

JUNE 26, 2018
ISSUE NO: 24, FY19**DISCONTINUING QUARTERLY EMPLOYMENT SURVEY**

We fail to understand the hue and cry regarding discontinuation of Quarterly Employment Survey (QES) with the advent of release of payroll data. In effect, the QES effectively captures the employment size of about 2.77 crore workers only as against the total workforce of about 47 crore or more workers in total.

Discontinuing of non-essential data is not new in India (or world-wise) and it is a necessary phenomenon. Over the time a number of data series which has lost their importance has been discontinued by the Government, RBI, etc. Also due to publication of real time data series, it is of no use to publish such static data.

For example, RBI in its Annual Reports used to publish some appendix tables. In 2008-09 Annual Report, there were 66 appendix tables that were reduced to 21 tables in 2010-11 Annual Report. Now in 2016-17 RBI Annual Report there are only 9 appendix tables (and Report is only 244 pages long). This was necessary given the fact that now RBI provides data on real-time basis through its "Database on Indian Economy".

A lot of not so useful data have also been discontinued by the Government like weekly WPI, growth data of 268 items of IIP published by DIPP and so on. The QES survey falls in the category of not useful data as we have now migrated to real time reporting of payroll data from static surveys.

Though at the same time it is also true that some important and useful data-series have been discontinued. For example, earlier RBI used to publish report called 'A Profile of Banks' which was last released on Sep'13. The report was very handy and useful. Similarly, data on NRHM has been discontinued by Government.

Meanwhile, the formalisation rate as per the EPFO data published so far reveal a 16.4% formalisation rate. This translates into roughly 7 lakhs payroll created through formalisation out of total payroll created of around 41 lakhs for the period Sep'18-Apr'18. Interestingly, the payroll data also shows larger payrolls created in younger age-group category in states with relatively younger population.



PAYROLL DATA FOR APRIL 2018

In April 2018, Government has released the first monthly payroll data from Sep'17 to Feb'18 as per the records of EPFO, NPS and ESIC. This was based on the recommendation given by Ghosh & Ghosh study titled, "Towards a Payroll Reporting in India". Continuing the trend, all the three agencies have now released the data for the 3rd month in succession for Apr'18.

- ◆ **EPFO:** Data from EPFO records indicate that new payroll generated during Sep'17-Apr'18 was around 4.13 million. During April 2018, EPFO payroll registrations jumped by 6.3 lakhs, the highest in any month since inception. EPFO has also published industry-wise break-up and state-wise break-up of payroll data. The top 10 industries are having around 88% share in total payroll of EPFO.
- ◆ More interestingly, the ECR (Electronic Challan cum Return) data published by EPFO for the first time gives us a clear idea of the extent of such formalisation that has happening in the economy. As per the data, a total 33,874 establishments remitted their first ECR during Sep'17 to Apr'18 period. This number is the proxy for existing organisations that migrated from less than 20 jobs. Thus, when we multiply the number of organisations with the EPFO cut-off / 20, this gives us the total payroll due to formalisation. This comes to 6.8 lakh. Hence, the new employment (excluding formalisation) during Sep'17-Apr'18 is 34.5 lakh (41.3 lakh net of 6.8 lakh). This gives us average formalisation of around 16.4%. However, if we exclude the ECR numbers of Apr'18 (as the numbers are provisional) **than** the formalisation ratio is higher at 18%. Even for the sake of argument, we put this formalisation rate at 20%, the new payroll still counts at 33.0 lakh! This effectively puts to rest the fallacy of the continued debate of EPFO of not being an employment data, and merely a reflection of formalisation!
- ◆ Additionally, when we juxtapose the state-wise share of 18-35 age group payroll share in total payroll with the young population (18-35 age), we find that both of the variables are positively correlated. This means that state where share of young population is higher than the payroll generated in age band of 18-35. For ex., in Karnataka where young population share is 33.8%, share of payroll generate in 18-35 age band is 86%, vice-versa is true for Bihar.
- ◆ **NPS:** As per the NPS data around 5.68 lakh PRAN generated (or new payroll) during Sep'17 to May'18 period, with an average generation of 63,152 per month. The NPS data are the final data and there is no subsequent revisions.
- ◆ In the data, NPS released that the Central and State Autonomous Bodies are shown under Central & State Government respectively, while "Non-Govt." refers to "Corporate sector employees". The Non-Govt. payroll data may not necessarily represent new employment as there may be some persons who were in employment earlier but have opened PRAN recently.
- ◆ **ESIC:** The ESIC data is difficult to interpret as it is still evolving and not fully Aadhaar linked. This has overlaps with EPFO. In principle, EPFO is exactly synonymous with opening of a unique bank account, and hence is easy to measure. In contrast ESIC being an insurance based scheme, is a cost on the employer and is primarily driven by risk perception and hence may still be discretionary. Thus, there are more chances of exits as well as entries. Nevertheless, we believe that the stock of active contributors in ESIC could give us an idea of new payroll created over a point in time.

Formalisation of Employment (EPFO data)					
Period	New Payroll	Establishments remitting first ECR	Total Formalisation	New Payroll	Formalisation Rate
A	B	C	D = C*20	E = B-D	F=D/B
Sep-17	543176	5352	107040	436136	20%
Oct-17	327828	4390	87800	240028	27%
Nov-17	582437	5478	109560	472877	19%
Dec-17	464416	4465	89300	375116	19%
Jan-18	542415	4277	85540	456875	16%
Feb-18	499276	3989	79780	419496	16%
Mar-18	480749	2981	59620	421129	12%
Apr-18	685841	2942	58840	627001	9%
Sep'17 to Apr'18	4126138	33874	677480	3448658	16%

Source: EPFO; SBI Research

State-wise Share of Young Population and EPFO data (% share)				
State	Young % (18-35)	Old % (More than 35)	LFPR (%)	EPFO (18-35)
Karnataka	33.8	34.4	43.0	86%
Haryana	32.9	31.0	35.4	86%
Maharashtra	33.0	34.5	43.7	83%
Uttarakhand	31.2	31.0	37.3	82%
Gujarat	32.2	32.8	42.4	82%
Madhya Pradesh	30.7	29.6	38.8	81%
Rajasthan	30.5	28.1	40.5	80%
Assam	32.3	28.9	35.8	80%
Uttar Pradesh	29.4	27.1	33.9	80%
Andhra Pradesh	33.5	34.3	47.9	80%
Chhattisgarh	30.7	31.0	46.9	79%
West Bengal	32.5	34.5	40.5	78%
Tamil Nadu	32.1	39.1	45.4	77%
Punjab	32.9	35.5	40.1	76%
Jharkhand	29.9	27.8	36.0	75%
Himachal Pradesh	31.6	36.9	52.6	75%
Bihar	28.0	26.0	28.3	71%

Source: SBI Research

THE DEBATE ON DISCONTINUATION OF LABOUR SURVEY

- ◆ A lot of hue and cry has happened with Labour Bureau put on hold the release of its Quarterly Employment Survey (QES) on the advent of release of payroll data. The QES (new series) is an enterprise based survey, carried out with an objective to measure relative changes in employment situation over successive quarters for the establishments having 10 or more workers.
- ◆ The QES has several flaws like sample size, frame of the survey and also does not cover employment in small establishments (less than 10 workers.) So, the QES effectively captures the employment size of about 2.77 crore workers only as against the total workforce of about 47 crore or more workers in total. Further, QES has other problems like comes with a huge lag, does not capture the employment data from new units which emerged after the 6th Economic Census and all the information provided by the selected unit/ establishment is on a voluntary basis. Besides, sectors and states covered under QES have also changed over time particularly before 2015. Therefore, any comparisons across surveys prior to and after 2015 are not meaningful at all.
- ◆ Discontinuing of non-essential data is not new in India (or world-wise) and it is a necessary phenomenon. Over the time a number of data series which has lost their importance has been discontinued by the Government, RBI, etc. Also due to publishing of real time data series, it is of no use to publish such static data.
- ◆ For example, RBI in its annual reports used to publish appendix tables. In 2008-09 Annual Report there were 66 appendix tables (and the extent of Report reached more than 450 pages) that were reduced to 21 tables in 2010-11 Annual Report. Now in 2016-17 RBI Annual Report there are only 9 appendix tables (and Report is only 244 pages long). This was necessary given the fact that now RBI now provides data on real-time basis through its "Database on Indian Economy". RBI data base is an excellent source of real-time data.
- There were lots of not useful data also discontinued like weekly WPI, etc, Growth data of 268 items of IIP published by DIPP and so on.
- ◆ Though at the same time it is also true that some important and useful data-series have been discontinued. For example, earlier RBI used to publish a report called 'A Profile of Banks' which was last released on Sep'13. The report was very handy and useful and the reason for its discontinuance is not known. Similarly till 2008, RBI yearly published theme-based 'Report on Currency and Finance', since then there are only 2 issues have been released.

Useful and Useless Data		
Type of Data/Report	RBI	Government
Not useful and Discontinued	<ul style="list-style-type: none"> Appendix tables in Annual Report pruned from as high as 66 to only 9, as RBI has moved to real time data reporting 	<ul style="list-style-type: none"> Weekly WPI Labour Bureau QES Growth data of 268 items of IIP published by DIPP
Useful But Discontinued	<ul style="list-style-type: none"> A Profile of Banks Report of Currency & Finance (only 2 issues in last 10 year) 	<ul style="list-style-type: none"> Publication of Daily List of export Import data on commodity wise NHRM data by Government

Source: SBI Research* The list is not exhaustive

Arithmetic of Annual Report Annexure	
Previous Annexures (Total 66 tables were published in FY09 Annual Report of RBI under the following heads)	Shifted to Real time basis in RBI Database
Macroeconomic and Financial Indicators	Agriculture
Growth Rates and Composition of Real Gross Domestic Product	Trends In IIP & Core sector
Gross Savings	Foreign Trade
Inflation, Money and Credit	Price Indices
Capital Market - Primary and Secondary	Equity Markets Indicators
Key Fiscal Indicators	Public finance
Combined Receipts & Disbursements of the Central & State Governments	India's External Debt
India's Overall Balance of Payments	-

Source: SBI Research

ABOUT US

The Economic Research Department (ERD) in SBI Corporate Centre is the successor to the Economic and Statistical Research Department (E&SRD). The latter came into being in 1956, immediately after the State Bank of India was formed, with the objective of “tendering technical advice to the management on economic and financial problems in which the Bank has interest and which required expert analysis”.

After the first reorganization of the Bank, when specialized departments like Management Science, Management Information Systems, Planning and Market Segment Departments took over the statistical work of E&SRD, the Department was renamed as ERD.

However, with the ERD team now taking on multidimensional functionalities in the area of risk management, corporate analytics, strategy and so on, who knows, the time may have come to rename it again!

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