

INDIA CREATED 29 LAKH LESS NEW PAYROLLS IN FY20: IMF DATA SHOWS OUTPUT LOSS FOR INDIA AT 15.5% OF GDP DURING NEXT 2 YEARS

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IMF is now projecting a deeper recession in 2020 and a slower recovery in 2021. Global output is projected to decline by 4.9% in 2020 followed by a partial recovery, with growth at 5.4% in 2021. India's GDP will be lower than global GDP decline at 4.5% in 2020. Interestingly, cumulative output loss to the global economy over two years (2020-2021) from this crisis will be around \$12.5 trillion. **Given that India's current share of 3.5% in global economy, India's output loss over next two years will be thus around \$438 billion / Rs 31.5 lakh crore / 15.5% of GDP. However, such a translated output loss at India's existing output share of 3.5% is only possible if India and global GDP contracts at the same rate in 2020. But if India contracts at 4.5% and global economy by 4.9% as per IMF projections, the share of India in global GDP from 3.5% will increase from such current levels. The share can only decline if India contracts at a faster rate than 4.9% global GDP contraction in 2020.**

Meanwhile, there are several trends that are apparent from the payroll data for FY20 that has now been announced.

First, the payroll creation is the sum of existing and new payroll, with existing payroll the aggregation of extent of formalization and second job. New payroll is first payroll creation. As per EPFO data, India created 28.9 lakh lower new payroll in FY20.

Second, the extent of formalization has remained steady at 10-11% after the initial surge, but it declined by 1.6 lakhs in FY20. The extent of formalization could decline further because GST collections has been significantly impacted.

Third, the number of second payrolls increased significantly in FY20 by 12.7 lakhs.

Fourth, even in the NPS category, State and Central Government created 7.33 lakhs in FY20 nearly at the same level in FY21. However, the State Governments created 55,700 lower NPS in FY20.

Fifth, India created on an aggregate basis, 94.7 lakh new payroll in FY20, lower by 17.8 lakhs as compared to FY19.

Sixth, though Apr-20 payroll data is not comparable with Apr-19, still data indicates that only 9% first job was created in Apr-20 compared to Apr-19. Thus April 20 has been a washout.

The good thing however is that if we look cumulatively during Apr-24 Jun'20, there were 184 crore person days work generated through NREGA, compared to 97 crore in Apr-Jun'19. This is primarily due to Government's push to provide employment to the migrant workers during this COVID-19 outbreak.

INDIA CREATED 29 LAKH LESS PAYROLLS IN FY20

- In April 2018, Government 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". Since then EPFO has been publishing data on a regular basis every month. However, EPFO has revised its format for better representation of the data. In the revised format, the payroll data is publishing from Sep'17 onwards, and the data regarding net new subscribers is also presented in the format in which exited members shown are out of new EPF subscribers who have joined on or after Sep'17.
- The data released indicate that net new EPF subscribers during FY20 was 94.7 lakh which was 17.8 lakh lower than the FY19 payroll numbers. However, this does not represent the correct picture as such data includes number of exited members who rejoined and re-subscribed. Hence, this is not purely fresh job creation.
- We subsequently estimated the actual net new payroll (first job) adjusted for rejoined/re-subscribed members and formalization (based on ECR data). As per our calculation, the actual net new payroll was 60.8 lakh for FY20. This was 28.9 lakh less than the net new payroll generated in FY19. Interestingly, our research report (SBI Ecowrap) dated 13 Jan'20 had extrapolated the loss of 16 lakh payrolls for FY20. The actual loss is almost twice our projections.
- The second job (or the exited members who rejoined and re-subscribed) increased by 12.7 lakh in FY20 compared to FY19. This may indicate that more peoples are shuffling their jobs.
- NPS data indicates that there is a decline of 17,256 in new subscribers, of which Non-Govt. payrolls have increased by 32,336 but a decline of 55,700 in State Govt. payrolls.
- Though Apr-20 payroll data is not comparable with Apr-19, still data indicates that only 9% first job is created in Apr-20 compared to Apr-19.

NPS Payroll (New Subscribers Contributing)

	Central Govt.	State Govt.	Non-Govt.	Total New Subscribers
Sep-17 to Mar-18	76,185	3,12,405	64,856	4,53,446
FY19	1,10,555	5,42,504	97,341	7,50,400
FY20	1,16,663	4,86,804	1,29,677	7,33,144
Apr-20	11,929	27,185	25,533	64,647
Total (Sep'17 to Apr'20)	3,15,332	13,68,898	3,17,407	20,01,637
Change (FY20/FY19)	6,108	-55,700	32,336	-17,256

Source: SBI Research, MOSPI

EPFO Payroll Data (in Lakh)

Period	Number of new EPF subscribers	Number of new members who joined in or after Sep-2017 and exited	Number of exited members who re-joined and resubscribed	Net New EPF Subscribers E = B+D-C or F+G+H	Existing Payroll		First Job H=E-D-F
					Formalisation*	Second Job	
A	B	C	D		F	G	
Sep-17 to Mar-18	84.6	11.6	0.8	73.8	7.7	0.8	65.3
FY19	139.4	37.5	10.6	112.5	12.2	10.6	89.7
FY20	110.4	39.0	23.3	94.7	10.5	23.3	60.8
Change (FY20/FY19)	-29.0	1.5	12.7	-17.8	-1.6	12.7	-28.9

Memo:

Apr-19 (Actual Number)	1056510	371907	192017	876620	98080	192017	586523
Apr-20 (Actual Number)	106820	42143	54100	118777	11880	54100	52797

Source: SBI Research; * (Establishments remitting first ECR*20)

MGNREGA EMPLOYMENT HAS INCREASED 5-FOLD

- ◆ Government has increased Rs 40,000 crore additional allocation for MGNREGS to provide employment boost. This is mainly to address the need for more work including returning migrant workers in Monsoon season as well, which aims to create larger number of durable and livelihood assets including water conservation assets etc.
- ◆ However, the MGNREGA dashboard indicate that employment figure increased to 99 crore person days till 24 June'20, 71 crore in May, compared to 32 crore in June 2019 and 37 crore person days in May 2019.
- ◆ If we look cumulatively during Apr-24 Jun'20, there are 184 crore person days are generated, compared to 97 crore in Apr-Jun'19. This is clearly due to Government's push to provide employment to the migrant workers during this COVID-19 outbreak.

INDIA MAY HAVE RS 31.5 LAKH CRORE OUTPUT LOSS FOR NEXT 2 YEARS

- ◆ IMF now projecting a deeper recession in 2020 and a slower recovery in 2021. Global output is projected to decline by 4.9% in 2020 followed by a partial recovery, with growth at 5.4% in 2021. Owing to that a cumulative output loss to the global economy over two years (2020–21) from this crisis will be around \$12.5 trillion. Given that India's share of 3.5% in global economy, India's output loss over next two years will be around \$438 billion (or Rs 31.5 lakh crore).

PROBLEMS WITH EPFO DATA STILL EXIST

Apart from the various benefits, there are still some niggling doubts about the quality of EPFO payroll data that is yet to be rectified.

- ◆ The classification of the EPFO job data leaves a lot to be desired. For example, Expert Services that constitute the largest segment of payroll creation do not tell us anything at granular level.
- ◆ Another problem is regarding retiring employees. 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. We believe the data about retirees during the month whose account has been settled should also be disclosed by EPFO as a separate line item. This can be revised in later disclosures, but this is a suggestion that EPFO might well consider, apart from giving out the payroll creation across all industry groups as the US does.
- ◆ EPFO should start releasing non-farm productivity (as in the US) estimates at least for those sectors for which we have output data from CSO's GVA database. This will fill a huge lacuna in productivity estimates in India.

WAY FORWARD

- ◆ India created 29 lakh less new payroll in FY20 compared to FY19 even at that time Covid-19 pandemic had not yet created havoc. The situation is very grave for FY21. The real GDP is expected to decline by 6.8% in FY21 and various estimates suggests that around significant people will lose their livelihood this fiscal.
- ◆ Globally also, according to ILO massive losses in working hours, equivalent to 305 million full-time jobs, are predicted for the second quarter of 2020, while 38% of the workforce – some 1.25 billion workers – is employed in high-risk sectors (like Manufacturing, Real estate, Accommodation and food service, etc.).

Monthly Employment Generation under MGNREGA



Source: SBI Research

Output Loss according to IMF

Global Output Loss for 2020/2021	\$ 12.5 trillion
Global GDP Growth for 2020	-4.90%
India GDP Growth for FY21	-4.50%
India's Share in Global GDP (\$2.95 trillion divided by \$84 trillion)	3.50%
India's output loss for 2 years	\$438 billion or Rs 31.5 lakh crore (or 15.5% of GDP)

Source: IMF; SBI Research; Assuming \$1 = Rs 72

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