Concerns with data on job creation

What is the issue?

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

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What is the reason behind?

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- Much of the debate on the employment performance of the government has been mired in ambiguity due to the absence of credible employment data.
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- 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.
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- The last such survey was conducted in 2011-12.
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- This was done following the recommendations of a Task Force set up by the government to review India's employment data architecture.
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- Concomitantly, another household survey undertaken by the Labour Bureau since 2009 has also been shelved after the 2015-16 round.
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- These two household surveys are in the process of being replaced by the Periodic Labour Force Survey (PLFS).
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- PLFS will produce annual employment estimates at the national and rural level, and quarterly estimates in urban areas.
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- 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.
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- This raises several questions about employment trends in the interim period.

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Why there was a shift towards using EPFO data?

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- To accommodate employment trends, the government has recently started to use administrative data relating to payrolls in the country.
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- In particular, it has started to use the Employees' Provident Fund Organisation (EPFO), to provide high frequency real time information on the labour market.
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- The last few years have seen a concerted effort to increase enrolment on the EPFO database.
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- In August 2016, the government launched the Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) to incentivise creation of new jobs in the formal sector.
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- 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.
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- The objective of this scheme is not only to encourage employers to recruit unemployed persons, but also to bring informal employees into the books.
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- 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.
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- Additionally, the implementation of GST has given an impetus to formalisation boosting the enrolment numbers.
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- All these measures made the government to take EPFO numbers as a base to provide employment data in the country.
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- However, the release of payroll data has spawned considerable debate as its interpretation and analysis are fraught with challenges.
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- 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.

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- Several economists have doubted such claims of a surge in job growth.
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- 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.
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Does the EPFO data portray true picture of job creation?

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- The reality is that the EPFO numbers are at best a measure of formalisation of workforce, and do not represent job creation.
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- Despite this clarification, several doubts persist and we need to be cautious in interpreting these numbers for multiple reasons.
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- The EFPO data series has been released six times so far, and each time, the previously released estimates have been revised.
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- For instance, in the data released in October 2018, the payroll numbers for last year were still being revised.
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- This constant volatility begs the question of whether this data is in fact 'real time'.
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- In August 2018, the EPFO started to report the number of subscribers who ceased their subscriptions and later 'rejoined' and 'resubscribed' to the database.
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- 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.
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- This change in the definition of 'net payroll' has only compounded the confusion surrounding the database.
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- 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.
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- Thus, making claims of formalisation on this basis appears a bit premature.
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- The larger issue is that the EPFO data cannot provide a holistic picture of the employment scenario.
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What is the importance of including unorganised sector?

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

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

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