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Statistical Update



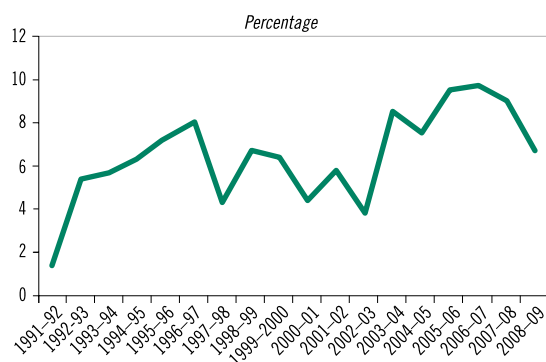
International
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INDIA PROVES RESILIENT TO THE CRISIS

The crisis has resulted in a slowdown in economic growth, though output has bounced back due to strong domestic demand and the stimulus package

- GDP growth slowed down to 6.7 per cent in the financial year 2008–09 from 9.0 per cent in 2007–08.
- Growth in exports: slowed down considerably from 28.9 per cent in 2007–08 to 3.6 per cent in 2008–09.

Figure 1. Real GDP growth rate, from 1991–92 to 2008–09



Source: Government of India Planning Commission, available at <http://www.planningcommission.gov.in/data/misdch.html>
 Rates based on 1999–2000 prices, factor cost.

Three rounds of stimulus measures have supported economic activity

- The first stimulus package (December 2008) amounted to US\$4 billion and contained such measures as increased government expenditure, tax cuts, support to small and medium-sized enterprises (SMEs), relief to the housing sector and export credits.
- The second stimulus package (January 2009), also approximately US\$4 billion, included increased

access to overseas loans and investments and enhanced credit flows for SMEs.

- A third stimulus package was presented in March 2009. The three fiscal stimulus measures together represent approximately 2 per cent of GDP.

There is little evidence of any major, long-term impact on the labour market as a result of the crisis, but informal sector employment remains high

- The unemployment rate in India stood at 8.3 per cent in 2004–05, the last year for which data are available from the Government of India Planning Commission.
- More relevant to the situation in India is the incidence of informality. Based on figures from the National Commission for Enterprises in the Unorganized Sector Report (June 2009), 432 million Indian workers were in the informal sector in 2008–09, representing 86.1 per cent of total employment (table 1).

Table 1. The employment scenario, 2004–05 and 2008–09 (millions)

| | 2004–05 | 2008–09 |
|--|---------|---------|
| Total workers | 456 | 502 |
| Regular workers (15 per cent) | 69 | 76 |
| Self-employed (56 per cent) | 257 | 283 |
| Casual workers (28 per cent) | 129 | 142 |
| Informal sector workers (86 per cent) | 392 | 432 |
| Workers with casual status in formal sector (6 per cent) | 27 | 30 |

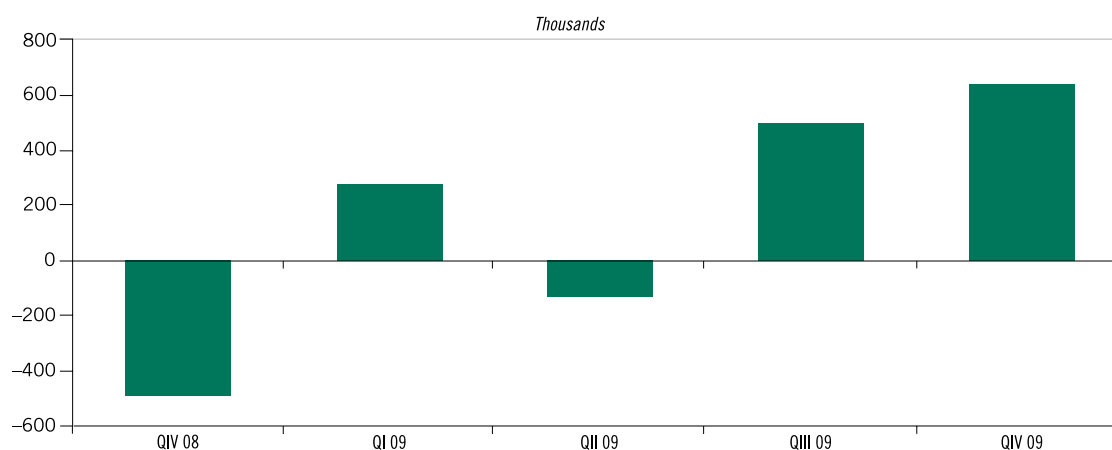
Source: National Commission for Enterprises in the Unorganized Sector Report (June 2009).

Exporting sectors and textiles, information, business process outsourcing and jewellery reported some job losses in early 2009

the export sector in the following quarter (July–September 2009) and an additional 580,000 jobs between October and December 2009 according to the Ministry.

- Recent figures gathered by the Ministry of Labour and Employment through various *Quick Employment Surveys*, show a decline in employment in impacted sectors of 131,000 between April and June 2009, with the main losses in the textile, Information Technology (IT)/Business Process Outsourcing (BPO) and gems and jewellery sectors (figure 2).
- However, based on later rounds of the survey, employment increased by 497,000 between July and September 2009 and by another 638,000 between October and December 2009.
- Exporting units: Between April and June 2009, a total of 167,000 jobs were lost in exporting units but there were job gains of 204,000 in
- The Ministry also reported that in the second quarter 2009 (April–June), more “direct” jobs (permanent, temporary and casual workers employed directly by the unit or its owner) were lost in comparison to contract workers (171,000 direct jobs lost versus a gain of 41,000 in contract workers). However, in the third quarter 2009, employment of both direct and contract workers increased (392,000 and 105,000, respectively). This trend continued in the fourth quarter of 2009 (October–December) (increase in employment of 579,000 direct jobs and 59,000 contract workers).

Figure 2. Estimated change in aggregated employment in selected sectors, QIV–2008 – QIV–2009 a/



Source: Various editions of the *Report on Effect of Economic Slowdown on Employment in India*, Labour Bureau, Ministry of Labour and Employment, Government of India, <http://labourbureau.nic.in/reports.htm>.

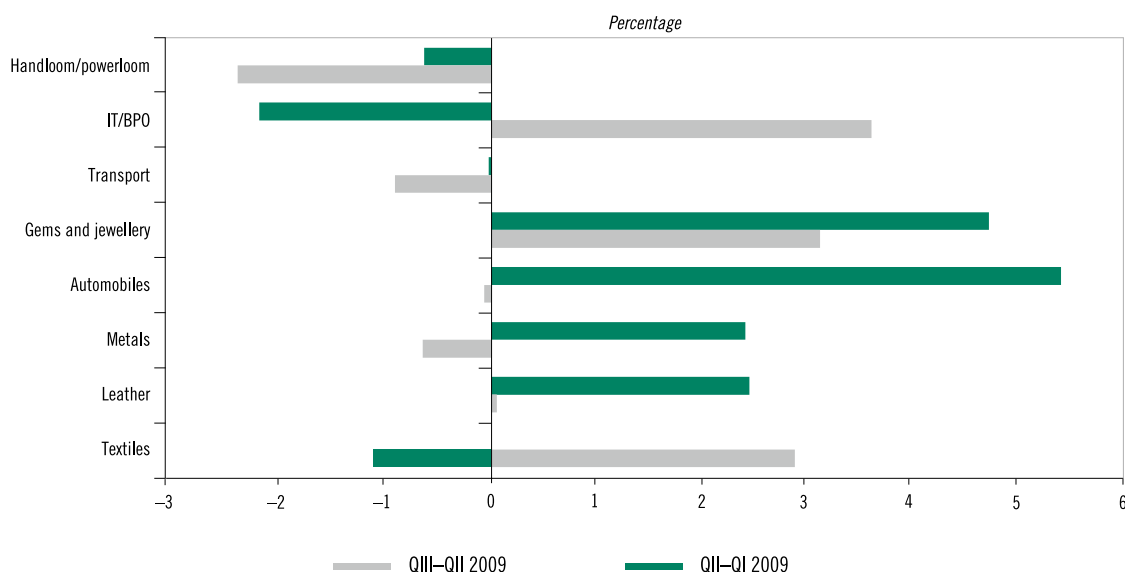
a/ Data are non-seasonally adjusted and are based on surveys of establishments in eight impacted sectors (8 sectors mentioned in Figure 3). Data are not strictly comparable between survey quarters due to changes in sampling size and coverage of industries.

Information technology and textiles sector earnings declined in the second quarter of 2009, but subsequently rebounded

- The average monthly earnings (measured in the *Quick Employment Surveys*) in the second quarter 2009 (April-June) decreased by 1.3 per cent over the previous quarter, particularly in the IT/BPO and textile sectors.

- In other sectors, such as automobiles, gems and jewellery, and leather goods, earnings increased over the same period. In the latest quarter of 2009, average monthly earnings increased 2.2 per cent over the average monthly earnings of the previous quarter, but in decreases in earnings were nonetheless observed in a number of individual sectors.

Figure 3. Change in average monthly earnings by sector, 2009



Source: Various editions of the *Report on Effect of Economic Slowdown on Employment in India*, Labour Bureau, Ministry of Labour and Employment, Government of India, <http://labourbureau.nic.in/reports.htm>. Data are not seasonally adjusted and are based on surveys of establishments in eight impacted sectors. Data are not strictly comparable between survey quarters due to changes in sampling size and coverage of industries.

Outlook suggests improved economic and labour market conditions in 2010

- According to the National Council of Applied Economic Research, the Indian economy is projected to grow by 7.2 per cent in 2009–2010, a rate which nonetheless remains below the pre-crisis level of 9.0 per cent in 2007–2008.
- India has not been hit hard by the financial crisis, though there has been a slowdown in the rate of economic growth.
- Along with buoyant domestic demand, the stimulus packages played an important role in keeping the economy on track (monetary easing, increased liquidity, extra spending).
- Increasing signs of recovery in the economy seem to be translating into improvements in the labour market as well.
- However, the resulting rise in the already large fiscal deficit will pose a major challenge to the Government of India in the coming years (the Planning Commission projects it to increase to 6.8 per cent of GDP in 2009–2010.)

