

A Study by Indian Institute of Management, Bangalore & State Bank of India

Towards a Payroll Reporting in India (Summary of Results)

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Summary (1)

- ❑ Currently, Labour Bureau has been conducting Quarterly Employment Survey (QES) to assess employment situation in India
- ❑ Though the QES provides sector-wise employment situation, in India it is also marred with significant limitations and gives a distorted picture of job creation
- ❑ All these limitations allow us to believe that a payroll report for India on the same vein as it is currently being prepared in the US could solve the missing middle

Summary (2)

- ❑ We expect that 15 million are added to labour force every year
- ❑ We estimate that of such 15 mn, around 6.6 million are possibly qualified manpower; the rest 8.4 million are non-graduates/non-qualified / drop-outs from graduate
- ❑ By 2040 or so, it is expected that India's demographic dividend will be conclusively over. The total fertility rate is already down to 2.2 children for every woman, and is expected to reach the replacement fertility rate of 2.1 by 2025

Summary (3)

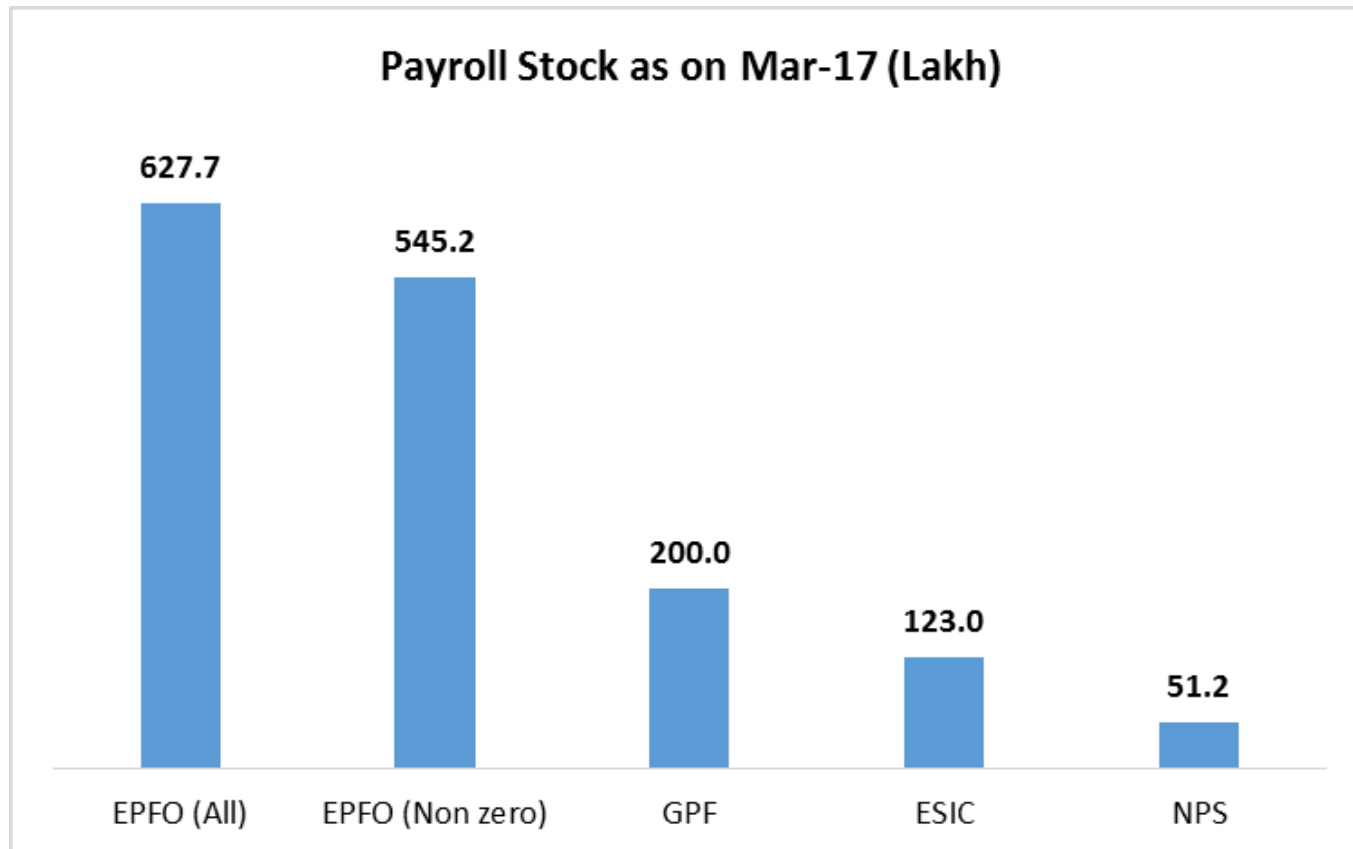
- ❑ Unfortunately in India, we don't have any proper source to either measure the total work force or the total individuals on payroll. To make an effort in this direction, we collected primary data from three major sources, like:
- ❑ **EPFO:** Manages the funds contributed by the workforce engaged in the organized sector in India. EPFO manages a corpus of over Rs 11 lakh crore for its estimated **5.5 crore subscribers** across jurisdictions in **over 190 industries employing more 20+ people**
- ❑ **ESIC:** Is an autonomous corporation by a statutory creation under Ministry of Labour and Employment. Employees' State Insurance is a self-financing social security and health insurance scheme for Indian workers. **ESIC manages corpus for 1.2 crore subscribers for 65 industries with 10+ employees**

Summary (4)

- ❑ **NPS:** It was launched on the 1st of Jan'04 and was aimed at individuals newly employed with the central government and state govt, but not including ones in the armed forces. **NPS currently manages corpus of 50 lakh people in state and central Govt organisations**
- ❑ **GPF:** The total number of **Government employees is 2 crores** (1.67 crores in State Government & Parastatal State Government Units and 33 lakh in Central Government & Parastatal Central Government Units)
- ❑ We use all these numbers to find the stock of organized sector payroll in India as on March 2017. We also use such data to estimate the incremental payroll in India for current fiscal (till March 2018) and compare it with like period previous year. We however, don't consider GPF in our estimate for the incremental payroll data

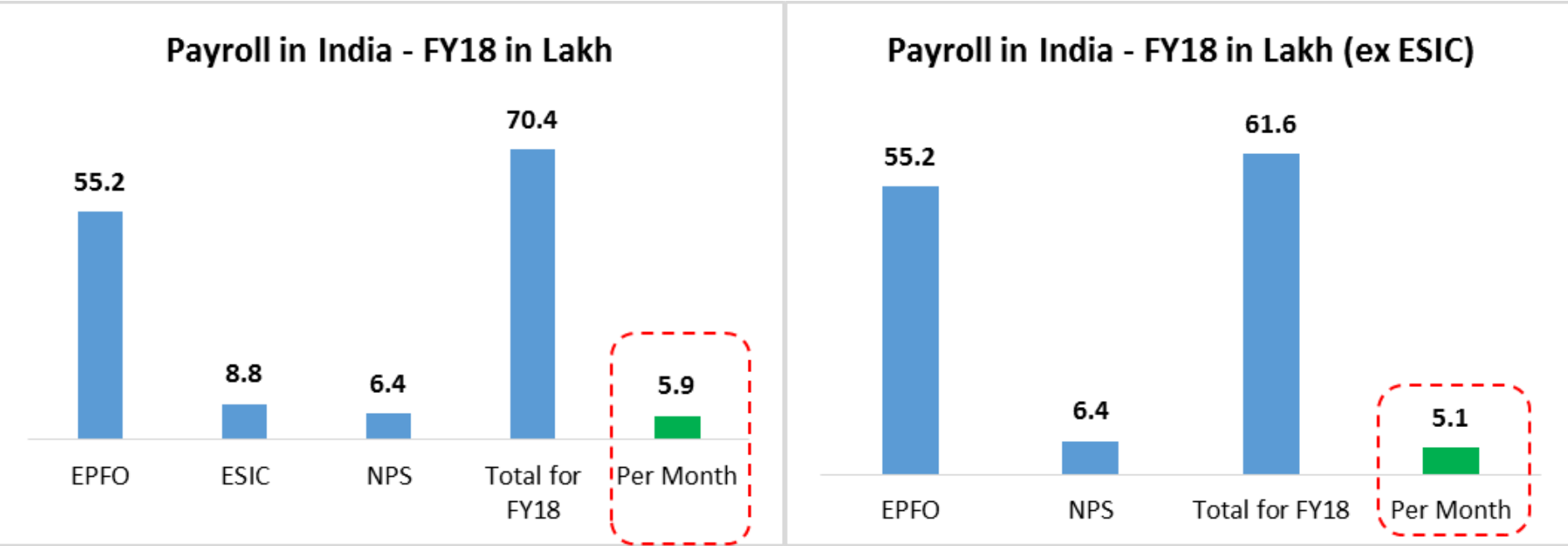
Summary (5) Stock of Payroll: Three Major Segments as per our estimates

- Total stock (old + new) of payroll for three major segment (EPFO, ESIC, GPF and NPS) was 9.19 crore (Including zero contributions **it is around 10 crore, not significantly different from NSSO data as on March 2017**)



Summary (6) Incremental Payroll in India

- Based on all estimates, payroll of 5.9 lakh (i.e. 7 million annual) generated every month in India in current fiscal



Way Forward

- ❑ This is the first attempt to report the payroll situation in organised sector in India
- ❑ We have done a very conservative estimate
- ❑ EPFO, ESIC & NPS in collaboration should publish monthly report of new payroll in India who have made a first contribution to their schemes monthly with age buckets, geography, top 20 industry classification by the 25th of succeeding month for the previous month
- ❑ With a monthly frequency, this data would have various usages for policy-makers, academicians and researchers/analysts
- ❑ A trend analysis of EPFO data across 190 industries and across geographies would also help us to reorient our skill development programmes towards such industries
- ❑ A detailed analysis of labor on contract under the Contract Labor Act should be done to estimate the total number of people on contract
- ❑ A logical corollary for next step should be robust use of big data for counting informal payroll in India

Way Forward: Incentivizing Payroll Data Capture

- ❑ It should be mandatory for the professional bodies, hospitals, nursing homes etc. to submit the details of new joiners every 3 months to the local Government offices
- ❑ From April 1, 2018 Government should ask every GST filer for giving total number of permanent employees on payroll and total no of contract employees on payroll
- ❑ Some tax deduction (per person) may be given for domestic help, if their name and details are registered with tax authorities by the household employing them
- ❑ Currently NPS give extra tax deductions of Rs 50,000 p.a. Government should continue this incentive and provide new incentives also to encourage people to join NPS

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