

INDIA CREATED 146 LAKH PAYROLL IN FY22: FORMALISATION RATE AT 8%, WOMEN ENROLMENT INCREASES TO 27% IN FY22 & INDIANS ARE NOW INSURING MORE

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What are the observations from India’s payroll data for FY22?

First, as per EPFO and NPS, India created 146 lakhs payroll (sum of 138.2 lakhs through EPFO and 7.8 lakhs through NPS in FY22) as against 94.7 lakhs in FY21, indicating Indian labour market though faced with massive disruptions in FY21 and FY22, did not do that badly.

Second, when we breakup 138.2 lakhs payroll of EPFO. 60 lakhs were through second payroll, 67 lakhs through first payroll and 11.2 lakhs were through formalization.

Third, in terms of increment, 45 lakh payroll were added in FY22 over FY21. There was an increase in first time payroll by 16 lakhs, second time payroll by 25.8 lakhs and formalization was 1.9 lakhs. This clearly indicates that people were coming back to the labour market in later part of FY22, as the situation had improved at that time. The rate of formalization also increased by 1.9 lakhs, reflecting the disruptions in the MSME space was turning the corner.

Fourth, NPS data indicates that there was an increase of 1.5 lakhs NPS in FY22 over FY21, after steep decline in FY21.

Fifth, the ratio of women enrolment to total enrolment in EPFO data has remained at 23% in FY20 and has not changed significantly in FY21 but increased to ~27% in FY22.

We also analysed employee expenses data for more than 2000 listed companies and found out that barring the very small companies (turnover up to Rs 50 crore) employee expenses have increased in double digits in FY22. in FY21, barring big companies (turnover more than Rs 1000 crore) employee expenses had declined in across all companies. This turnaround indicate that companies has started to hire in FY22.

Meanwhile, the financial saving of the household sector – the most important source of funds – surged by Rs 6.91 lakh crores during FY21. The reduction in discretionary spending amidst the pandemic and the associated forced saving as well as a surge in precautionary saving on concerns relating to income flows in the near-term boosted saving by households. **Most noticeable increase apart from deposits that surged Rs 3.4 lakh crores, were seen in Insurance, Provident and Pension Funds that surged by Rs 1.91 lakh crores which is a welcome behavioural change.**

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 rejoined 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 over FY19)	-29.0	1.5	12.7	-17.8	-1.6	12.7	-28.9
FY21	85.5	32.2	41.2	94.5	9.3	41.2	44.0
Change (FY21 over FY20)	-24.9	-6.8	17.9	-0.1	-1.2	17.9	-16.9
FY22	108.7	37.5	67.0	138.2	11.2	67.0	60.0
Change (FY22 over FY21)	23.2	5.3	25.8	43.7	1.9	25.8	16.0

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

INDIA CREATED AROUND 18 LAKH MORE FRESH JOBS (EPFO+NPS) IN FY22

- ◆ Since Apr-18, Government has been releasing monthly payroll data (EPFO, NPS and ESIC) based on the recommendation given by Ghosh & Ghosh in the study titled, “Towards a Payroll Reporting in India”.
- ◆ The recent data released by EPFO indicate that net new EPF subscribers during FY22 was 138.2 lakh which was almost 44 lakh more than the FY21 level of 94.5 lakh. However, this does not represent the correct picture as such data includes number of exited members who re-joined and re-subscribed. Hence, this is not purely fresh job creation.
- ◆ We subsequently estimated the actual net new payroll (first job/fresh job) adjusted for re-joined/re-subscribed members and formalization (based on ECR data). As per our calculation, the actual net new payroll was 60 lakh for FY22, which is 16.0 lakh more than the actual net new payroll generated in FY21.
- ◆ The second job (or the exited members who re-joined and re-subscribed) increased by 25.8 lakh to 67.0 lakh in FY22 compared to FY21. However, the number of new members who joined in or after Sep-2017 and exited was declined by 6.9 lakh in FY21 as compared to an increase of 1.5 lakh in FY20. Increase in second job indicate that higher number of people are exited from job market in search for better/new jobs (which was obviously as the Covid-19 restrictions are almost over). Increase in formalisation to 11.2 lakh in FY22, is also a good news.
- ◆ NPS data indicates that 7.76 lakh new subscribers in 2021-22, of which State Govt. payrolls increased by 4.95 lakh, followed by Non-Govt of 1.47 lakh and 1.33 in central Government.
- ◆ So, there is a massive jump of 1.47 lakh in NPS data compared to last year. So, cumulatively, total payroll generation of EPFO and NPS was almost 17.7 lakh more than the previous fiscal.

COMPANIES’ WAGE BILL

- ◆ We also analysed employee expenses data for more than 2000 listed companies and found out that barring the very small companies (turnover up to Rs 50 crore) employee expenses have increased in double digits in FY22. In FY21, barring big companies (turnover more than Rs 1000 crore) employee expenses had declined in every other types of companies. This turnaround indicate that companies are now hiring in FY22.

NPS Payroll (New Subscribers Contributing)				
	Central Gov.	State Govt.	Non-Gov	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	1,18,843	4,96,003	1,42,311	7,57,157
FY21	89,307	3,98,008	1,41,519	6,28,834
FY22	1,33,285	4,95,135	1,47,981	7,76,401
Total (Sep'17 to Mar'22)	5,28,175	22,44,055	5,94,008	33,66,238
Change (FY20/FY19)	8,288	-46,501	44,970	6,757
Change (FY21/FY20)	-29,536	-97,995	-792	-1,28,323
Change (FY22/FY21)	43,978	97,127	6,462	1,47,567

Source: SBI Research, MOSPI, PFRDA

FINANCIAL SAVINGS

- ◆ While the formal jobs declined during the pandemic financial savings increased in FY21. The financial saving of the household sector – the most important source of funds – surged by 3.6 percentage points to 11.5% of GNDI in FY21, the highest in over two decades. The reduction in discretionary spending amidst the pandemic and the associated forced saving as well as a surge in precautionary saving on concerns relating to income flows in the near-term boosted saving by households. Most noticeable increase apart from deposits were seen in Insurance, Provident and Pension Funds, which is a welcome behavioural change.

Financial Saving of the Household Sector			
% of GNDI	FY20	FY21	Change
A. Gross Financial Saving	11.7	15.5	3.8
<i>of which</i> , Currency	1.4	1.9	0.5
Deposits	4.2	6.3	2.1
Shares and Debentures	0.4	0.5	0.1
Claims on Government	1.3	1.6	0.3
Insurance Funds	1.8	2.6	0.8
Provident and Pension Funds	2.2	2.5	0.3
B. Financial Liabilities	3.9	4.0	0.1
C. Net Financial Saving (A-B)	7.9	11.5	3.6

Source: RBI; SBI Research

Growth in employee expenses of listed entities in FY22 vis-à-vis FY21 (sizewise)

Turnover	No of Companies	Employee expenses
up to Rs 50 crore	670	2%
above Rs 50 crore to Rs 100 crore	164	15%
above Rs 100 crore to Rs 250 crore	222	22%
above Rs 250 crore to Rs 500 crore	200	19%
above Rs 500 crore to Rs 1000 crore	199	15%
above Rs 1000 crore	567	12%

Source: Cline, 2022 listed entities; SBI Research

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