

# Job market revival in India is in the slow lane

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**T**he India employment sub-index declined to 48.3 in February from 48.7 in January, showed Composite Purchasing Managers' Index (PMI) data from researcher IHS Markit. A reading above 50 shows expansion.

A comparison with peers tells us India is lagging. The Global Composite PMI survey report shows job growth in the euro area, the US, Japan, the UK, and Australia. For India, this index has largely been in the contraction zone after coronavirus hit the country in 2020.

The recent Russia-Ukraine conflict has led to a steep surge in crude-based commodity prices. Caught between protecting margins and sales volumes, manufacturers may not find enough confidence to increase their workforce, at least in the near term.

"India's overall employment outlook is not too bright. Employees in white-collar industries such as IT are in high demand and are seeing pay hikes, but the same cannot be said for blue-collar jobs in the manufacturing sector. The latest data and private surveys show that meaningful job creation is yet to happen," said Suvodeep Rakshit, senior economist at Kotak Institutional Equities.

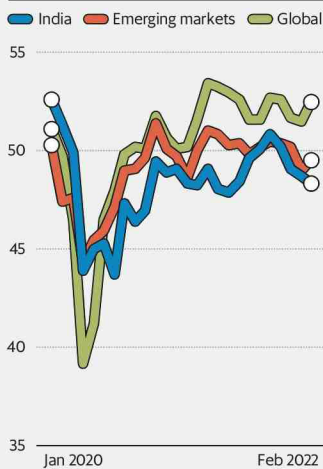
Covid cases are drastically low and the re-opening of the economy, especially the services sector in urban areas, provides a glimmer of hope on employment recovery. The contact-sensitive services sector was adversely hit because of the pandemic. The services sector is the largest contributor to India's economic growth, contributing more than 50% to gross domestic product (GDP). Thus, improving business activity is a good sign, but the cheer is limited here, as how much the scope of hiring will improve is anybody's guess.

"Unless services such as hotels, travel, transport and tourism see huge demand revival, job creation would

## A grim picture

Job shedding continues in the Indian manufacturing and services sectors.

Seasonally adjusted composite employment index (manufacturing + services)



Source: IHS Markit

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remain muted," Rakshit said.

That apart, the rising pace of consolidation in sectors with large informal presence such as pipes, ceramic tiles, and wood panels is expected to have led to severe job cuts. "Loss of employment has also been reported in the unorganised sectors, with small and medium enterprises struggling to survive. Large competitors in the organised sector may absorb some talent from regional companies, but the loss of employment would be higher than job creation in the formal sector," said Teresa John, economist at Niramal Bang Institutional Equities.

Management commentaries of listed companies in these sectors continue to indicate market share gains from smaller and regional companies. Smaller companies in these industries have either shut down or scaled back operations.

Besides, high logistics costs may reduce competitiveness and impact near-term hiring decisions in India's export-oriented sectors, she said.

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