EPFO withdrawals data puts spotlight on worsening job crisis

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NEW DELHI: Temporary income losses due to the coronavirus lockdown are turning into job losses, indicates data on India's retirement fund withdrawals, painting a grim picture of the country's employment scenario.

The Employees' Provident Fund Organisation (EPFO), which manages the retirement funds of over 60 million formal sector employees, has seen heavy withdrawals since rules were amended to help tide over the crisis. According to EPFO data, withdrawals under the new pandemic rules that soared at the beginning of the lockdown have since tempered, while withdrawals outside these rules have climbed, indicating rising job losses.

The Centre in end-March allowed EPFO subscribers to withdraw up to 75% of their provident fund savings or three months of basic wages and dearness allowance, whichever is lower under a new pandemic rule.

"Of the total of around ₹10,000 crore of withdrawals since the beginning of April, non-pandemic withdrawals account for almost 60%. The surge in non-pandemic withdrawals is indicative of a bigger problem. During a pandemic, people are not withdrawing EPF money in a big way to buy property or send their children abroad for higher education," the person cited above said seeking anonymity.

While withdrawals under Covid rules stood at 844,947 between 1 and 30 April, non-Covid withdrawals were 649,046. The tables turned in May, with Covid withdrawals at 603,540 and non-Covid withdrawals at 785,369 until 26 May.

Overall, since 1 April, as many as 2.84 million people have withdrawn their EPF money, with non-pandemic withdrawals accounting for 49.77%.

"Do look at the holistic employment space… the rising unemployment and the regular news on jobs loss at corporate houses. This is an unprecedented situation for all," said the official cited above, adding that EPFO coming to the help of its subscribers during a time of crisis is somewhat positive.

"The micro, small and medium enterprises (MSME) sector, the key employment generator, is down... We hear about small companies folding up in the absence of cash flow and demand. The smaller manufacturing companies have got battered in the past two-and-a-half months and will take time to recover," said K.E. Raghunathan, a former president of the All India Manufacturers Organisation, a federation of small enterprises.

"Business loss has a direct bearing on job security and job creation. Temporary income loss because of severe business loss has led to job loss, and this is now across sectors. In such a situation, people will dip into their savings to stay afloat," said Raghunathan.

The Indian economy may contract by 5% this fiscal, rating agency Crisil Ltd said on Tuesday, while projecting that during the first quarter of FY21, the economy is likely to contract 25%.

Goldman Sachs this month said India's economy may contract by a huge 45% in the June quarter.

Overall unemployment in India has climbed to 24.34% in the week ended 24 May, according to the Centre for Monitoring Indian Economy (CMIE).

Urban unemployment rate is pegged at 22.72% in this period, while the rural unemployment rate has touched 25.09%.

This means that more than one out of every four workers in rural India is without work. The CMIE data had already shown that 121.5 million people were jobless in India in April 2020.