

Ripple Effect: Tax Breaks to Lift Depressed Job Market

Govt move to help protect employment before leading to addition of jobs

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New Delhi | Kolkata: The government's decision to reduce corporate tax is likely to bring cheer to the depressed job market.

The announcement has infused hope across sectors before the festive season, according to a host of industry experts ET spoke to. They expect the government move to help boost businesses and create employment. Profitable companies in sectors like consumer, retail, industrial manufacturing and construction would see addition of jobs, they said. In industries

such as auto and auto-ancillary that have been hit by a severe slowdown, this may come in as much-needed relief and help protect employment before leading to addition of jobs.

"This move will have a positive impact on investments in manufacturing, which, in turn, increases economic activity, augments production and creates jobs," Manpower Group Services India president Manmeet Singh said.

Most India Inc executives sounded bullish about the impact, but a few also cautioned that the positive effect on the job market could take some time to materialise.

"Looks like Diwali is here," tweeted Pawan Goenka, the managing director at SUV and tractor maker Mahindra & Mahindra.

Prashanth Doreswamy, the country head of tyre maker Continental India, said the tax break would allow companies to improve their working capital for the next financial year, giving the

industry an opportunity to invest back into the business. "This would also have a positive impact on the job market," he said.

"Just when the economy and Street were losing hope, the finance minister in a veritable Goddess Laxmi avatar has offered succour to millions of

countrymen who were praying for a revival in the economy and a return to prosperity," RPG Enterprises chairman Harsh Goenka said. He also expects the move to help revive capital spending and create jobs.

There has been a slowdown in the jobs market in the past couple of quar-

ters. One of the sectors that witnessed large-scale job losses was auto, where industry insiders and recruiters said an improvement in hiring sentiment might take more time than in profit-making domestic consumption-driven businesses such as FMCG, consumer durables and retail.

"Early to say, but if today's announcement results in business growth, then it may definitely change the hiring sentiments over a period of time as currently there is a hiring freeze across most auto companies," said Pawan Goenka's colleague Rajeshwar Tripathi, the chief people officer at Mahindra. "Jobs could be created only if the auto sector bounces back on track," he said.

Santrupt Misra, the global director for HR at the Aditya Birla Group, said any positive step from the government encouraging investment and enabling companies to invest in the current economic climate was welcome. "As regards consequences for

jobs, stable jobs and sustainable employment happen when companies operate their business. So, the real job impact will be back-ended as investments fructify," he said.

Dabur India too is bullish, though the direct benefits for the company would be limited as most of its production facilities are in tax-free zones. "We hope that this would translate into an improvement in sentiments by way of enhanced consumer buying. This is likely to have a positive cascading effect in the medium to long term, leading to capacity addition and job creation," executive director-HR V Krishnan said.

Sugata Sircar, the chief financial officer at Schneider Electric-India, said the tax cut would provide "a fillip to manufacturing investments in the country, impacting the requirement for skilled professionals".

While there is cheer all around, employees may have to wait some more time for a salary hike, said job market experts.

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The expansion is likely to fuel jobs market

Positive sentiment may result in increased consumer spending

Auto sector, reeling under a slowdown, may see a revival

Premature to predict the impact on salaries or number of new jobs, say experts



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