 1.93 % respectively. During Jan-Mar, 2009 quarter export units of gems & jewellery, IT-BPO and handloom-powerloom have registered increase in employment whereas employment in other sectors has declined.

Table 5: Average monthly changes in employment of export units (percent)

Industry	Apr,08 – Mar, 09	Apr-Sep,08	Oct - Dec,08	Jan-Mar,09
Textile	-0.48	-0.40	-1.09	-0.06
Leather	-0.48	0.05	0.36	-2.37
Metal	-0.24	0.38	-1.01	-0.71
Automobile	-2.90	-0.95	-9.23	-1.48
Gems & Jewellery	-1.93	0.73	-11.30	3.75
Transport				
IT-BPO	1.04	1.10	0.65	1.14
Handloom-Power loom	-0.05	0.21	-1.17	0.58
Overall	-0.16	0.20	-1.30	0.28

3.9 Sector-wise changes in employment of the non-exporting units during different periods are presented below in table 6.

Table 6: Average monthly changes in employment of non-exporting units (percent)

Industry	Apr,08 – Mar, 09	Apr-Sep,08	Oct - Dec,08	Jan-Mar,09
Textile	1.13	1.29	0.02	1.78
Leather	-0.18	1.42	0.73	-3.94
Metal	-0.83	-0.29	-2.38	-0.44
Automobile	-0.51	0.50	-3.88	1.04
Gems & Jewellery	-1.38	0.76	-8.10	1.82
Transport	0.16	0.35	0.32	-0.36
IT-BPO	0.98	1.68	0.47	0.04
Handloom-Power loom	-0.29	-0.47	-0.36	0.13
Overall	0.48	0.86	-0.69	0.92

3.10 In the non-exporting units also, the employment during the period Jan-March, 09 quarter has shown a recovery of 0.92 %. Major contributors to the increase are gems & jewellery, textiles and automobiles. In gems & jewellery, where the employment declined by 8.10% in the non-exporting units during Oct-Dec, 2008 period, it has registered an increase of 1.82 % during Jan-Mar, 2009 quarter.

Chapter – IV

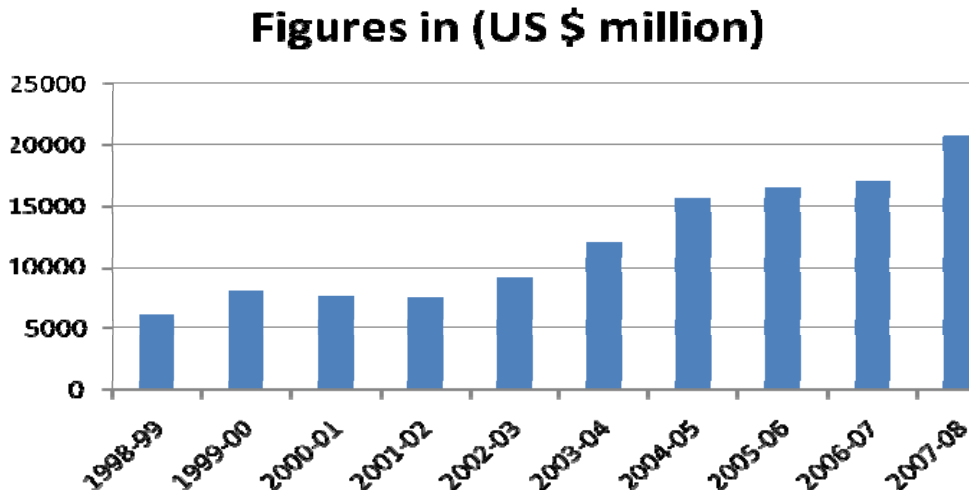
Sectoral Analysis

A- Gems and Jewellery

- 4.1 The gems & jewellery sector basically comprises of sourcing, processing, manufacturing and selling of precious metals and gemstones, such as platinum, gold, silver, diamond, ruby, and sapphire. The Gems & Jewellery industry in India can be categorised into diamonds, jewellery and precious/semi precious stones segments. Among these segments, diamonds segment dominates with the contribution of about 81% in the total exports of the industry.
- 4.2 According to Confederation of Indian Industry (CII) ¹, India accounts for 20 per cent of the world gold demand (often referred as consumption), the largest in the world. The country's demand consists of nearly 800 tonne of gold, of which nearly 600 tonne goes into making jewellery. Further, India is also emerging as the world's largest trading centre for gold targeting US\$ 16 billion by the year 2010.
- 4.3 Gems & Jewellery is one of the important sectors, contributing significantly to India's export basket. It accounts for 13% of country's total exports. The USA, UAE and Hongkong are the major export destinations for Indian gems and jewellery industry.
- 4.4 The total gems & jewellery exports from India stood at US\$ 20.8 billion in the financial year 2007-08, against US\$ 17.1 billion in the previous year, witnessing a growth of 22.27 per cent. The sector accounted for 13.41 per cent of India's total merchandise exports.
- 4.5 As per the latest Gems & Jewellery Export Promotion Council (GJEPC) release², the industry registered exports worth US\$ 15 billion in April-December 2008 (Provisional), compared to US\$ 14.9 billion in the corresponding period of the year 2007, registering insignificant growth of 0.59 per cent.

² Reproduced from "Gems & Jewellery" chapter on CII website www.imsme.org up dated on February 04, 2009.

4.6 According to the Investment Commission of India³, the industry is expected to have a 65 per cent share of the global market by 2010. In terms of domestic sales, branded jewellery is likely to become the fastest growing segment and is expected to witness a growth of 40 per cent per annum to US\$ 2.2 billion by 2010, as per McKinsey⁴. The following diagram provides information on year wise exports from the sector:



Source: *www.indiastat.com*

4.7 The industry is highly unorganised and fragmented. Most of the units (96 per cent) are family-owned businesses. It is estimated that the country has around 450,000 goldsmiths, 100,000 gold jewellers, 6,000 diamond processing players and 8,000 diamond jewellers⁵.

4.8 Although, mining of precious metals and stones in India is not undertaken in a large scale, the country's inexpensive and skilled workforce is one of the best in the world for processing of diamonds. Further, the retail sector has also seen an impetus in the recent past.

4.9 The sector provides employment to nearly 3 million people in India. Due to poor demand from the US market—which is reeling under the current global economic downturn, skilled and unskilled labourers are reportedly laid-off during 2008. In fact, India's jewellery sales to the US pick up during the holiday season, i.e. Christmas and New Year,

³ Reproduced from "Gems & Jewellery" chapter on CII website www.imsme.org up dated on February 04, 2009.

⁴ *ibid.*

whereas such sales to US have declined by more than 20 percent during the last holiday season. Domestic jewellery demand is also reportedly decreased by over 20 per cent as gold prices are going up.

4.10 In order to revive the Indian economy from the current global economic downturn, the government announced a stimulus package on December 7, 2008. Some of the measures announced in the package would also benefit the gems and jewellery sector. These measures include increase in the Post Shipment Rupee Export Credit Period, Providing interest subvention, allowing exporters to avail refund of service tax on foreign agent commissions, refund of service tax on output services while availing benefits under Duty Drawback Scheme, reducing the value addition norms for gold and silver jewellery exports, allowing 100 per cent FDI in the sector through the automatic route, abolishing duty on polished diamonds, setting up Gems and Jewellery Parks and SEZs, etc.

4.11 In the sample survey conducted by Labour Bureau in April, 2009, a total of 3192 units have been covered, of which 240 units belong to gems and jewellery located in Surat (104) and Mumbai (136). Among the covered units of gems & jewellery, 178 units belong to diamond industry. Segment-wise details are presented in table A-1.

Table A-1: Centre wise number of units covered

Sl.No.	Centre	Diamond	Others	Total
1	Surat	91	13	104
2	Mumbai	87	49	136
	Total	178	62	240

4.12 About 74% of the sample units belong to diamond industry. Out of the total sample of 204 units, 114 units are engaged in export activities and the remaining 126 are non-export units. Around 61 per cent of export units belong to diamond industry. The details are given in table A-2.

Table A- 2: Export Vs Non-Export units

Category	Diamond	Others	Total
Export	70 (61%)	44 (39%)	114 (100%)
Non-Export	108 (86%)	18 (14%)	126 (100%)
Total	178 (74%)	62 (26%)	240 (100%)

4.13 It may be observed from table A-3 that during April-September, 2008 period employment in the sector increased at a monthly rate of 0.74 per cent resulting in an increase of 0.22 lakh. Due to economic slowdown, the total estimated employment in the industry, however, declined by 10.28 % during September- December, 2008, resulting in a job loss of 1.59 lakh during the quarter. In the subsequent quarter, i.e. January-March, 2009, the employment has recovered at a monthly rate of 3.08 percent, resulting in an addition of 0.33 lakh jobs. The employment in gems & jewellery sector has declined at a rate of 1.76 per cent per month during April, 08-March, 09 period.

Table A-3: Average monthly changes in employment (percent)

Period	Employment Growth (in lakh) w.r.t. preceding period	Percentage change over previous period	Average Monthly change over previous period	Average monthly change over March, 2008
March,08	-	-	-	-
September,08	0.22	4.43	0.74	0.74
December,08	- 1.59	-30.69	-10.28	-3.07
March, 09	0.33	9.19	3.08	-1.76

4.14 A comparison of percentage change in employment of export and non-export units (Table A-4) indicates that during April, 08-March, 09 period, the employment in Gems & Jewellery declined at an average monthly rate of 1.93 percent in case of exporting units and at a rate of 1.38 per cent in case of non-exporting units, resulting in overall decline in employment by 1.76 per cent per month during this period. While the employment in both types of units increased during April-September, 2008, it declined substantially during the quarter October-December, 08. A decrease in employment of 11.30 % in export units and 8.10 % in non-export units is observed during this quarter. During the quarter Jan-March, 09 the situation has, however, improved and the employment during the period has gone up by 3.75 % in case of the former and by 1.82 % in case of the latter type of units. Probably, the desired impact of fiscal stimulus measures on export units has initiated.

Table A-4: Average monthly changes in employment of export and non-export units (percent)

Period	Export Units	Non-Export Units	Overall
April, 08–March, 09	-1.93	-1.38	-1.76
April – Sept, 08	0.73	0.76	0.74
Oct- Dec, 08	-11.30	-8.10	-10.28
Jan-March, 09	3.75	1.82	3.08

4.15 Changes in employment of direct and contract category workers over different periods of time are given in table A-5.

Table A-5: Percentage change in Employment of Direct and Contract workers.

Period	Direct	Contract	Total
April, 08–March, 09	-1.86	-0.48	-1.76
April – Sept, 08	0.56	2.98	0.74
Oct- Dec, 08	-10.89	-3.61	-10.28
Jan-March, 09	3.87	-3.44	3.08

4.16 It may be observed that during April-September, 08 periods the employment of contract workers increased at a higher rate (2.98%) as compared to direct workers (0.56%). During the Oct.-Dec., 08 quarter, wherein employment declined in both categories of workers, decline was significantly lower in case of contract workers (3.61%) as compared with direct workers (10.89%). During April, 2008-March, 2009 period, though employment of both types of workers has declined, the decline is more in case of direct workers. This perhaps indicates increased preference for contract workers in the industry.

B-Textiles

4.17 The Indian textiles sector has an overwhelming presence in the country's economy. Apart from providing one of the basic necessities

of life, the sector also plays a pivotal role, through its contribution to industrial output, employment generation, and export earnings of the country. Currently, it contributes 14 percent to industrial production, 4 percent to the GDP, and 17 percent to the country's export earnings. The textiles sector is the second largest provider of employment after agriculture in the country. It provides direct employment to over 35 million people. Thus, the growth and all round development of this sector has a direct bearing on the economy of the nation. The industry group-wise employment in textile sector is given below.

Table B-1: Industry- wise employment in textile sector (millions)

Industry	As on Mach 2001	As on March 2006
Cotton/Man-made Fibre/Yarn Textile/Mill Sector (including SSI spinning & exclusive weaving units)	1.07	0.94
Man-made fibre/Filament Yarn Industry (including texturising industry)	0.11	0.16
Decentralised Power Loom	4.15	4.86
Handloom Sector	12.0	6.50
Knitting Sector	0.30	0.43
Processing Sector	0.24	0.29
Woollen Sector	1.20	1.50
Readymade garment sector (including knitwear sector)	3.54	5.57
Sericulture	5.57	5.95
Handicraft sector	5.84	6.57
Jute Industry	0.20	0.40
Textiles	34.42	33.17

(Source: www.indiastat.com)

- 4.18 The Indian textiles sector is extremely varied, with the hand-spun and hand-woven units at one end of the spectrum, and the capital intensive & sophisticated mill sector at the other. The decentralized power looms, handlooms, hosiery and knitting units form a large section of the textiles sector in terms of employment. The close linkage of the textiles sector to agriculture and our ancient culture & traditions make it unique in comparison with that of other countries. This also provides the sector, the capacity to produce a variety of

products suitable to the different market segments, both within and outside the country.

- 4.19 Major sub-sectors that comprise the textiles sector are - organized Cotton/ Man-Made Fibre Textile Mills, Man-made Fibre/ Filament Yarn industry, Wool and Woollen Textiles industry, Sericulture and Silk Textiles industry, Handlooms, Handicrafts, the Jute and Jute Textiles industry, and Textile Garments.
- 4.20 The textile sector which provides direct employment to about 35 million people has huge potential of for further employment generation. The global economic slowdown has slowed the growth of the Indian textile sector also as indicated by decline in the monthly Index of Industrial production of different textile industries. It has adversely impacted the employment in the organised and unorganised sectors. The quarterly average Index of Industrial Production (IIP) data of various textile industries during the year 2008-09 are given in Table B-2.

Table B-2:- Quarterly Average Index of Industrial Production during the year 2008-09

Industry	Weight	Apr-June, 2008	Jul-Sep, 2008	Oct-Dec, 2008	Jan-March, 2009
Cotton Textiles	55.2	167.4	161.3	157.3	151.8
Wool, Silk and man-made fibre textiles	22.6	292.6	255.0	279.6	294.2
Jute and other vegetable fibre Textiles (except cotton)	5.9	108.2	119.2	92.0	114.8
Textile Products (including Wearing Apparel)	25.4	312.2	307.3	303.4	302.9
Manufacturing	793.6	289.5	291.3	289.8	304.7

(Source: IIP, March, 2009 press release, C.S.O.)

4.21 Textile sector's share in the total weight of manufacturing sector in IIP compilation is 14 per cent and any contraction/expansion in the sector has significant effect on the IIP of the manufacturing sector. From the above table it may be seen that subsequent to the second quarter i.e. July-Sep, 2008, the IIP of all the textile industries, except wool, silk and man-made fibre textile group, have declined. The average index of cotton textile industry for the first half of the year 2008-09 is 164.3 which have come down to 152.9 in the second half of the year. Similar trend is observed in other industry groups of the textile sector except wool, silk and man-made fibre textiles group.

4.22 Table B-3 presents the average annual change in the Index of Industrial Production of various industry groups of textile sector. It may be seen from the table that all industry groups of textile sector, except textile products including wearing apparel, have shown a decline in production on year-to-year basis during the year 2008-09. The cotton textiles group, which has over 50 per cent share in the textile sector in terms of IIP weights, has shown a contraction of about 3 per cent in the year 2008-09. Similarly in wool, silk and man-made fibre textiles & jute and other vegetable fibre textiles groups, the index shows a reduction of 0.3 per cent and 10.1 per cent respectively in the year 2008-09.

Table B-3:- Percentage change in annual averages of IIP

Head	2004-05	2005-06	2006-07	2007-08	2008-09
Cotton Textiles	7.6	8.5	14.8	4.3	-2.8
Wool, Silk and man-made fibre textiles	3.5	0.0	7.8	4.8	-0.3
Jute and other vegetable fibre Textiles (except cotton)	3.7	0.5	-15.8	33.1	-10.1
Textile Products (including Wearing Apparel)	19.2	16.3	11.5	3.7	3.7
Manufacturing	9.2	9.1	12.5	9.0	2.3

(Source: IIP, March, 2009 press release, C.S.O.)

4.23 In the second quarter survey, a sample of 1224 textiles sector units has been covered from 12 centres spread across 10 States. The details of the centre wise units covered are given below in Table B-4.

Table B-4:- Centre wise number of units covered

Sl.No.	Name of centre	No. Of units covered
1	Ahmedabad	95
2	Bangalore	107
3	Chennai	63
4	Coimbatore	201
5	Faridabad	22
6	Gurgaon	144
7	Howrah	21
8	Kanpur	3
9	Ludhiana	155
10	Mumbai	77
11	Delhi-South	199
12	Surat	137
	Total	1224

4.24 In the second quarter survey, the employment figures have been collected at four reference points, viz. March, 2008, September, 2008, December, 2008 and March, 2009. The information is collected at NIC 3 digit level and the employment trends in different industry groups of textiles sector over different time periods are presented in Table B-5. The survey results reveal that at overall level, the employment in the sector during the period April, 08-March, 09 has increased by 0.31 million. While the employment in the sector declined during the quarter Oct-Dec, 08 by 0.11 million, it has increased by 0.21 million during the Jan - Mar, 09 quarter. During April-September, 2008 period also employment increased by 0.21 million.

Table B-5: Trends of change in Employment (in millions)

Industry/Group	Apr,08- Mar-09	Apr Sep,08	- Oct-Dec,08	Jan- Mar,09
Textiles	0.31	0.21	-0.11	0.21

Spinning, weaving & finishing of textiles	0.55	0.33	-0.11	0.33
Man. of other textiles	-0.17	-0.02	-0.09	-0.06
Manu. Of knitted fabric	-0.02	0.01	0	-0.03
Man. Of wearing apparel	-0.01	-0.01	0.01	-0.01
Dressing & Dyeing of fur	0.00	0.01	-0.01	0.00

4.25 Table B-6 presents the percentage change in employment over different periods. At aggregate level, the textile sector is showing an average monthly increase of 0.36 per cent in employment during the period Apr, 08-Mar, 09. Except Spinning and dressing / dyeing, employment in which remained unchanged, all other industries have shown a decline in average employment during this period.

Table B-6: Average monthly changes in employment (Percent)

Industry/Group	Apr,08- Mar-09	Apr - Sep,08	Oct- Dec,08	Jan- Mar,09
Textiles	0.36	0.48	-0.49	0.96
Spinning, weaving & finishing of textiles	1.10	1.34	-0.86	2.50
Man. of other textiles	-2.46	-0.70	-5.48	-3.99
Manu. Of knitted fabric	-0.28	0.45	-0.09	-1.86
Man. Of wearing apparel	-0.24	-1.03	1.84	-0.65
Dressing & Dyeing of fur	0.86	3.43	-2.56	-0.30

4.26 During the quarter January-March, 2009 average employment in textile sector increased by 0.96 per cent. At NIC 3 digit level, significant increase in employment is seen in the group spinning, weaving & finishing of textiles, where the average employment

increased by 2.5 per cent. In all other four industry groups mentioned in the table, the average employment declined during this period.

4.27 Results of the survey reveal that the average monthly employment of direct category of workers in textile sector increased by 0.43 per cent during the April, 2008 –March, 2009 period. The average monthly employment, which declined by 0.50 per cent during the Oct- Dec, 2008 period are now showing a recovery of 1.15 per cent during the Jan-March, 2009 period. The employment trends of direct category of workers at NIC 3 digit level industries of the sector are presented in Table B-7.

Table B-7: Average monthly changes in employment of direct category workers (Percent)

Industry/Group	Apr,08- Mar-09	Apr Sep,08	- Oct- Dec,08	Jan- Mar,09
Textiles	0.43	0.53	-0.50	1.15
Spinning, weaving & finishing of textiles	1.02	1.13	-0.64	2.40
Man. of other textiles	-2.17	-1.28	-5.80	-0.98
Manu. Of knitted fabric	-0.21	0.59	-0.11	-1.84
Man. Of wearing apparel	-0.40	-0.59	0.51	-0.92
Dressing & Dyeing of fur	12.98	10.22	14.30	3.66

4.28 Table B-8 presents the employment trends of contract category of workers. The sector is showing an average decline of employment in contract category by 0.09 per cent during the period April, 2008-March, 2009. In the third quarter of 2008-09 i.e. Oct-Dec, 2008 period the average monthly decline was registered at 0.38 per cent. However, in Jan-Mar, 2009 period the rate of average monthly decline in textile sector has come down to 0.29 per cent.

Table B-8: Average monthly changes in employment of contract workers
(Percent)

Industry/Group	Apr,08- Mar-09	Apr - Sep,08	Oct- Dec,08	Jan- Mar,09
Textiles	-0.09	0.16	-0.38	-0.29
Spinning, weaving & finishing of textiles	2.05	4.02	-3.22	3.70
Man. of other textiles	-2.81	0.00	-5.12	-7.25
Manu. Of knitted fabric	-1.17	-1.40	0.11	-2.16
Man. Of wearing apparel	0.53	-3.24	9.88	0.62
Dressing & Dyeing of fur	-4.67	0.33	-14.72	-7.62

4.29 A comparison of employment data of export and non-export units presented in Table B-9 and Table B-10 respectively confirms that the employment in export units in the sector has been affected adversely by the slowdown.

Table B-9: Average monthly changes in employment of export units
(Percent)

Industry/Group	Apr,08- Mar-09	Apr - Sep,08	Oct- Dec,08	Jan- Mar,09
Textiles	-0.48	-0.40	-1.09	-0.06
Spinning, weaving & finishing of textiles	0.35	0.95	-3.76	3.71
Man. of other textiles	-2.91	-0.26	-7.34	-5.05
Manu. Of knitted fabric	-0.32	0.47	-0.02	-2.14
Man. Of wearing apparel	-0.38	-1.40	2.01	-0.57
Dressing & Dyeing of fur	0.87	3.45	-2.57	-0.28

4.30 Employment trends of export and non-export units are presented in Table B-9 and Table B-10 respectively. Comparison of these trends reveals that the employment declined in export units and increased in non-export units during the quarters October-December, 2008 and January-March, 2009. It may, however, be mentioned that the adverse impact on employment of export units during the quarter Jan-Mar, 2009 is very less as compared to the impact during the preceding quarter (Oct-Dec, 2008).

Table B-10: Average monthly changes in employment of non-export units (Percent)

Industry/Group	Apr,08- Mar-09	Apr - Sep,08	Oct- Dec,08	Jan- Mar,09
Textiles	1.13	1.29	0.02	1.78
Spinning, weaving & finishing of textiles	1.31	1.45	-0.07	2.21
Man. of other textiles	-1.12	-2.00	0.75	-1.28
Manu. Of knitted fabric	-0.13	0.38	-0.35	-0.89
Man. Of wearing apparel	0.62	1.35	0.89	-1.07
Dressing & Dyeing of fur	-1.17	0.0	0.0	-4.69

4.31 At sectoral level, employment in non-export units has increased during all the time periods for which data have been collected. It may, however, be noted that from an increase of 1.29 % per month during the April-September, 2008 period, the rate of increase came down to an insignificant level of 0.02 % per month during October-December, 2008. Rate of increase in employment has again picked up to 1.78 % per month during the quarter January-March, 2009.

C-Leather

4.32 The leather and leather products industry is one of India's oldest manufacturing industries that cater to the international market right from the middle of the nineteenth century. The demand for its products has been both domestic as well as international right from

the beginning. About 46 per cent of the production in the sector is exported and it ranks eighth in the list of India's top export earning industries. The sector accounts for 2.5 per cent of the global leather trade.

- 4.33 The Indian leather industry comprises of a large number of artisanal, cottages, tiny, small and medium enterprises. According to a 2008 estimate, around 80 per cent of leather footwear units are in the unorganised sector. The industry employs about 2.5 million people.
- 4.34 The sector is dominated by small scale units. The industry is concentrated in several leather clusters at distinct locations in the country, with each cluster containing a wide variety of enterprises. The major production centres of leather and leather products are Chennai, Trichy & Dindigul in Tamil Nadu, Kolkata in West Bengal, Kanpur & Agra in U.P., Jalandhar in Punjab, Delhi, Hyderabad in Andhra Pradesh, Bangalore in Karnataka and Mumbai in Maharashtra. Tamil Nadu is the biggest leather exporter of the country and its share in India's production of leather products is 70 per cent.
- 4.35 India has the highest livestock population in the world, providing a huge supply of raw materials as skins and hides to this industry. As converting leather into value-added products is purely skill-based and is labour-intensive process, the industry has the potential to play a big role in creating employment and income-generating opportunities in the country. The following table provides information on employment in different segments of the industry.

Table C-1 Estimated employments in different segments of leather industry (In lakh)

Sector	Total employment	Women employment	% share of women employment
Flaying, curing and carcass recovery	8.0	0.35	4.00
Tanning & finishing	1.25	0.25	20.00
Full shoe	1.75	0.55	31.00
Shoe uppers	0.75	0.63	84.00

Chappals (Indian style open footwear) & sandals	4.50	1.50	33.00
Leather Goods & Garments	1.50	1.23	82.00

Source: Leather Industry in India by Sumangala Damodaran and Pallavi Mansigh, Centre for Education and Communication (CEC)

- 4.36 During the second quarterly survey on effect of economic slowdown on employment in the sector, a sample of 182 units located at Chennai, Agra, Jalandhar and Kanpur has been covered. Centre-wise units covered are presented in Table C-2.

Table C-2: Centre wise number of units in the sample

Sl.No.	Name of centre	No. Of units covered
1	Agra	55
2	Chennai	11
3	Jalandhar	30
4	Kanpur	86
	Total	182

- 4.37 The survey results reveal that the estimated employment in the sector has declined by 0.02 million during Apr, 08 – March, 2009. During the quarter Jan-March, 2009 the decline is 0.03 million.

Table C-3: Employment changes in Leather Sector (in millions)

Sector/Group	Apr,08-Mar-09	Apr - Sep,08	Oct-Dec,08	Jan-Mar,09
Leather	-0.02	0.01	0.0	-0.03
Tanning/Dressing of leather	-0.02	0.0	-0.01	-0.01
Manufacture of footwear	0.00	0.01	0.01	-0.02

- 4.38 Table C-4 presents average monthly percentage change in employment of the leather sector over different periods of time. The average monthly decline in employment of leather industry during Jan.-March, 2009 is 2.76 percent. However, for the whole year 2008-09, the average monthly decline is 0.41 per cent in the sector. In

‘tanning/dressing of leather’ the average monthly employment declined by over 3 per cent in Jan- March, 2009.

Table C-4: Average monthly changes in employment (Percent)

Sector/Industry group	Apr,08- Mar-09	Apr - Sep,08	Oct- Dec,08	Jan-Mar,09
Leather	-0.41	0.37	0.45	-2.76
Tanning/Dressing of leather	-1.04	0.28	-1.79	-3.01
Manufacture of footwear	-0.17	0.41	1.33	-2.67

- 4.39 Employment trends of direct category of workers employed in the leather sector are presented in Table C-5. At aggregate level, the average monthly decline in employment of direct workers during Jan.- March, 2009 is about 2.5 per cent. In the first half year of 2008-09, direct employment of the sector increased at an average monthly rate of 0.37 per cent.

Table C-5: Average monthly changes in employment of direct category of workers (Percent)

Head	Apr,08- Mar-09	Apr - Sep,08	Oct-Dec,08	Jan- Mar,09
Leather	-0.45	0.37	-0.02	-2.46
Tanning/Dressing of leather	-0.92	0.26	-1.89	-2.38
Manufacture of footwear	-0.25	0.42	0.75	-2.50

- 4.40 In the ‘manufacture of footwear’ segment, employment of direct workers during April-Sept, 2008 and Oct-Dec., 2008 periods increased at rate of 0.42% and 0.75% respectively. However in the quarter of Jan-March, 2009 their employment in the segment declined at an average monthly rate of 2.50%.
- 4.41 The survey result reveals that the contract workers are the most affected during the quarter Jan- March 2009. It may be seen from the table C-6 that the average monthly decline in the employment of contract workers is 5.13 per cent during this quarter.

Table C-6: Average monthly changes in employment of contract category of workers (Percent)

Industry/Sector	Apr,08-Mar-09	Apr - Sep,08	Oct-Dec,08	Jan-Mar,09
Leather	-0.09	0.36	4.80	-5.13
Tanning/Dressing of leather	-2.70	0.57	-0.51	-11.21
Manufacture of footwear	0.54	0.30	6.12	-3.88

4.42 The data on employment trends of export units of the sector reveal that the average monthly employment of the sector has declined by 2.37 per cent during Jan.-March, 2009. The details of the changes in employment of export units are presented in Table C-7.

Table C-7: Average monthly changes in employment of exporting units (Percent)

Industry/Sector	Apr,08-Mar-09	Apr - Sep,08	Oct-Dec,08	Jan-Mar,09
Leather	-0.48	0.05	0.36	-2.37
Tanning/Dressing of leather	-1.17	0.07	-1.96	-3.01
Manufacture of footwear	-0.22	0.05	1.24	-2.15

4.43 The impact of the global economic slowdown is also visible on the of non-export units of the sector. The survey results reveal that the employment in leather sector's non-export units has declined by 3.94 per month during the quarter Jan.-March, 09.

Table C-8: Change in employment of non-exporting units

Head	Apr,08-Mar-09	Apr - Sep,08	Oct-Dec,08	Jan-Mar,09
Leather	-0.18	1.42	0.73	-3.94
Tanning/Dressing of leather	-0.67	0.89	-1.32	-3.02
Manufacture of footwear	0.04	1.67	1.62	-4.31

4.44 It may be noted that during the periods preceding the Jan.-March, 2009 quarter, i.e. April-Sept, 08 and Oct.-Dec.08, employment in the sector has gone up.

D-Handloom-Power loom

Handloom Sector

4.45 The word handloom evolves from the process of operation for making cloth by hand on a wooden structure called loom. Handlooms constitute a timeless facet of the rich cultural heritage of India. As an economic activity, the handloom sector occupies a prominent place in providing livelihood to the people. The element of art and craft present in Indian handlooms makes it a potential sector for the upper segments of domestic and global market. However, the sector is beset with manifold problems such as obsolete technologies, unorganized production system, low productivity, inadequate working capital, conventional product range, weak marketing link, overall stagnation of production and sales and, above all, competition from power-looms and mill sector. Handlooms account for 13% of the total cloth produced in the country (excluding clothes made of wool, silk and hand spun yarn). The year wise production of cloth by Handloom sector is given below.

Table D-1: Production of cloth by Handloom Sector

(Million Sq. Mtrs.)

Financial Year	Qty.	Growth (%)	% Share in country's total cloth
1995-1996	7202	17	23
1996-1997	7457	4	22
1997-1998	7604	2	21
1998-1999	6792	-11	19
1999-2000	7353	8	19
2000-2001	7472	2	19
2001-2002	7585	2	18
2002-2003	5989	-21	14
2003-2004	5581	-7	13
2004-2005	5705	2	13
2005-2006	6108	7	13
2006-2007	6535	7	12
2007-2008	6947	6	13
2008-2009 (Apr-Nov)	4496	-2	13

(Source: Annual Report 2007-08 of Ministry of Textiles)

4.46 In the textile industry, handloom sector is one of the significant employment contributor sectors. It provided employment to 6.55 million workers in 2001-02. The state wise numbers of handloom workers during 2001-02 are presented below in table.

Table D-2: State-wise Number of Handloom Workers (2001-02)

States/UTs	No. of Handloom Workers
Andhra Pradesh	490616
Arunachal Pradesh	53473
Assam	2322268
Bihar	110732
Chhatisgarh	28362
Delhi	6708
Goa	25
Gujarat	57936
Haryana	22810
Himachal Pradesh	65099
Jammu & Kashmir	51847
Jharkhand	56975
Karnataka	177562

Kerala	63153
Madhya Pradesh	27744
Maharashtra	80901
Manipur	462087
Meghalaya #	-
Mizoram #	-
Nagaland	126228
Orissa	246782
Pondicherry	7369
Punjab	13160
Rajasthan	71915
Sikkim	1228
Tamil Nadu	607675
Tripura	291761
Uttar Pradesh	401362
Uttaranchal	19322
West Bengal	686254
India	6551354

(Source: www.indiastat.com)

Power-loom Sector

4.47 The decentralised Power-looms Sector plays a pivotal role in meeting the clothing needs of the country. The power-looms produce a wide range of cloth, both grey, as well as, processed. Production of cloth, as well as, generation of employment has been rapidly increasing in the power-looms sector. As on January 31, 2008, there were 20.83 lakh power-looms in the country distributed over approximately 4.64 lakh units. The power-looms sector contributes about 62% of the total cloth production of the country, and provides employment to about 49.75 lakhs persons, which is around 18.5% (excluding Handicrafts and Jute) of the total employment in textiles sector. More than 60% of the cloth meant for exports comes from the power-looms sector. The year-wise details of power-looms set-up since 2002 (up to December, 2007) are shown in Table D-3.

Table D-3: Year wise number of power-looms in India

Year	No. Of Power-looms
2002-03	16,92,737
2003-04	18,36,856
2004-05	19,02,953
2005-06	19,43,892
2006-07	19,90,308
2007-08 (up to Dec)	20,82,895

(Source: Annual Report 2007-08 of Ministry of Textiles)

4.48 Year-wise details of total cloth production and production by the power-looms sector during the Xth Five Year Plan are given at Table D-4.

Table D-4: Year wise cloth production in India

(Million Sq. Mtrs.)

Year	Total Cloth Production	Production on Power-looms	% share of power-looms in total cloth production
2002-03	41973	25954	62%
2003-04	42383	26947	64%
2004-05	45378	28325	62%
2005-06	49577	30626	62%
2006-07	53389	32876	62%

(Source: Annual Report 2007-08 of Ministry of Textiles)

4.49 The handloom-power-loom sector together provides employment to more than ten million workers in the country. The survey in the sector is conducted at three main centres of handloom-power-loom viz. Panipat (Haryana), Erode and Coimbatore (Tamil Nadu). From these three centres 86, 28 and 17 sample units respectively covered. Changes in employment in the sector over different time periods are shown in Table D-5.

Table D-5: Average monthly changes in employment (Percent)

Sector/Category of units/Workers	Apr,08-Mar-09	Apr - Sep,08	Oct-Dec,08	Jan-Mar,09
Handloom-Power-loom	-0.21	-0.26	-0.62	0.28
Export units	-0.05	0.21	-1.17	0.58
Non-Export	-0.29	-0.47	-0.36	0.13
Direct workers	-0.36	-0.26	-0.88	-0.03
Contract workers	0.71	-0.23	1.08	2.19

4.50 From the above table, it may be seen that the sector experienced an average monthly decline in employment of 0.21 per cent during the period April, 08 -March, 2009. The decline is registered mainly in the non-exporting units, where the employment decreased by 0.29 per cent during the period. However, in the export units the decline was

marginal (0.05 per cent). The results further reveal that the employment in contract category of workers increased by 0.71 per cent during April, 08-March, 2009, whereas for direct workers an average monthly decline of 0.36 per cent is seen during this period.

- 4.51 During the first half and the third quarter of the year 2008-09, the average monthly employment in handloom-power-loom sector declined by 0.26 per cent and 0.62 per cent respectively. In the third quarter, both the export and non-export units showed a decline in employment by 1.17 per cent and 0.36 per cent respectively. However, during the period Jan, 09 – Mar, 09 the sector shows signs of recovery. The average monthly employment has increased by 0.28 per cent during this period. Both the export and non-export units have recovered in terms of employment by 0.58 per cent and 0.13 per cent respectively. The significant change is seen in the contract category of workers, where the average monthly increase in employment is registered at 2.19 per cent during the quarter Jan-Mar, 09.

E-Metals

- 4.52 The metals is one of the key sectors in the Indian economy as it meets the requirements of a wide range of important industries such as engineering, electrical and electronics, infrastructure, automobile & automobile components, etc.
- 4.53 During the second quarterly survey, a sample of 889 units from the sector has been covered. The sample represents 12 centres spread over 9 states. The changes in employment in the sector at four different periods of the year 2008-09 are presented in Table E-1. It may be seen from the table that during the period April, 2008-March, 2009 the employment in metal sector has declined by 0.135 million. All the industry groups of the sector at NIC 3 digit level are showing a decline in employment during this period.

Table E- 1: Employment changes in Metal sector (in millions)

Sector/Group	Apr,08- Mar-09	Apr - Sep,08	Oct- Dec,08	Jan- Mar,09
<i>Metals</i>	-0.135	-0.006	-0.10	-0.029
Basic Iron & Steel	-0.022	0.009	-0.02	-0.009
Precious & Non- Ferrous Metals	-0.005	-0.001	0.00	-0.001

Casting of Metals	-0.008	0.003	-0.01	0.002
Structural Metal Products	-0.028	-0.021	0.00	-0.003
Other Fabricated Metal Products	-0.068	0.009	-0.06	-0.019

4.54 During the quarter Jan-March, 2009, the metals sector shows a decline of 0.029 million in employment as compared to 0.1 million decline observed during the preceding quarter. All the industry groups are showing a decline in employment during Jan-March, 2009, period, except casting of metals, wherein the employment has increased marginally by 0.002 million.

4.55 Table E-2 presents the percentage growth in employment of the sector during different periods of the year 2008-09. The results reveal that during the period April, 2008-March, 2009 the average monthly decline in employment of the sector works out to be 0.58 per cent. The decline in employment is visible in all the industry groups of the sector during this period.

Table E-2: Average monthly changes in employment (Percent)

Sector/Group	Apr,08- Mar-09	Apr - Sep,08	Oct-Dec,08	Jan- Mar,09
Metals	-0.58	-0.01	-1.79	-0.56
Basic Iron & Steel	-0.44	0.38	-1.79	-0.71
Precious & Non-Ferrous Metals	-0.66	-0.30	-1.38	-0.72
Casting of Metals	-0.42	0.32	-2.80	0.55
Structural Metal Products	-0.48	-0.74	-0.23	-0.22
Other Fabricated Metal Products	-0.76	0.21	-2.55	-0.92

4.56 During the quarter Jan-March, 2009, average monthly decline in employment has been observed to be 0.56 per cent.

4.57 The employment trends of direct category of workers are presented below in Table E-3. The results reveal that the average monthly employment of direct category of workers declined by 0.39 per cent during the period April, 2008-March, 2009. The groups 'casting of metals' and 'other fabricated metal products' experienced increase in employment of direct workers whereas employment in other industry groups declined during the period. During the quarter Jan-March, 2009, the average monthly decline in employment of direct category of workers is 0.67 per cent. In the 'basic iron and steel' group, the average monthly decline in employment is higher at 1.02 per cent during Jan-March, 2009.

Table E- 3: Average monthly changes in employment of direct category workers (Percent)

Sector/Group	Apr,08- Mar-09	Apr - Sep,08	Oct-Dec,08	Jan- Mar,09
Metals	-0.39	-0.05	-0.80	-0.67
Basic Iron & Steel	-0.43	0.19	-1.11	-1.02
Precious & Non- Ferrous Metals	-0.60	-0.65	-0.52	-0.63
Casting of Metals	0.07	0.42	-0.86	0.31
Structural Metal Products	-0.57	-0.91	0.11	-0.60
Other Fabricated Metal Products	0.26	0.44	-1.25	-0.63

4.58 Employment trends of contract category of workers (TableE-4) in the metals sector shows an average monthly decline of 1.42% during the period April, 2008-March, 2009. The significant decline in average monthly employment during the period is seen in 'other fabricated metal products' where it declined by over 2.56 per cent during this period.

Table E-4: Average monthly changes in employment of contract workers (Percent)

Sector/Group	Apr,08- Mar-09	Apr - Sep,08	Oct-Dec,08	Jan- Mar,09
Metals	-1.42	0.16	-5.88	-0.06
Basic Iron & Steel	-0.48	1.49	-5.59	1.31
Precious & Non-Ferrous Metals	-0.98	1.68	-5.60	-1.22
Casting of Metals	-0.87	0.24	-4.58	0.80
Structural Metal Products	0.37	0.84	-3.14	3.24
Other Fabricated Metal Products	-2.56	-0.63	-7.55	-2.29

4.59 During the quarter, Jan-March, 2009, the employment of contract workers has declined at an insignificant rate of 0.06% as compared to the previous quarter (Oct.-Dec., 2008) when it declined at a rate of 5.88%.

4.60 The results of employment trends in the export units of metal sector are presented in Table E-5. It may be observed that the average monthly employment in export units declined by 0.24 per cent during the period April, 2008-March, 2009. Significant decline in employment is seen in 'precious & non-ferrous metal' group where it is estimated to be declined at a rate of 1.21 per cent during April, 2008-March, 2009. In the quarter Jan-March, 2009 the average monthly decline in employment is 0.71 per cent.

Table E-5: Average monthly changes in employment of export units (Percent)

Sector/Group	Apr,08- Mar-09	Apr Sep,08	- Oct-Dec,08	Jan- Mar,09
Metals	-0.24	0.38	-1.01	-0.71
Basic Iron & Steel	-0.61	0.31	-0.72	-2.35
Precious & Non-Ferrous Metals	-1.21	-1.61	-1.79	0.00
Casting of Metals	0.20	1.26	-2.33	0.76
Structural Metal Products	0.65	0.82	0.42	0.49
Other Fabricated Metal Products	-0.86	-0.02	-2.17	-1.32

4.61 During April, 2008-March, 2009 the employment in the non-export units (Table E-6), however, declined at a higher rate (0.83%) than the export units (0.24%).

Table E-6: Average monthly changes in employment of non-export units (Percent)

Sector/Group	Apr,08- Mar-09	Apr Sep,08	- Oct-Dec,08	Jan- Mar,09
Metals	-0.83	-0.29	-2.38	-0.44
Basic Iron & Steel	-0.36	0.41	-2.32	0.14
Precious & Non-Ferrous Metals	-0.61	-0.18	-1.35	-0.78
Casting of Metals	-0.64	0.00	-2.98	0.47
Structural Metal Products	-1.94	-2.76	-1.29	-1.43
Other Fabricated Metal Products	0.67	0.39	-2.84	-0.60

4.62 During the quarter Jan-March, 2009, the average monthly decline in employment of metal sector is estimated at 0.44 per cent. The significant decline during this period is in 'structural metal product' group where the employment has declined by 1.43 per cent during this period. In contrast to other industry groups, wherein, employment has declined during this quarter, the employment in 'Basic Iron & Steel' and 'Casting of Metals' has gone up.

F-Automobile

4.63 In the Indian automobile sector, the auto components group's employment accounts for major proportion of the sector's employment. It has evolved over a period of time from being a domestic supplier of low-value auto components to a sought-after hub for a variety of critical and high-end auto parts. Today, India has the potential to manufacture nearly 20,000 kinds of auto components ranging from engine parts, fasteners to brakes. According to the Auto Component Manufacturers Association of India (ACMA), the Indian auto components industry, currently worth US\$ 10 billion, has the potential to grow to a US\$ 40 billion industry over the next decade.

4.64 The auto components industry is dominated by Small & Medium Enterprises which are largely grouped together in clusters, notably in Indore in Central India, Jamshedpur-Kolkata in the East, Pune in the West, Manesar in the North and Chennai in South.

4.65 During the second quarterly survey, a sample of 160 automobile sector units has been covered at 9 centres located in 7 States.

4.66 Table F-1 presents the changes in employment of automobile sector over different periods of time. The survey results reveals that during the period April, 08-March, 09, about 0.20 million workers lost their jobs. The main affected group is 'motor vehicle parts/accessories'. Out of the total 0.17 million jobs lost in the automobile sector during this period, 0.146 million jobs are lost in this group. However, during the period Jan, -March, 09 an increase in employment by 0.002 million workers in the sector is observed. The industry group-wise changes in employment in the sector are given below in Table F-1.

Table F-1: Employment changes in Automobiles sector
(In Millions)

Sector/Group	Apr,08- Mar-09	Apr - Sep,08	Oct- Dec,08	Jan- Mar,09
<i>Automobiles</i>	<i>-0.17</i>	<i>0.00</i>	<i>-0.172</i>	<i>0.002</i>
Manufacture of Motor Vehicles	-0.006	-0.005	-0.004	0.003
Manufacture of Vehicle bodies	-0.017	0.004	-0.016	-0.005
Motor Vehicle parts/accessories	-0.146	-0.002	-0.149	0.005

4.67 The percentage change in average monthly employment during different periods for the year 2008-09 is given in Table F-2. The survey results reveal that during the period April 08-March, 2009, the average monthly decline in employment of automobile sector is estimated at 1.57 per cent. All the three industry groups of the sector, viz., manufacture of motor vehicles, manufacture of vehicle bodies and motor vehicle parts/accessories registered an average monthly decline in employment of 1.38 per cent, 1.60 per cent and 1.57 per cent respectively during the period.

Table F-2: Average monthly changes in employment (Percent)

Sector/Group	Apr,08- Mar-09	Apr - Sep,08	Oct-Dec,08	Jan- Mar,09
<i>Automobiles</i>	<i>-1.57</i>	<i>-0.14</i>	<i>-6.13</i>	<i>0.10</i>
Manufacture of Motor Vehicles	-1.38	-1.91	-5.22	3.90
Manufacture of Vehicle bodies	-1.60	0.62	-5.50	-2.24
Motor Vehicle parts/accessories	-1.57	-0.17	-6.23	0.26

4.68 The survey results further reveal that during the last quarter of 2008-09, some recovery in employment is seen. During this quarter (Jan-March, 2009) the average monthly increase in employment is

registered at 0.10 per cent in the sector. Except the 'Manufacture of vehicle bodies' group, employment in all other industry groups has increased during this period.

4.69 The employment trends for the direct category of workers are presented in Table F-3. It may be seen that the employment of direct workers declined during the year 2008-09. During the period April 2008- March, 2009 employment declined at an average monthly rate of 0.36 per cent. All the three industry groups of the sector presented in the table shows a decline in employment of direct category workers during this period.

Table F-3: Average monthly changes in employment of direct category workers (Percent)

Sector/Group	Apr,08- Mar-09	Apr - Sep,08	Oct-Dec,08	Jan- Mar,09
Automobiles	-0.36	0.40	-1.75	-0.47
Manufacture of Motor Vehicles	-0.19	1.15	-2.15	-0.77
Manufacture of Vehicle bodies	-0.54	0.82	-2.01	-1.73
Motor Vehicle part/accessories	-0.35	0.34	-1.71	-0.34

4.70 It may also be observed that the most affected period was Oct-Dec, 2008, when the average monthly decline in employment of direct workers was 1.75 per cent. However, during the period Jan-March, 2009, rate of decline in employment has come down to 0.47%.

4.71 The employment trends of the contract category of workers in the Automobile sector are presented in Table F-4. It may be seen from the table that during the period April, 08-March, 2009 an average monthly decline in employment of contract category of workers is estimated at 3.29 per cent which is substantially higher the decline experienced by direct workers (0.36%) during the period. All the three components of the automobile sector have shown a decline in employment during this period.

Table F-4: Average monthly changes in employment of contract workers (Percent)

Sector/Group	Apr,08- Mar-09	Apr - Sep,08	Oct-Dec,08	Jan- Mar,09
Automobiles	-3.29	-0.92	-12.86	1.45
Manufacture of Motor Vehicles	-2.30	-4.26	-8.62	10.40
Manufacture of Vehicle bodies	-2.73	0.40	-9.30	-2.97
Motor Vehicle part/accessories	-3.41	-0.94	-13.56	1.81

4.72 During the last quarter of the year 2008-09, the survey result reveals that the average monthly employment in the sector has increased by 1.45 per cent. A significant average monthly increase in the employment is seen in the manufacture of motor vehicles industries, where it has increased by 10.4 per cent during this period.

4.73 In the export units of automobile sector, the average monthly employment declined by 2.90 per cent during the period April, 08 - March, 2009. In all the periods compiled in the table, the average employment of export units is showing negative growth, with largest decline of 9.23% during Oct.-Dec., 2008 quarter.

Table F-5: Average monthly changes in employment of export units (Percent)

Sector/Group	Apr,08- Mar-09	Apr - Sep,08	Oct-Dec,08	Jan- Mar,09
Automobiles	-2.90	-0.95	-9.23	-1.48
Manufacture of Motor Vehicles	-1.24	2.50	-5.34	-3.96
Manufacture of Vehicle bodies	-2.86	2.81	-11.70	-4.45
Motor Vehicle part/accessories	-2.92	-1.07	-9.20	-1.37

- 4.74 However, during the quarter Jan-march, 2009, employment units of automobile sector have declined at an average monthly rate of 1.48% which is significantly low than preceding quarter's rate of decline.
- 4.75 The results of the non-export units of the automobile sector are presented in Table F-6. It may be seen from the table that the non-export units are less affected than the export units. In the non-export units, the average monthly decline in employment during the period April 2008-March, 2009 is estimated at 0.51 per cent as against the decline of 2.90% in export units. In the 'manufacture of motor vehicles' and 'Manufacture of vehicle bodies' group, the employment declined by 1.4 per cent and 1.47 per cent respectively during this period.

Table F-6: Average monthly changes in employment of non-export units (Percent)

Sector/Group	Apr,08-Mar-09	Apr - Sep,08	Oct-Dec,08	Jan-Mar,09
Automobiles	-0.51	0.50	-3.88	1.04
Manufacture of Motor Vehicles	-1.40	-2.53	-5.20	5.41
Manufacture of Vehicle bodies	-1.47	0.37	-4.72	-2.03
Motor Vehicle part/accessories	-0.27	0.70	-3.66	1.42

- 4.76 During the quarter of Jan-March, 2009, the non-export units are showing an average monthly increase of 1.04% in employment. The significant contributor in the increase is 'manufacture of motor vehicle' group where the average monthly employment during this period increased by 5.41 per cent.

G - Transport

- 4.77 The employment trends of transport sector during different periods are presented in Table G-1. In case of transport sector, a sample of 88 units located at 9 centres in 7 states has been covered. Due to non-availability of any frame for the transport sector, the sample is drawn purposively from the selected centres.

4.78 The survey results reveal that the average monthly employment in the transport sector has increased by 0.16 per cent during the period April, 2008-March, 2009. The average monthly increase in the employment of direct category of workers has increased by 0.18% during this period whereas declined in employment of contract workers has declined by 0.22 per cent in this period.

Table G-1: Average monthly changes in employment of workers
(Percent)

Employment	Apr,08-Mar-09	Apr - Sep,08	Oct-Dec,08	Jan-Mar,09
Total employment	0.16	0.35	0.32	-0.36
Export units				
Non-Export	0.16	0.35	0.32	-0.36
Direct workers	0.18	0.34	0.36	-0.31
Contract workers	-0.22	-0.78	-0.64	-1.74

4.79 It may be further added that in the period Jan-March, 2009, employment of transport workers declined by 0.36 per cent per month. During this period both, direct and contract, categories of workers are showing a decline in employment. The employment of direct workers has declined by 0.31 per cent per month whereas that of contract workers declined of 1.74 per cent per month.

H - IT/BPO

4.80 The IT-BPO industry in India has become a growth engine for the economy, contributing substantially to the GDP, urban employment and exports. Growth of the industry is the result of increasing diversification in the geographic base and adaptation in the service offerings portfolio as well as continuing to leverage India's fundamental advantages of talent, cost & quality.

4.81 As a proportion of GDP, the Indian IT-BPO industry's revenues have grown from 1.2 per cent in the year 1997-98 to an estimated 5.8 per

cent in the year 2008-09. The sector's share of total Indian exports (merchandise plus services) has increased from less than 4 per cent in the year 1997-98 to almost 16 per cent in the year 2007-08. In absolute terms, the sector's export revenue is estimated to gross US\$ 47.3 billion in the year 2008-09, accounting for 66 per cent of the total IT-BPO industry's revenue during the period. The sector provides direct employment to about 2.00 million people, which is estimated to increase to 2.23 million during the year 2008-09. As regards creation of indirect jobs, every IT job has led to the creation of 3.6 additional jobs in related sectors⁵.

4.82 Production and exports of the sector during the year 2002-03 to the year 2007-08 are given in the following table:

Table H-1: IT Production & Exports (Rs. Crore)

Item	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Software for Exports	46,100	58,240	80,180	104,100	141,000	163,000
Domestic Software	13,400	16,250	21,740	29,600	37,000	47,300
Total Production	59,500	74,490	101,920	133,700	178,000	210,300
Growth (%)	-	25.19	36.82	31.18	33.13	18.15

(Source: IT Annual Report 2007-08)

4.83 The export driven software and services industry continues to be the dominating factor in the overall growth of the Indian Electronics and IT industry. In the year 2006-07, the Indian software and services industry exports witnessed a healthy growth, its total exports reaching Rs. 141,000 crore (US\$ 31.4billion), an increase of 34.8 per cent in rupee terms and 33.0 per cent in dollar terms over the previous financial year. In the year 2007-08, the total value of software and services export is estimated at Rs.1, 63,000 crore (US\$ 40.3 billion), an increase of 15.6 per cent in rupee terms and 28.3 per cent in dollar

⁵ NASSCOM Strategic Review 2009.

terms. The production and growth trend of the Indian Electronics and IT/ITeS industry since 2002-03 has been as follows:

Table H-2: Year-wise production

Year	Production	Growth (%)
2002-03	97,000	21.1
2003-04	1,18,290	21.9
2004-05	1,52,420	28.9
2005-06	1,90,300	24.9
2006-07	2,44,000	28.2
2007-08 *	2,91,000	19.3

*Estimated

(Source: IT Annual Report 2007-08)

- 4.84 The industry has been doing extremely well up to the year 2007-08 in terms of growth. The percentage growth of electronics & IT industry in the year 2007-08 has declined to 19.3 from 28.3 in the year 2006-07. This is due to impact of Rupee Appreciation in the year 2007-08. This does not reflect on the fundamentals of the IT-ITeS Sectors, which continued to be strong as indicated by increase in the employment in the sector.
- 4.85 Macro-economic environment during the year 2008 witnessed volatility in commodity prices, inflation, and decline in GDP rates, finally culminating in the global economic downturn. In the globalised world, the Indian economy has also been impacted by it, with a slowdown in GDP growth to seven per cent. Focus on the problem and growth in the domestic market has, however, partially offset the impact of slowdown on the country.
- 4.86 In the sample survey conducted by Labour Bureau in April, 2009, a total of 3192 units have been covered, of which 278 units belong to IT-BPO sector. Centre-wise details of export & non-export units covered are presented in table H-3.

Table H-3: Centre-wise number of units covered

Sl.No.	Centre	No. of Units Covered		
		Export	Non-Export	Total
1	Bangalore	37	4	41
2	Chandigarh	70	23	93
3	Hyderabad	35	12	47
4	Mumbai	17	2	19
5	Noida	25	18	43
6	Pune	21	14	35
	Total	205	73	278

4.87 Out of the total sample of 278 units covered for IT-BPO sector, about three-fourth units belong to export sector and the remaining cater to the domestic market.

4.88 Results of the survey reveal that the employment in IT-BPO sector grew at an average rate of 1.02 % per month during April, 08 to March, 09 period. While it grew at a monthly rate of 1.26 % during April, 08 to September, 2008, the growth significantly slowed down during October-December, 2008 (0.60%) and January-March, 2009 (0.83), the period which is supposed to be impacted by the slowdown. Details are presented in table H-4.

Table H-4: Growth Trends in Average Employment

Period	Employment Growth (in lakh) w.r.t. preceding period	Percentage change over preceding period	Average Monthly change (%) over preceding period	Average monthly change (%) over March,2008
March,08	-	-	-	-
September,08	2.58	7.59	1.26	1.26
December,08	0.66	1.80	0.60	1.06
March, 09	0.92	2.47	0.83	1.02

4.89 Total employment in the sector is estimated to be increased by 2.58 lakh during April-September, 2008, by 0.66 lakh during October-December, 2008 and by 0.92 lakh in January-March, 2009 period.

Table H-5: Average monthly change in employment (percent) of export and non-export units

Period	Export Units	Non-Export Units	Overall
April 08 to March 09	1.04	0.98	1.02
April 08 to Sept. 08	1.10	1.68	1.26
Oct 08 to Dec. 08	0.65	0.47	0.60
Jan 08 to March 09	1.14	0.04	0.83

4.90 Table H-5 presents data on percentage change per month in employment of exporting and non-exporting units of the sector. It may be observed that the employment in April-September, 2008 period increased at a monthly rate of 1.10% in exporting units and 1.68% in non-exporting units. During the October-December, 2008 period, the monthly rates of increase in employment in both types of units, however, came down to 0.65% and 0.47% respectively. The January-March, 2009 quarter has seen significant recovery in the monthly rate of employment growth in exporting units (1.14%),

whereas employment growth in non-exporting units during the period remained insignificant (0.04%).

4.91 Percentage changes in employment of Direct and Contract workers over different time periods are shown in table H-6 below.

Table H-6: Percentage changes in Employment of Direct and Contract workers.

Period	Direct	Contract	Total
April 08 to March 09	1.02	0.99	1.02
April 08 to Sept. 08	1.27	0.99	1.26
Oct 08 to Dec. 08	0.60	0.62	0.60
Jan 08 to March 09	0.82	1.23	0.82

4.92 Trends in percentage monthly changes in employment of direct and contract workers over different time periods indicate slight shift towards employment of contract workers. While inter-period direction of change in employment is similar in case of both types of workers, the employment of contract workers during January-March, 2009 period has increased at a significantly higher rate (1.23% per month) as compared to that of direct workers (0.82%) indicating such shift.

Annexure I

GOVERNMENT OF INDIA
MINISTRY OF LABOUR & EMPLOYMENT
LABOUR BUREAU
CHANDIGARH

EMPLOYMENT SCENARIO – 2008-2009

I Identification Particulars

a) Zone-State	<input type="text"/>
b) Name of the District/Centre	<input type="text"/>
c) Name of Unit	<input type="text"/>
d) Complete Address of the Unit	<input type="text"/>
e) Name of the Person contacted	<input type="text"/>
f) DSL NO.	<input type="text"/>
g) NIC code (3 – digit)	<input type="text"/>
h) Type of goods Manufactured /Produced	<input type="text"/>
i) Whether the unit is export oriented (Yes-1, No-2)	<input type="text"/>

II- Month wise number of Workers & Earnings

Month	Employment Status	Employees as on last working day	Total Wage/Salary Bill (in Rs.)
March, 08	Direct		
	Contract		
	Total		
Sept, 08	Direct		
	Contract		
	Total		
Dec,08	Direct		
	Contract		
	Total		
March,09	Direct		
	Contract		
	Total		

Name of the Officer	Signature	Date
Remarks :		



सत्यमेव जयते

Report
on
Effect of Economic Slowdown
on Employment in India
(October - December 2008)

Government of India
Ministry of Labour & Employment
Labour Bureau
Chandigarh
January 2009

Acknowledgement

I, sincerely thank the Secretary, Ministry of Labour & Employment, Government of India for entrusting this important task to the Labour Bureau. The Ministry has shown immense trust in our ability to conduct a national survey, though on a small sample basis, within a period of one month. All the staff members of the Bureau have risen to the occasion in taking up this challenge and finally delivered the Report.

I am thankful to the Labour & Employment Adviser and Statistical Advisor of the Ministry in guiding us. I am also grateful to the State Labour authorities for the whole hearted support and co-operation extended in making this survey successful.

(Dr. K.S.R.V.S Chalam)

Director General

Place: Chandigarh

Date: 30.01.2009

Contents

Executive Summary

I	Introduction	1-5
II	Sampling Design & Estimation Techniques	6-9
III	Analysis of Employment Trends	10-17

Annexure

I	Results of sample survey conducted by DGFT
II	Questionnaire canvassed in the present survey
III	List of Employers' Associations/Federations contacted for feedback

Executive Summary

- The sample survey was conducted to assess the impact of economic slowdown on employment during October-December, 2008.
- The sample was drawn from 20 centres covering 11 States/UT.
- Important sectors, viz. Mining, Textiles, Metals, Gems & Jewellery, Automobile, Transport and IT/BPO were covered in the survey. These sectors contributed more than 60% to the GDP in the year 2007-08.
- A sample of 2581 units was covered in the survey.
- About half a million workers have lost their jobs during October-December, 2008.
- The most affected sectors were Gems & Jewellery, Transport and Automobiles where the employment has declined by 8.58 %, 4.03%, and 2.42 % respectively during the period Oct-Dec, 2008. In Textile sector, 0.91 per cent of the workers have lost their jobs.
- The major impact of the slowdown is noticed in the export oriented units.
- The change in the total earnings during the period under review has declined by 3.45 per cent.
- Capacity utilisation of the units came down by 7.05 per cent in Automobiles and 5.68 per cent in Metal sectors.

CHAPTER-I

Introduction

- 1.1 The economic slowdown, which initially appeared to be confined to a part of the financial system in United States, has gradually emerged as systematic crisis encompassing the entire world thanks to the two decades of globalization. The financial turmoil, which surfaced in August 2007 in the USA as a result of defaults of sub-prime mortgage loans, has blown into an unprecedented financial crisis engulfing international money, credit, equity and foreign exchange markets. It was preceded by an extended phase of buoyant world output expansion, burgeoning world trade and favourable financial and economic conditions characterized by a liquidity overhang and low interest rates. This excess liquidity in the system encouraged banks and financial institutions, particularly in the USA, to lend to sub-prime borrowers. When the global interest rates started hardening, a large chunk of borrowers began defaulting setting off a crisis in the money market that subsequently spread to other financial markets.
- 1.2 Ripples of recession leading to reduction in exports to developed countries are being felt by all the developing countries. Credit availability and its cost have become major areas of concern. The combined impact of all these factors would be loss of employment and reduction of income leading to social distress. The International Monetary Fund (IMF) placed the estimated world output growth at 3.75 per cent in the year 2008 and 2.2 percent in the year 2009 in World Economic Outlook (WEO), November 2008, which represented a significant slide from a level of about 5.0 per cent in the year 2007. Further, the IMF in its latest report stated that in advanced economies, output is estimated to contract in the year 2009, the first such fall in the post-war period. In emerging economies, growth is projected to slow down appreciably but still may reach 5.0 percent in the year 2009.
- 1.3 According to Global Wage Report 2008/09 published by International Labour Office (ILO), the global economic crisis is expected to lead to painful cuts in the wages of millions of workers worldwide in the coming year. It predicts that the slow or negative economic growth, combined with highly volatile food and energy prices, will erode the real wages of the world's 1.5 billion wage-

earners, particularly low-wage and poorer households. Between the years 1995 and 2007, for each one per cent decline in GDP per capita, average wages fell even further by 1.55 percentage point, a result that points to the possible effects on wages in the current crisis.

- 1.4 The global situation deteriorated rapidly after mid September, 2008 following the collapse of Lehman Brothers, one of the top five investment banks in the US, the collapse of American International Group (AIG) Bank and also of the mortgage lenders Freddie Mae and Fannie Mae. There has been a massive choking of credit since then and a global crash in the stock markets.
- 1.5 In an increasingly globalised economic milieu, these external developments have major impact on world economy, including the emerging market economies and developing countries through both direct and indirect economic linkages. Export-dependent emerging economies will be hit the most. For the Indian economy, although the exports are not the mainstay of GDP growth, the export for October, 2008 registered the first negative growth in seven years.
- 1.6 The deepening of the global crisis and subsequent deleveraging and risk aversion in the global markets affected the Indian equity and the foreign exchange markets. While the Indian economy has a sufficient internal ballast to withstand the impact of global recession because of overall strength of domestic demand and the predominantly domestic nature of financing of investment and exposure of exports to less than 20% of GDP, nevertheless some slowdown is inevitable.
- 1.7 The global slowdown has its implications on the domestic economy. During the last three years Indian Economy grew at an average annual rate of 8.6 per cent. For the first time the economy has shown signs of deceleration and grew at 7.8 per cent in the first half year of 2008-09 (April-September). The service sector, which contributes more than 50% share in the GDP and is the prime growth engine, reported to be slowing down, mainly in the transport, communication, trade, and hotels & restaurants sub-sectors. The industrial growth has decelerated sharply during April-November, 2008 encompassing all the constituent sectors. In manufacturing sector, the growth has come down to 4.0 per cent in April-November, 2008 as compared to 9.8 percent in the

corresponding period of last year. The slowdown occurred in the all the use-based categories, except consumer goods where in it has accelerated.

- 1.8 Union Government's concern about the impact of the global financial crisis on the Indian Economy is reflected in a number of steps been taken to deal with this problem. So far, it has taken following Post Budget Fiscal Stimulus Measures to ensure stability of the economic system in general and to encourage spending in particular:
 - a. The supplementary demand for grants provided for a gross expenditure amounting to Rs. 2,37,286 crore with net cash outgo of Rs. 1,05,613 crore mainly to finance schemes/plans announced in the Union Budget for the year 2008-09.
 - b. The three major ad valorem rates of excise duty, viz.; 14 per cent. 12 per cent and 8 per cent applicable to non-petroleum products were reduced by 4 percentage points each.
 - c. For promoting exports, pre- shipment and post- shipment export credit for labour intensive exports, i.e. textiles, leather, gems and jewellery, marine products and SME sector is being made more attractive by providing an interest subvention of 2 per cent up to March 31, 2009 subject to minimum rate of interest of 7 per cent per annum.
 - d. In the textile sector, an additional allocation of Rs 1400 crore would be made to clear the entire backlog of Technology up-gradation Fund scheme. To support infrastructure schemes, India Infrastructure Finance Company Limited was authorised to raise Rs 10,000 crore through tax-free bonds by March 31, 2009.
- 1.9 Reserve Bank of India has taken monetary policy measures to control the slowdown. Ministry of Labour & Employment also took a serious note of the economic slowdown and felt to have an assessment of its impact on employment to enable the Government to take preventive and ameliorative measures to arrest the decelerating employment in the country.
- 1.10 The employment and unemployment data in India is provided by National Sample Survey Organization (NSSO) quinquennially. The latest available data is for the year 2004-05. There have been demands from various quarters, especially from the Ministry of Labour and Employment for the employment/unemployment data

at more frequent intervals, at least annually. The need for unemployment statistics has become more urgent in the present context of global recession. There have been many impressionistic newspaper reports and assessments made by various agencies on economic slowdown in certain sectors of the economy and its impact on the employment scenario. Results of the thin sample survey conducted by the Directorate General of Foreign Trade has also indicated declining trend in employment in various export oriented sectors (Annexure-I). However, all these fall short in giving a comprehensive understanding of employment situation as a result of the economic slowdown.

- 1.11 With a view to assess the impact of the economic slowdown on employment and wages of labour force in the country during the quarter October-December, 2008, the Ministry of Labour & Employment asked Labour Bureau in the third week of December, 2008 to carry out a quick Survey in the industries/ sectors supposed to be badly affected by the slowdown and submit the report by the fourth week of January, 2009.
- 1.12 Despite being aware of the inherent difficulties in carrying out an all-India survey at such a short notice, the Bureau enthusiastically accepted the challenge of conducting it keeping in view its importance. Selection of sectors/industries and the States/Centres to be covered and the questionnaires to be used were decided in consultation with the Ministry. Five sectors viz, Factories, Business Process Outsourcing Units (BPOs) & software, Transport, Mining and Construction were chosen for the survey. From the factory sector, four industries that were selected were Automobiles, Gems & Jewellery, Metals and Textiles including Apparel.
- 1.13 As regards the frame to be used for the factory sector, the Ministry suggested that the frame used by the National Sample Survey Organization may be obtained from NSSO (FOD) / Central statistical organization (CSO). These organizations were, however, not able to provide the latest ASI frame to the Bureau on time and therefore, we had to opt for the earlier ASI frame of the year 2004-05 available with us. For BPOs & software sector the frame was collected from the Software Technology Parks of India (STPI).

- 1.14 In case of Mining Sector, the frame used by the Labour Bureau for conducting the latest round of Occupational Wage Survey (based on the inputs received from the Directorate General of Mines Safety) was utilized to carry out the quick survey and the frame of the Fifth economic Census conducted in 2005 by the Central Statistical organization (CSO) was utilized for transport and construction sectors.
- 1.15 In addition to canvassing the questionnaires (Annexure-II) designed to collect the requisite information, an effort was also made to obtain qualitative assessment of various employers' associations/federations with regard to the impact of the slowdown on employment in the sector respectively represented by them. These contacted associations/federations (Annexure-III) were requested to make their assessment available to the Bureau latest by 15th January, 2009. No response from these associations/federations has, however, been received.
- 1.16 A contingent of more than 70 persons was deputed by the Bureau for canvassing the questionnaires designed for the survey. Present report is based on the data collected by them during the period 7th to 24th January, 2009.

Chapter- II

Sampling Design and Estimation Techniques

- 2.1 As decided by the Ministry of Labour & Employment, the scope of survey is limited to selected 8 sectors, viz. Mining, Textile & Textile Garments, Metals & Metal Products, Automobile, Gems & Jewellery, Construction, Transport and IT/BPO industries to study the job loss in these industries as a result of present economic slowdown in the country. The survey covered units employing 10 or more workers in the selected sectors. The Annual Survey of Industries (ASI) frame was used for Textiles & Textile Garments, Metals & Metal Products, Automobile and Gems & Jewellery, where as the Enterprise Survey frame was used for Construction, Transport and IT/BPO industries. The frame provided by Directorate General of Mines Safety was used for Mining industries.
- 2.2 Neither of the frame used for the survey represented complete units in organised and unorganised industries. The Enterprise Survey list provided by the Computer Centre, Ministry of Statistics and Programme Implementation, New Delhi, contained only units employing 10 or more workers. The smaller units were left out of the frame. Moreover, the Enterprise Survey frame lacked all India representation as many states were not represented in the frame.
- 2.3 The frame for IT/BPO was not at all available with the Bureau. Hyderabad centre was specially selected for covering the IT/BPO industries. The Field Officers first prepared a list of these units at the centre and then took representative sample for the survey. The list of selected mines provided by the Directorate General of Mines Safety, Dhanbad served as the frame for the Mining industries. The list included only mines in organised sector.
- 2.4 The Central Statistical Organisation (I S Wing), Kolkata could not provide the latest ASI frame in time despite our many attempts at various levels. Therefore, old ASI frame available with the Bureau had to be used for selecting the sample in manufacturing sector industries. Further, the frame of the ASI covers only factories registered under sections 2m(i) and 2m(ii) of the Factories Act,

1948 and bidi & cigar manufacturing establishments registered under Bidi and Cigar Workers (Conditions of Employment) Act, 1966. It does not include factories registered under section 85 of the Factories Act. The factories employing a larger number of workers in a state but at unit level employing less than 10 workers with using power or less than 20 workers without using power, qualify for registration under section 85 of the Factories Act, 1948.

- 2.5 The frame for some key sectors like Tourism and Financial Services Sectors was not at all available with the Bureau. Therefore the scope of the survey could not be extended to these sectors. Under manufacturing sector, the scope of the survey could not be extended to all manufacturing sectors mainly due to lack of sufficient time and therefore, the scope of the survey was limited to only four sectors.
- 2.6 The estimates of the population parameters derived through sampling method need to be qualified with coefficient of variation in order to know the level of precision for a given margin of error of the estimates. Higher the sample size higher would be the reliability of the estimates. Given the time and resource constraints, the sample size has to be determined within the tolerance limits of reliability. The coefficient of variance based on past data of main parameter to be covered in a survey is used to determine appropriate sample size required for attaining a desired level of precision with a desired error fraction. However, the coefficient of variance of all the sectors except that of manufacturing sectors covered under the survey was not available readily. Therefore, the confidence coefficient could not be fixed for the survey. As a result, the precision of the parameters enumerated through the survey could not be controlled in advance.
- 2.7 For drawing the samples for the survey, the whole country was first divided into four Regions, viz. Northern Region, Southern Region, Eastern Region and Western Region. From each region, at least two states were selected keeping in view the concentration of units, employment, type of industrial activity, feasibility of conducting field work in quick time, etc. From each selected state, two districts were selected again based on the concentration of selected sector industries. Selected districts from different states are given below.

Northern Region	Delhi:	Delhi and NCR Town
	Punjab:	Jalandhar & Ludhiana
Southern Region:	Uttar Pradesh	Kanpur & Lucknow
	Chandigarh	Chandigarh
	Tamil Nadu	Chennai & Tirupur
	Karnataka	Bangalore & Bellary
Eastern Region	Andhra Pradesh	Hyderabad
	West Bengal	Kolkata & Howrah
Western Region	Jharkhand	Ranchi & Jamshedpur
	Gujarat	Ahmedabad & Surat
	Maharashtra	Mumbai & Pune

2.8 Keeping in view the concentration of IT/BPO at the centre, Hyderabad was selected as an additional centre for the purpose. From selected centre, samples were selected using Simple Random Sampling without Replacement along with the provision of substitute units.

2.9 Estimation of parameter at sector level was done using the following formula:

$$T = \sum t_i \cdot N_i/n_i$$

Where,

T = Estimated parameter in the ith sector

t_i = Sample parameter in the ith sector

N_i = Number of units in the frame in the ith sector

n_i = Number of units in the sample in the ith sector.

2.10 Since the selection of states and centres within the selected states were done purposively, the multipliers used for estimating the parameters have their own limitations.

2.11 The survey intended to use a sample of 3000 units across the selected sectors due to paucity of time and resources. The samples were allotted to different sectors in proportions of units in the frame in these sectors at all India level. Thus, the highest sample of 1568 units was allotted to Textile & Textile Garments industries, followed by 838 units in Metals & Metal Products

industries, whereas the lowest sample of 22 units was allotted to Mining industries.

- 2.12 Final schedules canvassed were limited to 2581 units, as many units do not exist but listed in the old frame. The highest number of schedules canvassed was 1168 for Textile & Textile Garments industries, followed by 752 schedules in Metals & Metal Products, 242 schedules in IT/BPO, 132 schedules in Automobiles, 104 schedules in Gems & Jewellery, 103 schedules in Transportation, whereas lowest schedules canvassed was 19 in Mining industries, followed by 61 schedules in Construction industries.
- 2.13 In case of Construction sector, response from the management was found to be very poor as it did not supply data based on actual records to the field officer visiting the establishments in the sector. As per provision of the Labour Contract Act, the principal employers are bound to maintain the records of contract workers and data relating to outsourced work, yet these units did not provide data based on records to the Bureau field officers. Further, in spite of provision of substitute units in the sector, only 61 units out of initial allocation of 80 units could be canvassed. As a result many inconsistencies noticed in the data in Construction Sector and thus it has not been possible to present the analysis of the sector in the present report.

CHAPTER-III

Analysis of Employment Trends

- 3.1 Based on the data collected from 20 centres scattered over 11 States/UT's through the sample survey, estimates of employment, average earnings and capacity utilization have been derived for the Manufacturing (Textiles, Automobiles, Gems & Jewellery and Metals), Mining, Construction, Transport and BPO/IT sectors. As per the GDP data for the year 2007-08 released by Central Statistical Organisation, these sectors contribute more than 65% in the Gross Domestic Product.
- 3.2 Employment data collected during the survey is defined as the number of total workers, both manual & non manual, on roll on the last working day of the respective month.
- 3.3 It may be observed from Table 1 that the total estimated employment in all the sectors covered by the survey went down from 16.2 million during September, 2008 to 15.7 million during December, 2008 resulting in job loss of about half a million. It is seen that the employment declined every month during this period. It has also been observed that the employment in all the sectors/industries studied went up significantly over the period from March, 08 to September, 2008. Beyond September, 2008, it has however; decelerated at all industries/sectors level at an average rate of 1.01 per cent per month.

Table 1
Trends in Average Employment

Period	Average Employment in (millions)	Percentage change
September,08	16.2	
October,08	16.0	-1.21
November,08	15.9	-0.74
December,08	15.7	-1.12
Average Monthly change		-1.01

- 3.4 Given the employment elasticity with respect to GDP growth, it is also possible to work out employment effects due to the GDP change. The latest quinquennial survey was conducted by N.S.S.O. during the year 2004-05 in its 61st round. Based on the data thrown by the survey, employment elasticity has been calculated for major sectors as well as for the total economy by Dr. C. Rangarajan. (Revisiting Employment &

Growth by Dr. C. Rangarajan published in Money & Finance September, 2007)

- 3.5 Assuming that the elasticity of employment has not changed over the period subsequent to the year 2004-05, this can be used to compute the impact of economic slowdown on employment and compare them with the present estimates computed by the data collected during the survey. The Index of Industrial Production (IIP) data of CSO can be used as a proxy for GDP as the GDP data are not available for the period under survey.
- 3.6 A comparison of the employment growth rate worked out by using the Index of Industrial Production (IIP) data for October to November, 2008 period as proxy for GDP growth and the employment elasticity and the estimated employment growth rate worked out on the basis of data collected during the present survey has been presented in Table-2.

Table 2
Comparison of Employment Growth rates based on IIP and the present survey

Average Growth Rate during Oct-Nov,08 in IIP (Manufacturing)	Total Employment Elasticity	Employment Growth rate	Estimated Employment Average Monthly Growth rate for the period Oct-Nov,08
-1.83 %	0.48	-0.88%	-0.97%

- 3.7 The total employment elasticity has been taken because the other sectors like Transport, Mining etc. have been studied in the survey. It may be seen that the growth rate of employment, worked out by using the data collected during the present survey (-0.97%) broadly compare with the employment growth rate worked out by using average growth rate in IIP (Manufacturing) and the employment elasticity (-0.88%).
- 3.8 In a globalised economic recession in the developed countries would invariably impact the export sector of the emerging economies. Though our export sector accounts for less than 20 percent of the country's GDP, decline in exports would affect the employment in this sector. In order to assess the impact of recession on export sector resulting in decline in employment, separate data for the export and non-export units was collected. A comparison of employment data of export and non-export units indicates that employment declined at an average

monthly rate of 1.13 per cent in case of former where as in case of later, it declined by 0.81 per cent (Table 3).

Table 3

Percentage change in Employment of Exporting and Non-Exporting units

Period	Exporting Units	Non-Exporting Units	Overall
October,08	-1.3	-1.05	-1.21
November,08	-0.45	-1.24	-0.74
December,08	-1.66	-0.15	-1.12
Average Monthly Change	-1.13	-0.81	-1.01

- 3.9 This finding of the survey is in line with the field observations that the export units have experienced higher decline in employment. For instance, the reason for decline in employment in export units of textile sector at Chennai was that the workers left these units due to declining wages and insecurity and seeking better employment avenues in other sectors. In Tiruppur (Tamil Nadu), many of the units informed that the orders from foreign buyers were either not coming or their value had declined. The employers were skeptical about future and felt that in case the situation doesn't improve, they would be compelled to go for either laying off their workers during the forthcoming months or would shift to production for the domestic market.
- 3.10 Sector/industry level analysis of the collected data (Table-4) has reveals that the decrease in employment has been experienced in all the sectors, except the IT/BPO sectors, wherein it has gone up marginally during the October-December, 2008 period. Average monthly decline in employment was highest (8.58 percent) in Gems & Jewellery followed by Transport (4.03 percent), Automobiles (2.42 percent), Metals (1.91 percent), Textiles (0.91 percent) and Mining (0.33 percent).

Table 4
Industry wise change in Employment of Export and Non Export units

Industries	Exporting Units	Non- Exporting Units	Overall
Mining	-0.32	-0.33	-0.33
Textiles	-1.29	0.32	-0.91
Metals	-2.6	-1.24	-1.91
Gems & Jewellery	-8.43	-11.9	-8.58
Automobile	-1.26	-4.79	-2.42
Transport	0.0	-4.03	-4.03
IT/BPO	0.33	1.08	0.55
Overall	-1.13	-0.81	-1.01

- 3.11 In the export sector, maximum decline in employment has been experienced by Gems & Jewellery sector (8.43) followed by Metals (2.6 percent), Textiles (1.29), Automobile (1.26 Percent) and Mining (0.32). Employment has not been adversely affected in the remaining sectors studied.
- 3.12 In the domestic sector units, decline in employment was maximum in Gems & Jewellery (11.9) followed by Automobiles (4.79), Transport (4.03), Metals (1.24) and Mining (0.33).
- 3.13 During the course of survey, the data have also been collected separately for direct and contractor workers. Under the contract category, the most affected sector is Automobiles where the employment has decreased by 12.37 per cent followed by 9.93 per cent in Transport sector. For the direct category of workers the most affected sector is Gems & Jewellery 9.27 per cent followed by Textiles 1.11 per cent. The overall decline in the direct and contract category of workers is 0.63 per cent and 3.88 per cent respectively (Table 5).

Table 5**Industry wise change in Employment of Direct and Contract workers**

Industries	Direct	Contract	Total
Mining	-0.06	-0.81	-0.33
Textiles	-1.11	4.6	-0.91
Metals	-1.04	-4.53	-1.91
Gems & Jewellery	-9.27	-3.86	-8.58
Automobile	-0.77	-12.37	-2.42
Transport	1.96	-9.93	-4.03
IT/BPO	.51	1.6	0.55
Overall	-0.63	-3.88	-1.01

- 3.14 It was observed during the field visits that workers exodus from Mumbai is responsible for decline in employment in Textile units. In some cases textile units have reportedly shifted from Mumbai and Thane (Bhiwandi) to other place, like, Bhilwara due to non availability of workers and high power tariff.
- 3.15 Separate data for manual workers was collected keeping in view that this category of workers are low paid and as such would be prone to higher degree of social distress if rendered unemployed. It may be observed that in the manual contract category of workers, the employment has declined in all the sectors/industries covered in the survey. The most prominent decrease in the manual contract category has been in the Automobiles and Transport sector where employment has declined by 12.45 per cent and 10.18 per cent respectively (Table 6). The overall decline in the manual contract category works out to be 5.83 per cent. In the direct category of manual workers, the major employment loss is reported in the Gems & Jewellery (9.97 per cent) followed by 1.33 per cent in Metals. However, in case of non-manual contract workers, the estimated employment has increased by 6.46 per cent during the period Oct-Dec, 2008, which probably indicates increased level of contractualisation.

Table 6
Industry wise change in Employment of Manual and Non- Manual workers

Industries	Manual Workers			Non- Manual Workers		
	Direct	Contract	Total	Direct	Contract	Total
Mining	0.41	-1.41	-0.57	-0.35	1.71	-0.05
Textiles	-0.92	-1.63	-0.95	-2.4	67.81	-0.64
Metals	-1.33	-5.22	-2.54	-0.33	8.58	0.15
Gems & Jewellery	-9.97	-4.51	-9.27	-6.17	-0.76	-5.52
Automobile	-0.33	-12.45	-2.53	-1.95	-9.77	-2.08
Transport	4.39	-10.18	-5.58	-0.08	1.13	-0.03
IT/BPO	1.96	-0.05	0.22	0.51	1.89	0.56
Overall	-1.07	-5.83	-1.88	-0.13	6.46	0.16

3.16 In addition to assess the loss in employment, information on the regular earnings of workers was collected with a view to see whether these have been affected by the economic slowdown in the economy. The regular earnings include regular wages or salaries, payment of allowances like dearness, overtime, compensatory, house rent and production bonus, which are paid more or less regularly for each pay period. Trends in average earnings have been presented in Table-7 given below.

Table 7
Trends in Average Earnings

Period	Average Earnings (Rs)	Percentage change
September,08	16934	
October,08	17228	1.74
November,08	15259	-11.43
December,08	15182	-0.5
Average Monthly change		-3.45

3.17 It has been observed that the average monthly earnings at all workers level went up during October, 2008 probably due to inclusion of festival/year-end bonuses. Thereafter earnings show a declining trend during November and December, 2008. The average earnings have

declined at the rate of 3.45 per cent per month during the period of study.

- 3.18 Global recession may not immediately show its full impact on the employment due to existing labour laws preventing factory sector to lay off its regular workers in the short run. This may however, result in lower capacity utilization, thus resulting in disguised unemployment. With this in view information was also collected on capacity utilization in the manufacturing and mining sector units. Sector wise information on average monthly change in the capacity utilization during the period of study is presented in Table 8.

Table 8
Percentage change in capacity utilization

Industries	Average monthly change
Mining	-0.32
Textiles	-0.09
Metals	-5.68
Gems & Jewellery	-1.03
Automobile	-7.05
Overall	-1.32

- 3.19 The table shows that the utilization of production capacity has gone down but not very significantly over the period of the study. It appears that the capacity utilization estimated is on the lower side. The most affected sector is the Automobile where, on an average, the capacity utilization has declined by 7.05 per cent per month, followed by 5.68 per cent in the Metal sector. At overall level capacity utilization has decreased at the rate of 1.32 per cent per month during the period of study.

- 3.20 Using the total employment elasticity and the decrease in the employment in the quarter, it will be possible to estimate the change in the GDP during the quarter October-December, 2008. These have been presented in Table 9.

Table 9
GDP estimates for Oct-Dec, 08 based on employment growth

Total Employment Elasticity	GDP growth in 2 nd quarter of 2008-09	Employment Growth rate in Oct-Dec, 2008	Projected % Decline in GDP in Oct-Dec, 2008	Projected GDP for 3 rd Quarter of 2008-09 based on Employment trends
0.48	7.6	-3.03	0.48	7.1

3.21 Results of the survey indicate that the employment in the 3rd quarter of the year 2008-09 has come down by -3.03%. By using the employment growth rate in the third quarter of the year 2008-09, the estimated GDP for the 3rd quarter is projected to decrease by 6.31 per cent from the 2nd quarter. Thus the estimated growth rate for 3rd quarter 2008-09 would be 7.1%. If we consider employment elasticity for manufacturing sector, which is 0.34, the GDP during the 3rd Quarter would decline by 8.91 per cent in relation to the second quarter resulting in a GDP growth rate of 6.9 per cent for the third quarter.

Annexure I

Sample survey conducted through the field officers of DGFT regarding export units.

[Figures for Aug-Oct., 2008]

Sl. No.	Product Group	Number of units survived	Loss in export order (in Rupees Lakhs)	Cash loss suffered (in Rupees Lakhs)	Job loss during the period (Aug.-Oct 08) in nos.
1	Leather & Leather Products	15	13762.00	1458.90	865
2	Marine Products	6	2005.65	3457.23	220
3	Minerals and Mineral Processing (Granite, Iron Ore, etc.)	5	26653.49	19.14	105
4	Automobile Components Sector	12	47910.00	7820.00	9391
5	Coir and Coir Products	2	613.65	96.00	260
6	Spices	3	2130.00	700.00	-
7	Garments and Textile	18	14228.28	2048.62	5799
8	Handloom	4	1100.00	475.00	138
9	Fruits, Vegetables and Food Items	12	2080.66	808.28	75
10	Gemstones and Jewellery	8	12567.41	49.93	947
11	Handicrafts	12	3897.45	1027.30	1167
12	Jute Goods	2	534.00	150.00	300
13	Engineering Goods	6	8180.00	1521.00	140
14	Chemicals	9	12187.14	47886.40	35950
15	Drugs and Pharmaceuticals	5	9160.61	1703.30	150
16	Plastics	1	22000.00	3100.00	-
17	Misc. Products (Hair Industries)	1	200.00	200.00	10000
	Grand Total	121	179210.26	72521.10	65507

**GOVERNMENT OF INDIA
MINISTRY OF LABOUR & EMPLOYMENT
LABOUR BUREAU
CHANDIGARH**

EMPLOYMENT SCENARIO – QUARTER ENDING DECEMBER- 08

I Identification Particulars

j) Zone-State				
k) Name of the District/Centre				
l) Name of Unit				
m) Complete Address of the Unit				
n) Name of the Person contacted				
o) Unit code (Sl. NO.)	Sample	Substitute		
p) Year of Establishment				
q) Total Employment as on	31 st Mar' 2007	31 st Mar' 2008	30 th Sept' 2008	
r) Ownership code (Public-1, Joint-2, Private-3)				
s) Type of goods Manufactured /Produced				
t) Industry Code				
u) Whether the unit is export oriented				

Code: Fully-1, Partly-2, Others-3

II- Month wise number of Workers & Earnings

Month	Category	Employment Status	Employees as on last working day	Total no. of working days in month	Total no. of days unit was shut down/ closed due to Lay off / Strikes	Total Wage/Salary Bill (Rs in lakhs)		Capacity Utilization of the unit in (%)
						Regular wages /salary	Retrenchment Compensation/Arrears	
1	2	3	4	5	6	7	8	9
Mar,07	Manual	Direct		X	X		X	
		Contract						
	Non-Manual	Direct						
		Contract						
Total	Direct							
	Contract							
Mar,08	Manual	Direct		X	X		X	
		Contract						
	Non-Manual	Direct						
		Contract						
Total	Direct							
	Contract							
Sep,08	Manual	Direct						
		Contract						
	Non-Manual	Direct						
		Contract						
Total	Direct							
	Contract							
Oct,08	Manual	Direct						
		Contract						
	Non-Manual	Direct						
		Contract						
Total	Direct							
	Contract							
Nov,08	Manual	Direct						
		Contract						
	Non-Manual	Direct						
		Contract						
Total	Direct							
	Contract							
Dec,08	Manual	Direct						
		Contract						
	Non-Manual	Direct						
		Contract						
Total	Direct							
	Contract							

III-Reasons for the reduction in workers in Dec,2008 w.r.t March, 2008, if any

Sl.No.	Reasons	No. of workers reduced
1	Seasonality factor	
2	Cancellation of Export order	
3	Financial crisis in the unit	
4	Loss in the unit	
5	Less demand of the product locally	
6	Increase in outsourcing	
7	Others (Specify)_____	
8		
9		
10		

Schedule canvassed by:

1. Name of the Officer_____
2. Signature _____
3. Date _____
4. Remarks _____

List of Associations/Federations

Secretary General,
Confederation of Indian Industry,
CII Mantosh Sondhi Centre, 23 Institutional Area, Lodhi Road,
New Delhi-110003(Fax-011-24621649/24633168/2460198)

Secretary,
Automotive Component Manufacturers Association of India,
6th Floor, The Capital Court,
Olof Palme Marg, Munirka,
New Delhi-110067. (Fax-011-26160317)

Secretary,
Society of Indian Automobile Manufacturers,
Core IV B, 5th floor, Habitat Centre, Lodhi Road,
New Delhi-110003(Fax-011-24648222)

Secretary,
Federation of Hotel & Restaurant Associations of India,
B-82,8th floor, Himalaya House, 23, Kasturba Gandhi Marg,
New Delhi-110001 (Fax-011-23322645)

Secretary General,
Federation of Indian Chambers of Commerce & Industry (FICCI),
Federation House, Tansen Marg, New Delhi-110001. (Fax-011-26512154)

Secretary,
Indian Electrical & Electronics Manufacturers' Association,
804, Surya Kiran, 19 K. Gandhi Road,
New Delhi-110001 (Fax-011-23733015)

Secretary General,
National Association of Software & Service Companies (NASSOCOM),
International Youth Centre, Teen Murti Marg, Chanakyapuri,
New Delhi-110021 (Fax-011-23015452)

Secretary General,
Confederation of Indian Industry,
CII Mantosh Sondhi Centre, 23 Institutional Area, Lodhi Road,
New Delhi-110003 (Fax-011-24621649/24633168/2460198)

Secretary General,
Associated Chambers of Commerce & Industry of India,
147 B, Gautam Nagar, Gulmohar Enclave, New Delhi-110049 (Fax-011-26512154)