

## Concerns with data on job creation

### What is the issue?

\n\n

Absence of credible data on jobs is becoming a major stumbling block in analysing the Central government's record on job creation.

\n\n

### What is the reason behind?

\n\n

\n

- Much of the debate on the employment performance of the government has been mired in ambiguity due to the absence of credible employment data.

\n

- The household surveys conducted by the NSSO, which have been the main source of employment data in India since 1970's have been discontinued some years ago.

\n

- The last such survey was conducted in 2011-12.

\n

- This was done following the recommendations of a Task Force set up by the government to review India's employment data architecture.

\n

- Concomitantly, another household survey undertaken by the Labour Bureau since 2009 has also been shelved after the 2015-16 round.

\n

- These two household surveys are in the process of being replaced by the Periodic Labour Force Survey (PLFS).

\n

- PLFS will produce annual employment estimates at the national and rural level, and quarterly estimates in urban areas.

\n

- While the introduction of the PLFS is driven by the objective of producing frequent employment estimates, the results of this survey are unlikely to be out anytime soon.

\n

- This raises several questions about employment trends in the interim period.

\n

\n\n

## **Why there was a shift towards using EPFO data?**

\n\n

\n

- To accommodate employment trends, the government has recently started to use administrative data relating to payrolls in the country.

\n

- In particular, it has started to use the Employees' Provident Fund Organisation (EPFO), to provide high frequency real time information on the labour market.

\n

- The last few years have seen a concerted effort to increase enrolment on the EPFO database.

\n

- In August 2016, the government launched the Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) to incentivise creation of new jobs in the formal sector.

\n

- Under the scheme, the government pays the EPF contribution of the employer for all new employees enrolling in EPFO for the first three years of their employment.

\n

- The objective of this scheme is not only to encourage employers to recruit unemployed persons, but also to bring informal employees into the books.

\n

- Further, the EPFO's efforts to ensure that contract workers who are deprived of their PF benefits receive their dues has resulted in increased enrolment of contract workers on the database.

\n

- Additionally, the implementation of GST has given an impetus to formalisation boosting the enrolment numbers.

\n

- All these measures made the government to take EPFO numbers as a base to provide employment data in the country.

\n

- However, the release of payroll data has spawned considerable debate as its interpretation and analysis are fraught with challenges.

\n

- Based on the most recently released payroll series, it has been argued that 7.3 million formal jobs were added in the economy between September 2017 and August 2018.

\n

- Several economists have doubted such claims of a surge in job growth.

\n

- Also, much discussion has happened on whether a new enrolment on the EPFO database does indeed reflect creation of a new formal job or are simply capturing better enrollment of existing employed individuals.

\n

\n\n

## **Does the EPFO data portray true picture of job creation?**

\n\n

\n

- The reality is that the EPFO numbers are at best a measure of formalisation of workforce, and do not represent job creation.

\n

- Despite this clarification, several doubts persist and we need to be cautious in interpreting these numbers for multiple reasons.

\n

- The EPFO data series has been released six times so far, and each time, the previously released estimates have been revised.

\n

- For instance, in the data released in October 2018, the payroll numbers for last year were still being revised.

\n

- This constant volatility begs the question of whether this data is in fact 'real time'.

\n

- In August 2018, the EPFO started to report the number of subscribers who ceased their subscriptions and later 'rejoined' and 'resubscribed' to the database.

\n

- This category has now been included in the net additions to databases implying that those who left a formal job and rejoined a formal job are counted as new formal jobs.

\n

- This change in the definition of 'net payroll' has only compounded the confusion surrounding the database.

\n

- Not only do these revisions highlight the fragility of this database, but they also give the sense that this database is still work in progress.

\n

- Thus, making claims of formalisation on this basis appears a bit premature.

\n

- The larger issue is that the EPFO data cannot provide a holistic picture of the employment scenario.

\n

\n\n

## **What is the importance of including unorganised sector?**

\n\n

\n

- India's labour markets are characterised by dualism, where a large unorganised sector coexists with a far smaller organised sector.
- \n
- According to the NSS's 2011-12 employment survey, approximately 93% of India's workforce was engaged in informal jobs.
- \n
- In this backdrop, focusing the debate on a database like EPFO which covers only the formal sector underestimates and deflects the enormity of the jobs challenge.
- \n
- Payroll data is an important indicator in advanced economies where the nature of employment challenge is substantially different from that of economies like India which are struggling with disguised unemployment.
- \n
- The true magnitude of the jobs crisis cannot be gauged without data from household surveys, which cover both the organised and unorganised sector.
- \n
- The excessive focus on the payroll data to simply produce high frequency data without providing insights into the quality of employment serves little purpose.
- \n
- Interestingly, the only data on employment available post 2015-16, is a privately conducted household survey by the CMIE.
- \n
- This survey shows the increase in employment between 2016 and 2017 to be a mere 1.4 million.
- \n
- A study prepared for the Prime Minister's Economic Advisory Council has argued that 12.8 million jobs have been created in 2017.
- \n
- The divergence in the two figures stems from the differences in estimates of labour force participation rate for women used by the two studies.
- \n
- This has led to a plethora of claims and counter-claims which have only made it harder to make sense of the jobs debate.

\n

- Thus, the absence of credible government data has obstructed any meaningful analysis on the employment performance of the government.

\n

\n\n

\n\n

**Source: Business Line**

\n

