



# The paradox of job growth

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## Highlights

- Is there a paradox in high output growth rates and the marginal effect on employment?
- CSO media release last week titled "Payroll Reporting in India: An Employment Perspective – April 2018", the economy added 4.1 million new jobs in the formal sector.
- The CSO release defines jobs as ones that provide at least one government financed (or mandated) social security benefit such as Employees' Provident Fund (EPF), National Pension Scheme, or Employees' State Insurance Scheme.
- NITI Aayog and official economists have also put out similar estimates since early this year, inviting widespread scepticism among knowledgeable people. As the formal sector accounts for just about 8-15% of India's workforce (depending on the definitions used), the official estimates are completely silent about the majority of the workforce engaged in the informal sector.

## Why lack of credibility on these data

- two reasons: the estimates are based on administrative records of implementing the social security schemes, whose completeness, consistency and accuracy are unknown;
- And since a formal (organised) sector worker, in principle, can legitimately access (or subscribe to) more than one social security scheme, double counting is a distinct possibility. The release does not explain how the problem is addressed in the database. Therefore, rightly, experts have demanded the release of the administrative data for independent verification.
- For instance, in the factory sector, those employing 20 or more workers are mandated to provide EPF to all the workers. So, if in a factory, employment goes up from 19 to 20 workers, it comes under the purview of the EPF, to be provided to all the 20 workers. Thus, the EPF enrolment increases by 20 workers, but the additional job created is just for one worker. Herein lies the fault.
- Historically, evasion of EPF by employers is widespread, given poor enforcement of labour laws. The present government, in its efforts to formalise employment, has incentivised employers to enrol workers under EPF by offering to make employers' contribution to the social security scheme for three years, thus boosting enrolment.
- Maharashtra, for instance, as an additional labour welfare measure, has widened the ambit of EPF to include all power-loom workers (irrespective of the size of the enterprise), boosting formal sector employment. Such measures, however temporary, may enlarge the formal sector size but cannot be counted as new jobs created. Hence, the official measure is flawed.

Why are so few jobs created when the economy is said to growing at over 7%?

- An answer is that GDP growth figures are probably overestimated on account of the mis-measurement of GDP in the new National Accounts Statistics (NAS) series. The economy is probably growing much slower. The faulty barometer of economic well-being seems to be misleading the nation.
- The paradox or mystery of poor employment growth and high GDP growth disappears if one concedes that the recent output growth rates are probably overestimated after the latest revision of the National Accounts Statistics a few years ago, on account of the questionable methodologies and databases used.

Source: [The Hindu](#)

