

## The State of Employment during Recession and Economic Slowdown

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**ABSTRACT:** This paper presents the conceptual framework of an ongoing research program that focuses on - A Study on Employability of Pass outs from professional Institution-with special reference to Bhopal. The paper highlights various key research level points that concern the impact of recession and global economic crisis on graduates who aspire to be employed in different professions in the labour market. As globalization increases economic crises and there spread are also increasing. The impact of global economic slowdown and recession on Indian economy makes it prone to global meltdown. Though in the beginning Indian officials denied the impact of global economic crisis affecting the Indian economy but later the government had to acknowledge the fact that economic crisis will have some impact on the Indian economy. The present paper confirms that various sectors of Indian economy are affected by global recession, to a certain extent.

**Keywords:** Global economic crisis, Slow down, Indian economy, globalization, recession.

### I. INTRODUCTION

Economists officially define a recession as two consecutive quarters of negative growth in gross domestic product (GDP). The National Bureau of Economic Research cites "a significant decline in economic activity spread across the economy, lasting more than a few months" as the hallmark of a recession as stated by, Davis, Mark- Investopedia. "The Impact of Recession on Businesses" [1].

When a country is dealing with recession, business sales and revenues starts decreasing. This massive decrease can cause businesses to stop expanding. Demands become less and businesses start to report losses. Their first attempt to overcome this will be reducing their costs by lowering wages or keeping wages where they are. They'll hire new workers, which increases the unemployment rate. It can also cause some companies to go bankrupt because decrease in the GDP causes firms that aren't recession-proof to Report losses. When money supply becomes tightened the workers who are unemployed and workers with low wages tend to save more and spend less. It decreases the demand for goods and services and also decrease consumer spending. This drop in demand results in low growth rate of companies and the economy, which, in turn, leads to greater losses in non-recession-proof business and higher unemployment.

National Bureau of Economic Research (NBER) defines recession as - "economic recession is significant decline in the economic activity spread across the country, lasting more than few months normally visible in real GDP, impacting growth in real personal income, employment, industrial production, wholesale and retail sales". From the definition it can be derived that when economic recession takes over the economy, entire economy is under severe stress. All desirable economic conditions like high employment, high growth, stability in currency rate etc. increasingly become challenging under economic recession. There are many economic factors that can cause recession. It starts from built-up of overcapacity, balance of payment crisis owing to depleting forex reserve, high Interest rates, rise of non-performing Assets (NPAs) in banking sector, prolong inflation or deflation in the economy, decrease in Consumer Confidence Index (CCI), and impact of Economics Recession on Indian Economy.

A sample survey was conducted to assess the impact of economic slowdown on employment during October-December, 2008 by the Ministry of Labour and Employment, Government of India. The sample was drawn from 20 centres covering 11 States/UT. A sample of 2581 units was covered in the survey. About half a million workers had lost their jobs during October-December, 2008. The most affected sectors were Gems & Jewellery, Transport and Automobiles where the employment had 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 had lost their jobs. This brings us to the need to highlight the impact of recession on Indian Economy.

#### A. Impact of Recession on Indian Economy

India's economy has been looking more and more stable in recent years, but there are signs now that the improvements are done and the backsliding has begun, particularly on three key fundamentals. The current account deficit, which includes trade flows, had fallen from 5 per cent of GDP in 2013 to 1 per cent last year, when it started

rising again -- owing in part to high oil prices and weak Indian exports. The government budget deficit fell from 5 per cent in 2013 to 3.5 per cent last year, but it is now set to rise in this election year as politicians succumb to pressure to ramp up farm loan waivers and other giveaways. Inflation came down from a high of 10 per cent in 2013 to just 2 per cent last year, but it is picking up now as well. Moreover, while the improvement largely reflected the global decline in inflation, of late, inflation is picking up faster in India than in other countries, a worrying sign. Stated in [6] Sharma, Ruchir - NDTV (2018). "India's 3 Big Economic Concerns for 2018".

These three concerns do not suggest India is heading in to trouble, but simply that the best is behind us when it comes to some key macroeconomic fundamentals. India's collection is unsurpassed for excellence anywhere in the world. India not only has an unusually high number this size - 289. They are unusually deep in high performers: 21 per cent have recorded average earnings growth over 15 per cent for the last five years and also had a similar return on equity during that period as said by Sharma, Ruchir - NDTV (2018). "India's 3 Big Economic Concerns for 2018"

As per the article from Mail Online India, India's growth forecast was reduced to 6.7 percent for the 2018 fiscal year. It dropped down from 7.3 percent which was predicted earlier this year. It's still counts high but India needs 8% GDP growth to create work for 12 million job-seekers each year. Economists have also warned about the slowdown in the field of manufacturing and construction.

Economists have said the country needs to maintain eight per cent growth to add enough jobs for some 12 million young people joining the work force every year. The warnings have been sobering for Modi, who appointed a new Economic Advisory Council this week to offer him advice independent of the finance ministry. Economists said that may be too little, too late. "The rot has set in. I don't see how the Economic Advisory Committee will help," said Biswajeet Dhar, an economist with New Delhi's Jawaharlal Nehru University. And "whether the government will act on that advice is yet to be seen." India has long been considered a darling market for investors, with high rates of growth and a 1.3 billion population that many companies are eager to reach. Just a year ago, the economy jumped 9.1 per cent in the first quarter - temporarily earning the title of world's fastest growing economy- and has rarely dipped below 6.5 per cent since 2013 as said, [7]. Khaleej Times (2017). "Is India under a recession threat?"

Out of the many reasons behind occurrence of recessions, one that is prominent is when labor becomes less and wages climb up, which force businesses to let go off on hiring and the Federal Reserve to raise interest rates. This takes a toll on the economy. In general, the longer it takes for these events to occur, the longer the recession will be. A recession in 2019 would likely be short but one in 2021 might be a bit more brutal. [10] Maxwell, Scott - Inc (2017). "The Next Recession Is Coming (and It's Set to Reshape Our Economy As We Know It)"

### *B. Indian Employment during Recession*

When compared to the 2008 global economic crisis, recruiters and experts said the number of jobs lost is unprecedented in the history of India's IT industry. It's also perhaps larger in magnitude. As per statistics, there are about 40 lakh Indians employed in the IT industry in India and overseas. Out of that 40 lakhs, 12 lakh professionals cannot upgrade their skills or acquire new ones. According to their estimates, close to 2 lakh professionals every year would be retrenched by IT companies in India and abroad. A small population which were sacked from companies such as Wipro and Cognizant may be absorbed by second-rung firms, but it's difficult for all of them to find a job since the number of resumes in the market is huge. A marked statement by [12] SICOM Limited (2016) - "What Is Economic Recession? It's Impact on Indian Economy?" Keeping the future in mind and the tense situations that might follow, professionals may be forced to switch industries and look for jobs in BFSI, retail or emerging sectors such as fintech or e-commerce. According to estimates of 2017, the top four Indian IT services companies might have let go 12,000-15,000 employees. The affected employees will need to focus heavily on upgrading their skills based on the latest trends to improve their chances of finding new roles. Verma *et al.*, (2017) [8]. "IT's layoff crisis may be bigger than 2008 recession".

IT sector is not the only sector which is facing the heat, the e-commerce sector is also in row due to the rapidly changing technology trends. The e-commerce industry is not new to layoffs as the year 2016 saw too many companies reducing their workforce. In August 2016, AskMe, the consumer internet search platform had to shut down its operations, laying off rest of its staff. The company took the decision stating severe cash crisis as the reason. Apart from AskMe, another e-commerce who looked forward to take the big step is Snapdeal. It's planning to cut down its workforce as it looks forward to saving cash. The company will lay off about 600 employees from the company including from its logistics unit (Vulcan) and payments (Freecharge) divisions. In an internal email to employees, the company co-founders Kunal Bahl and Rohit Bansal accepted that they had 'made mistakes' and they won't draw a salary.

According to the labor ministry's 27th Quarterly Employment Survey of eight employment-intensive industries- textiles, leather, metals, automobiles, gems & jewelry, transport, IT/BPO and handloom/power loom)- there were 43,000 job losses in the first quarter of FY 2015-2016. The second quarter was better, with 134,000 new jobs, but even then the 91,000 net new jobs created in the first half of FY 2015-16 look desultory. Large manufacturers are trimming operations, throwing many jobs into jeopardy. As reported in Nickolas, Steven - Investopedia (2018) [5]. "Why does unemployment tend to rise during a recession?" Nokia, locked in a tax dispute with Indian authorities, shut down its handset-making factory in Chennai in November 2014, rendering 8,000 workers jobless. For

Microsoft, the new owner of the Nokia handset brand, making smart phones in China and Vietnam was cheaper. Meanwhile, some MNCs in the financial sector have also recently exited India, after finding the domestic competition tougher than they had bargained for Government of India, Ministry of Labour and Employment (2009)- Report on Effect of Economic Slowdown on Employment in India (October – December 2008) [13].

### *C. Hiring in India – Scenario of 2018 and Beyond*

As per the ongoing trends, 2018 would be a promising year for IT sector as two major segments will see expanded hiring. Global in-House Centres (GICs) and FinTech Companies will be the frontiers of IT recruitment in 2018. Global in-House Centres of large MNCs are looking forward to hire 60,000 new people to their captive back offices in India. FinTech is another area where additional demand is favourable. Over 200 companies are already getting funded in the first half of the year. Large Banks which already have their Technology centres in India will continue to expand their IT talent base mentioned in Shringapure, Prashant - Hexagon (2018) [3]. "What's in store? The IT Job Market and Hiring Scenario in India 2018 Along with that in queue are the following - Full Stack Developers (building new products for E-Com and FinTech funded start-ups). The AI engineers are in preparation for the next 3-5 years. Mentioned by Entrepreneur India (2017) [9]. "Is Recession Approaching for India? Layoffs Have a Story to Tell"

The UX and UI Engineers will help companies to engage the young customer base. The demand for Analytics Professionals is still high in all customer sectors, and in with short supply.

The various technology trends that are on the rise are - Internet of Things (IOT), will give rise to newer job roles such as IoT Managers, Chief IoT Officers, IoT Business Designers, full stack developers etc. Artificial Intelligence will continue to be the most sought-after technology trends. It is directly linked to big data analytics, so the job titles that are emerging are similar to them. Big Data technology and cloud computing are widespread across the globe. It has continued to do so since the past decade and has led to the emergence of new job roles such as data scientists, BI engineers, Cloud Architects, BI Solutions Architects, Statisticians, and Data Visualization Developer etc. India Today (2018). "Hiring Trends 2018: Here's what to expect in the job market this year" [2].

According to the India Skills Report 2018, Delhi, Gujarat, Andhra Pradesh were among the top 10 states with the highest employment opportunity. Delhi, Gujarat, Andhra Pradesh were among the top 10 states with the highest employable pool of candidates. As given in Bloomberg (2018), "Jobs Market Looks Promising In 2018" [4].

Pune and Tiruchirappalli followed the national capital. The hiring trend for 2018 looks positive, and is estimated to grow by 10-15 percent this year.

According to the FICCI-Nasscom & EY report, by 2022, 9 percent would be deployed in new jobs that do not exist today, while 37 percent would be in jobs that have radically changed skill sets. All the new forms of employment are likely to add a further 20-25 percent to the 'organised' sector by 2022 and this would increase the share of the organised sector in the overall economy to 10 per cent from 8 percent at present, around 60 million in a workforce of 600 million, it noted in Firstpost (2017) [11]. "Employment scenario: By 2022, 9% Indians will be in new jobs that do not exist today, says report"

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