Messy local governance and garbage collection

We need to empower and resource those we depend on to clear our cities

LAVEESH BHANDARI & ASHUTOSH DIKSHIT

It is not just lack of enforcement that ails Public policy in India. Policy making is often flawed and the resultant policy is many times not in sync with the realities of India. The garbage problem in Delhi specifically and India in general is one such example.

The Supreme Court recently set up a committee to find 'implementable' solutions to the uncontrollable waste problem of Delhi and indeed of the whole country. This was necessitated by the non-implementation of the lofty Solid Waste Management (SWM) Rules.

The first SWM rules were notified in 2000 and again in 2016 with modifications. The latter extended the scope to include the responsibility of segregation on the consumers and Resident Welfare Associations (RWAs) and Market Associations (MAs) at the lowest tier and required local bodies to provide the logistical chain to evacuate the garbage.

The implementation of the 2016 rules has been close to zero across the country and this is public knowledge. A look at this para from the much touted SWM 2016 rules Para (4, 6, 7, and 8) indicate the cause of the problem.

"All resident welfare and market associations shall, ... in partnership with the local body ensure segregation of waste at source by the generators as prescribed in these rules, facilitate collection of segregated waste in separate streams, handover recyclable material to either the authorised waste pickers or the authorised recyclers. The bio-degradable waste shall be processed, treated and disposed off through composting or bio-methanation within the premises as far as possible. The residual waste shall be given to the waste collectors or agency as directed by the local body".

As per the Municipal Act, waste belongs to the MCD after it leaves a person's house; the land belongs to the DDA, the MCD, or other Government agencies. The Resident Welfare Associations (RWA) are registered under the Societies Registration Act of 1860, and have no ownership of common areas and parks and have no power or provision to coerce the resident into following any law. In other words, the entity made responsible (RWA or MA) does not have any control over the garbage (assigned by law to the MCD) or the land (owned by the government), neither do they have any coercive power (being simply registered societies). All of this is common knowledge, and the framers of SWM 2016 would have been well aware of this obvious fact. In other words, the rules were framed to fail.

The city manager tends to support strategies such as capping of dumps and acquisition of more land for 'engineered landfills' rather than recycling and suchlike. These are much easier to implement in a top down manner and do not require dealing with the multitude of stakeholders. Objectives such as segregation are beyond their consideration set and it is best to shift the 'responsibility' on RWAs who can later be blamed for non-performance.

Quality garbage management requires great resources to implement be it on a large or small scale. Take biomethanation for instance, apart from the day to day maintenance, the concomitant fire-hazards require constant real time monitoring with frequent corrective actions. Choice of land for smelly composting is also not a linear process and requires much engagement with residents and local political representatives. There is also the reality of a well-organised waste mafia which holds significant local political power. Imposing fines on residents for non-segregation requires a team of well empowered local inspectors and punishing RWAs for non-compliance will also require a different kind of RWAs than are currently operating. In other words, such rules are impossible to implement unless the local governance institutions are overhauled.

What is the solution? The answer depends on the model India decides to take up. If a decentralised garbage management solution is the preferred route, a sequence of steps will need to be taken. It requires us to empower the RWAs and provide them with coercive powers, adequately resource them either through collection of taxes or user charges by either the RWA, local or state government. Constant monitoring by the NGOs or city managers and incentivising the RWAs in rather than the hollow moral-suasion or virtue signalling is required.

A centralised mechanism on the other hand would require far greater allocation of resources to local governments, and the monitoring function can then be done by entities such as the RWAs or NGOs. However, in this case as well, city managers will need to be made answerable either up the government hierarchy or down to the citizens.

Whether it is a centralised or decentralised model, we need to synchronise the roles and responsibilities, and suitably empower and resource those we depend on to clear our cities. That would be good policy formulation.

Bhandari is director, Indicus Foundation and Dikshit is CEO, URJA. Views are personal

The textile package suffers delivery failure

Imaginatively designed incentives to grow jobs in the textile sector ran into the unforeseen headwinds of demonetisation and GST

SUBHAYAN CHAKRABORTY

More than two and half years into the government's three-year deadline to create 10 million new jobs in the textile sector have passed but manufacturers are yet to ramp up hiring.

An imaginatively designed ₹6,000-crore mega-package for the textile industry was announced in June 2016, aimed to boost exports by $30 billion, and attract investments worth ₹74,000 crore over the next three years until 2019. At the same time, Finance Minister Arun Jaitley had said the package would lead to a flat addition of 10 million jobs across the sector.

So how many jobs have been created? Neither the ministry nor industry bodies have reliable data but textile ministry officials acknowledge that the job creation figure is nowhere near the target. The principal cause for this, they say, is demonetisation in November 2016.

"Textile is the most labour-intensive industry in the country and almost 65 per cent of total transactions were in physical form," a senior official at the Handloom Commissioners office said.

The industry is the largest source of jobs in the country after agriculture, the sector contributed two per cent to GDP and seven per cent of industry output (in value terms) as of 2017-18. The textile ministry says the sector employs upwards of 45 million people, an estimate it bases on sample surveys owing to the absence of a comprehensive database of firms in the sector.

This lack is in line with the general lack of systematic official employment data in the country. In-house research by industry bodies have shown that hiring at firms have picked up since September last year but this is yet to make up for the massive demonetisation-induced lay-offs in most sub-sectors, such as milling, handlooms and carpet making, a functionary of the Apparel Export Promotion Council (AEPC) points out.

TAKE TWO

What was promised: The bulk of the planned capital outlay, about ₹5,500 crore, was earmarked for an additional five per cent duty drawback for garments, that is, a refund of duties on imported inputs used to make export goods.

The more radical element was the increased government funding for provident funds of new employees. Those earning less than ₹15,000 per month would be paid additional government funding for the first three years on the job. Against the earlier 8.33 per cent, the employer's contribution was raised to 12 per cent with the government providing an additional 3.67 per cent. The total bill for this was ₹1,170 crore.

But as with any large new scheme, these benefits flowed in only from April 2017. "It took time for the process to be streamlined, many small and medium scale firms had to be registered for the first time and awareness was an issue," said Siddhartha Rajagopal, executive director of The Cotton Textiles Export Promotion Council.

FRAYED AT THE SEAMS

2016

June: Cabinet approves **₹6,000 crore** package for textile sector

August: Labour ministry notifies draft rules for fixed term employment

November: Govt announces demonetisation

December: Package and associated benefits extended to home textiles (made-ups) sector

2017

April: Provident fund disbursals by government start reaching manufacturers

July: GST implemented; exporters face difficulty in receiving tax refunds

Most significantly, fixed-term employment for garment sector employees, a long-pending demand, was also instituted. The industry being seasonal, employees had long demanded they be considered as permanent and their working hours and wages be fixed, both of which was ordered by the government with specified overtime hours as well, in line with International Labour Organisation norms. This initiative was expanded to the made-up segment, producing goods like curtains, cushions and towels that command half the US import market.

But these additional benefits were introduced just as the liquidity crunch from demonetisation was compounded by operational issues from the rushed implementation of the goods and services tax (GST).

"Demonetisation was a big shock. Then, the percentage of Remission of State Levies allowed to us also fell drastically, after which it has slowly been raised to 2 per cent last year. While benefits were given on one side, issues piled up on the other side. There was, therefore, no confidence in the industry to hire more," Sanjay Jain, chairman of the Confederation of Indian Textile Industry, pointed out.

GST refunds also proved difficult to get. "Export refunds were streamlined only after a long time, but the refunds for inverted duties are still not forthcoming," Jain added.

To this double whammy came a third: Shrinking exports. At an annual $36 billion, textiles is the country's largest foreign exchange earner after petroleum products and gems and jewellery, accounting for 15 per cent of total exports. After contracting for two years, textile exports, especially value-added apparel, expanded only 0.75 per cent in 2017-18.

Things are unlikely to improve anytime soon. A study by ratings agency ICRA pointed out the country was staring at a 4 per cent annual decline in its $16-billion apparel export sector alone in the current financial year, the fourth consecutive weak year for India. Apparel exports had fallen by 4 per cent in 2017-18, on the back of the industry' struggles to turn over working capital with GST refund delayed, after modest growth rates of 3 per cent and 1 per cent in the two preceding years, respectively. As of December, apparel exports rose two per cent after returning to the growth charts in October after 18 consecutive months of contraction.

Significantly, the ICRA study pointed out that India's performance is contrary to the global trends with a growth forecast of 4-5 per cent in 2018. "Figures till now indicate an ongoing shrinkage in the industry, which is a cause for concern. While India is struggling with the problem of stagnation in exports, countries such as Bangladesh and Vietnam are showing growth in apparel exports," said H K L Magu, chairman, AEPC. India's textile sector is in danger of missing the bus owing to the government's policy weaknesses.

CHINESE WHISPERS

Sorry, no golf course!

The Congress government in Madhya Pradesh has decided to strike down the previous Bharatiya Janata Party (BJP) government's consent to develop a golf course near the capital. The Shivraj Singh Chouhan government had allotted 100 acres that was being used to graze cows for the project. Then in the Opposition, the Congress had accused the BJP government of selling land meant for grazing to develop a golf course for bureaucrats who were close to Chouhan. Now, state animal husbandry minister Lakhan Singh has overturned the earlier decision saying his government "would not allow the use of grazing land for any other purpose".

Irani lashes at Tharoor

Bharatiya Janata Party leader and Union minister Smriti Irani on Wednesday accused Congress Lok Sabha member Shashi Tharoor of "insulting Hinduism". Tharoor tweeted a photograph of Uttar Pradesh Chief Minister Adityanath and his cabinet colleagues taking a dip at 'Sangam' in *Kumbh* and took a dig at them. "Ganga has to be kept clean and sins are also to be washed here. Everyone is naked in this Sangam. Hail mother Ganga," Tharoor had tweeted in Hindi on Tuesday. Soon after, Irani pointed out that *Kumbh* was among the largest religious gatherings of the Hindus. "It is appalling and he has done it with tactical support of Rahul Gandhi," she said, claiming that the Congress president's silence amounted to his support to Tharoor's "insult" of the Hinduism.

Waiting for an auspicious day

What is Telangana Chief Minister waiting for before expanding his cabinet? Over a month after forming the government, K Chandrasekhar Rao is reportedly waiting for an auspicious day to expand his team. A firm believer in astrology, KCR — as he is popularly known — will set the ball rolling only in February. According to the Telugu calendar, February 5 will usher in *Magha masam* and the next five days would be good to start on a new project. Observers say announcements pertaining to the expansion will likely take place on February 10 or *vasant panchami*, a day when goddess Saraswati is worshipped across the country.

INSIGHT

There's no alternative to Aadhaar

Aadhaar-based authentication is vital to reach the last mile in financial services

PARAG MATHUR

Aadhaar has achieved near universality as it provides identification to more than 1.2 billion Indian residents. Its scale, ability to uniquely identify individuals, and digital interface make it a frictionless identification platform. Finance Minister Arun Jaitley recently wrote, "The Supreme Court has upheld the whole concept of unique identity and rejected the challenge that it violated the Right to Privacy. It was held that Aadhaar meets the concept of constitutional trust, limited government and good governance and empowers marginalised section of society. It has also introduced several safeguards to ensure that it is not misused. The Judgment of the Supreme Court added balance to the concept of Aadhaar".

Before Aadhaar, there existed no way to digitally enable financial inclusion, especially for the excluded ones who often lack authentic identity papers. Aadhaar came as a blessing, and provided a reliable, established identity document that aided the excluded to open a bank account — the first step in the process of financial inclusion. This makes Aadhaar core to the idea of paperless, presence-less digital finance. If we're serious about digital financial inclusion, if we want more Indians to benefit from formal banking and regulated lending, we need Aadhaar. Here's why.

Aadhaar brought to the fore several important issues for the cause of financial inclusion. It has made the delivery of financial subsidies and services more efficient by plugging leakages, weeding out frauds, and de-duping identities. Alternative IDs like PAN, passport, and driver's license have limited reach and do not have the digital capabilities of Aadhaar. Also, the excluded to whom banking services need to be reach are unlikely to have a PAN or passport. Further, these alternatives are at risk of privacy breach. However, in Aadhaar's case, there is the Unique Identification Authority of India (UIDAI) to ensure the appropriate use and protect the fundamental right to privacy of any individual. Therefore, we need to ensure that this platform is used for the larger good while managing risks.

Further, Aadhaar's digital usage (e-KYC) has been an enabler of inclusion. By the most optimistic estimates, only about 70 crore Indians have some sort of savings account. The remaining 50-60 crore will continue to remain outside the formal institutions of finance without Aadhaar. Unless the excluded are provided with the platform to invest and save, it is inequality. The government of India — Reserve Bank of India, National Payments Corporation of India, and UIDAI — have laid foundations for the integration of Aadhaar into the financial ecosystem. With Aadhaar, the excluded has an equal access to banking and borrowing.

American philosopher John Rawls said, "That from the moral point of view, the most distinctive feature of human nature is our ability to freely choose our own ends. It follows, on his account that the state's first duty with its citizens is to respect this capacity for autonomy — to let them live life according to their own lights". Even the Supreme Court has upheld that a person can voluntarily offer Aadhaar as proof of their identity. Hardayal Prasad, managing director & chief executive officer, of SBI Card said, "We believe that privacy right of any citizen should be secured. The Supreme Court's decision to restrict use of Aadhaar authentication to cases where customer voluntarily supplies Aadhaar is an important step in this direction. We welcome the government's decision to amend the Aadhaar Act and the Prevention of Money Laundering Act (PMLA) to allow Aadhaar authentication in voluntary use cases. This will provide an impetus towards achieving digital and transparent economy while increasing convenience for customers. However, in its current form, the PMLA amendments only cover banks and exclude other Regulated Entities such as NBFCs which are also required to carry out KYC. For a more widespread impact, in our opinion, it should cover all Regulated Entities. We hope that the government takes cognizance of the matter and expedites inclusion of all regulated entities including non-banking financial corporations for granting voluntary authentication facility."

Aadhaar is well and truly the only way forward for digital financial inclusion.

The author is general counsel, BankBazaar.com

LETTERS

Unjust criticism

This refers to "Investigative Overreach" (January 28). First, let me point out that Mr Arun Jaitley being a cabinet minister should not have criticised the Central Bureau of Investigation (CBI) publicly. He is also a public servant like the civil and military officers in the government. The rules do not provide for public servants to openly criticise the government. It will lead to serious indiscipline. This will ruin all CBI cases in future. P Chidambaram has already taken a plea that the case against him is adventurism. Even Vijay Mallya will argue the same. You should not have supported Mr Jaitley on this issue. Your criticism of the CBI is also unjust.

Your argument — that the other 19 banks in the consortium having been a part in granting the loan it is a joint decision and so ICCI alone cannot be held responsible — is fundamentally flawed and plain wrong. Only the managing director of ICICI, whose husband was going to be a beneficiary, has benefited, which the other banks did not know.

The delay in filing an FIR is also because of waiting for Justice Krishna's report. Your question as to how long it would take the charge sheet to be issued ignores the stark fact that it is issued after cross examination of witnesses which can be delayed deliberately by the opponent's lawyers, about which I have personal knowledge having been called seven times in two cases and four times in one case. It is very unfair to blame the CBI for the delay. People call the CBI a "caged parrot" but which senior officer is not?

Sukumar Mukhopadhyay
New Delhi

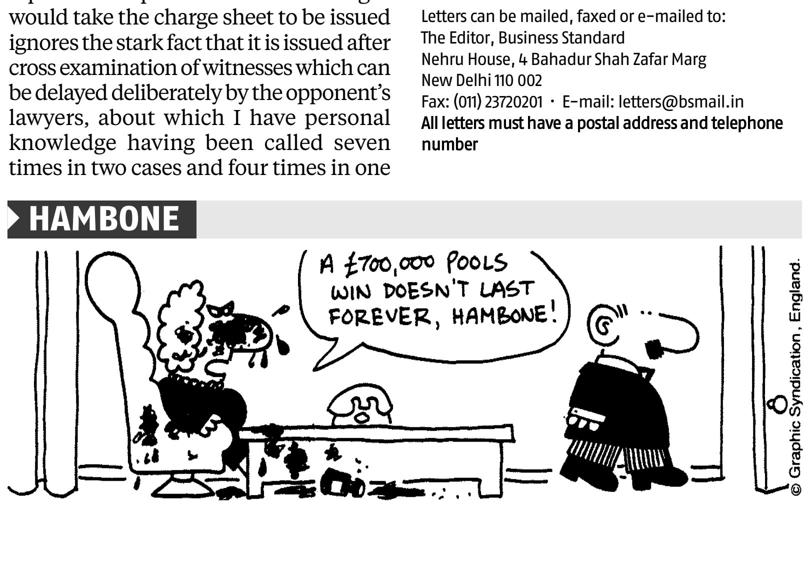
Act in alliance

This refers to "Want to return extra land to owners, Centre tells SC" (January 30) about the dispute in the Supreme Court (SC) pertaining to building of a Ram temple in Ayodhya. The proposal could provide an honourable escape route to the SC and the government. The SC is taking time because of the complexity of the case and also possibly because of the grave consequences. It will alienate one of the two communities. The issues are a blend of strong religious belief and have aroused strong emotions. The fallout of the decision is unpredictable but it brings a paradigm shift in the nation's ethos. Besides, the SC is already stung by the aftermath of the Sabarimala verdict. The apex court could agree to the government's appeal with suitable restrictions on both the parties and the government. It could come as a relief to the government too.

Y G Chouksey Pune

Letters can be mailed, faxed or e-mailed to:
The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 · E-mail: letters@bsmail.in
All letters must have a postal address and telephone number

HAMBONE



Business Standard
Volume XXIII Number 121
MUMBAI | THURSDAY, 31 JANUARY 2019

Margins under pressure

Q3 corporate results indicate expenses outpacing revenue

The 0.9 per cent year-on-year (YoY) growth in the adjusted net profit of 385 companies, which have released their results for the third quarter (Q3) of the current financial year so far, does not inspire much confidence. If financials and energy companies are removed from the sample, net profit has grown 6.4 per cent in Q3 — the worst performance in five quarters. For the entire universe, growth in other income, which has often aided net profit growth in the past, is lower than revenue growth. Companies, however, have reported strong double digit growth in top line, thanks to higher commodity prices resulting in higher product prices. Total income, which is the sale of goods and services after removing indirect taxes for companies and net interest income for banks, went up an impressive 24.2 per cent YoY in Q3, but total expenses grew higher at 28.6 per cent. As a result, core operating profit margin has steadily declined this year from 15.5 per cent in Q1 to 14.8 per cent in Q2 and 13.3 per cent in Q3. Besides higher input prices, other expenses and overheads too have grown faster than profit growth. For the corporate sector, excluding energy and financials, core operating margin is down nearly 120 basis points compared to Q3 FY18.

On the bright side, two of the largest sectors in terms of profit — information technology services and fast moving consumer goods (FMCG) — have reported encouraging top line numbers during Q3. TCS and Infosys' revenue growth is at nearly three-year high, thanks to gains from rupee depreciation and higher corporate spending in the US, which is their key market. Companies reported a slight expansion in their margins despite an uptick in employee cost and fresh recruitments. For FMCG companies, too, revenue growth is at a three-year high indicating good demand conditions both in urban and rural markets. Consumer players, however, have taken a small hit on margins as expenses have grown faster than revenues. In the results declared from the financial sector so far, private sector banks, including corporate lenders such as Axis Bank, have reported strong numbers as expected, but losses of public sector banks have expanded as provisions for bad loans have increased. In the non-banking space, there is a decline in earnings and net interest margins, as loan growth has slowed and interest costs have shot up because of tighter liquidity in the wholesale lending market. Larsen & Toubro has reported excellent numbers, whereas other companies from engineering and infrastructure haven't done well, and neither has cement.

On a historical average basis, this sample of 385 companies out of which 20 are Nifty 50 companies, represents around half the listed companies in terms of profits and around a third in terms of revenues in rupee terms. Many large private manufacturing companies are yet to report their Q3 earnings as are state-owned firms including oil refineries and banks such as State Bank of India. All of these could change the numbers by the end of the earnings quarter. The robust consumption story — the only theme that has worked in the past few years — is also looking a little fragile as small ticket FMCGs are doing well, but consumers are not as forthcoming in big ticket items such as automobiles. A clearer picture will emerge next month.

India's data blues

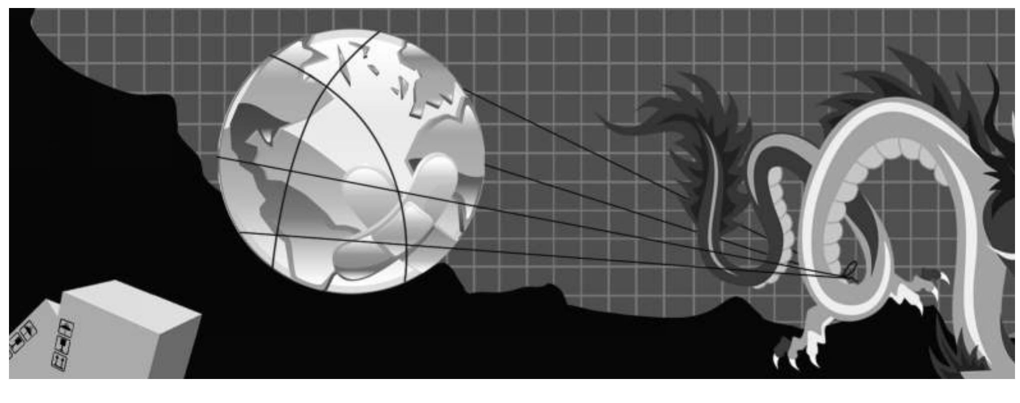
Statistical Commission resignations point to a deeper problem

The resignation of two non-official members of the National Statistical Commission (NSC) on Wednesday raises several questions over the way the government treats inconvenient economic data. The NSC is an autonomous body formed in 2006 and is mandated to evolve policies, priorities and standards in statistical matters; it also approves statistical reports produced by the National Sample Survey Organisation (NSSO). The twin resignations, that of P C Mohanan, the acting chairman, and J V Meenakshi, mean that the NSC now has just two functioning members out of the seven that it is supposed to have. The posts of full-time chairman and two members were already vacant before these resignations. In other words, the acrimonious departures have effectively made the NSC a defunct organisation, as it now has only two government nominees — Chief Statistician Pravin Srivastava and NITI Aayog Chief Executive Officer Amitabh Kant. Mr Mohanan and Ms Meenakshi, whose term was valid till June 2020, have made a serious accusation — that they were "sidelined and not taken seriously".

The immediate trigger, however, is the delay in releasing the NSSO's first series of household survey, known as the Periodic Labour Force Survey (PLSO), for 2017-18. The members have also been unhappy about the publication of back-series growth data for gross domestic product (GDP). Indeed, when the government released the GDP back-series in November, it broke convention by channelling the release through the NITI Aayog, bypassing any consultations with the NSC in the process. This did not go down well with NSC members since the statistical body's own report on the GDP back-series, the results of which were at considerable variance from the government's version (which was brought out later), was disowned by the government as just another statistical exercise. The chief statistician has, however, defended the government by saying that NSC members did not express any concern in any of the meetings in the last few months, and the ministry of statistics and programme implementation said the NSSO's survey has been designed to yield annual estimates of the labour force on employment and unemployment, along with quarterly estimates, for urban areas. It also said that the NSSO is processing data for the period from July 2017 to December 2018 and the report will be released thereafter.

Regardless of where the truth lies, one thing is certain. There is a lot that is amiss in the structures and processes that govern the construction and dissemination of India's key economic statistics. And for the fastest growing major economy in the world, this could turn out to be an unnecessary hurdle, all of its own making. The credibility of India's macroeconomic data — be it unemployment, GDP growth, fiscal deficit or foreign direct investment — is critical to ensuring that investors take India seriously. Moreover, this is not something over which parties should play politics. Irrespective of which government is in power, India needs to urgently repair the damage to the reputation of its macroeconomic data and the organisations that analyse them. Bringing about greater transparency on the methodology used as well as sticking to a regular, time-bound schedule are the essential starting points.

ILLUSTRATION BY BINAY SINHA



Risks to the global economy in 2019

The biggest economic risks will emerge in those areas where investors think recent patterns are unlikely to change

As Mark Twain never said, "It ain't what you don't know that gets you into trouble. It's what you think you know for sure that just ain't so." Over the course of this year and next, the biggest economic risks will emerge in those areas where investors think recent patterns are unlikely to change. They will include a growth recession in China, a rise in global long-term real interest rates, and a crescendo of populist economic policies that undermine the credibility of central bank independence, resulting in higher interest rates on "safe" advanced-country government bonds.

KENNETH ROGOFF

A significant Chinese slowdown may already be unfolding. US President Donald Trump's trade war has shaken confidence, but this is only a downward shove to an economy that was already slowing as it makes the transition from export- and investment-led growth to more sustainable domestic consumption-led growth. How much the Chinese economy will slow is an open question; but, given the inherent contradiction between an ever-more centralised Party-led political system and the need for a more decentralised consumer-led economic system, long-term growth could fall quite dramatically.

Unfortunately, the option of avoiding the transition to consumer-led growth and continuing to promote exports and real-estate investment is not very attractive, either. China is already a dominant global exporter, and there is neither market space nor political tolerance to allow it to maintain its previous pace of export expansion. Bolstering growth through investment, particularly in residential real estate (which accounts for the lion's share of Chinese construction output) — is also ever more challenging.

Downward pressure on prices, especially outside Tier-1 cities, is making it increasingly difficult to induce families to invest an even larger share of their wealth into housing. Although China may be much better positioned than any Western economy to socialise losses that hit the banking sector, a sharp contraction in housing prices and construction could prove extremely painful to absorb.

Any significant growth recession in China would hit the rest of Asia hard, along with commodity-exporting developing and emerging economies. Nor would Europe — and especially Germany — be spared. Although the US is less dependent on China, the trauma to financial markets and politically sensitive exports would make a Chinese slowdown much more painful than US leaders seem to realise.

A less likely but even more traumatic outside risk would materialise if, after many years of trend decline, global long-term real interest rates reversed course and rose significantly. I am not speaking merely of a significant over-tightening by the US Federal Reserve in 2019. This would be problematic, but it would mainly affect short-term real interest rates, and in principle could be reversed in time. The far more serious risk is a shock to very long-term real interest rates, which are lower than at any point during the modern era (except for the period of financial repression after World War II, when markets were much less developed than today).

While a sustained rise in the long-term real interest rate is a low-probability event, it is far from impossible. Although there are many explanations of the long-term trend decline, some factors could be temporary, and it is difficult to establish the magnitude of different possible effects empirically.

One factor that could cause global rates to rise, on the benign side, would be a spurt in productivity, for example if the so-called Fourth Industrial Revolution starts to affect growth much faster than is currently anticipated. This would of course be good overall for the global economy, but it might greatly strain lagging regions and groups. But upward pressure on global rates could stem from a less benign factor: A sharp trend decline in Asian growth (for example, from a long-term slowdown in China) that causes the region's long-standing external surpluses to swing into deficits.

But perhaps the most likely cause of higher global real interest is the explosion of populism across much of the world. To the extent that populists can overturn the market-friendly economic policies of the past several decades, they may sow doubt in global markets about just how "safe" advanced-country debt really is. This could raise risk premia and interest rates, and if governments were slow to adjust, budget deficits would rise, markets would doubt governments even more, and events could spiral.

Most economists agree that today's lower long-term interest rates allow advanced economies to sustain significantly more debt than they might otherwise. But the notion that additional debt is a free lunch is foolish. High debt levels make it more difficult for governments to respond aggressively to shocks. The inability to respond aggressively to a financial crisis, a cyber attack, a pandemic, or a trade war significantly heightens the risk of long-term stagnation, and is an important explanation of why most serious academic studies find that very high debt levels are associated with slower long-term growth.

If policymakers rely too much on debt (as opposed to higher taxation on the wealthy) in order to pursue progressive policies that redistribute income, it is easy to imagine markets coming to doubt that countries will grow their way out of very high debt levels. Investors' scepticism could well push up interest rates to uncomfortable levels. Of course, there are many other risks to global growth, including ever-increasing political chaos in the United States, a messy Brexit, Italy's shaky banks, and heightened geopolitical tensions.

But these outside risks do not make the outlook for global growth necessarily grim. The baseline scenario for the US is still strong growth. Europe's growth could be above trend as well, as it continues its long, slow recovery from the debt crisis at the beginning of the decade. And China's economy has been proving doubters wrong for many years.

So 2019 could turn out to be another year of solid global growth. Unfortunately, it is likely to be a nerve-wracking one as well.

The writer, a former chief economist of the IMF, is professor of Economics and Public Policy at Harvard University;
© Project Syndicate, 2019

Where has all the jobs data gone?

ROSA ABRAHAM, JANAKI SHIBU & RAJENDRAN NARAYANAN

On January 28, 2019, the only two non-governmental members of the National Statistical Commission (NSC) tendered their resignations. According to news reports, among the reasons for their departure was the government's delay in releasing results of new employment survey data, despite being approved by the NSC. This is another development in the continuing question of missing critical labour data.

Labour market data was typically collected by the National Sample Survey Organisation's (NSSO) Employment-Unemployment Surveys (EUS) conducted once every five years. Employment and unemployment rates, women's labour-force participation and other labour market indicators generated from these surveys are critical inputs for policy formulation.

The next round of employment surveys should have occurred in 2016-17 as per the five-year schedule. This got postponed for unclear reasons. The lack of information in the public domain on the NSSO survey prompted us to a file an RTI in May 2018 enquiring the status of this data. In June, the Ministry of Labour and Employment (MoLE) responded saying that the 2017-18 NSSO EUS had been discontinued. In response to a question in that RTI on the reasons for discontinuation, the ministry responded that "(C)onsidering the need of labour force statistics at regular and more frequent intervals, a new regular employment-unemployment survey, namely Periodic Labour Force Survey (PLFS) has been launched by ... (NSSO) ... across India in April 2017". The ministry's response further claimed that PLFS data would be available by December 2018. However, the data is yet to be released.

In another development, to make some data available annually, the MoLE entrusted the Labour Bureau (LB) with the task of collecting annual employment-unemployment data from 2010 onwards. There have been five such surveys. Since the discontinuation of the NSSO's EUS from 2011-12 and in the absence of PLFS data, these surveys are the only recent official labour data. The latest such survey was conducted between April and December 2015.

The LB surveys have, unfortunately, neither been regular nor available. In 2014-15, these surveys did not take place for reasons unknown. And, the overall process of dissemination of the LB survey data is ambiguous. Typically, the NSSO's EUS reports are available in the public domain and the unit-level data can be acquired freely. The LB reports prior to the 2015-16 survey are not available on the ministry website nor on any other government website, to our knowledge (they may be found at the Centre for Sustainable Employment website *https://cse.azimpremjiuniversity.edu.in/*). Neither have the unit-level data relating to any of the LB surveys been made easily available to the public.

Till mid-2018, there was no information on the the next annual survey (2016-17) of the LB. The vacuum in official labour data was apparent and perhaps, sensing the discontent, and in an attempt to address these concerns, the MoLE issued a press release dated June 11, 2018. It stated that the "field work of Sixth Annual Employment Unemployment Survey (2016-17) has been completed and data entry validation work is in progress. The report pertaining to 6th Annual EUS is to be completed by September 2018".

On the basis of the press release, in October 2018, we filed a second RTI requesting the expected date of release of the LB's 6th EUS report and unit-level data. In response to this RTI, the ministry stated that the report was being finalised and was "likely to be released shortly," with no mention of the expected date of release. Subsequently, we filed a third RTI to obtain the details of the expert committee and minutes of the meeting. The ministry responded by saying that the Expert Group Meeting on 6th LB EUS under the chairmanship of Professor S P Mukherjee held on September 27, 2018, had, "approved the ... report with minor additions/deletions...". The committee recommended that subsequent to the MoLE's approval, the executive summary would be released.

Given the rapid changes in the Indian labour market, there is an urgent need to have current, accurate and publicly available data through regular, dynamic and comprehensive surveys

However, to this day, the LB data and reports remain elusive. The only indication that the report is perhaps ready have come in the form of an article in *Business Standard*, dated January 11, 2019, citing numbers from the 6th LB EUS ("Unemployment rose to a 4-year high during demonetisation: Govt survey"). The data and the report are supposedly ready and the RTI response claimed that it would be released in 2018. Why is the BJP-led government continuing its deafening silence on this matter?

Besides the lack of availability, there is much else to be questioned regarding the content of the LB survey. Particularly, a question on the religion of the household, which has been asked in all NSSO EUS, has been omitted in the LB surveys. Specifically with regard to the 6th EUS, in the Expert Committee meeting, as was revealed in the response to our RTI, a decision was made to exclude caste-wise information on an individual's work status and educational qualification. Instead, it was recommended that only the "overall" status be shown in the report. As the recent State of Working India Report 2018 finds, caste disparities in earnings and occupations continue to pervade the Indian labour market.

Reliable labour data and reports are absolutely critical for active citizenry. The ministry's decision to withhold caste-wise data from the recent (unreleased) EUS survey is unclear. A question in the RTI on the criteria used to select members of this "Expert Committee" remained unanswered. Lack of proactive transparency in such important decisions are not only suspicious but are also regressive for a democracy. It is puzzling as to why such pertinent questions, and data, where available, on social identity have been omitted.

Given the rapid changes in the Indian labour market, there is an urgent need to have current, accurate and publicly available data through regular, dynamic and comprehensive surveys. Indeed, this was the intention behind constituting the NITI Aayog Task Force on Improving Employment Data. The attempts by the government to "improve" labour data has actually made it worse. The nationally representative and comprehensive EU surveys have been discontinued. These have been replaced by a less than comprehensive LB surveys, which also remain inaccessible to the public. Finally, the status of the PLFS is unknown. Moreover, any other official data has been limited in coverage (Employees' Provident Fund Organisation, Quarterly Employment Surveys) and alternative data sources such as the Centre for Monitoring Indian Economy have been disparaged by officials leaving the public in an artificially created vacuum of labour data. The recent resignation of members of the NSC is yet another testament to the frustration about the Centre's opacity on releasing employment data.

The writers work at Azim Premji University

The perfect textbook

BOOK REVIEW

TCA SRINIVASA RAGHAVAN

There used to be a telling anecdote doing the rounds in the mid-1990s. A poorly educated but very populist chief minister of Uttar Pradesh asked the chief minister of Kerala to write to him in Hindi. The latter is believed to have replied: "Why don't you first teach your people to read and write Hindi?"

Kerala had just attained 100 per cent literacy. UP's was at about half that. Practically all North Indians the people who live in the five states that comprise peninsular India — the South — are *kalay Madrassi*. Not just that: thanks to British prejudices, they are also rice-eating weaklings. And, further, thanks to the caricaturing by Bollywood until the 1980s, they are also objects of ridicule.

This despite the fact that taxes collected from the south finance the north.

So Rajmohan Gandhi, who can write history better than most, has set out to educate the North Indians. As well he might: if Gandhiji was his grandfather on the paternal side, C Rajagopalachari was the other, on the maternal side. He knows Tamil. He understands the South's culture. Above all, he writes with marvellous fluidity.

The South, says Mr Gandhi is, and has, a distinct identity. It goes beyond the *idli-dosa-sambhar* description of it, which is like the South describing the North as *chappatti-walas*.

Mr Gandhi has culled information from hundreds of sources. He has then distilled it all into a much-needed book of the South, the first perhaps since K A Neelakanta Sastri's book, which was published in 1955.

He says the book is a "Dravidian story... involving four centuries, the 17th, 18th, 19th and the 20th." If you are looking for a quick account of those 400 years, this is the book for it.

It is also the perfect textbook because it is not written like a typical textbook, you know, the 'one-damned-thing-after-another' style. Only established facts are narrated. There is virtually no opinion, and adjectives, too, are absent.

Every topic and personage is treated with respect. The Rashtriya Swayamsevak Sangh does not put in an appearance till page 394 — in the context of the Emergency.

So no one can take offence because even Nehru is not magnified out of all proportion — no one is, not even E V Ramaswamy Naicker, the father of the political Dravidian movement in the Madras presidency.

Mr Gandhi also deals dispassionately with a major controversy — created by North Indian pamphleteers — regarding CR's initiatives with Jinnah after the British had jailed the Congress leaders in 1942.

An agreement was almost at hand, says Mr Gandhi but Jinnah stalled it. CR has had to take the blame for it.

There is, however, a problem: the book is in English, which the North has been slow to learn. I would strongly recommend Hindi translations and abridged editions for senior school syllabi in all Hindi-speaking states.

Mr Gandhi is fair. He adds that the Tamils and the Malayalis and the Andhras and the Kannadigas can also be quite ill-informed about each other. "The scene has not dramatically improved in 150 years," he says.

He also points out that South Indian chauvinism is driven more by pride in the languages. This had been in evidence from about 1917 when the Congress formed separate provincial bodies for the four main language areas of the peninsula.

So this book should be read in the South as well. In English as well as in translation in the four languages of the South.

The South has been a pioneer in most things that came late to the North. It was in the Madras Presidency that a government not dominated by the upper castes was formed in 1919. This was fair, considering the non-Brahmins were 90 per cent of the population.

It was also there that reservation by caste in government jobs was first introduced in 1919. In 1921, reservations were extended to promotions.

Kerala has the dubious honour of having had the first lot of people being asphyxiated to death in a railway goods wagon. They were mostly the Muslim Mapillas but three Hindus also died in that ill-fated coach. In all 70 persons died.

Even in what is now called *gharwapasi*, Kerala took the lead after the Mapilla rebellion. The Arya Samaj led from the front, asking those who had been forcibly converted to Islam to ingest "five cow products (milk, ghee curd, urine and dung) each day." Mr Gandhi doesn't say whether this was to be done sequentially or all at once in combination.

That would have been a nice detail.

MODERN SOUTH INDIA:
A History from the 17th Century to Our Times
Rajmohan Gandhi
Aleph
₹800; Pages 508