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Beginning of Payroll Reporting in India

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April 26, 2018

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Introduction

- ❑ In Jan'18, we had published a study titled, “Towards a Payroll Reporting in India”, and advocated the need for monthly payroll reporting in India like in other economies
- ❑ The study had estimated that around 70 lakh jobs might be generated in FY18. Research has revealed that the Payroll data have the most profound impact of all high frequency economic reports and major policy implications
- ❑ It is good that **Government has finally accepted the recommendations and released the monthly payroll data on 25-Apr-18** from Sep-17 to Feb'18 as per the records of EPFO, NPS and ESIC

EPFO | ESIC | NPS

EPFO – Data

- ❑ FY17: **45.4 lakh / 4.5 million** on new payroll across 190 industries as per Ghosh & Ghosh report
- ❑ FY18 (Apr-Nov'17): **36.8 lakh** as per Ghosh & Ghosh report
- ❑ From the published EPFO data: **Dec-Feb FY18: 9.7 lakh**, hence for Apr-Feb: **46.5 lakh / 4.6 million** new payroll (based on Apr-Nov'17 consolidated from Ghosh & Ghosh and Dec-Feb'18 actuals from EPFO)
- ❑ From the published EPFO data: **Sep-Feb FY18: 31.1 lakhs**, of which **18-25 age group category 18.6 lakhs**

Payroll Data as per EPFO Records					
Year/Age-band		18TO21	22TO25	Total	Source
FY17		19.3	26.1	45.4	Ghosh & Ghosh Report
FY18	Apr-Nov	14.9	21.8	36.8	
	Dec-Feb	5.0	4.7	9.7	Published Data
	Apr-Feb	19.9	26.5	46.5	-

EPFO – Assumptions and Explanations

- ❑ Data for most recent months are provisional as updation of employees records is a continuous process and are likely to be updated in subsequent month/s
 - Hence most recent estimates (like February) may be an underestimate
- ❑ This is age-band wise data of all non-zero contributors that are registered under EPFO during particular month
- ❑ For each age-wise band, the estimates are net of the members enrolled and ceased during the month as per records of the EPFO
 - Given that retirees are also netted out, this may imply a downward bias to net EPFO numbers as retirees mean a new vacancy and hence a new hire
- ❑ The estimates may include temporary employees whose contributions may not be continuous for the entire year
- ❑ Members' data above are linked to unique Aadhaar Identity
- ❑ EPFO manages social security funds of workers in the organised/semi organised sector in India
- ❑ EPFO has more than 6 crore active members (with at least one month contribution during the year)

Some mistaken caveats for EPFO estimates

- ❑ It is possible that during any year, companies having existing employees less than 19 would come into EPF newly and add to entire payroll. These does not represent new payrolls as observed rightly.
- ❑ However this is a normal event every year and we believe that this figure is not material on net basis
 - Interestingly, even if we take only the number of joinees from published EPFO records that are in 18-25 age-group that is still around 22 lakhs
 - We thus exclude first payments from joinees who are 25+ years (9 million in number) and some of whom definitely have also joined the payroll for the first time

- The NPS data indicates that on an average of 50,000 subscribers are joining every month

No. of new subscribers added during the month				
Month	Central Govt	State Govt	Total	Source
As end of Mar-17	17,88,699	33,32,526	51,21,225	Ghosh & Ghosh Report
Apr-17	12,375	38,609	50,984	
May-17	18,201	36,870	55,071	
Jun-17	13,728	42,246	55,974	
Jul-17	14,201	40,521	54,722	
Aug-17	14,143	34,535	48,678	
Sep-17	11,662	47,868	59,530	
Oct-17	13,915	34,629	48,544	
Nov-17	11,641	46,830	58,471	
Dec-17	8,406	64,045	72,451	
Jan-18	7,659	52,313	59,972	
Feb-18	7,277	46,260	53,537	
Total	1,33,208	4,84,726	6,17,934	-

NPS – Assumptions and Explanations

- ❑ NPS was launched on 01 Jan'04 and was aimed at individuals newly employed with central and state government, but excluding ones in the armed forces. NPS currently manages corpus of 50 lakh people in State and Central Government.
- ❑ Only Tier I Active NPS accounts are considered for the analysis
- ❑ Central and State Autonomous Bodies are shown under Central & State Govt. respectively
- ❑ Sector wise number of Permanent Retirement Account Numbers (PRANs) generated during respective months (irrespective of current status /association) are considered for the analysis
- ❑ The age of Subscriber is calculated based on end date of the month in which his/her PRAN has been generated
- ❑ The data represented during different months are the number of Payroll/PRAN generation during the months
- ❑ Includes NSDL & KCRA data

- Though ESIC also published the data of those registered employees that paid contribution in the particular month but as the data is unstructured it will not provide us an accurate picture of new payroll

PROVISIONAL ESTIMATE OF PAYROLL AS PER ESIC RECORDS (IN LAKH)				
Month	Out of existing stock, the number of employees who paid contribution during the month	Number of employees registered during the month	Out of Col (B), registered employees as in Col (C), who paid the contribution during the month	Out of existing stock, the number of employees who have ceased paying contribution during the month
(A)	(B)	(C)	(D)	(E)
Sep-17	292.7	16.2	12.1	14.8
Oct-17	289.2	15.1	11.1	17.6
Nov-17	283.1	16.0	11.7	15.8
Dec-17	284.2	16.5	12.3	14.0
Jan-18	281.6	16.1	11.8	14.3
Feb-18	270.1	15.3	11.1	13.4

ESIC – Assumptions and Explanations

- ❑ ESI, a social security and health scheme for Indian workers, is financed out of contributions from employers and employees and ESIC manages corpus for more than 3 crore Insured Persons (IP)
- ❑ IP Registration is not subject to mandatory Aadhaar seeding and, therefore, an employee may have multiple IP registration numbers due to change of employment
- ❑ The stock number may also change due to the employees who have ceased to pay contribution. This may be due to wage exceeding the statutory ceiling of Rs.21,000 per month/resignation/death/ retirement/dismissal
- ❑ The stock of existing employees paying contributions for a given month is provisional for upto at least six months because of delayed filing of contributions/returns by the employers

Payroll in India

- If we reconcile our study data with the recently published data we find that as per EPFO records around 46.5 lakh new payroll has been generated in Apr-Feb FY18 period. If we project the March number on pro-rata basis, the total FY18 payroll as per EPFO records would be thus around 51 lakh.
- As per NPS records, a total of 6.2 lakh new payroll has been generated during Apr-Feb FY18 period and projecting the March number the total FY18 payroll number would be around 7 lakh.

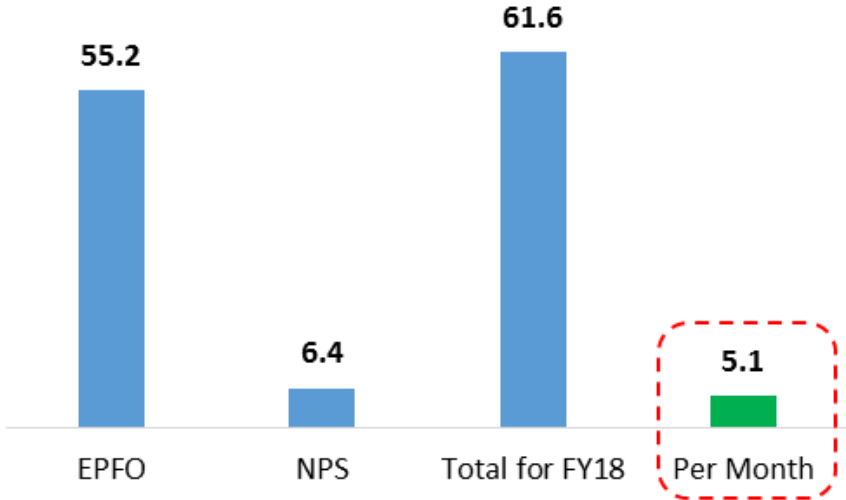
Total New Payroll in FY18 (in Lakh)			
EPFO*	Ghosh & Ghosh Report	Apr-Nov'17	36.8
	Website Data	Dec'17-Feb'18	9.7
	Total (Apr-Feb)		46.5
NPS	Ghosh & Ghosh Report	Apr-Oct'17	3.7
	Website Data	Nov'17-Feb'18	2.4
	Total (Apr-Feb)		6.2
Total (EPFO+NPS) during Apr-Feb			52.7
Source: EPFO, PFRDA, SBI Research; *18-25 years			

Validation of Ghosh & Ghosh Report (1)

- We had estimated that total 61.6 lakh (excluding ESIC) new payroll generated in FY18, while as per the EPFO and NPS numbers the total payroll in India may be around 58 lakh in FY18 (March being projected)

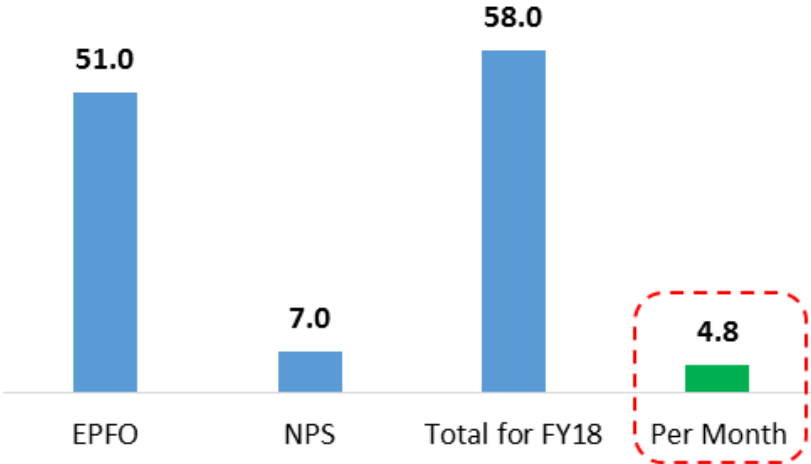
Based on Ghosh & Ghosh Report

Payroll in India - FY18 in Lakh (ex ESIC)



Based on Published Data

Payroll in India - FY18 in Lakh (ex ESIC)

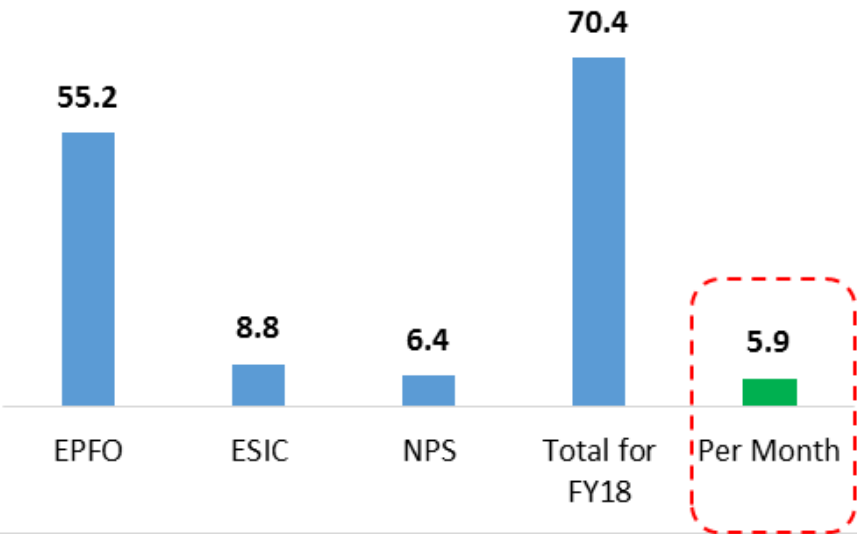


Validation of Ghosh & Ghosh Report (2)

- If we assume the estimated ESIC number of 8.8 lakh (that might be an underestimate) then the total payroll in India would be around 67 lakh, which is significantly close to the estimate of 70 lakh by our study

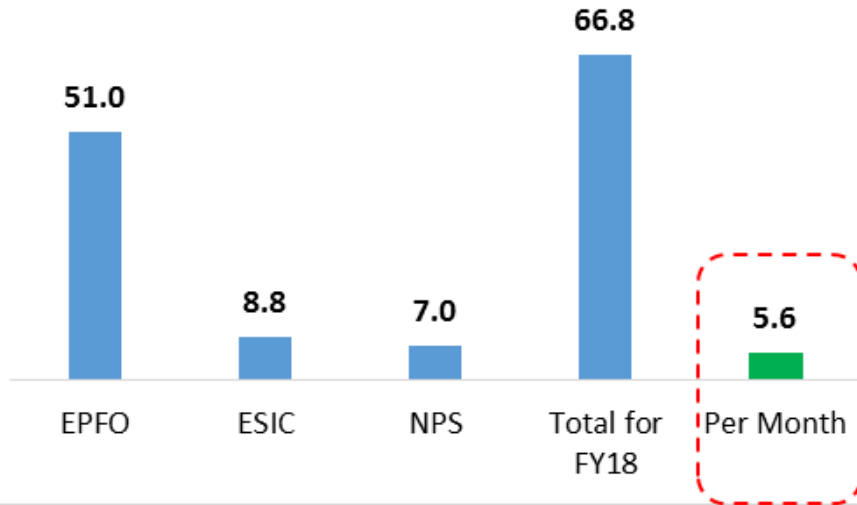
Based on Ghosh & Ghosh Report

Payroll in India - FY18 in Lakh



Based on Published Data

Payroll in India - FY18 in Lakh



Validation of Ghosh & Ghosh Report (3)

- ❑ When we had published the study, it was erroneously criticized by a number of experts that 70 lakh employment generated in this country is wrong. Some of the people also commented about the methodology and tried to prove that survey method is better than the actual data.
- ❑ As per the data released by Government, we now find that our estimate is significantly close to the actual number of payroll in India
- ❑ In fact, ESIC records show a healthy trend in so far as on an average 2.5 lakhs newly registered employees in the age-group of 18-25 category are paying the contribution every month. Hence 8.8 lakhs may be an underestimate. We believe, this number could be closer to 10-11 lakhs

Our View on Survey Based Employment Count

- ❑ Employment counts in India are continue to be survey based (**Ministry of Labour & CMIE**) that are limited in size, scope and using them to gauge overall numbers could result in completely distorted conclusions.
- ❑ **Take these 2 examples:**
 - ✓ As per CMIE survey, it was claimed that there could have been as many as 1.5 million jobs lost during post-demonetisation in Jan-Apr'17 (by comparing this number with concomitant figures from Sep-Dec'16). However, as per the BSE-CMIE the average unemployment rate declined to 4.9% in Jan-Apr from 7.05% in Sep-Dec period. The moot point is even the surveys done by the same organisation may reveal completely divergent trends!
 - ✓ NSSO data between January-March 2012 and October-December 2011 shows the number of workers declined by a whopping 19.6 million, even when there was no policy change. So, are we all ready to accept this humongous job loss in 2012 if we strictly go by CMIE yardstick?
- ❑ This now needs to be corrected so that debate shifts to analysis based on real time data

Way Forward

- ❑ We recommend that the Government should release this data on a monthly basis (25th of every month), as for long absence of payroll data in India has been the missing link in policy making, and there have been too many conjectures and hypothetical assumptions based on surveys in public domain regarding the size of employment in India
- ❑ The Payroll data should also contain summary of payroll across industries as in countries like USA to understand labour dynamics
- ❑ A detailed analysis of labor on contract under the Contract Labor Act should be done to estimate the total number of people on contract
- ❑ The formal sector payroll number may be enlarged further if we are able to include data from professional bodies (like ICAI, ICSI, National Bar Council, Medical Council of India, etc.) & Income Tax Payees in India. We estimate 1 crore people employed across all such professional bodies
- ❑ A logical corollary for next step should be robust use of big data for counting informal payroll in India

Thank
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