Why MNCs are changing their India tune

The reasons are myriad — maturing of markets, change in business strategy — but there is a clear indication that global firms are not willing to tolerate any more slack in India

ACROSS THE BOARD

SHAILESH DOBHAL

If you are someone who has watched multinational firms' India play in the heady days of the 1990s and 2000s, the current goings-on are a big let-down. Back then, for the globetrotting MNCs India was the last El Dorado, to be conquered and won at all cost. Though China, another big consumer market, also beckoned, it was considered "taken", by either government-led local firms or other MNC peers.

No wonder most played the Indian market much in the PGA Tour's *Together Anything's Possible* style, their ambition not constrained by money, men or material. The liberalisation and globalisation-led 90s and noughties was a time when western capital markets were infatuated with a strong emerging market play, and fortunes were made or lost on mere the mention of whether the firm was going in or out of India!

Global firms poured money into India as if there was no tomorrow, and often chased losing, thin on strategy ideas and projects that they would have been loath to back in most developed markets. It was clear that there was a huge error in estimating the true size of the addressable Indian market, and some correction in expectations did happen in the 2000s and later, but most kept the faith and the purse strings open.

Something has changed dramatically of late. Though in the past four-five years alone, there have been some flight out of the country by MNCs — such as French retailer Carrefour closing down its cash-and-carry business in 2014 or Japanese drugmaker Daiichi Sankyo exiting India in 2015 — it is not so much a Quit India movement as yet. More like an expectation that India has to start behaving like any other market and stand up on its own and stop depending on the parent's largesse. The reasons are myriad. For some, it is the global strategy at play, but for most it is India-specific issues like regulatory overhang, underperformance of the market or the inability to compete in perhaps of the world's most complex market.

After pouring over ₹1 trillion in the last decade or so, British telco Vodafone announced last week that it has finally closed the funding spigot to its gasping Indian subsidiary, and is ready to face... well... even exit from the country if it comes to that. One of the earliest MNC carmakers into India, American Ford Motors has agreed to take a junior role in a partnership with local automaker Mahindra & Mahindra for its struggling operations in India. Why, even General Motors is learned to be looking for buyers for its only remaining factory in India in Pune.

Though not as dramatic as a retreat from India, there is clear change of tack among many others across sectors. Time was when American beverages major Coca-Cola was gobbling bottlers in India, and writing down losses it had run up to fuel its aggressive take-markets-at-all-cost strategy. Now, the firm is reportedly hawking those bottling plants to its franchise bottlers in order to generate cash.

Japanese investor SoftBank, after pouring in almost $10 billion in Indian startups, including nine unicorns, is demanding all new funding to be linked to time-bound public exits or the chance to sell stake to any willing buyer. Singed by huge losses run up by its Vision Fund globally due to unprofitable bets on WeWork and Uber, SoftBank, according to venture capital tracing firm Tracxn, has not put even a single dollar in new investment in India this year! And after a bitter separation with its partner for half of the country, McDonald's has now reportedly put stricter rules for prospective new partners with no leeway to take the operations public and to hypothecate the operating company's shares to the parent.

CHINESE WHISPERS

Chit or cheat?

The Lok Sabha on Monday took up a discussion on the Chit Funds (Amendment) Bill. Among Lok Sabha members who participated in the discussion, the YSR Congress Party's (YSRCP's) Raghu Ramakrishna Raju Kanumuru (*pictured*) demanded a change in the nomenclature of not just the Bill but also in the way these schemes were named. The MP from Andhra Pradesh's Narsapuram constituency said the word "chit" was being pronounced "cheat", which was reducing the importance of such schemes for people with no banking facilities. He said the name "chit fund" should be changed to "fraternity fund".

Gujral's centenary

The 100th birth anniversary of former prime minister Inder Kumar Gujral is on December 4. His son Naresh Gujral and the rest of his family will have a function at the India International Centre, New Delhi. Naresh Gujral is a Rajya Sabha member of the Shiromani Akali Dal (SAD), an ally of the Bharatiya Janata Party. Gujral senior, who passed away in 2012, was in the Congress and then in the Janata Dal. For the function, those invited to speak are former president Pranab Mukherjee, former prime minister Manmohan Singh, former vice-president M Hamid Ansari, and Congress leader Karan Singh. Given Gujral senior's interest in diplomacy and his stints as India's ambassador to Moscow and as the country's external affairs minister, there will be a discussion on India's foreign policy titled "Continuity and Change". Four former foreign secretaries Shivshankar Menon, K Raghunath, Kanwal Sibal, and Shyam Saran will participate in the discussion.

Proposal drowned

Computer Baba, self-proclaimed godman and chairman of the river trust for the Narmada-Kshipra and the Mandakini, surprised many when he announced that he would deploy some 2,000 sadhus (monks) on the banks of rivers in Madhya Pradesh to stop illegal mining. He said: "We will surprise the sand mafia." The plan was to deploy four to eight groups of 250 to 300 sadhus each on the banks of the state's many rivers. His scheme was shot down by the government. Mining Minister Pradeep Jaiswal jettisoned the plan, saying, "Computer Baba is a religious figure and chairman of a trust but he has nothing to do with mines and the minerals department." Jaiswal said he should stick to "babagiri" and refrain from getting involved in the operations of government departments.

Prime position for secondary steel

The steel scrap recycling policy has opened the door for large steelmakers to enter the recycling business and meet steel demand in a sustainable manner

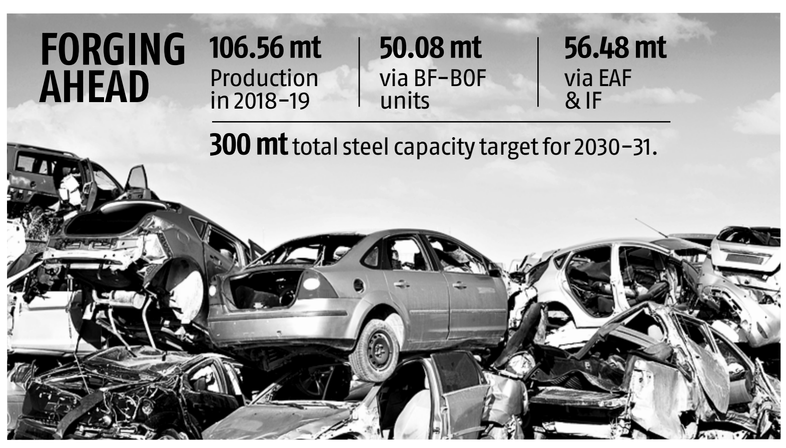
KUNAL BOSE

Tata Steel made all its 16.81 million tonnes (mt) of crude steel in India last year through the primary blast furnace-basic oxygen furnace (BF-BOF) route. The company's production capacity at Kalinganagar in Odisha is being enhanced from 3 mt to 8 mt by way of installing a 5,800 cubic metre BF, to be the largest in the country. Its entire targeted capacity expansion to 30 mt by 2025 is likely to be produced via the BF-BOF channel. Even then, Tata Steel acknowledges the secondary sector that includes electric arc furnaces (EAFs) and induction furnaces (IFs) where ferrous scrap is the principal raw material will have an important role in meeting the country's growing demand for steel in a "sustainable manner."

Citing examples of many countries where "very efficient" relatively small plants in the secondary sector exist focusing on production of "very high quality special steels" in small lot sizes of "40 to 80 tonnes," Tata Steel CEO and Managing Director TV Narendran says: "We in India need to have a very strong secondary sector... There are roles that are specially cut out for the secondary sector like servicing customers who will be difficult to reach for the primary sector. I don't think the country's steel industry can prosper with just a few large steel plants. Ideally, the primary and secondary sectors should grow in parallel and both will have to be world class in efficiency, cost and product quality."

Though not the first to be off the block in steel recycling business — that honour goes to a Mahindra and MSTC joint venture, which already has in operation two units in Greater Noida and Chennai — Tata Steel is making an entry into scrap recycling business to give a push to formalising the steel scrap generation industry for the benefit of secondary sector. The 500,000-tonne recycling plant that Tata Steel is building near Delhi on build, own and operate basis will be ready for commissioning during this financial year. Steel recycling is part of the company's attempt to generate 30 per cent revenue from non-core businesses. Many are seeing in Tata Steel's entry into recycling work the first step to build secondary mills in different parts of India to tap markets far removed from Jamshedpur and Kalinganagar. Smaller mills will enable the company to make small parcels according to requirements of buyers.

The many recent pronouncements by steel minister Dharmendra Pradhan and steel secretary Binoy Kumar highlight the point that for the first time the central government will be closely working with the states to develop a steel hub covering Odisha, Jharkhand, Chhattisgarh and West Bengal to address effectively industry issues concerning raw materials security, logistical hindrances, credit requirements and skills development. Attempts will be made to use the hub for production of high value added steel with the secondary sector playing a major role in the quest. The new initiative coincides with release of a "robust" steel scrap policy whose implementation will prove to be a "game changer" for steel's secondary sector, according to Kumar.



In any case, the secondary sector already has a major presence in the industry, capacity-wise. During 2018-19, the combined production of crude steel by EAFs and IFs was 56.48 mt. This constituted 53 per cent of that year's total output of 106.56 mt, the remaining 50.08 mt coming from BF-BOF units. Considering the usefulness of EAFs and IFs in giving a boost to steel use by their sheer presence in proximity to present and potential market, the 2017 steel policy recommends for secondary sector a share of 35 to 40 per cent of India's targeted steelmaking capacity of 300 mt by 2030-31.

The country has 47 EAFs and 1,128 IFs and their combined capacity is around 75 mt. No one will doubt Indian entrepreneurial intelligence in seizing investment opportunities in the steel secondary sector provided of course there is some degree of raw material security — in the present case, it is about steel scrap. After all, in the past, businessmen here, seeing the country's growing dependence on imports of metallurgical coal, built sponge iron capacity of 50 mt, the world's largest, based on local non-coking coal and gas? A case of turning a problem into an opportunity.

New Delhi is hopeful that the implementation of the newly announced steel scrap recycling policy will make the country self-reliant in ferrous scrap by 2030. Sufficient investments will be forthcoming in the secondary sector for capacity to rise, according to steel policy. At any point in what proportion EAFs and IFs will be using scrap and sponge iron will depend on their prices. The fact that the government is found rigorous in enforcing quality for most steel products will explain the growing industry preference for imported scrap. This is in spite of a 2.5 per cent import duty on foreign origin scrap.

India is spending around ₹24,500 crore a year for steel scrap imports, the shortfall in domestic supply vis a vis demand being 7 mt. Now that the scrappage policy, which has laid ground for promotion of collection, dismantling and processing of end-of-life vehicles, a major source of pollution in our cities, consumer durables and plant and machinery on scientific lines, secondary steelmakers can breathe easy.

Steel as also aluminium and copper are infinitely recyclable and all these metals retain their inherent quality on their being repeatedly recycled.

Tackling greenhouse gas emission (GHGE) in a major way when steel is made from scrap and resources conservation involving iron ore, coal and limestone are principal drivers for scrap recycling. But environmental sanctity is compromised if dismantling of vehicles and other machines is not done in a sufficiently large gated compound and the subsequent work of baling and shredding is carried out manually with workers exposed to grave health risk.

Secondary producers are making a reasonable demand that they should be able to procure high quality scrap locally to be able to produce steel for use by quality demanding sectors such as automobile and machine building. This will be fulfilled as likes of Tata Steel, Maruti-Toyota and Mahindra-MSTC emerge as major players in steel recycling. Leading steelmaking countries such as China, Japan and the US are relentless in their pursuit of using more and more scrap in producing the metal finding application in the more demanding sectors. Driven by growing restrictions on GHGE, Chinese mills in the first half of 2019 raised its steel scrap use by 20.7 per cent to 103.28 mt from 85.57 mt in the same period last year. India will have to catch up fast.

ON THE JOB

A triple whammy in November?

MAHESH VYAS

From a growth perspective, an increasing labour participation is more important than a falling unemployment rate. It is important to increase the number of people willing to work. If fewer people are willing to work, a low unemployment rate is meaningless. This is because the unemployment rate is merely the proportion of those that are willing to work who cannot find jobs.

Compared to global standards, India has a very low labour participation rate and now, it also has a high unemployment rate. This is a classic double whammy. And to this, we can now add the misery of a rising inflation rate. Is there something called a triple whammy? In the world of medicine, the term is associated with renal failure.

This dispiriting opening para is inspired by the early signs of labour market stress in November 2019. Besides the worrisome rise of inflation and the elevated unemployment rate, we now also see a fall in the labour participation rate.

The first half of November 2019 saw a sharp fall in the labour participation rate (LPR). In August, September and October, labour participation rate was a little over 43 per cent. This was an improvement over the sub-43 per cent rate prevailing in the preceding six months.

In comparison, the labour participation rate in the weeks ended November 3, November 10 and November 17 was 41.6 per cent, 42.6 per cent and 41.8 per cent. The rate seems to be heading below 42 per cent in November.

In November 2018, the LPR was 42.8 per cent.

If the LPR ends below 42 per cent in November 2019, it would be the lowest LPR witnessed since 2016.

Weekly data is volatile and it is not wise to generalise from the dip seen in just one week as was seen in the week ended November 3. But the week ended November 17 has once again fallen to sub-42 per cent levels. This warrants some concern regarding the strength of the recovery in the LPR seen in the past few months.

The LPRs in August, September and October 2019 were systematically higher than the levels recorded in the corresponding months of 2018. This is the first time we have seen such a sustained year-on-year increase in the LPR. This was sufficient to start believing in a possible revival of the LPR after a long period of steady fall and then an equally long period of stagnation at low levels. Very early signs of November threaten this belief.

The fall in labour participation in the week ended November 3 was concentrated in rural India. Here, the LPR fell 204 basis points from 44.2 per cent in the week ended October 27 to 42.2 per cent in the week ended November 3. Rural LPR did recover in the week of November 10 to 43.3 per cent but, it fell again to 42.9 per cent in the week ended November 17.

In urban India, the LPR fell only marginally in the week ended November 3. But, it fell sharply in the week ended November 17. This fall was a steep 155 basis points from 41.1 per cent to 39.6 per cent.

Data of the first half of November 2019 also show a sharp fall in the employment rate. This implies that there is either a shrinking of employment in the month or at least a slower growth in employment compared to the growth in working age population.

The average employment rate in the three weeks that ended in November 2019 was 38.8 per cent. If the month ends with an employment rate less than 39 per cent, it would be the lowest employment rate recorded since 2016 when we began measuring labour statistics.

The employment rate has fallen in rural and urban India. The fall in urban India appears to be more worrisome than the one in rural India.

Urban employment rate appeared to have bottomed out in August 2019 at 36.9 per cent. It inched up a bit to 37 per cent in September 2019 and then, it shot up to 37.4 per cent in October. Now, in the first half of November, it seems to have slipped again to less-than 37 per cent.

The long-term trend of the employment rate in urban India is one of steady decline. August and September 2019 had provided hopes of some respite from this. However, November 2019 could belie these implying a continuation of a long term trend of falling employment rates.

Unlike urban India, the country side has seen a somewhat volatile stabilisation of the employment rate in the past 14 months. The employment rate had declined steadily from 43 per cent in November 2017 to 40.8 per cent in August 2018. Thereafter, the employment rate has remained around this level with substantial month-to-month variations. It is possible to read the decline in rural employment rate in November as part of these monthly variations.

Nevertheless, early indications of a decline in overall labour participation and employment rates in November is worrisome.

The author is the MD & CEO of CMIE

LETTERS

Early detection crucial

This refers to "All you wanted to know about banking frauds" (November 18). At a time when the banking sector, particularly the government-owned banks, are hamstrung by the undeterred incidents of bad assets, controlling and addressing the credit-related frauds is crucial to protecting the banks from financial and credibility damages. Despite robust systems to ensure preventive vigilance, the banks fail to prevent the occurrence of frauds which indicates that the strong involvement of the staff nullifies the existing prevention measures. While loans and advances are more prone to frauds, banks should keep a watch on the activities of the concerned staff who are dealing with the borrowers of the bank.

Beginning from the receipt of an application for credit facilities to the liquidation of the loan, there are various phases which are vulnerable and that enables fraudsters to cheat the bank. The risk factors vary with the nature and type of loan, the economic activity of the borrower and the securities offered or available to the lender. As such, any flaws in the observation of the prescribed checks and balances defeat the due diligence and taking advantage of the situation and the loopholes, the fraudsters are cheating the banks. Despite the importance of watching the early warning signals and accordingly red-flagging the loans, many a time these are wilfully or unintentionally ignored and cause losses to the bank.

Banks must scrupulously observe all the systems and procedures prescribed for the conduct of the banking activities. Violation of the norms by the functionaries have often jeopardised the interest of the bank and exacerbated the losses. Early detection and reporting the frauds to the banking regulator and to the investigating or enforcement agencies are imperative to curtail losses as well as to retain the confidence of all the stakeholders.

VSK Pillai Kottayam

Hydra-headed problem

This refers to the editorial "Saving the telecom sector" (November 18). Vodafone and Airtel posting mammoth losses aggregating ₹74,000 crore in Q2 of this year is a matter of deep concern. These two service providers also have to pay up cumulative licence fees and spectrum user charges around ₹1 trillion within a short period of time. This will likely result in these two companies folding up and the users will be facing a monopolistic situation. Monopolies resort to all sorts of anti-consumer actions like predatory pricing, restrictive practices, poor service etc with no other options for hapless consumer. If these two companies close down, it will badly impact the balance sheets of the banks who have lent to them. The financial system cannot afford another massive hit after the PSB saga, NBFC/HFC problems and urban cooperative bank fiasco. It will result in massive big job losses and hit associated businesses. The international image of the country will take a serious beating at a time when there is growth slump and high unemployment.

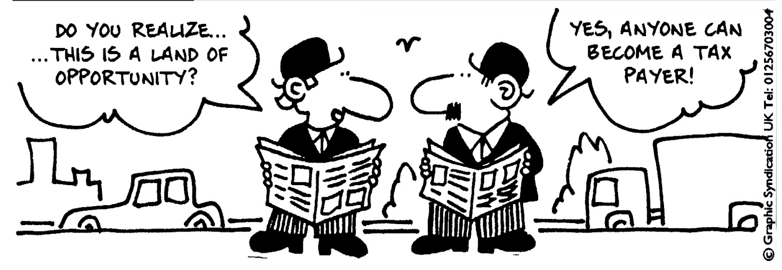
Reckless competition is also responsible for this situation. There is a need for the concerned regulatory body to examine whether unfair practices are being followed in the industry. Assets and businesses of these two companies which are unrelated to their core activities need to be hived off.

The government must allow for the payments of dues (by these telecos) to be staggered and penalties and interest need to be waived, if possible. It cannot allow the golden goose to be killed. The government has wisely decided to examine this issue. Something meaningful needs to be done quickly lest it will be like bolting the stable door after the horses have fled.unemployment.

Arun Pasricha New Delhi

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 XXIV Number 68

MUMBAI | TUESDAY, 19 NOVEMBER 2019

Beyond deposit insurance

Mechanism should be economically viable

The central board of the Reserve Bank of India (RBI) is expected to raise the deposit insurance limit from ₹1 lakh to ₹5 lakh. This should be welcomed as it will cover most retail depositors of banks. As reported by this newspaper, a new scheme is also likely to be considered to cover wholesale deposits up to ₹25 lakh. Besides, two other important proposals are expected to be examined. First, it could allow banks to obtain deposit insurance over and above the enhanced limit for both individual and institutional depositors. If implemented, it will help boost confidence, especially in the private sector banks, and help strengthen financial stability. Second, the Deposit Insurance and Credit Guarantee Corporation (DICGC) will create a separate reserve to protect depositors of banks hit by frauds, such as in the Punjab & Maharashtra Cooperative (PMC) Bank. However, it has been reported that the premium paid for deposit insurance will not be increased from the current level of 10 paise per ₹100 worth of deposits. The banking regulator should examine the proposal carefully and make sure the insurance mechanism remains economically viable.

It is reassuring that the central bank is looking for ways to protect the interests of depositors. However, it is also important to address other issues related to deposit insurance. The biggest beneficiaries of deposit insurance are cooperatives banks, while over 90 per cent of the premium is paid by commercial banks. What this essentially means is commercial banks are paying for the failures of state governments in regulating cooperatives banks. For instance, between 2009-10 and 2018-19, over 400 claims from cooperative banks were settled, compared with only one from commercial banks. Now with the increase in deposit insurance, the payout might go up significantly. It is also likely that a class of depositors would want to keep more money in cooperative banks because of higher interest rates.

Thus, it is important to review the regulatory architecture of cooperative banks. The present system of dual regulation by state governments and the central bank is not working. Also, it is worth reassessing whether the Indian financial system needs so many cooperative banks. They served a purpose in the past, but are perhaps not relevant anymore with the expansion of commercial banking and adoption of technology. In fact, with a lack of expertise and capital, it will become increasingly difficult for cooperative banks to compete and survive in the changing financial landscape. Therefore, the presence of cooperative banks must be reassessed and reforms should be implemented in an orderly fashion. Some of the better-run cooperative banks could be merged and converted into small finance or commercial banks.

The central bank must also strengthen its own regulatory and banking oversight capabilities, so that vulnerabilities in the banking system are addressed in time. For example, the fraud in PMC Bank remained undetected for years and was known only after the management itself wrote to the regulator. Therefore, to protect the interests of depositors, the government and the banking regulator need to do a lot more than just raising the deposit insurance limit.

Sri Lankan reset

Gotabaya's election presents challenges and opportunities

India's foreign-policy establishment is unlikely to have viewed with equanimity the election of Gotabaya Rajapaksa, the feisty former wartime defence minister, to the Sri Lankan presidency. But the development is not entirely negative from India's point of view. Prime Minister Narendra Modi was among the first leaders to tweet his congratulations to the brother of a former president (Mahinda Rajapaksa) with whom he scarcely enjoyed warm relations, a strong signal that the Indian government was keen to reset relations with the island-nation's most powerful political family. Indeed, it is a little-known fact that as defence minister, the younger Rajapaksa enjoyed a positive engagement with the Indian establishment during the civil war against Tamil separatists. India also conspicuously chose to remain an observer in these polls, addressing a major grievance voiced by Mahinda Rajapaksa of poll interference in 2014. The opportunities to build on this relationship, then, are manifold, not least because of the natural personal affinities between two "strong" leaders and the fact that India's current foreign minister had wide experience in Sri Lanka during his Indian Foreign Service days.

For India, however, China is the biggest elephant in the Sri Lankan island. On Mahinda Rajapaksa's watch, the country became the biggest foreign investor in Sri Lanka. Though his successor, Maithripala Sirisena, sought to leaven that relationship — not least by signing an agreement with India and Japan to develop a deep-sea container terminal at Colombo port — he could do little to stem the tide. Under him, China took over the strategic Sri Lankan port of Hambantota, and has moved ahead with plans to develop an international financial centre near Colombo, which could eclipse Gandhinagar. Gotabaya Rajapaksa is reliably expected to augment this relationship. India can do little to alter these facts on the ground. By incrementally building on the strong ties between the two countries, New Delhi could usefully strengthen the relationship. For instance, one little-noticed fact is that air connectivity between the two countries has grown exponentially over the past few years — one in four tourists to the island nation is Indian — and there has been closer integration between India's southern states and Sri Lanka in terms of student exchanges and ferry services. India is also Sri Lanka's largest trading partner, and the opportunity to augment a Free Trade Agreement signed in 2000 with a wider Comprehensive Economic Partnership Agreement has the potential to bind the two countries beyond the trade in goods.

Apprehension also arises over Mr Rajapaksa's overt ethnic nationalism, evident from the fact that none of the Tamil-speaking areas of the north and Muslim-dominated east — the two groups that account for a fifth of the population — voted for him. It is also significant that Mr Rajapaksa chose to be sworn in at Anuradhapura, capital of an ancient Sinhala civilisation closely associated with Buddhism, and emphasised national security as a priority in his inaugural speech. His message was, no doubt, addressed to the IS terrorists who orchestrated attacks on tourists earlier this year but the optics for Tamil minorities would not have been reassuring. India has the opportunity to play a moderating hand. It has already played a role in building housing for war-displaced people in the north. In short, emphasising a positive agenda would go a long way in tackling the challenges embedded in the Indo-Sri Lankan relationship.

THE EMPLOYMENT CHALLENGE

	2004-05	2011-12	2017-18
Unemployment rate *(%)*	2.3	2.2	6.1
Youth (15-29) unemployment rate *(%)*	5.4	6.1	17.8
Labour force participation rate (LFPR) *(%)*	63.7	55.9	49.8
Female LFPR *(%)*	42.7	31.2	23.3
Total employment *(millions)*	459	474	465
Youth (15-29) not in labour force, education/training (NLET) *(millions)*	70	84	100
Share of agriculture in employment *(%)*	58.3	48.8	44.1
Share of industry (including construction) in employment *(%)*	17.5	24.2	25.0
Share of regular salaried workers in employment *(%)*	14.4	17.9	22.8
Share of self-employed and casual labour in employment *(%)*	85.6	82.1	77.2
Percentage of regular salaried workers in non-agriculture with no written job contract	59.1	64.7	71.1

Note: All employment data are on Usual Principal and Subsidiary Status (UPSS) basis.

Sources: PLFS (2017-18) and Santosh Mehrotra and Jajati Parida, "India's Employment Crisis : Rising Education Levels and Falling Non-agricultural Job Growth", Centre for Sustainable ; Employment Working Paper 2019-04, Azim Premji University.

The jobs crisis worsens

Economic slowdown is only partially to blame for the rise in unemployment. The principal reason is weak policies

A PIECE OF MY MIND

SHANKAR ACHARYA

India's large and growing working age population, currently numbering close to a billion, is her greatest potential resource for rapid and sustained economic development. Sixteen years ago, I had warned that this demographic dividend could be squandered in the absence of the right policies (*Business Standard* , November 25, 2003, "Can India grow without Bharat?", republished in 2007 by Academic Foundation in a book with the same title). Since then, successive governments have persisted with wrong or weak policies and programmes, including a poor public education and skilling system; an extremely complex and anti-job-creation maze of labour laws; trade and exchange rate policies that discourage labour-using exports and import-competing domestic production; poor infrastructure that undermines productivity and connectivity; a chronically weak edifice of public sector banks; and avoidable major policy shocks like demonetisation. The recently published (June 2019) Periodic Labour Force Survey (PLFS) for 2017-18 brings out the dismal consequences.

The table shows the serious worsening of India's employment situation in the 13 years between 2004-05 and 2017-18, according to nearly all key indicators, especially after 2011-12:

■ The open unemployment rate has almost tripled since 2011-12 to 6.1 per cent. Since the poor can rarely afford to be unemployed, much of this increase reflects a surge in educated unemployed.

■ The youth (15-29) unemployment rate has also tripled to an unprecedented 17.8 per cent in 2017-18, reflecting the growing paucity of jobs. Interestingly, and as one would expect, the youth unemployment rate in 2017-18 rose steeply with the level of education, from 7.1 per cent for illiterates to 14.4 per cent for secondary school and further to a staggering 36 per cent for graduates and post-graduates. This data is fraught with potential for serious social and economic distress and discontent.

■ Perhaps even more distressing than the trends in open unemployment are those in labour force participation rates (LFPR). This refers to the ratio of those employed or seeking employment to the working age population (above 15). The LFPR has fallen substantially, from 64 per cent in 2004-05 to just below 50 per cent in 2017-8. That means less than half of India's working age population have jobs or are seeking work!

■ Unsurprisingly, total employment in India actually fell by a few million between 2011-12 and 2017-18, for the first time since 1972-73, when the official national sample surveys of employment conditions was first conducted.

■ Much of the decline in the overall LFPR is because of a steep fall in the female LFPR, from 43 per cent in 2004-05 to a pathetic 23 per cent in 2017-18. This compares poorly with female LFPRs (in 2018) of 61 per cent in China, 52 per cent in Indonesia and 36 per cent in Bangladesh. Nor can this precipitous decline in female LFPR be explained away by higher rates of female enrolment in education, since the 20 percentage point drop in LFPR is observed among both the 30+ age group (down from 46 per cent to 27 per cent) and female youth (down from 37 per cent to a heartbreakingly low 16 per cent). The current and future implications for overall female economic and social empowerment are deeply saddening.

■ In their paper last month (see table for full reference), Santosh Mehrotra and Jajati Parida (henceforth MP) attribute the steep declines in India's LFPR to the phenomenon of discouraged workers (they call it "disheartened labour force"); that is job aspirants simply drop out of the labour force because of persistent failure to get jobs. Focusing on youth (15-29), they define this category as equal to the PLFS-based numbers on youth "Not in Labour Force, Education and Training (NLET)". This number has increased from 70 million in 2004-5 to 100 million in 2017-18. Taking their maximalist definition of disheartened labour force to its logical conclusion, and adding NLET both to the usually defined labour force and unemployment, we would have 125 million "unemployed" out of an "adjusted labour force" of about 240 million, giving an "adjusted youth unemployment rate" of 52 per cent in 2017-18! Even if only half the NLET were taken as "disheartened workers", one would get a youth unemployment rate of nearly 40 per cent.

■ The trajectory of sectoral employment shares over time also shows distressingly slow shift of labour from low productivity agriculture to higher productivity industry and modern services. Even in 2017-2018, agriculture still accounted for 44 per cent of national employment, much higher than in all other G-20 countries. Worse, the share of industry (including construction) was stagnant between 2011-12 and 2017-18. Most disappointingly, the share of manufacturing stalled at a lowly 12 per cent between 2004-5 and 2017-18.

■ The share of self-employed and casual labour in national employment still totals nearly 80 per cent. As Radhicka Kapoor points out ("Understanding India's Jobs Challenge", *www.TheIndiaForum.in*, September 6, 2019), this is worrying for several reasons. These categories are typically characterised by widespread work-sharing arrangements and associated underemployment. They also tend to have low average earnings, often well below recommended levels of the national minimum wage.

■ On the plus side, the share of regular salaried workers in employment has risen from 14.4 per cent in 2004-05 to 22.8 per cent in 2017-18. However, the percentage of regular salaried workers in non-agriculture with no written job contract has risen from 59 per cent in 2004-05 to 71 per cent in 2017-18, reflecting rising insecurity even in this category.

■ In sum, the jobs situation in India has worsened seriously over the past 15 years. Furthermore, today, in mid 2019-20, it is almost certainly worse than the numbers discussed above, since economic growth has slowed sharply in the 18 months since PLFS (2017-18).

What can be done to reverse the bleak trends outlined above? There is no silver bullet. In fact, there really is no viable alternative to tackling the policy and programme weaknesses sketched in the first paragraph of this column. Until we make serious progress along those lines, the rise in unemployment, underemployment, discouraged workers and job insecurity is likely to continue, with very adverse consequences for the nation's economic well-being and social cohesion.

The writer is honorary professor at ICRIER and former chief economic adviser to the Government of India. Views are personal.

Bad news: What you say doesn't matter

THE NUTGRAF

PRADIPTA BAGCHI

All it took was "loud" allegations from a whistle-blower to knock 16 per cent off the Infosys market value in a single session just about a month ago. To date, the company says there is still no evidence of alleged wrongdoing by the CEO or others. Regardless, the damage to the company's reputation is done. The ₹53,000-crore hit in its market cap and the reputation of the firm and its leaders will take Infosys some years and a lot of outperformance to claw back.

Reputation has become the biggest driver of market and brand value today for investors and customers. For PE funds or mutual funds — reputation is increasingly the touchstone for investment decisions and a leading indicator of true market value.

A 2018 study by Reputation Institute, a global firm, estimated that corporate reputation is now directly responsible for an average of 38 per cent of market capitalisation across the FTSE 100 and FTSE 250; of that the CEO's brand accounted for about 40 per cent of the company's brand. Given the recent falls in some respectable names, one suspects that for the Sensex 30 or Nifty 50, the reputation weightage would be a few notches higher.

While consultants are busy selling fancy environmental, social and governance (ESG) frameworks as the new mantra for "responsible corporations", the reality is that in today's age of media polarisation, reputational damage often trumps a corporate's ESG score.

As ever, equity markets continue to pick up these cues on reputation damage far quicker than lenders. The futures and cash prices of stocks crash long before the credit ratings start disappearing into the basement, the auditors quit, lenders begin to panic or before PILs are filed or investigators come calling at midnight. And once in the reputation glare, it is difficult for most firms and leaders to extinguish the flames before someone gets badly burnt.

Note the household names —Zee, Yes Bank, DHFL, Jet Airways — whose shares now litter the floors of the bourses, where once they were held in high esteem and rewarded with frenzied valuations. While the underlying causes may be economic and even circumstantial — excessive promoter leverage, ill-conceived expansions or just too much real estate exposure in a country with 0.7 million empty apartments — the reputational injuries suffered may be fatal, as far as customer trust and market valuations are concerned.

So where did blue-chip Infosys err? In her column, "Infosys Forgot Founder's Mantra: When In Doubt, Disclose", senior journalist Menaka Doshi says that the key point is not the allegations per se but the manner in which the company chose not to react or disclose immediately. It was only when two media reports forced their hand, followed by a sharp stock price fall that it merited more detailed explanations from its chairman.

Immediate response and disclosures as well as a rapid and calibrated resolution path are the only defence left for firms today. The other time-tested tactics, like timing the release of bad news after a specific corporate event (like quarterly results in Infosys' case) or more generically late on a Friday evening ("putting out the trash" as PR folks call it) and expecting it to be forgotten by the Monday news cycle, don't work. Equally difficult is "stopping a story", when news outlets have multiplied and the need for good content has become insatiable — ergo if one or two don't publish, the fourth or fifth outlet will.

The 2019 Crisp Crisis Impact report also underscores this argument. In today's online frenzy, the importance of a timely response is key to avoiding reputation damage. Over 50 per cent of those surveyed said that they expected brands to respond to a crisis within 60 minutes. A similar number wanted to directly hear from the CEO and not through an impersonal press note in such situations.

Moreover, there are strong upsides for brands in responding immediately that many firms and their leaders don't seem to appreciate. Ninety per cent of customers in the Crisp report felt that they would continue to favour a brand that reacted promptly to a reputation issue. Investors are less likely to dump your stock once they are convinced about the authenticity and immediacy of the response.

For firms, these issues are only going to intensify. Online and social linkages between value and reputation will continue to strengthen as the next billion come online. The impact of user-generated content which takes the brand out of the brand owner's control is only growing. Once on social media, the brand is every Twitter, Insta and Tik-Tok user's to toy with. They can post about your brand, meme it, mock it and share it. How well and how quickly a firm responds will determine its value.

The writer is a communications professional

'What happens when madness descends'

BOOK REVIEW

CHINTAN GIRISH MODI

Is the growing discourse around mental health yet another social media fad, or does it reflect that our society has got rid of the stigma attached to mental illness? It is difficult to come up with a pat answer because it can only be based on perception, feeling and conjecture. On the one hand, users of mental health services are openly talking about their diagnoses on Twitter, Facebook and Instagram. On the other hand, there are frequent reports about suicide cases involving young people, particularly from marginalised communities. What is going on?

Side Effects of Living: An Anthology of Voices on Mental Health edited by Jhilmil Breckenridge and Namarita Kathait is a book that you might want to pick up in order to explore these questions. Instead of privileging the expert opinion of academics or mental health practitioners, this anthology gives you direct access to the accounts of people who experience or have experienced mental health distress. There is a rawness to their narratives, which is presented lovingly by the editors who hatched a plan to create this book while speaking about their own journeys over a shared bowl of noodles and hot tea in paper cups after an open mic event on a winter evening in Delhi.

Ms Breckenridge had survived incarceration in a mental institution in the city, whereas Ms Kathait had grown up with a mother who had severe schizophrenia. Their personal histories kindled a recognition of pain, and a desire to tell the stories they had kept hidden out of sheer shame. They set up a not-for-profit trust called Bhor Foundation, and began to scout for more submissions to this book. It is a moving compendium of writing by contributors from Kolkata, Srinagar, Meerut, Bangalore, Hyderabad, Pune, Delhi, Tehran, and other places.

Ms Breckenridge writes, "Through the stories of survivors, writers, poets and artists, those who have suffered or those who have watched their loved ones suffer, we have tried to make sense of what happens when madness descends, why it descends and what we can do when it does. Is it the result of a chemical imbalance; is it a virus that attacks only a few? Why do some people seem more prone to depression, anxiety and other mental health distress? And can we do anything about it?"

This book challenges the idea of "normalcy" against which society measures individuals. Those who do not fit in are often seen as inconvenient or embarrassing. Many of them are bullied, abused, discarded and gaslighted. Others are treated with kid gloves, sent to shamans, or given unsolicited advice that has no connection with their condition.

Huzaifa Pandit writes about a *pir* in Srinagar who pronounced that his mental health issues could be traced back to a *pari* who was besotted with him. The baba started beating him with a plastic rod to drive away the *pari*. When that did not help, he began to pull Pandit's hair and also bore into his calf with a sharp instrument.

You might assume that people who visit psychologists for therapy or psychiatrists for medication are in a better place but the testimonies in this book show that the treatments prescribed by these professionals do not work for everyone. There are people who have benefited immensely from their support but there are also multiple instances of expert knowledge being used to invalidate lived realities.

Bharti Manoj was diagnosed with severe depression and borderline personality disorder at the All India Institute of Medical Sciences. She writes, "I was given a cocktail of psychiatric drugs. I think I became a guinea pig for them — they constantly experimented with my medication. Sometimes I felt better, sometimes worse." The person experiencing distress is pathologised, reduced to a label describing their condition, and is stripped of their autonomy and agency. What does recovery mean in a context in which the medical-industrial complex determines the fate of a person struggling with mental health issues?

This book questions the construct of recovery as a return to "normalcy". According to the editors, and several contributors, this ideal condition is nothing but a myth that is perpetuated by oppressive social structures. The individual who does not embody the norm is branded an outlier while the real problem lies with families that cannot accept diversity. The distress these individuals experience might never go away because of the society they live in but they devise ways to manage or reduce their distress.

There are people who choose community care over therapy or medication. They wish to heal through immersion in activities such as writing, gardening, quilting, painting, cooking or hiking. They have the right to decide what to do with their lives, without being subjected to what Mr Breckenridge calls "the ableist lens of a capitalist society which decides on behalf of everyone else." That is the central point of this book. It is made with remarkable conviction and consistency.

SIDE EFFECTS OF LIVING: An Anthology Of Voices On Mental Health

Jhilmil Breckenridge and Namarita Kathait

Speaking Tiger, 213 pages, ₹299