

PLFS Data - Structural Crisis of Employment

What is the issue?

- NSO Periodic Labour Force Survey (PLFS) data for 2019-2020 was released recently.
- While the increase in Workforce Participation Rate (WPR) is taken for good, the underlying reasons suggest at a deeper crisis in the economy.

What are the PLFS and WPR?

- PLFS is India's first computer-based survey launched by the NSSO in 2017.
- The two major objectives:
 1. To estimate the key employment and unemployment indicators for the urban areas only in the 'Current Weekly Status' (CWS) quarterly.
 2. To estimate the employment and unemployment indicators in both 'Usual Status' (ps+ss) and CWS in both rural and urban areas annually.

Usual Status - determined on the basis of the reference period of the last 365 days preceding the date of survey.

Current Weekly Status (CWS) - determined on the basis of a reference period of the last 7 days preceding the date of survey.

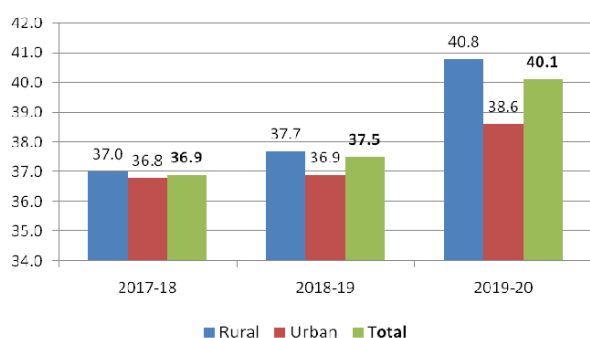
WPR - percentage of total workers to the total population

What is the WPR data in the recent survey?

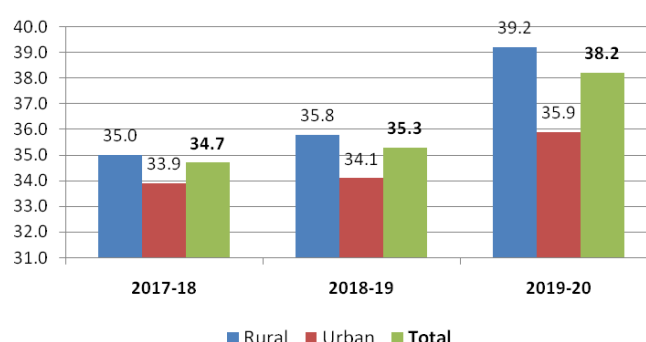
Overall

- Usual status (ps+ss) - Increase from 35.3% to 38.2% from 2018-19 to 2019-20, an 8.2% growth.
- Rural areas - Increase from 35.8% to 39.2%, a 9.5% growth
- Urban areas - Increase from 34.1% to 35.9%, a mere 5.3% growth

Labour Force Participation Rates (%)



Worker Population Ratio (%)



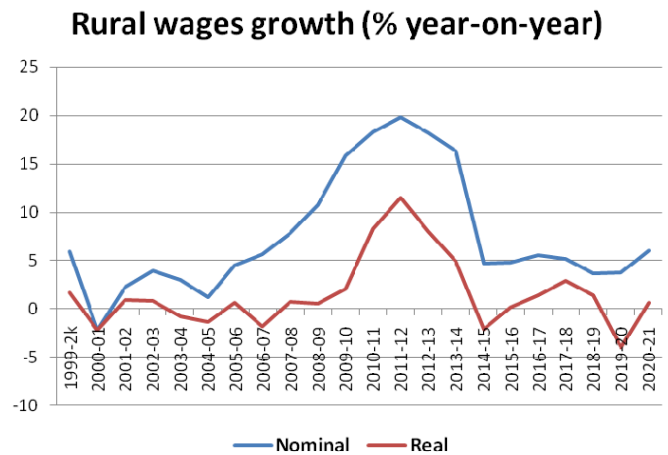
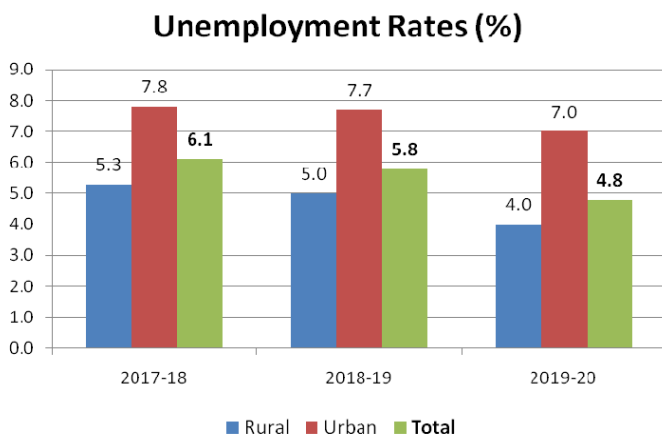
Rural India emerging as the primary location for job creation

Gender-wise

- Rural females - An increase of **26%**(19 to 24% share).
- Rural males - An increase of **3.3%**(52.1 - 53.8% share).
- Urban females - Increase from 14.8 to 16.8% (a **15.8%** growth)
- Urban males - Increase from 52.7 to 54.1% (**2.7%** growth).

Broader trends

- The female WPR has risen significantly across social groups:
 - i. Rural female from the Scheduled Tribe - 33.2%; the highest recorded
 - ii. Others - 29.4%; SC - 25.4%; OBC- 24.3%
- Urban areas registered a much lower rise in the WPR compared to rural areas.
- The share of self-employed workers has increased from 52.1% in 2018-19 to 53.5% in 2019-20.
- The rural females witnessed an increase in the self-employed category from 59.6% to 63%.



Is the increase in WPR a good sign?

- **Generally, yes.** Because, a higher WPR is generally an indication of improved well-being of the population.
- **But** in a poor region with higher WPR, there may not be necessarily an improved economic status and well-being.
- And now, the 3-month nationwide lockdown in March 2020 coincided with the 4th quarter of PLFS 2019-20.
- It was the time when economic activities stalled intermittently, GDP growth dipped, unemployment and income losses were high.

So, what are the true reasons behind?

- Post pandemic decline in good-quality employment led many to opt for low paid work in rural India.
- The general pattern is a shift of workers away from low-productivity sectors such as agriculture.
- India too witnessed a decline in agriculture's share of overall employment since the 1970s that continued until 2017-18.
- But 2019-20 saw a sharp 32 million rise in employment in agriculture; (1st time in 5 decades)

Many were forced to seek **distress employment** resulting in a 43-million rise in total employment numbers in 2019-20 from the year earlier. Agriculture absorbed almost 3/4th of this increase in workers.

- This **reverses the structural transformation of the economy** underway since 2004-05.

What are the other reasons and the concerns?

- **Decline** - Majority of workers turned to self-employment as regular employment declined.
- **Unpaid Labour** - Increase in the self-employed rural females is principally due to an increase in the share of helpers in the household enterprises.
- Counting them as 'employed' is deceptive, as it is often unpaid labour.
- **Loan Account** - Overall increase in loan account under the female share of MUDRA Scheme in all 3 categories (Shishu, Kishore and Tarun) in 2019-20.
- A mere increase in the loan account especially in the Shishu category does not necessarily lead to employment creation and sustainable income generation. Counting all as 'employed' is again flawed.
- **Wages** remained almost constant in 2019-20 over 2018-19 for all - Regular/salaried, Self-employed, Casual workers.

What should be done?

- Taking the increase in the WPR for good might be a misinterpretation.
- The PLFS estimates are instead an early warning of a structural crisis.
- The first three quarters also suggest that a structural retrogression in the economy was underway before the pandemic.
- Only creation of productive and remunerative jobs would course correct this structural change.
- Also, a better indicator for the extent of joblessness in the economy would be the number of hours worked.

Joblessness is bad enough but underemployment has been worsening as the jobless return to farms.

Source: Business Line, Livemint