

Do PLFS numbers underestimate the pain of lockdown?

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business

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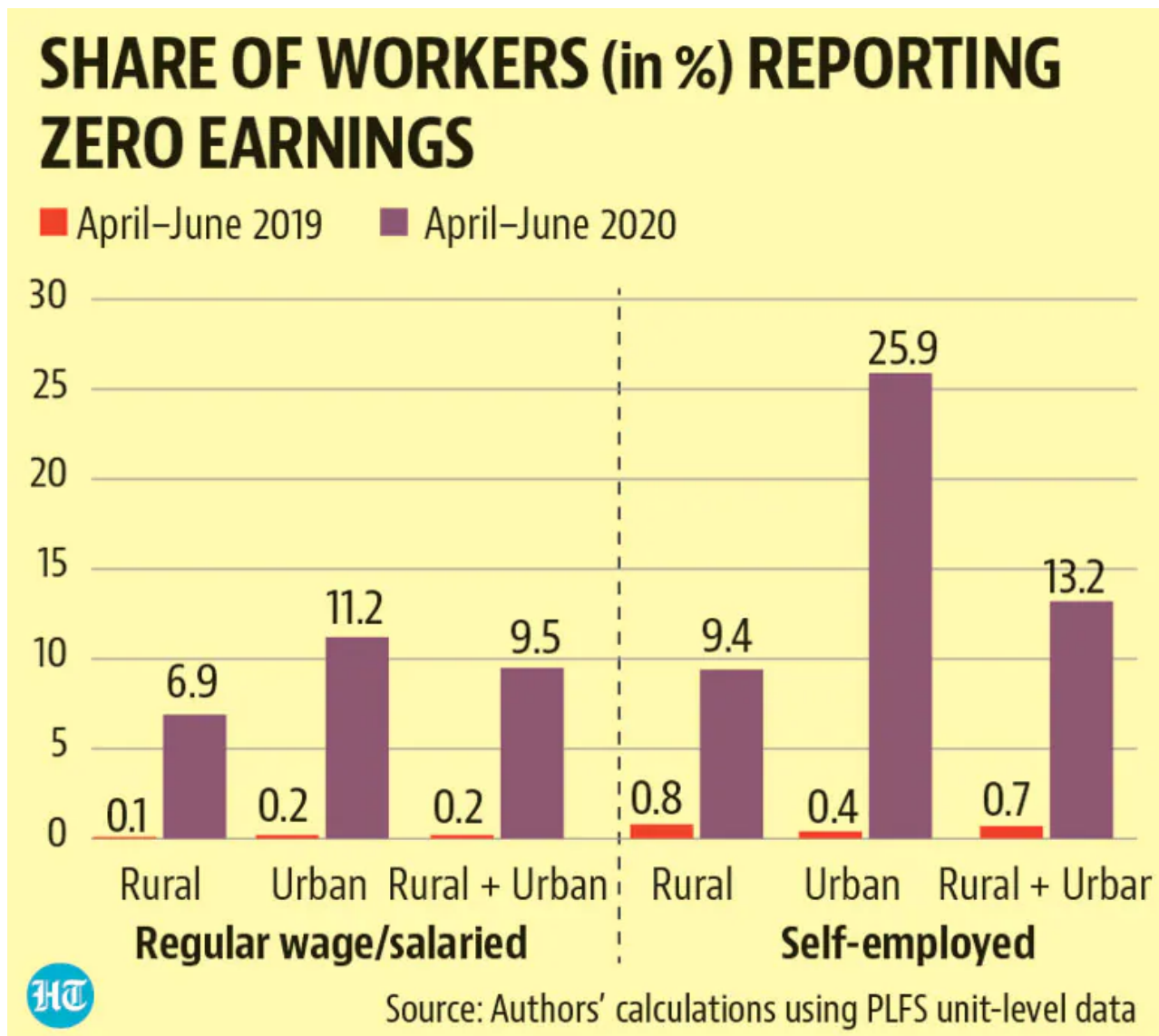
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The Periodic Labour Force Survey (PLFS), conducted by the National Statistical Office (NSO), is the official source of employment and earnings data in India. PLFS numbers are released in two formats: quarterly reports give employment numbers for urban India and the annual report is a more comprehensive account of the employment situation in both rural and urban markets. The PLFS survey covers the July-June period rather than a fiscal or calendar year. So, when NSO released the 2019-20 PLFS report last month, this was supposed to be the first official record of what happened to labour markets during last year's lockdown, which was imposed from March 25, 2020 for 68 straight days.

While the period from April-June 2020 shows a big increase in unemployment compared to last year, the wage data, especially for salaried workers, is a bit counter-intuitive, as real wages show an increase of 2% compared to the previous year. This goes against anecdotal accounts of many enterprises, including those in the public sector (Dearness Allowance was stopped), cutting salaries during the lockdown. How does one explain this?

Not all workers are included in the PLFS wage calculations



PLFS has always used this method, but the share of such workers increased significantly during the lockdown.

Our analysis of unit level PLFS data shows that a lower-than-expected fall in wages in the PLFS data is a result of the way the NSO calculates wages. “Average gross earnings have been calculated by excluding those self-employed persons who reported earning as zero/not reported cases”, the PLFS report says.

The same method seems to have been used to compute average earnings of salaried workers. This excludes several workers who are technically employed but did not work due to sickness or any other reasons, and therefore did not earn any money.

To be sure, PLFS has always used this method, but the share of such workers increased significantly during the lockdown. It is the exclusion of this workforce which has resulted in an artificial increase or subdued decrease in earnings.

Codes 61-62 and 71-72 and their impact on wages in the PLFS

In the 15-page questionnaire which makes the PLFS survey schedule, codes 61-62 (for the self-employed) and 71-72 (for regular wage/salaried workers) are important in understanding the impact of the lockdown on earnings. These codes describe workers who are employed but not working because of sickness or other reasons. Wage calculations in the PLFS reports do not include workers with zero earnings, a procedure which excludes several workers, particularly those who fall under these categories (codes 61, 62, 71 and 72).

While one can argue about the propriety of this, in normal times, the practice does not have much of an impact. However, this was not the case during the pandemic, when the lockdown and actual or suspected illness benched a large number of workers, who, while they were not unemployed technically, were still out of work and incomes. This can be seen from the rise in the share of workers under these categories in the April-June 2020 quarter of PLFS.

CHANGE IN COMPOSITION OF LABOUR FORCE DURING LOCKDOWN

	April-June 2019 (%)	April-June 2020 (%)	Change (%age points)
Regular wage/ salaried – Working	22.9	13.1	-9.8
Regular wage/salaried – Not working (codes 71 and 72)	0.6	7.2	6.6
Self-employed – Working	44.8	41.2	-3.6
Self-employed – Not working (codes 61 and 62)	1.3	8.3	6.9
Casual labour	21.7	15.6	-6.1
Unemployed	8.8	14.7	6.0

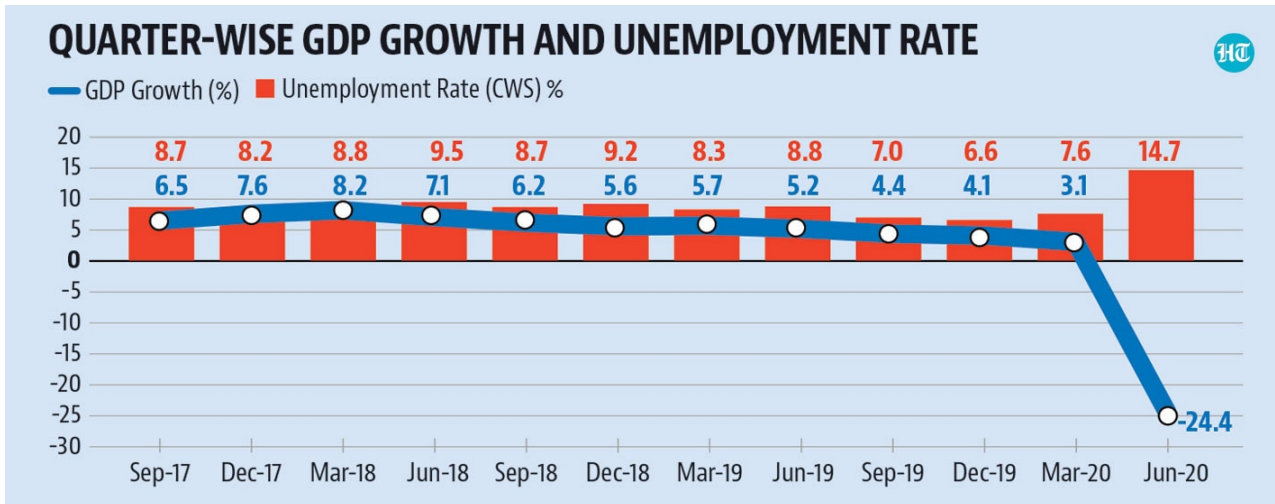


Source: Authors' calculations using PLFS unit-level data

Wage calculations in the PLFS reports do not include workers with zero earnings, a procedure which excludes several workers, particularly those who fall under these categories (codes 61, 62, 71 and 72).

The movement to employed but not working category also explains a lower-than-expected rise in unemployment rate

Headline unemployment rate increased from 8.8% in April-June 2019 to 14.7% in the April-June 2020 quarter. While the number is high, it appears to be relatively subdued when compared with the massive GDP contraction of 24.4% in the April-June 2020 quarter. What explains this? Our analysis of unit-level data shows that workers from salaried and self-employed categories largely moved from the employed to employed but not working category rather than the unemployed category.



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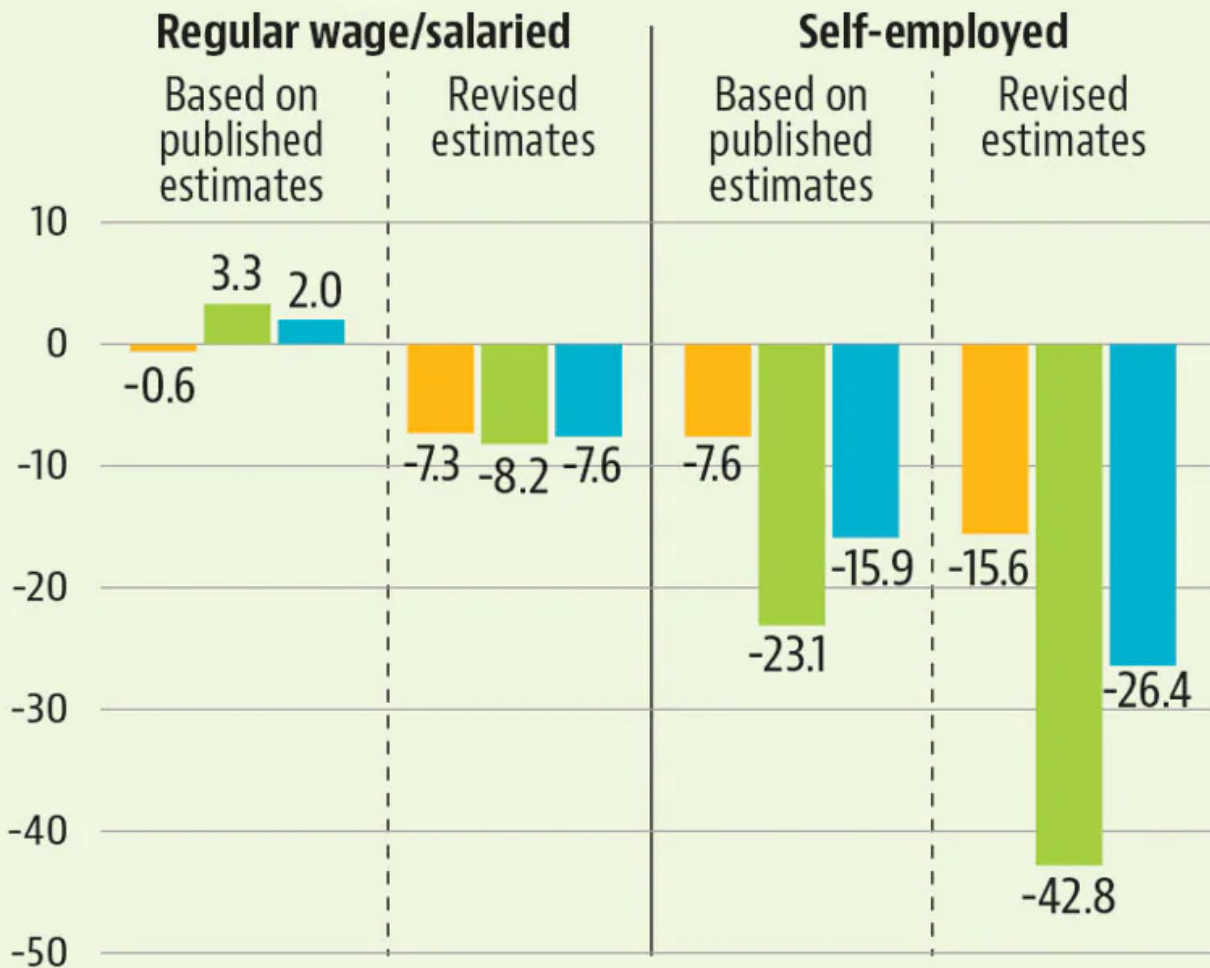
Including the employed but not working category suggests a much larger fall in wages during the lockdown

YEAR-ON-YEAR PERCENTAGE CHANGE IN REAL MONTHLY EARNINGS



(Between April-June 2019 and April-June 2020)

■ Rural
 ■ Urban
 ■ Rural + Urban



Source: Authors' calculations using PLFS reports (based on published estimates) and unit-level data (revised estimates)

Note: The estimates are based on the first visit schedule for rural areas and the first and revisit schedules for urban areas. The estimates for the self-employed exclude unpaid family helpers.

The difference between the estimates from PLFS reports and our estimates is starker for the self-employed. The estimates from the reports suggest a decline in monthly earnings by 15.9% for the self-employed at the all-India level, and by 23.1% for the urban self-employed.

The PLFS wage calculations thus exclude workers who reported zero earnings; the proportion of workers reporting zero earnings is high among those who were employed but did not work. Because of this, its April-June 2020 reported estimates ended up ignoring a large number of workers who faced a sharp fall in wages. Once these workers are included in the wage calculations, labour incomes show a much sharper fall than what the headline wage numbers suggest. We find that actual monthly earnings declined by 7.6

% for salaried workers. The difference between the estimates from PLFS reports and our estimates is starker for the self-employed. The estimates from the reports suggest a decline in monthly earnings by 15.9% for the self-employed at the all-India level, and by 23.1% for the urban self-employed. By contrast, our estimates show that the earnings fell by 26.4% for the self-employed at the all-India level, and by 42.8% for the urban self-employed. These numbers suggest that the lockdown's impact on labour earnings was more severe than what the published wage estimates in PLFS tell us.

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