

India's employment scenario: Understanding the true picture

A sound policy framework requires the support of robust institutions that collect and transmit good data regularly. I am a great believer in robust data being essential in diagnosing the right problem to target and to devise smart solutions for it. In the context of the ongoing debate on India's employment scenario, we need to make efforts to improve the availability of quality data so that a narrative driven debate can be resolved through objective evidence. Currently there are three contesting narratives. First narrative is of jobless growth implies that India is creating insufficient jobs. Second is opposite to first one and advocates that there is no issue of employment. Third, which I believe to be true, is between the first two suggesting that though there is sufficient employment, but the true challenge is to create well-paying quality jobs. Unfortunately, the leak of data from the first year of the two-year pilot periodic labour force survey (PLFS) done by the National Sample Survey Organisation (NSSO), before it could be fully verified, and subsequent media reports jumping to conclusions based on incomplete and half-baked data has added confusion and misdirection to the prevalent situation rather than helping.

Being a member of the National Statistical Commission (NSC), it is my prerogative to bring the facts into public domain. The report had neither been made available or circulated to me for approval. The report was made available after I demanded it post the data leak controversy. The report does not have my approval. In fact the meeting held on 5th December to finalize the report was attended only by Acting Chairman Mr. P.C. Mohanan. Even, Ms.Meenakshi was not present in the meeting. As a standard practice, with this being the first of its kind exercise, the process of official data release should pass the most stringent scrutiny and careful verification and should definitely be subjected to peer review.

An impression has been created that the findings of the PLFS show a large jump in India's unemployment compared to the previous employment-unemployment surveys (EUS), which was last concluded in 2011-12. This is erroneous since the previous surveys and the new PLFS cannot be so easily compared. PLFS is a two year pilot started in July 2017, which includes a quarterly urban and an annual rural survey. The objective is to have more frequent data on labour market and hence it departed from the previous EUS exercise which happened once every five years.

Amongst other things, the PLFS has updated the sampling techniques used, a different sampling frame using 2011 census, and new data collection methods.

Let me show you how this conclusion of job loss based on comparison with 2011-12 survey data is faulty. Besides employment data, the survey also presents the basic demographic data such as an estimate of total population in the country. The PLFS estimates India's total population in 2017-18 to be lower than the EUS 2011-12. If we were to accept all such comparisons at face value, we should also be having the headlines that 'India's population declines in the last 6 years'. There is no apparent reason for population estimates to decline in six years if one considers that the methodology and coverage of the two surveys was same and considering that over the previous EUS surveys (2004-05, 2009-10 and 2011-12), the estimated population showed a growing trend largely in line with country's official population growth rate. Another strange trend is the rate of urbanisation which seems to have nearly stalled during 2011-12 to 2017-18. This is at odds with what we know about growth in Indian cities as per numerous credible sources – all of which point that India is fast urbanizing. India's rapid urbanisation has been confirmed even by NASA's satellite imagery of nightlights. Shall we also believe that India's urbanisation has stalled despite, what empirical and anecdotal evidence shows us?

In the current debate, many argue that employment generation is happening at a slower pace than workforce's growth. However, comparison of the PLFS with the 2011-12 survey suggests that even the absolute number of people employed in the country has been declining at the rate of 2 million every year since 2011-12! This is completely at odds with any other socio-economic data available. For instance, India's real GDP has grown by 50% during this period. Economic growth has come about with expansion in every sector – from infrastructure to housing, transport to healthcare and from professional services to retail. It is inconceivable that such growth could happen concurrently with shrinking number of employed workforce, which would strictly imply that productivity and capital accumulation is driving whole of India's growth. Independent report by Brookings concluded that number of people living in extreme poverty in India has reduced from 268 million in 2011 to less than 50 million. It would be difficult to explain how such rapid reduction can happen if unemployment is also rising rapidly. Finally, the massive jump in unemployment seems to also contradict with another finding in the same PLFS – growing earnings and wages across different employment types. If the labour market conditions were as poor as the unemployment rate suggests, then the economics would expect falling or at least stagnant wages. But they aren't. For example, the earnings/wages of rural women, for which unemployment rate is particularly high, have grown consistently in each quarter starting July-September 2017 and reached growth of 13% and 8%

respectively by the last quarter.

Finally, the massive jump in unemployment seems to also contradict with another finding in the same PLFS – growing earnings and wages across different employment types. If the labour market conditions were as poor as the unemployment rate suggests, then economics logic would be to expect falling or atleast stagnant wages. But they aren't. For example, the earnings/wages of rural women, for which unemployment rate is particularly high, have grown consistently in each quarter starting July-September 2017 and reached growth of 13% and 8% respectively by the fourth quarter of the survey. It is overwhelmingly clear that the results from the PLFS are not comparable with the previous EUS, and PLFS should be used strictly for measuring the changes from the baseline in 2017-18. We have seen this before also – doing surveys in India has always been tricky with small changes in methodology producing unexpected results. PLFS also highlights fall in labour force participation rate. Even if true, it does not mention that it could be a result of other factors such as increase in attendance in school and higher education.

The problem lies with the methodology. The sample size was too small when technology could have facilitated responses from higher number of households. In rural areas the number of households surveyed were a mere 55,000. This has to be seen in the context of 160 million households in the country. The percentage works out to be 0.03%– about 3 households for every 10,000. Even in household selection, 75 % weightage was given to households who have higher number of 10th pass members above 15 years. In the present scenario there is huge probability of continuing education for above 15 years. Most people in 15-18 group would be continuing education. Those still studying would respond in a manner that they are looking for employment. The sample size is so small that sensitivity of the data will be very high. In urban households one household giving wrong answer in each area will showing labour force participation rate number in the range of 25%. There is no source of validation with real time data. The surveyors used were from outsource agency- not necessarily the right person for such interaction. Though these surveyors were provided with a tablet for recording data, they were not given SIM and data connectivity. Even locations were not captured. I am amazed that in today's world real time data and technology was not utilized. So what is the true picture of employment in India? We now have extensive data available on people contributing to Social security benefits are provided through the Employee Provident Fund Organisation (EPFO), the Employee State Insurance Corporation (ESIC) and the National Pension Fund (NPS). Between September 2017 and November 2018, a total of 73,50,786 new subscribers were added to the EPFO, an average of 4.9 lakh subscribers each month. ESIC tells a similar story as well. On average, between September 2017 and November 2018,

approximately 10 lakh-11 lakh subscribers were added each month. Even if we consider a 50% overlap with EPFO data, it yields about 10 lakh workers being added to the formal workforce per month, or 1.2 crores annually. An analysis of NPS shows that we are adding close to 6 Lakh+ Jobs in Central and all State Governments.

Another complementary measure of employment can be based on the transport sector. Consider the sale of commercial vehicles. Net of exports, approximately 7.5 lakh vehicles were sold in FY18 in India. Considering a replacement rate of 25%, this still translates to 5.6 lakh new commercial vehicles added to the transport sector. Assuming a capacity of employment for each commercial vehicle at 2, we can infer that 11 lakh jobs are annual added in this sector alone. To this if one added the sales of cars, 3 wheelers and tractors around 30+ Lakh Jobs are created in this sector alone yearly.

Self-employment is also a critical source of employment generation in India. Job creation among professional service providers such as chartered accountants, lawyers and doctors is also robust, as per data from their respective regulatory bodies. Income Tax (IT) data provides an indication on the number of new self-employed professionals. As per data available, an average of 150,000 tax paying professionals were added annually between assessment year (AY) 2014-15 and AY 2017-18. One can further assume that most of these professional tax payers hire support staff, likely to be below the threshold of twenty employees which then makes social security registration mandatory. Assuming each professional hires a support staff of five, this indicates an average of 7,50,000 jobs being created annually. Under MUDRA Yojana 15.56 crore loans have been disbursed amounting to over 7 lakh crore. Over 4 crore first time borrowers have started their business enterprises. Such a huge magnitude of loans being given to small entrepreneurs has created gainful employment.

A study by McKinsey Global Institute entitled "India's Labour Market- A New Emphasis on Gainful Employment" has highlighted that increased government spending, rise of independent work and entrepreneurship have boosted incremental Job for 20-26 million people during 2014-17. According to an analysis by the Ministry of Tourism, the tourism sector alone has created 14.62 million job opportunities in the country during las four years. While the above statistics do not present the full extent of employment generation, but they do lend irrefutable and concrete evidence of the extent of employment being generated across the country. There is certainly enough evidence to doubt and even contradict the narrative of joblessness with shrinking workforce and rise in unemployment. Does this mean that India has no challenges related to employment? That's also not true. Over the last few years, India's next challenge is to meet the aspirations of people who are employed but want higher incomes. This

requires creation of enough well-paying jobs for existing industrial workforce and for those who want to move out of agriculture. This requires policies that encourage productivity growth in the country, which necessitate concerted efforts towards formalisation, urbanisation and industrialisation of Indian economy. Regarding the PLFS, I feel that the experience of the pilot should be used to further improve the survey through use of technology, accessing real-time data, and increasing the sample size. The draft estimates just do not add up. The above are issues I would have raised if I had been presented a copy beforehand as member of the Commission or if the full Commission had met to discuss the draft report.

Source: xaam.in