

Employment News

WEEKLY



VOL. XL NO. 42 PAGES 56

NEW DELHI 16 - 22 JANUARY 2016

₹ 8.00

REAL ESTATE & CONSTRUCTION SECTOR SET TO CREATE MAXIMUM JOBS

Dr. Ranjeet Mehta

Demand for real estate has been one of the drivers of growth in construction sector over the last 10 years. Improvement in economic conditions has also created demand for real estate, as housing continues to be a favoured investment asset among Indian households. Real estate is, therefore, a critical sector for India's economy due to its large potential for employment generation, capital attraction and revenue generation. It is one of the fastest growing sectors contributing about 11 percent of India's GDP. According to National Skill Development Corporation (NSDC), real estate and construction sector is set to become the prime employment generator in India, registering the maximum rise in human resource requirement during 2013-2022.

The Indian real estate sector has backward and forward linkages to approximately 265 ancillary industries. The sector continues its metamorphosis from being largely fragmented and unorganized to becoming structured and organized as its peers in developed economies across the globe. The growing prominence of India in the global scenario has had a positive impact leading to increased expectations and responsibilities on this sector.

The Central government has identified 305 cities and towns under the Housing for All Mission, also called the Pradhan Mantri Awas Yojana. It has targeted to build 2 crore homes for urban poor by the year 2022. Of the cities and towns identified,

74 are in Madhya Pradesh, 42 in Odisha, 40 in Rajasthan, 36 in Chhattisgarh, 30 in Gujarat, 34 in Telangana, 19 in Jammu & Kashmir and 15 each in Kerala and Jharkhand. The other states that have signed the Memorandum of Association



(MoA) include Andhra Pradesh, Bihar, Manipur, Mizoram, Nagaland and Uttarakhand. This Mission is expected to need 38 million workforce by 2030 from 29 million at present and is predicted to be the key job creator.

After the initial boom and euphoria in real estate

development and investment activities, the sector witnessed a lull in business activities in recent years owing to global factors and policy logjam in the country. With 31 out of every 100 people in the country living in cities or towns, India has a higher number of people living in urban areas (377 million) than the entire population in the US (around 314 million). It is estimated that this number will increase to 590 million people, who will live in around 60 cities (from 42 currently), by 2030.

India has the largest rural population (857 million) in the world, followed by China (635 million). However, with growing urbanization, our cities need to gear up to the shift as the rural population decreases and moves to them. The urban sector currently contributes around 60 percent of India's GDP. The link between the economic performance of cities and the national economy is only likely to get stronger as the rate of urbanization increases. India's growth rate will, therefore, largely depend on that of its cities. The need for efficient cities that offer a good quality of life is even more relevant in this age of digital connectivity due to increasing interlinking of urban centers around the world that are now competing to attract talent.

The construction sector is one of the largest seasonal employment providers in India next only to agriculture, creating more than 45 million jobs either directly or indirectly. The sector is highly unorganised, and is the principle industry employ-

Continued on page 55

REAL ESTATE...

Continued from page 1

ing short duration out-migrant. Of the total estimated 15.2 million short duration out-migrants, more than 36.2 percent are employed in the construction industry alone and more than 80 percent of the employment in building and construction sector is minimally skilled workforce. There is a huge need that the industry has to cater to. We need manpower, proficient with skills in technical abilities. The industry and the government need to pay a special focus on this segment of workforce. At present, only 9.8 million construction workers of the total 32 million are registered in the country. Tripura, Manipur and Lakshadweep are the states/UT that employ the highest number of registered workers in construction sector. In terms of employment, technicians/foremen have had the maximum growth of 95 percent between 2005 and 2011 followed by unskilled workforce (34 percent).

India will become the world's third largest construction market by 2025, adding 1.5 million homes a year to become a \$1 trillion a year market, finds a new study by

Global Perspectives (GCP) and Oxford Economics. The construction sector attracted \$40,399 million as foreign direct investment (FDI) between 2000 and 2013, and is expected to get further inflow of \$180 billion by 2020. The sector grew at a Compound Annual Growth Rate (CAGR) of 9.42 percent between 2003-04 and 2012-13. Capital investments in the sector is anticipated to rise to \$1,181 billion in 2019-20. The GCP study also predicts that while India's infrastructure market is expected to grow at around 8 percent, the fastest among its sector, India is unlikely to achieve its plan target of \$1 trillion investment in infrastructure, given the shortage of financing. However, while factors like high commodity prices, inflation and currency volatility affect its short term growth prospects, in the medium to long term, once global financial volatility passes, India is poised for a construction boom.

An estimated US\$1 trillion is being spent on infrastructure over the five years and there is increased investment in industrial projects by the government. The country of 1.2 billion people is set to

undergo a boost in the construction sector. Infrastructure accounts for 49 percent, housing and real estate 42 percent and industrial projects 9 percent. The Indian real estate and construction industry is an integral part of the economy and is responsible for a considerable part of its development investment. The industry plays an important role in the development of the country's infrastructure base. The construction sector has strong linkages with various industries such as cement, steel, chemicals, paints, tiles, fixtures and fittings, etc.

The total size of organised retail real estate in the country has also increased tenfold from about 5 million sq ft in 2003 to about 52 million sq ft in 2012, with another 15-20 million sq ft lined up to be completed till 2015. This growth has largely been concentrated in prominent retail hubs such as Delhi, Mumbai, Bangalore, Chennai, Kolkata, Pune and Hyderabad; more than 200 shopping malls have mushroomed in these leading cities, gradually pushing the share of organised retail in the country upwards. More than 150 million sq ft of investment grade residential real estate space

was launched by private developers in the country in 2012. This was instrumental in driving construction activity across cities such as Delhi, Gurgaon, Mumbai and Bangalore. The sector attracted foreign direct investment worth USD 11.5 bn (INR 62,000 crores) from April 2005 – February 2013; this was about 4 percent of the overall FDI across all sectors during the same period.

The construction sector accounts for the second-highest inflow of FDI into India, after services. India's earthmoving and construction equipment market is currently valued at around \$3 billion, but is projected to grow to \$7-8 billion by 2016 and \$16-21 billion by 2020. Infrastructure output has grown at an average of 5.34 per cent per month in the last decade. Value of paints and coatings industry: \$4.79 billion (2012). Paint and coatings industry expected to grow at a compound annual growth rate of 14 per cent, hitting a value of \$9 billion in 2017. All this augurs very well for the real estate and construction sector.

Earlier, a career in real estate was limited to brokers, masons and labourers, but now the industry opens up

limitless scope for investment bankers, marketing managers, visual merchandisers, supply chain distributors, logistics and warehouse managers. Real estate careers are here to stay as the number of employment opportunities created by the real estate sector currently makes it the second highest employment generator in India, only after agriculture. The real estate industry segment today requires real estate specialists who have knowledge in business, finance and investment & communication skills. There are aspirants who want to make a career in this emerging opportunity, and they need a formal orientation into this conventional segment which is now metamorphosing into a new industry altogether. The real estate market in the country is now opening up and a lot of FDI is coming into construction business. With this, every group will need people at all levels and this will create employment opportunities for many job seekers.

The Author is Director, PHD Chamber of Commerce and Industry, New Delhi.
(e-mail : ranjeetmehta@gmail.com)