

The recently released RBI KLEMS data reveals many interesting facets

- **The total labour force in India is at 59.7 crores, which is nearly equivalent to 56.8 crores as per recently released ASUSE survey. This total number of labour force is significantly different from private employment surveys.**
- ◆ **If we look at the decadal employment numbers as per RBI, during FY14-23 India has created 12.5 crore jobs, compared to only 2.9 crore during FY04-14. Even if we exclude Agriculture, the total number of jobs created in Manufacturing and Services is at 8.9 crores during FY14-FY23 and 6.6 crores during FY04-FY14.**
- ◆ **Additionally, the total employment reported by micro, small and medium enterprises (MSMEs) registered with the MSME Ministry has crossed the 20-crore mark, according to data from the Udyam registration portal. As of July 4, 4.68 crore Udyam-registered MSMEs reported 20.19 crore jobs including 2.32 crore jobs by GST-exempted informal micro enterprises, up by 66% from 12.1 crore jobs in July last year.**
- ◆ **One interesting fact emerges by comparing EPFO data with KLEMS data. When we took the share of EPFO with KLEMS, the FY24 share at 28% is drastically lower than the average share of 5-year period (FY19-FY23) at 51%. As EPFO data capture primarily low-income jobs, the declining share is quite encouraging and indicate that possibly better paid jobs are getting available in the economy.**
- ◆ **The share of formal labour force is 55% as per ASUSE survey and 61% as per the PLFS survey.**

The obvious question is why these numbers are different from private employment surveys? We cite at least 2 possible reasons:

- **Firstly, this stark difference as several researchers like Somamchi (2021) have pointed out are such surveys possibly suffer from innate flaws in their sample selection technique, thereby under-representing women and young children as also the poor while overrepresenting the other extreme. Subsequently, such unemployment numbers are more skewed, i.e. concentration is more towards higher values, signifying that unemployment measured through such surveys are more on upside in comparison to PLFS.... As an example, kurtosis of such unemployment is nearly double the kurtosis of PLFS signifying that there is too much concentration near high peak of central value. Such Kurtosis might be high, because the respondents might be changing.... People in the lower part move a lot and thus household addresses changes. Hence it is unlikely that such unemployment surveys might be concentrating more on the stable households, thereby on stable income resulting in average higher echelon.**
- **Secondly, quoting from Goldar and Aggarwal 2024 paper whereby they lucidly explain why it is factually incorrect to account for the surge in workforce particularly female in agriculture as a sign of employment distress by noted labour economists (pl refer the box at the annexure that has reproduced from this paper by Goldar and Aggarwal). "As noted above, jobs in agriculture account for 60 to 70% of the increase in female workforce participation in rural areas in recent years. This is attributable to significant increases in work opportunities in agriculture that have arisen from (a) rapid growth in the agriculture sector output (about 4% annual growth) creating extra demand for labour, (b) a fall in employment of rural males in agriculture by about 13.3 million between 2019-20 and 2022-23, caused by their decision to shift to non-agricultural activities in rural and urban areas thereby vacating jobs that could be taken up by female workers, and (c) the reluctance of a section of young male persons in rural areas to work on the farms which has contributed to creation of employment opportunities for female workers. A negative view should not be taken of the increase in employment of unpaid female workers and the rise in the share of self-employment. The productivity of such workers does not fall much short of that of hired workers"..Goldar and Aggarwal, IEG Working Paper, 2024**

We end with an anecdote.

In 1726, at age 3, Adam Smith was kidnapped by gypsies. His rescue was lucky for the world, as the discipline of economics would have been significantly different otherwise. Incidentally, the rescue is also described as lucky for the gypsies since Smith was extremely forgetful and it would have been a huge burden for the gypsies to keep him captive for a long time! Readers must be wondering why this sudden reference to Adam Smith in this article. Well, the kidnapping incident reminds us of the necessity as well as the futility of statistical surveys globally and in India. Damned if one does, damned if one does not—a necessary evil, so to say.

But one advice. Do the surveys properly with a clearly defined methodology in public domain.

For example, a case in point is that the University of Michigan, in their Consumer Surveys, always asks consumers about their anticipation of unemployment rate changes, and that is subsequently validated. We are not sure whether the private employment survey, which is modelled along the lines of the University of Michigan Consumer Survey, even addresses such an issue!

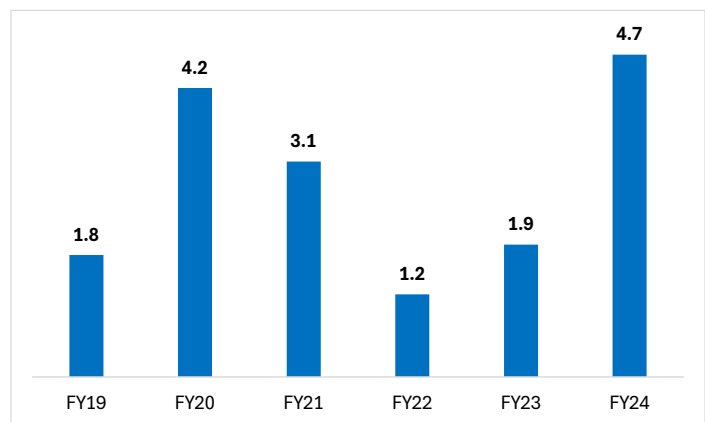
RBI'S KLEMS WORKFORCE NUMBERS AT 59.7 CRORES IS ALMOST EQUIVALENT TO 56.8 CRORES AS PER ASUSE SURVEY' 20223

- Recently, RBI released KLEMS dataset and as per the data, India has provisionally created 4.7 crore jobs in FY24, more than double it has created last fiscal. **With this India's total employment count reached to 64.3 crore in FY24, from 59.7 crore in FY23.**
- India KLEMS, which is a part of Asia KLEMS and of the larger world KLEMS (*K: Capital, L: Labour, E: Energy, M: Materials and S: Services*) initiative, aims to measure and analyse productivity growth in India by using the KLEMS framework. It started in 2009, and from 2022, the RBI is the home of India KLEMS database covers FY80 to FY24, consists of inputs (KLEMS), output (gross value added; gross value of output) and total factor productivity (TFP) estimates.
- However, many have raised the authenticity of the numbers not only for FY24 but also the years FY21 and FY22, which were mostly affected by COVID-19 pandemic.
- If we compare, RBI KLEMS number with the recent released the factsheet of Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2022-2023, it indicates the FY23 numbers are comparable and at similar level. ASUSE FY23 indicate total employment is 56.8 crore and RBI reports 59.7 crore.**
- As per PLFS survey, the total labour force participation rate is increasing and is at 57.9% in FY23, compared to 53.5% in FY20. The overall unemployment rate has been declining over the years and is at 3.2% in FY23.**
- The RBI KLEMS provisional data on employment thus seems to be in consonance with the ASUSE survey. Based on the trends, we estimated the sector-wise employment numbers. **Our estimates indicate there has been significant increase in employment in construction activities, as Government's focus is on infrastructure sector.** If we look the construction sector's GDP, the share has been increased to 9.0% in FY24 from 7.8% in FY21. In other words, contribution to GDP has increased to ~1% from a negative of 0.4% in FY21.

Employment Scenario in India			
in Crore	ASUSE	RBI KLEMS	
	FY23	FY23	FY24
Overall	56.8	59.7	64.3
Agriculture	26.0	25.3	26.5*
Industry^	14.8	13.8	15.4*
Services	16.0	20.2	21.9*
Informal Share	45%	-	-
<i>Memo:</i>			
Informal_PLFS	38.90%	-	-

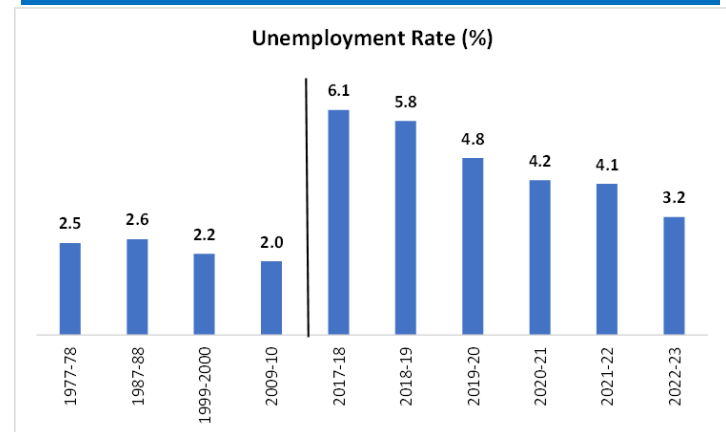
Source: RBI, NSO, SBI Research *SBI Estimate ^ includes construction

Year-wise Employment created as per KLEMS data (crore)



Source: RBI, SBI Research

Unemployment Rate (%) as per PLFS



Source: SBI Research

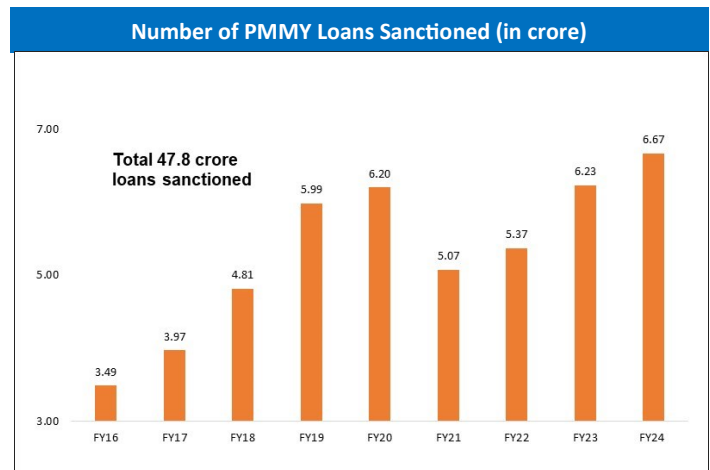
- ◆ As per RBI’s incremental employment of 4.7 crore during FY24, we estimate that industry, including construction, employment would be 15.4 crore, Services at 21.9 crore and Agri is at 26.5 crore.
- ◆ If we look the decadal employment numbers as per RBI, during FY14-23 India has created 12.5 crore jobs, compared to only 2.9 crore during FY04-14.
- ◆ Additionally, the total employment reported by micro, small and medium enterprises (MSMEs) registered with the MSME Ministry has crossed the 20-crore mark, according to data from the Udyam registration portal. As of July 4, 4.68 crore Udyam-registered MSMEs reported 20.19 crore jobs including 2.32 crore jobs by GST-exempted informal micro enterprises, up by 66% from 12.1 crore jobs in July last year.
- ◆ The Government emphasis on entrepreneurship through PMMY and even recent schemes post pandemic like PM SVANidhi for those at bottom of the pyramid is imparting a structural transformation in labour markets in India through formalization of credit.

EMPLOYMENT AS PER EPFO/NPS

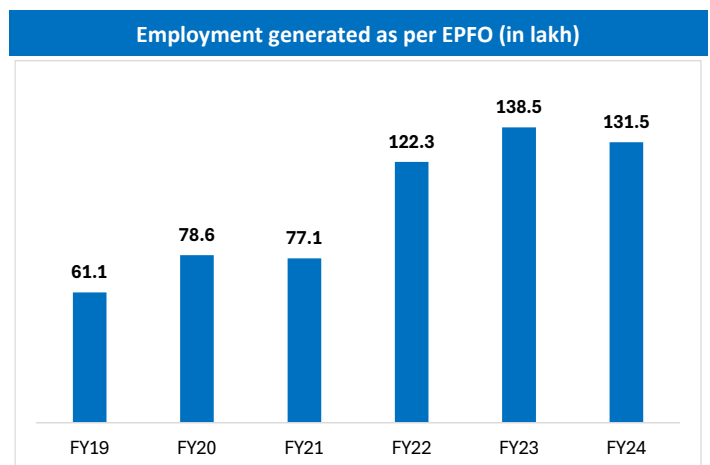
- ◆ One of the reasons that India witnessed such a large job creation in FY24 is due to the increased formal sector employment in both the public and private sectors owing to government efforts to improve ease of doing business, enhance skill development, and provide incentives for job creation.
- ◆ The EPFO data suggests that more and more workers are joining formal jobs. During FY24, more than 1.3 crore subscribers joined EPFO which is more than double compared to 61.1 lakh that joined EPFO during FY19. Moreover, during last six and half years (since September, 2017 to March, 2024) more than 6.2 crore net subscribers have joined EPFO.
- ◆ One interesting fact is emerging by comparing EPFO data with KLEMS data. When we took the share of EPFO with KLEMS, the FY24 share at 28% is drastically lower than the average share of 5-year period (FY19-FY23) at 51%. As EPFO data capture primarily low-income jobs, the declining share is quite encouraging and indicate that more better paid jobs are getting available in the economy.
- ◆ The data from NPS indicates that more than 7.75 lakh new subscribers have joined the NPS during FY24 under the Central and State governments which is 30% more than 5.94 lakh new subscribers joining NPS during FY23.

Change in employment during 2 decades as per KLEMS , RBI (in Mn)			
	FY14-FY04	FY23-FY14	X Times
Agriculture,Hunting,Forestry and Fishing	-37.3	36.3	-
Industry	33.0	31.9	1.0
Manufacturing	5.1	8.2	1.6
of which , Food Products,Beverages and Tobacco	0.5	0.7	1.3
Pulp, Paper,Paper products,Printing and Publishing	0.1	0.6	7.3
Chemicals and Chemical Products	0.1	1.0	14.2
Basic Metals and Fabricated Metal Products	1.0	2.0	2.1
Transport Equipment	0.6	0.7	1.3
Manufacturing, nec; recycling	1.5	2.2	1.4
Electricity, Gas and Water Supply	0.5	0.7	1.3
Construction	27.6	23.6	0.9
Service	33.4	56.9	1.7
Trade	7.5	19.1	2.6
Hotels and Restaurants	2.7	3.5	1.3
Business Service	5.6	9.0	1.6
Health and Social Work	1.6	3.4	2.1
Other services	5.2	10.7	2.0
Total	29.1	125.2	4.3
Total Excluding agri	66.4	88.9	1.3

Source: RBI; SBI Research



Source: SBI Research



Source: EPFO, SBI Research

ANNEXURE

The below verbatims reproduced from the Working Paper No 462, Institute of Economic Growth by Goldar Bishwanath and Aggarwal Suresh Chand (2024), Page No. 7

IEWS ON THE INCREASES IN UNPAID FEMALE (FAMILY) WORKERS

In a paper, Surajit Deb states: *“It is ...observed that while the government policies are pushing self-employment as an answer to India’s unemployment problem, the academic views have been quiet different that claimed self-employment as a form of disguised unemployment or self un(employment) in India.”* Surajit Deb, “Some Observations on the Rising Self-employment in India, 2022”. Paper prepared for the 37th International Association for Research on Income and Wealth, General Conference, Luxembourg, August 22-26, 2022.

In her paper, Ashwini Deshpande states: *“Had the decline in casual labour been reflected in an increase in regular salaried jobs, it would have indicated an improvement in job quality. However, that is not the case. The increase in self-employment in agriculture could reflect disguised unemployment or underemployment, which refers to a situation where too many workers are doing too few jobs. This essentially means that women are engaged in agriculture but not to their full productive capacity. This is reflected in the pattern of earnings over time.”* She also states: *“The sustained increase reflects an increase in women in self-employment, which is a combination of paid work and disguised unemployment. There is, however, no increase in job availability in rural areas.”* [Ashwini Deshpande, “Illusory or real? Unpacking the recent increase in women’s labour force participation in India,” Centre for Economic Data and Analysis, Ashoka University, 15 December 2023, <https://ceda.ashoka.edu.in/>]

In an article in Mint, Radhicka Kapoor states: *“...we find that in the period post 2018-19 there has in fact been a sharp increase in the share of usual-status workers who are reported as employed by SS. This increase is particularly steep for women, both in rural and urban areas. For rural women those engaged only in subsidiary status activities rose sharply from 14.1% in 2018-19 to 22.5% in 2021-22 and for urban women it rose from 5.9% to 10.3%. This suggests that though women are entering workforce, they are not engaged in productive employment. Rather they are engaged in marginal subsidiary work which is often unpaid. This may well be distress driven, and cannot be taken as a sure-shot indicator of an easing of the country’s job crunch or an improving employment situation in the economy.”* [Radhicka Kapoor, “More unpaid work may be driving up India’s employment statistics,” Mint, April 24, 2023].

Reference: Goldar Bishwanath and Aggarwal Suresh Chand (2024), “Explaining the Significant Hikes in Female Workforce Participation Rate in India in Recent Years and Some Thoughts on How to Raise It Further”, IEG Working Paper No. 462, February 2024

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