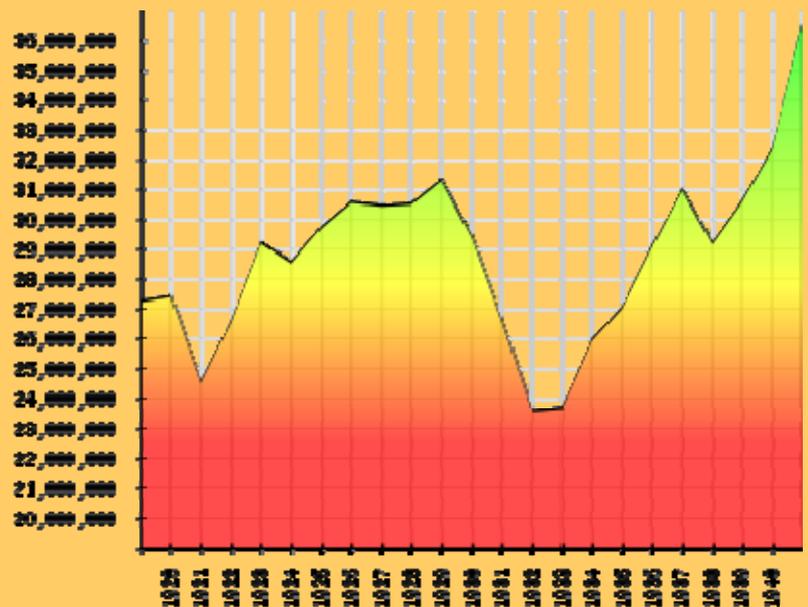




Report on Effect of Economic Slowdown on Employment in India (October - December 2008)



Government of India
Ministry of Labour & Employment
Labour Bureau
Chandigarh





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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

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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.
- Total earnings during the period under review have 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 sector.

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 exports 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 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 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 have 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 questionnaire (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 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 to study the job loss as a result of present economic slowdown in the country. The survey has covered the 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, Automobiles and Gems & Jewellery, where as the Enterprise Survey frame has been used for Construction and Transport and the frame obtained from STPI has been used for IT/BPO. The frame provided by Directorate General of Mines Safety has been 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 and Chandigarh centres 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 industries.
- 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
	Uttar Pradesh	Kanpur & Lucknow
	Chandigarh	Chandigarh
Southern Region:	Tamil Nadu	Chennai & Tirupur/Coimbatore
	Karnataka	Bangalore & Bellary
	Andhra Pradesh	Hyderabad

Eastern Region	West Bengal	Kolkata & Howrah
	Jharkhand	Ranchi & Jamshedpur
Western Region	Gujarat	Ahmedabad & Surat
	Maharashtra	Mumbai & Pune

- 2.8 Keeping in view the concentration of IT/BPO at the centre, Hyderabad and Chandigarh have been selected as additional centres for the purpose. From selected centres, samples have been 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 was 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 to Metals & Metal Products industries, whereas the lowest sample of 22 units was allotted to Mining industries.
- 2.12 Total schedules canvassed belong to 2581 units, as many units do not exist but listed in the old frame. The highest number of schedules canvassed are 1168 for Textile & Textile Garments industry, 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 are 19 in Mining, followed by 61 schedules in Construction.

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 officers visiting the establishments in the sector. As per the provisions 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 covered. 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 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 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) 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

a) Zone-State							
b) Name of the District/Centre							
c) Name of Unit							
d) Complete Address of the Unit							
e) Name of the Person contacted							
f) Unit code (Sl. NO.)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Sample</th> <th style="width: 50%;">Substitute</th> </tr> </thead> <tbody> <tr> <td style="height: 20px;"></td> <td></td> </tr> </tbody> </table>	Sample	Substitute				
Sample	Substitute						
g) Year of Establishment							
h) Total Employment as on	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">31st Mar' 2007</th> <th style="width: 33%;">31stMar' 2008</th> <th style="width: 33%;">30th Sept' 2008</th> </tr> </thead> <tbody> <tr> <td style="height: 20px;"></td> <td></td> <td></td> </tr> </tbody> </table>	31 st Mar' 2007	31 st Mar' 2008	30 th Sept' 2008			
31 st Mar' 2007	31 st Mar' 2008	30 th Sept' 2008					
i) Ownership code (Public-1, Joint-2, Private-3)							
j) Type of goods Manufactured /Produced							
k) Industry Code							
l) 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 (%)
						Regualr 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)