India Works, Look At The Numbers

IMF executive director argues employment, in quantity & quality, has kept pace with growth. Those claiming otherwise are reading the wrong data or reading the data wrong

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The employment situation in India has attracted sharp debate and incorrect narratives using the private data generated by the Centre for Monitoring Indian Economy (CMIE). The National Sample Survey Organisation (NSSO)'s Periodic Labour Force Survey (PLFS) data employs a robust methodology and is reliable. So, we use the PLFS data to document the correct facts on employment in India.

First, unlike inferences from the unreliable CMIE data, the employment situation improved consistently – both in quantity and quality – before the Covid-19 pandemic. From 2017-18 to 2019-20, regular wage/salaried employees increased by 1.5 crore, a growth of 13.2%; the increase among females was 0.72 crore or 29.4% and that for males 0.79 crore or 8.8%. Further, formal employment increased by 1.2 crore or 25.3%.

The quantity of employment improved pre-pandemic as well. From 2017-18 to 2019-20, the unemployment rate (UR) in usual status, which captures long-term unemployment, decreased from 6.0% to 4.8%, the Labour Force Participation Rate (LFPR) increased from 49.8% to 53.5%, and the worker-population ratio (WPR) increased from 46.8% to 50.9%. These changes were widely dispersed – in rural and urban areas, and for males and females.
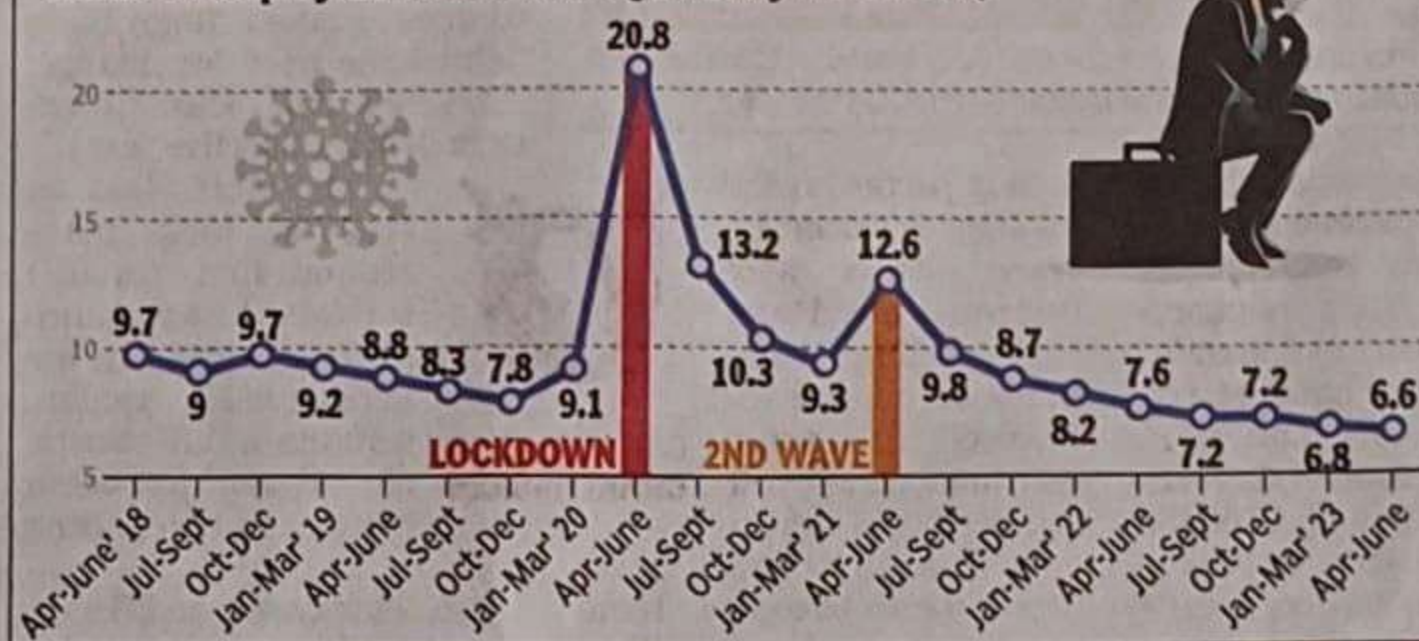
Second, as the accompanying figure shows, post-Covid, urban employment registered a robust V-shaped recovery after the adverse impacts during the lockdown and the second wave of the pandemic. Compared to the October-December 2019 quarter, in the April-June 2023 quarter, WPR increased from 44.1% to 45.5%, LFPR from 47.8% to

MORE JOBS, BETTER JOBS

Increase In Quantity & Quality Of Employment (Rural + Urban)

Employment Metric	2017-18	2019-20	2022-23
QUALITY OF EMPLOYMENT (IN CRORE)			
Regular Wage/ Salaried Employees	11.5	13	14.3
Formal Employment	4.7	5.9	6.3
QUANTITY OF EMPLOYMENT (IN %)			
Labour Force Participation Rate	49.8	53.5	57.9
Worker-Population Ratio	46.8	50.9	56.0
Unemployment Rate	6.0	4.8	3.2

Urban Unemployment Rate (%) (Quarterly PLFS Data)

20.8 — LOCKDOWN
13.2   12.6 — 2ND WAVE
9.7   9.7   8.8   8.3   7.8   10.3   9.3   9.8   8.7   7.6   7.2   6.6
9   9.2   9.1   8.2   7.2   6.8

Apr-June '18, Jul-Sept, Oct-Dec, Jan-Mar '19, Apr-June, Jul-Sept, Oct-Dec, Jan-Mar '20, Apr-June, Jul-Sept, Oct-Dec, Jan-Mar '21, Apr-June, Jul-Sept, Oct-Dec, Jan-Mar '22, Apr-June, Jul-Sept, Oct-Dec, Jan-Mar '23, Apr-June

48.8% and UR declined from 7.8% to 6.6%. As urban areas were most affected by the pandemic, the complete recovery in employment in urban areas is crucial. The unemployment rate recorded in the April-June 2023 quarter is the lowest over the last five years.

The annual PLFS data, which covers both rural and urban areas, also shows complete recovery in employment post-pandemic. This pattern of complete recovery in employment is reflected similarly in data from EPFO and MGNREGS.

The monthly EPFO data as well with the net additions in August 2023 being 116% higher than that in December 2019. The demand for work under MGNREGS in December 2022 is half the demand in December 2019. It has further declined in 2023. This shows that the demand for distress work has declined sharply in the rural areas.

As with the pre-pandemic period, this improvement in the quantity of employment is also reflected in the quality of employment. Regular wage/ salaried employees increased by 2.8

crore from 11.5 crore in 2017-18 to 14.3 crore in 2022-23. Formal employment increased by 1.6 crore from 4.7 crore in 2017-18 to 6.3 crore in 2022-23. This increase is consistent with formalisation of the workforce, which began before the pandemic, accelerating during the pandemic.

These results clearly show that the employment dire narratives painted on employment are clearly not backed by carefully constructed empirical evidence. Those who dismiss any positive economic news by contending inaccuracies in the data must note that none of these results stems from the same.

First, the International Labour Organization (ILO) recognises work that is performed in any kind of economic unit comprising market unit, non-market unit, household that produce goods or services for own final use. However, the PLFS survey considers a narrower range of activities as economic activities, thereby excluding many activities performed for processing of primary products for own consumption. Thus, PLFS is likely to overstate unemployment and understate employment when compared to the standard ILO definition. Nevertheless, the changes over time that we document cannot be impacted by such underestimation as the underestimation would manifest at each point in time.

Second, the sharp increase in unemployment during the lockdown and the moderate increase during the second wave of the pandemic clearly show that the PLFS data is accurately capturing the true employment situation in India.

In sum, in contrast to the fact-free fables on employment, the excellent performance of the Indian economy during Covid-19 and beyond is equally reflected in the employment situation as well with both quantity and quality of employment improving significantly.