

Assocham Placement Parameter (APP) Study

January to March 2009

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1. Introduction and Methodology

In wake of the prevailing recessionary trends in the major world economies, employment has become one of the critical issues as well as matter of concern for policymakers. While the developed countries rich in their statistical databases manage to keep a track of employment status on regular basis, the Indian economy is devoid of any regular job updates.

The Assocham Placement Pattern (APP) brand is shaped to provide government, industry, researchers with a reckonable tool to gauge at the activity relating to new job creation across the economy. APP tracks the postings about vacancies on national job portals and newspapers across various sectors and cities.

The sample study is based on more than 25 sectors and 60 cities including Tier I, II and III cities in India.

The APP Index Series is developed with the aim to provide a synchronized view about the overall job creation as well as throughout the various industrial verticals.

The APP Index Series consist of 26 sectoral indices and a composite index giving an overall picture. The APP Composite Index is developed on the principle of weighted average quarterly job creation.

Each Sector is assigned weight according to their contribution to total job creation which keeps changing periodically. The Sectoral Index is then developed by multiplying weight with the number of jobs created. **The APP Composite Index** is the sum of weighted average job creations in all the sectors.

The period September to December 2008 has been taken for base reference.

2. Employment Scenario in India

As the pressure of recession intensified on the Indian economy whose growth rate has taken reverse turn in almost all the parameters, employment generation has become a serious issue for the country whose capacity for job creation in the organized sector has taken severe hit with dipping growth rates.

The hope of the revival of the Indian economy seems far off as the APP Composite Index has shown a steep fall of 49 per cent and has come down to 509.72 from 1000 during the period January to March 2009.

The APP Sectoral indices

THE APP Sectoral indices consist of the twenty six sectors regularly tracked by the Assocham Placement Pattern (APP) giving the scenario of new job creation in the economy.

Sectors with maximum decline in employment

The sector indices which have recorded maximum decline in employment generation include education, hospitality, IT/Enabled, real estate, banking, media, textile, auto, construction, and engineering.

Sectors with rise in employment creation

The sectoral indices to have shown rise in employment generation despite overall recession hitting the job markets badly, include telecom, retail, FMCG, research & consultancy.

3. Performance of Sectoral Indices

The APP sectoral index series is based on the key sectors in the Indian economy from the perspective of employment generation. As the recession has taken toll on the pace of employment generation in the economy, especially when many companies have resorted to job-cuts as part of cost-cutting exercise, quite a large number of sectoral indices have declined from their base value (1000) during the first quarter of the calendar year 2009.

APP IT Index

The APP IT Index is the heaviest weighty index accounting for 41 per cent share in the base value of the Composite Index. As the IT sector is facing major challenges with contracted demand due to recession in the primary client countries of US and Europe, the value of the APP IT index has substantially declined by 50.8 per cent and the index now stands at 492. The share of the IT index in the APP composite index has come down to 34 per cent.

APP Banking Index

Banking being one of the major employment generators among the service sector, the APP Banking Index has the initial allocated weight of 7 per cent based on the sample data for the period September – December 2008 analysed for the development of indices.

Although the Indian banking sector has escaped the financial crisis which has engulfed some of the major international banks, the rapid branch expansion has been put on hold due to the uncertainty in the economic environment. The APP Banking Index has fell by 42.8 per cent and the index value for the January to March period stands at 571.54. The share of banking sector index has come down to 6.2 per cent from 7 per cent in base period.

APP Education Index

Education sector accounts for considerable level of the job creation in the economy. During the base period, its share to the Composite Index stood at 5 per cent. During the period January to March, the APP Education Index has witnessed a severe fall of 74.63 per cent. The new index value for education sector is reported as 253.64 while the share to composite index has come down to 3 per cent.

Even as the education sector is perceived to be recession-free, a deeper study of the profile of jobs put under 'education' shows that a good proportion of job vacancies are posted for conducting training sessions in the corporate sector. So while the demand for teachers in schools

and college level is still robust, the demand for academicians arising from the industry has hampered the Education Index.

APP Insurance Index

The APP insurance index also accounted for 5 per cent share in the composite index for the base period. As the insurance companies are facing problem due to market downturn in raising premiums for old policies as well as selling new policies, the placement index for the insurance sector has witnessed 11 per cent fall during the January to March period. The new index value stands at 890.85 from the previous 1000 base value.

However, the performance of the APP Insurance Index is relatively better than the other indices which have taken hard hit. Thus, its share in the composite index has risen from previous 5 per cent to 5.57 per cent.

APP Telecom Index

The impressive performance of the telecommunications sector in terms of new subscribers addition , can be also be made out from the movement in the APP Telecom Index which has breached the overall Composite Index to record 4 per cent increase in the value. The telecom placement index now stands at 1039.9 from the earlier value of 1000. It share in the composite index has also risen from 3 per cent to 3.35 per cent.

APP Hospitality Index

With the unprecedented rise in the tourism and business travel during the past five years, the rate of expansion of hotel industry has picked up fast. This had led to increase in demand for manpower in the hospitality industry, which rose to account for a considerable share in job creation in the Indian economy.

During the base period, the APP Hospitality index accounted for 3 per cent share. However, with the global recession taking toll on the foreign tourists arrival in India and reduced expenditure on business travel, the hotel industry was one of the hardest hit sectors.

The APP hospitality index declined by 61 per cent as its value dipped to 382.88 from the base value of 1000. Its share in the composite index also fell from 3 per cent to 2.12 per cent.

APP Auto Index

The Indian auto industry is double hit due to high borrowing rates; fall in exports as well as shrinking domestic demand due to slowdown. While the sector offers a huge scope for employment generation, the value of the APP Auto Index witnessed a dip of 37 per cent as the demand for transport equipments fell across all segments. The value of the auto index at the end of March stood at 571.54, while its share has contribution to the composite index has dipped from 3 per cent to 2.59 per cent.

APP FMCG Index

The FMCG industry in India, whose size is more than Rs. 2,00,000 crore continues to benefit from the demographic dividends and the increase in national income achieved during the boom period. The APP FMCG index which accounted for 3 per cent in the composite index has not only outperformed the other sectoral indices to witness rise in its share to 3.9 per cent. The index value rose by 32 per cent and stood at 1319.7 at the end of March 2009.

APP Construction Index

The construction industry in India is one of the major employment generator as large construction work across various infrastructure, real estate projects. However, with the onset of financial crisis, the funding has become a major problem for the construction sector which led to slow down in the activity. The similar picture is apparent from the employment generation index as well.

The APP construction index has fallen by 35.7 per cent during the January to March period 2009 while its share dipped marginally from 3 per cent to 2.98 per cent. The value of the construction index stands at 681.2 at March end.

APP Engineering Index

The APP engineering index accounted for 3 per cent share to the total job creation. However as the engineering oriented industries faced the heat of slow down, the placement index value dipped by 28 per cent to now stand at 720.17 . Its share has come down from 3 per cent to 2.98 per cent.

APP Consultancy Index

The APP Consultancy index gauge at the job vacancies created by the research and consultancy companies. The Index accounted for 2 per cent share in the composite index during the base period. The demand for manpower seems intact in the consultancy businesses in India as the index rose by as much as 53 per cent during the January to March period while its share jumped to 2.8 per cent. The value of the APP Consultancy index stands maximum at 1537.9 at the March end.

APP Retail Index

Even as the retail sector seems hit from the ongoing recessionary phase, the manpower demand in the retail sector has witnessed a rise of 24 per cent as the APP index value jumped from 1000 in base period to 1248.1 as the organized retail players at domestic as well as foreign level, continue to remain bullish on Indian economic fundamentals. The retail index accounted for 1 per cent in the composite index and has now increased to 1.48 per cent.

APP Media Index

The media and entertainment industry has only began its growth journey when it had to face the wrath of recession. The print as well as electronic media sector has witnessed major fall in its revenue arising from the advertisements. The share of media sector was 1 per cent in the APP composite index during the base period which further fell to 0.9 per cent due to 42.5 per cent fall in the APP Media index value which now stands at 571.54

APP Textile Index

The textile and readymade garments industry has seen major turn around in its growth trajectory. The sector which is largely on the unorganized level in India, has been facing severe problems due to fall in export demand from the recession-hit developed countries, rise in cotton prices, inflexible labour laws and now dip in domestic demand.

The job creation in the textile industry operating at organized level has fell by 35 per cent and its share has declined from 1 per cent to 0.88 per cent.

APP Real Estate Index

The real estate projects have across the country is facing major problems of funding due to credit crunch, slow demand and strict regulations by RBI. As a result, even the employment generation in the sector has taken hit with the APP real estate index value falling by as much as 54.6 per cent and the new index value stands at 453.7. The share of real estate sector has reduced from 1 per cent to 0.86 per cent.

APP Logistics Index

The logistics sector has taken severe hit due to the slow merchandise movements at domestic as well as international level. The APP logistics index value has declined to 308.51 as the employment generation activity in logistics declined by 69 per cent and its share in composite index coming down to 0.58 per cent from the previous 1 per cent.

Annexure**Top Five APP Sectoral Indices with maximum decline in value (Base period: September – December 2008)**

Sno.	Sectoral Indices	Share (base period)	Share (Jan-March09)	Rate of decline (in per cent)	New Index value (original index value =1000)
1	APP Education Index	5 per cent	3.02 per cent	-74.6 per cent	253.64
2	APP Hospitality Index	3 per cent	2.12 per cent	-64 per cent	382.86
3	APP Real Estate Index	1 per cent	0.86 per cent	-54 per cent	453.77
4	APP IT Index	41 per cent	34.1 per cent	-50.8 per cent	492
5	APP Banking Index	7 per cent	6.21 per cent	-42.5 per cent	571.54

Top APP Sectoral Indices with maximum rise in value (Base period : September – December 2008)

Sno.	Sectoral Indices	Share (base period)	Share (Jan-March 09)	Rate of increase (in per cent)	New Index value (original index value =1000)
1	APP Consultancy Index	2 per cent	2.79 per cent	53.7 per cent	1537.9
2	APP FMCG Index	3 per cent	3.91 per cent	31.96 per cent	1319.7
3	APP Retail Index	1 per cent	1.48 per cent	24.81 per cent	1248.1
4	APP Telecom Index	3 per cent	3.34 per cent	3.98 per cent	1039.89