Government of India
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## Payroll Reporting in India – an analysis of one year and way forward

The Ministry of Labour and Employment (MoLE) had, in May, 2017, constituted a Task Force on Improving Employment Data under the Chairmanship of Vice Chairman, NITI Aayog. The Task Force had made several recommendations for improving the availability of employment data including analysis of high frequency data. In pursuance to the recommendations of this Task Force, Government started an initiative to report monthly progress made in the formal employment using data from the administrative records. After several follow up meetings and deliberations with key stakeholders, it was decided that the details of the new subscribers entering the Employees' Provident Fund Organisation (EPFO), the Employees' State Insurance Corporation (ESIC) and the National Pension Scheme (NPS) would be brought out by the respective organisations and Ministry of Statistics & Programme Implementation (MoSPI) would come out with a consolidated report regarding new subscribers contributing in these three schemes. Accordingly, in April 2018, MoSPI brought out the first release of employment related statistics in the formal sector covering the period September 2017 to February 2018 in its Employment Outlook Report. Since then, the Report is being regularly brought out by the 25th of each month giving information on new subscribers sourced from EPFO, ESIC and NPS. Recently, data for the period September, 2017 to September, 2018 was released, giving a trend for 13 months.

2.   As measuring employment is a complex issue, it is necessary to understand the context under which it is measured along with the nature and contours of using high frequency data emanating from these sources. This current analysis is confined to the movement of EPFO data over the last one year.

3.   Employees' Provident Fund Organization (EPFO) is a mandatory saving scheme under the **Employees' Provident Fund and Miscellaneous Provisions Act, 1952,** covering every establishment in which 20 or more persons are employed subject to certain conditions and exemptions as provided for in the Act. The number of members subscribing to this scheme gives an idea of the level of employment in the formal sector as the subscribers get certain entitlements as provided for in the Act. The EPFO system is based on returns filed by the employers electronically through the Electronic-cum-Challan Return (ECR). The individual subscribers get a Universal Account Number (UAN) which is unique and UID authenticated to avoid duplication.

4.   In addition, the Government launched the Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) in 2016 which encourages and incentivizes employers to recruit more employees in their establishments as also newer establishments to come into the EPFO fold and avail benefits under the scheme as amended from time to time. The PMRPY provides a unique and popular channel for formalization of the workforce through the EPFO digital platform using the ECR and UAN combination. The EPFO had also embarked on an amnesty scheme that was in force till June, 2017. Moreover, the EPFO also has a system for establishments to report on members who were no longer subscribing to the EPFO as also for those members who re-enter the EPFO, however, the reporting in respect of these are delayed and lead to fluctuations.

5.   In view of the above, the data on the new subscribers was tabulated from September, 2017 onwards and it is observed that the number of establishments that have entered the EPFO system, the number of new subscribers in EPFO as well as those re-joining the scheme has shown an increasing trend during this period. This not only indicates mobility of the workforce but also more establishments entering the formal sector. During the period September, 2017 to September, 2018, it emerges that around 61,934 new establishments started contributing to the EPFO system and over 1.57 crore workers started subscribing at a cumulative level. Even considering that around 1 crore workers ceased to contribute over 24 lakh re-joined the EPF system. More analysis is required to look at the cohort of EPF subscribers before firm conclusions can be drawn on the changing pattern of employment across sectors and regions as also by gender. It is also noteworthy that around 82% of new subscribers are below the age of 35 years and around 80% of those who exited the system and re-joined are also from the same age group.

EPF Subscribers (in '000) from Sep 2017 to Sep 2018
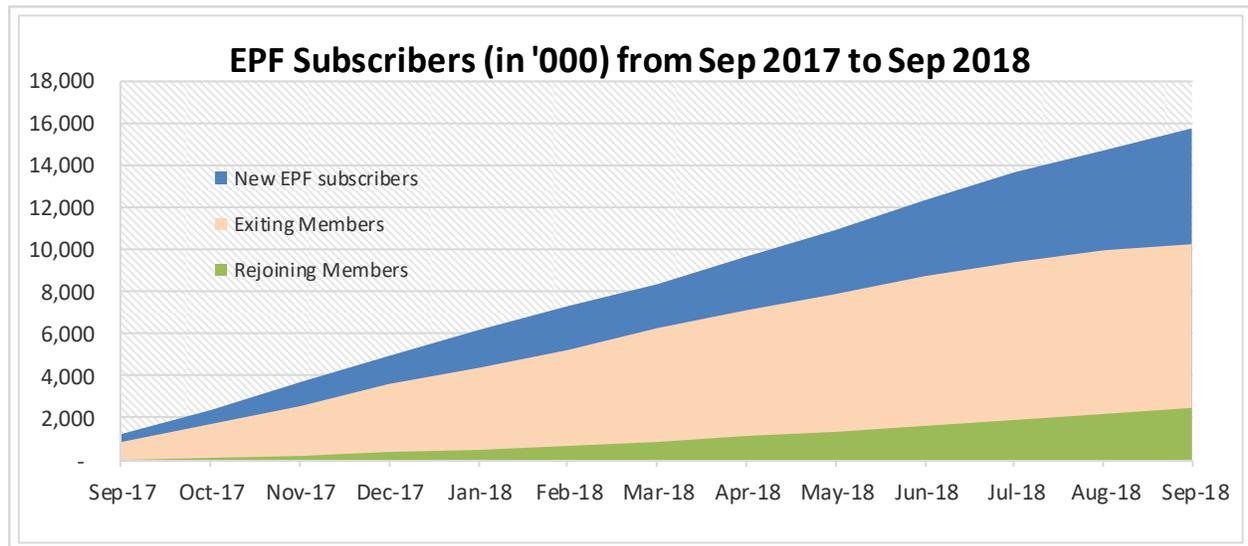
6.   The EPFO database of establishments is categorised based on their broad economic activity at the time of registration. Certain establishments can file their returns from the

corporate headquarters. In this context it is observed from the state-wise comparison that the top 3 states having the highest number of new subscribers are Maharashtra (accounting for over 25%), Karnataka and Tamil Nadu which account for nearly 45% of the net new payrolls. The economic activity-wise data shows that the top 3 best performing economic activities are Expert Services, Building & Construction Industry and Engineers & Contractors, accounting for 72% of the net new subscribers. The Expert Services alone account for around 55% of the total subscribers. More work is required to categorise these establishments using the National Industrial Classification (NIC) code based on their major economic activity.

7.   For understanding the economic impact of employment from the establishment perspective, the Economic Census (EC) gives an overall view of the economic distribution of establishments based on the employment size. As per the last Economic Census conducted in 2013, there were 5.85 crore establishments employing around 12.8 crore workers. Around 95.5% of these establishments were having 1-5 workers, 3.13% establishments had 6-9 workers, and 1.37% employed 10 or more workers. MoSPI is initiating the process for the next Economic Census in 2019 where these figures will not only be updated but the feasibility of geotagging the establishments visited is being explored for evidence based policy initiatives. From the household perspective, MoSPI has also conducted the Periodic Labour Force Survey since 2017 and will give estimates of the labour force, employment and unemployment from the household approach.

8.   In addition, NITI Aayog, MOSPI and the Ministry of Labour and Employment are working in close coordination to work out methodologies for capturing information on employment from various other sources like professional bodies, regulatory institutions, income tax etc both from the establishment perspective as well as the individual professional perspective. The Ministry of Labour and Employment is also conducting a survey on MUDRA beneficiaries to get an assessment of the employment generated through such entrepreneurial endeavours. These initiatives will complement the reporting of employment through administrative sources like the EPFO, ESIC and the NPS for a more holistic approach to measuring employment from different perspectives.

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