A Tale of Two Methodologies

To capture the state of the economy, we use the quarterly GDP at current prices, and correlate it with PLFS and CMIE data. Figure 2 shows that the PLFS measure of employment rate correlates strongly and positively with economic activities (0.84)

In contrast, we see in Figure 3 that the employment rate captured by CMIE correlates strongly, but in a negative way, to economic activities. This does not make economic sense and casts serious doubts on whether the survey methodology employed by CMIE incorporates the necessary science to arrive at such a conclusion without which it cannot be used for research or policymaking.

The employed also include persons who report employed but 'not at work' on the day of the survey, such as a person on leave, on an off-day, a businessman with operative business, person on probation or training. The one-day reference period, therefore, does not care about what a person had been doing in the preceding 4-5 days of the week.

In PLFS-CWS (current weekly status), a person is counted as employed, even if he or she is not employed on the day, or preceding day of the survey, provided he or she worked at least one hour on any day during the preceding seven days of the survey date. As sampling errors decrease with the increase in the reference period, this key difference in the reference period seems to be the source of the significant errors in the CMIE data. The scientific rigour of the sampling methodology — including the reference period and the nature of the questionnaire — needs to be significantly refined for the CMIE data to be accurate enough for research and policy.

While PLFS data is very reliable, the significant lag in producing it renders it ineffective for real-time policy changes geared towards employment. For instance, in February 2023, estimates only up to the January-March 2020 quarter are available. Thus, given the significant questions about the CMIE data that render any inference highly questionable, India needs the PLFS infrastructure to be ramped up for regular monthly household surveys to track labour market characteristics.

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