



- Home
- Magazine
- Key Sectors
- Web Exclusives
- In The News
- BW Opinion
- Columns
- Photo Gallery
- BW-Leadership
- Interviews
- Surveys
- Deal Tracker
- Cases
- Books and Guides
- Events
- Archive
- Press Release
- Subscribe BW
- Quick Take
- Fianchetto

EMPLOYMENT Pink Slip Winter

The makings of the worst job crisis in a decade could rock India Inc.'s future. And yours.

RAJEEV DUBEY AND TEAM BW
24 Oct 2008



DIMMED GROWTH: (Left) Jet Airways employees protesting against layoffs; IT sector hiring will halve in 2008. (Pic by Reuters and Sanjay Sakaria)

Psychologist Sanjay Chugh is a busy man these days. The number of calls he has received in the past two months from people seeking help with job anxiety are more than all such cases he handled in the past five years. "Will I ever get a job like this?" and "How will I run my house, or pay my EMIs?" are just some of the pressures Chugh's patients want to talk about.

While nobody knows exactly how many jobs have been lost in India since the sub-prime crisis hit, estimates run into several million. "This is just the beginning," says former finance minister Yashwant Sinha. "Many sectors are already in distress and more will go into distress."

Initially, Chugh's patients were mostly from the information technology (IT) sector, which has seen about 10,000 layoffs this year. But in the past month Chugh has begun seeing patients with "anxiety" from sectors including financial services, tourism and hospitality, retail, aviation and construction.

With the government finally admitting that GDP growth will decline from 9 per cent to 7.5 per cent, Ajit Ranade, chief economist with the Aditya Birla Group, says, "this will definitely reflect in slower job growth."

The government is still trying to shore up sentiment. Labour Secretary Sudha Pillai insists that "while a global financial crisis of this proportion can't leave us untouched, it's too early to come to any overall conclusion." But India Inc., particularly the airlines, has reached some very certain conclusions. Jet Airways has been bullied by Mumbai politician Raj Thackeray into rescinding its decision to sack 1,900 employees. But Bangalore-based Kingfisher Airlines has benched 50 new pilots at 10 per cent of their committed salary and Air India plans to offer 15,000 non-operational staff leave without pay for three to five years.

CPI (M) MP Nilotpal Basu says things in the unorganised sector are worse, with about 3 million jobs lost in export-oriented and labour-intensive industries such as textiles, leather, gems and handicrafts. "I've never seen anything so bad," says Vinayak Chatterjee, chairman of infrastructure consulting firm Feedback Ventures. "This is the worst in 10 years."

B-Schools

- » News & Articles
- » Conversations
- » Placements
- » MBA Prep
- » Study Abroad Special
- » MBA FAQs

Exclusive Offers only for Businessworld Readers

Pick up the best brands at the lowest prices in the country.

Click here

[Business Credit Card from capital One](#)



THE PINK LIST	
Sectors	Job losses
Export sector	30 lakh
Engineering	1 lakh
Companies	
Air India	15,000 ^a
Jet Airways	1,900*
Satyam	1,500
Wipro	1,000
TCS	500
Patni Comp.	400
Kingfisher	300
Virtusa	200
Quark	170

Figures are industry estimates
^aFinally retained by the company
^{*}Offer to non-operational staff

A Double Whammy

While jobs are being cut, fewer new jobs are being created. India's rigid labour laws are preventing western-style layoffs in the organised sector. But no trade union or law can force companies to create new positions. "Heavily hurting industries will sack people and less hurting industries will freeze recruitment," says Feedback's Chatterjee.

This has serious consequences. Currently, India's 500 million-strong workforce is growing by 2.5 per cent annually, and more than 10 million people join the workforce every year. So, India must create 50 million new jobs in the next five years. Until January, job creation was running at about 2.3 per cent, leaving 1-2 million unemployed every year. But The Employment Outlook Survey by Bangalore-based temping firm Teamlease says "there is a decrease in the intention to hire at all levels." As a result, the rate of job creation could halve to 1-1.3 per cent, says Ranade. That means the official number of unemployed could rise from 41 million to 56 million by 2013.

Globally, the problem is even worse. The International Labour Organisation estimates that global unemployment could rise from 190 million in 2007 to 210 million by 2009.

Already, scores of industries are scaling back recruitment. For example, Infosys Technologies, which recruited about 35,000 people last year, will sign on only 25,000 recruits this year (see 'Wilting Numbers' on page 34). "There is a sense of uncertainty," says Mohandas Pai, Infosys' director of human resources. "Hopefully, things should become clearer by the first quarter of 2009." Though Nasscom President Som Mittal says this will be a "short-to-medium term" problem, the Confederation of Indian Industry's director-general Chandrajit Banerjee admits that "delays in the expansion plans of many companies may affect recruitment."





- Home
- Magazine
- Key Sectors
- Web Exclusives
- In The News
- BW Opinion
- Columns
- Photo Gallery
- BW-Leadership
- Interviews
- Surveys
- Deal Tracker
- Cases
- Books and Guides
- Events
- Archive
- Press Release
- Subscribe BW
- Quick Take
- Fianchetto

Sectoral Pain

Ganesh Shermon, a partner with KPMG, says the worst hit will be middle managers. "Companies will clean up the middle and the support staff first," he says. Sales and front-office jobs in BPOs, aviation, hospitality, pharma, telecom, banking and financial services will also be vulnerable. "They are least critical to business when survival is a priority," Shermon says. "The footsoldiers will be sacrificed by the generals."

The social and political blowback of this will be severe, says Bibek Debroy, a director at the Rajiv Gandhi Institute for Contemporary Studies who expects the job crisis to last 2-3 years. "It will lead to resistance to more economic reforms, unionisation of services sectors, demands for government bailouts and greater state intervention," Debroy predicts.

Indeed, India's once-feared labour unions, which had been sidelined in the past decade, sense a revival opportunity. "The whole capitalist world has collapsed," says Mohammed Ameen, general secretary of CITU, one of India's largest labour unions. "If they want to shift their burden on employees we will oppose it."

- » [News & Articles](#)
- » [Conversations](#)
- » [Placements](#)
- » [MBA Prep](#)
- » [Study Abroad Special](#)
- » [MBA FAQs](#)

EXECUTIVE SUMMARY

Export-oriented sectors such as textiles, IT and leather, and aviation have been the worst hit

Pharma and healthcare, infrastructure and FMCG are likely to provide succour

The threat of that is leading even high-growth industries, such as telecom, to keep their numbers down. All of the six companies that won telecom licences last year appear to be rethinking their investment and hiring plans. Three new players haven't rolled out a single network despite securing spectrum in 20-23 circles. Unitech has slowed its recruitment drive, Swan Telecom has stopped building its network and Data Com has been unable

to roll out its services, first due to a feud between its promoters and now due to the slowdown.

The situation is worst in financial services. Firms such as IDFC, SSKI and Sharekhan are reported to have asked their top managers to take 20 per cent pay cuts and sources in ICICI Prudential say the number of new hires will be much lower than last year's 18,000. A crashing Sensex has also shaken up brokerage firms and most middle to senior level managers haven't got any Diwali bonuses this year, a sure sign of the tough times in this normally superstitious business. "(Goddess) Laxmi has not been kind to us; perhaps we need to atone for our past excesses," says a brokerage firm official.

Trial By Fire

Ironically, such pain is what allows organisations to remain lean, mean and hungry for growth. In the easy-growth years between 2003 and January of 2008, the rising tide of the economy raised all corporate ships. The ensuing talent crunch allowed mediocrity to flourish as undeserving people got promoted to senior positions. A BW analysis of 3,600 companies found that wages and salaries as a percentage of net sales have fallen from 7.48 per cent in 2005-06 to 7.18 per cent in 2007-08, largely due to the denominator — a 51 per cent growth in net sales in three years.

WILTING NUMBERS		
COMPANIES	PROJECTION 2008-09	HIRING 2007-08
TCS	30,000-35,000	35,672
INFOSYS	25,000	35,000
WIPRO	20,000	14,000
SATYAM	8,000-10,000	17,000
HCL	Q1 addition: 5,597	22,937

Source: Companies

But with companies' topline slipping increments will peter out, says Padmaja Alaganandan, Mercer India's business leader for human capital. "Productivity and billability of an employee are becoming the key considerations in handing out raises," she says.

Sectors where high salary hikes has been the norm are already going through a reality check. "The era of a cushioned fixed salary is ending," says Bindu Khosla, director at Delhi-based consultancy i-Quotient. "Even in industries where there are variable components, employees will need to strive to be world class to earn those."

Where To Take Refuge?

"Only asset-light industries and sectors such as telecom where customer acquisition continues to be buoyant will provide refuge to job seekers," says N.S. Rajan, partner for human capital at Ernst & Young. The pharmaceutical industry, for instance, is widely expected to weather the job storm. A KPMG report says the western slowdown will result in greater outsourcing of R&D and manufacturing to India as global majors such as Pfizer, Merck and Eli Lilly look to cut cost. "To meet this demand, almost all parts of the pharma value chain will continue to generate jobs," says Sujay Shetty, associate director at PricewaterhouseCoopers.

The infrastructure industry's long gestation projects, usually funded by central or state governments and deep-pocketed investors such as pension funds, may also escape

Exclusive Offers only for Businessworld Readers

Pick up the best brands at the lowest prices in the country.

[Click here](#)



ABP Online Subscription

[Business Credit Card from capital One](#)

much pain. Besides, sectors that cater to low-ticket items of routine consumption such as personal products, may also survive and 'vice' businesses such as liquor, pubs and bars — which often gain heavily during a downturn — could flourish.

When big industries hurt, small businesses fold. So, airhostess training academies and businesses that fed off major industries such as airlines could soon fold. The website of Ascot Airhostess and Hospitality Academy, which used to take pride in detailing the edge it provided its students, now tersely says, "No current openings available right now."

"Most of my friends are tense these days," says Sitanshi Malhotra, a student at the Air Hostess Academy in Delhi, who fears she may be forced to consider a temporary stint in the hotel industry, a choice she says more and more of her classmates are thinking about.

<< Start < Prev 1 2 3 4 Next > End >>



- Home
- Magazine
- Key Sectors
- Web Exclusives
- In The News
- BW Opinion
- Columns
- Photo Gallery
- BW-Leadership
- Interviews
- Surveys
- Deal Tracker
- Cases
- Books and Guides
- Events
- Archive
- Press Release
- Subscribe BW
- Quick Take
- Fianchetto



SOCIAL UNREST: Sacked employees of Honda Motorcycles and Scooter clash with the police in Gurgaon, after talks with management over reinstatement failed

Fear Of The Unknown

The 'H-bomb' that could level the Indian economy at the sensitive time is the possible implosion of the real estate industry. India's fifth largest employer, and the related retail industry, which is India's third largest employer, together provide livelihoods to 73 million Indians. "Of all the sectors in the economy, realty is one area where I believe there are holes," says Rajeev Chandrasekhar, President of the Federation of Indian Chambers of Commerce and Industry and a Rajya Sabha MP.

For weeks now, India Inc. has been abuzz with rumours of growing defaults by India's top realtors. Many have overleveraged themselves and are now unable to maintain cash flows because of a 20-30 per cent fall in demand.

Mumbai-based realtor HDIL, which is executing the prestigious Dharavi slum rehabilitation project, has failed to honour some of its cheques. Delhi-based Parsvanath hasn't paid employees this month. Two of Unitech's largest projects — one residential and one commercial — of 5 lakh sq. ft each in east India are on hold. "At every level, from the unskilled contract worker to the architect, jobs are being lost," says Kumar Gera, chairman of the Confederation of Real Estate & Developers Associations of India (Credai), and a leading Pune-based builder.

With economic uncertainty bearing down on consumers and spends shrinking, the retail sector is also frailing. "We are slowing down on hiring this year," says Thomas Verghese, CEO of More, Aditya Birla Retail in Mumbai, which has over 400 stores. Consumer durables and FMCG demand has already shrunk by 10-20 per cent. And marketers aren't expecting a turnaround in the festive season right up to February.

If retail slumps, the manufacturing sector, India's second largest employer that feeds 53.71 million people, too could. The heavy commercial vehicles market has already contracted 2 per cent and with nearly one-fourth of India's workforce employed in these three industries, problem in them could potentially destabilise the entire country.

The Small-Scale Volcano

But the deepest human wounds of the slowdown rarely make the headlines. It is white collar job cuts we hear most about because, as evidenced in the case of Jet Airways, workers in these positions are empowered enough to galvanise politicians and the media. But such jobs barely employ 7 per cent of India's workforce. The nation is overlooking the layoffs taking place in small and medium-sized companies and the 'unorganised' sector. Together they employ about 150 million people, or 30 per cent of our workforce in industries such as power looms, engineering, mining, transportation and community and personnel services.

YASHWANT SINHA, former finance minister "This is just the beginning. Many sectors are already in distress and more will go into distress."

Illango, vice-president of the Coimbatore District Small Industries Association. "At least 25 per cent more will be retrenched, this time skilled employees."

At Tirupur, which has been badly hit by a drop in textile exports, most companies are working only five days instead of six — just half-day every day. "If this continues, job losses will be significant," says A. Sakthivel, secretary of the Tirupur Exporters' Association.

B-Schools

- » News & Articles
- » Conversations
- » Placements
- » MBA Prep
- » Study Abroad Special
- » MBA FAQs

Exclusive Offers only for Businessworld Readers

Pick up the best brands at the lowest prices in the country.

Click here

[Business Credit Card from capital One](#)

To prevent this, New Delhi is planning to enact a bill to give 'unorganised' workers the same rights as organised workers. But this could seal the fate of many businesses in Tirupur and Coimbatore and further hinder job creation.

<< Start < Prev 1 2 3 4 Next > End >>



- [Home](#)
- [Magazine](#)
- [Key Sectors](#)
- [Web Exclusives](#)
- [In The News](#)
- [BW Opinion](#)
- [Columns](#)
- [Photo Gallery](#)
- [BW-Leadership](#)
- [Interviews](#)
- [Surveys](#)
- [Deal Tracker](#)
- [Cases](#)
- [Books and Guides](#)
- [Events](#)
- [Archive](#)
- [Press Release](#)
- [Subscribe BW](#)
- [Quick Take](#)
- [Fianchetto](#)



NEXT IN LINE: Layoffs are expected to spread to real estate and retail sectors
(Pics by Amit Verma and Tribhuwan Sharma)

Sociological Mayhem

The public anger widespread job losses could fan in this election year was brought into relief when dismissed staff at the Greater Noida firm Graziano Transmission India lynched the company's CEO, Lalit K. Choudhary.

But more importantly, as CPI (M) MP Basu says, job losses will raise inequalities in society. That could accelerate social unrest and violence of the type that is being exploited and perpetuated by Raj Thackeray's Maharashtra Navnirman Sena. As a consequence, throbbing hubs of educational institutes and jobs such as Pune, Bangalore and Hyderabad may get sucked into the dangerous game of political one-upmanship over jobs. "We need prompt and coordinated government actions to avert a social crisis that could be severe, long-lasting and global," Director-General of the International Labour Office (ILO), Juan Somavia said recently.

Surviving The Gullotine

BIBEK DEBROY, Director, Rajiv Gandhi Institute for Contemporary Studies "This job crisis is fairly serious and will last up to 2 to 3 years, leading to lower GDP growth and resistance to labour reforms."

Given India has no social safety net despite 50 years of socialism, laid-off employees can count on no one but themselves and friends and family for aid. This is particularly troubling in these times of EMI payments, and many working families could loose their homes and cars in handed pink slips. The only fallback option most people have beyond their own savings, is to withdraw money from their provident funds. (100 per cent of PF can be withdrawn by employees without a job for a month).

Younger managers may also be tempted to wait out the slowdown in a business school. Globally, a slowdowns result in record numbers of B-school applications, as the opportunity cost of doing an MBA versus continuing with the job would have either fallen dramatically or ended up being academic. The Graduate Management Admission Council, the global organisation of B-schools, has reported a 77 per cent jump in applications for full-time MBAs this year.

Vijay Thadani, CEO of NIIT, says "Enrolments for short-term courses has gone up 30 per cent." When signs of slowdown started in the Indian software industry in 2007, many engineers enrolled for full-time MBAs. "At least 40 per cent of the students in the latest batch (2008-2010) of autonomous MBA programme (120 students) are from the software industry," says Suresh Ghai, director of KJ Somaiya Institute of Management Studies, Mumbai.

Perhaps the most important challenge for laid-off workers is to stay mentally healthy. Employees can be their worst enemies if they take the social stigma of joblessness to heart and withdraw from the world. Instead, out-of-work people must become socially active and network aggressively, says Deepak Mohla, managing director of InspireOne, a people and leadership development firm. "If a person is already an introvert, dealing with such a situation would help them evolve into a more emotionally mature individual," he says.

INDUSTRY	EMPLOYMENT IN MILLIONS			
	2004-2005	1999-2000	1995-1994	
Agriculture	268.57	237.56	242.46	
Manufacturing	53.71	48.01	42.5	
Trade	47.29	37.32	27.78	
Community Social & Pers. Ser.	35.81	33.2	32.13	
Construction	25.71	17.62	11.68	
Transport, Storage & Comm.	17.45	14.69	10.33	
Financial Services	6.89	5.05	3.52	
Mining & Quarrying	2.75	2.27	2.7	
Electricity, gas & water supply	1.38	1.28	1.35	
Total	459.1	397.0	374.45	

Source: Ministry of Labour

As is often common, a layoff can often be the push closet entrepreneurs need to find their true calling. Take the case of Prakash Menon, who was very content drawing a five-figure salary as the chief marketing officer of internet consulting firm Brandquiver.com. One afternoon in the summer of 2002, he was shown the door by the company's venture capitalist. With almost no savings in his bank, a list of EMIs to pay and a wife and child depending on him, Menon was initially lost. "It was scary," he recalls. But Menon soon got himself to borrow Rs 25 lakh from a friend and launched Impact Marketing Services, an integrated marketing communications group. Today, Menon he employs 1,100 people in six branches and counts companies such as Coca-Cola, Microsoft, Samsung and Britannia as clients.

Menon recommends entrepreneurship to all laid-off workers, but others simply prefer to get

B-Schools

- » News & Articles
- » Conversations
- » Placements
- » MBA Prep
- » Study Abroad Special
- » MBA FAQs

Exclusive Offers only for Businessworld Readers

Pick up the best brands at the lowest prices in the country.

[Click here](#)

[Business Credit Card from capital One](#)

married. "It's usually raining marriages in times of economic crisis," says J. Murugavel, founder of Bhartmatrimony.com, which has over 10 million registered users.

Ensuring Graceful Exits

Given all the above, people may be surprised to learn that the Labour Ministry insists only 63 people were retrenched between January and August this year! But even by this meagre number India's layoffs have jumped 350 per cent, as the ministry reported just 18 job losses in 2007! (The figures for previous years are as follows: 73 in 2004, 1,386 in 2005, and 627 in 2006).

The problem lies in the fact that Indian labour law requires only companies with 100 or more employees to seek the government's permission before retrenching workers. The labour ministry is considering lowering the ceiling to 10 employees for a more realistic assessment of annual retrenchment. But this is yet to happen.

AJIT RANADE, chief economist, Aditya Birla Group "Slowdown in GDP will reflect in slower job growth. Job creation rate will fall, unemployment will rise."

Swathya Bima Yojana. But all this still falls short of a social security net.

For companies, it is time to reflect on how exits can be handled more gracefully. Jet Airways' distasteful sacking of 1900 people, which KPMG's Shermom says was masterfully orchestrated to highlight airlines' crisis, hasn't gone down well with the employees, the government or the politicians. "We would like all companies to first examine other ways of cost cutting," says Pillai. Any retrenchment must follow the law in letter and spirit: a notice period of 45 days followed by retrenchment on the principle of last-come-first-go (employers cannot cherry-pick) with proper notification to the labour department with reasons for closure/retrenchment.

InspireOne's Mohla suggests that companies must display a humane side by counselling in the midst of the huge emotional surcharge during a lay-off. Better still, whenever such organisations need to hire again, they must first approach the employees they had removed. "It's important to appeal to the emotional being of an organisation," says Mohla.

With inputs from Feroz Ahmed, Rajesh Gajra, Venkatesh G., Sumati Nagrath, Pierre Mario Fitter, M. Rajendran, Muthukumar K., Noemie Bisserbe, Shalini S. Sharma, Sreevalsan Menon, Dhanya Krishnakumar, Manashwi, Gurbir Singh, Vishal Krishna and Janhavi Abhyankar

This email address is being protected from spam bots, you need Javascript enabled to view it

(Businessworld Issue 28 Oct-3 Nov 2008)

<< Start < Prev 1 2 3 4 Next > End >>

