

Year of gig workers

India Inc must have robust on–boarding systems in place



HUMAN FACTOR
SHYAMAL MAJUMDAR

It's widely known as the "Uberification" of work. And various studies and surveys suggest that as much as 60 per cent of millennials are interested to work as gig workers who are more keen on flexibility and a better work-life balance. The changing business models of many companies also suggest that a growing num-

ber of people will be hired on an as-needed basis. So it is certain that the buzz around the gig economy is set to grow louder in the new year. But companies will be wrong to assume that only drivers or delivery boys or hotel roles such as bar staff will be part of the gig economy. Technology work such as software testing or web design, or legal work and auditing activities have already become part of the new ecosystem and will gain traction. The new year could also see more specialised jobs coming in as organisations choose to hire contingent workers to fill a skill requirement that is not typically available in the permanent workforce. So how are companies gearing up for this new environment? Are employers ready to handle the challenges of the inevitable shift in labour models? 'Very few' would be the answer to both the questions. This is surprising as most companies and their HR professionals

already know (unless they have cut themselves off from the real world) that a significant portion of their workforce would soon be made up of contractors and temporary workers, and that the gig economy presents advantages to both employers (cost savings) and employees (flexibility and freedom). According to a PwC report, *The future of work*, only about half the companies provide training to casual workers and a mere third offer them performance appraisals. And despite worries over such workers' lack of engagement, less than half the employers bothered to include them in internal communications or considered them for recognition awards. That's probably because most companies are not confident about the commitment levels and quality delivered by the outsiders. Also, they are not sure about how and from where to source this talent. After all, many of the talented independent professionals

often have client waitlists, spanning over several months. So the idea should be to build a gig-friendly branding so that such people want to work with you. There is economic logic, too. Gallup's data finds that 21 per cent higher profitability comes from selecting the top 20 per cent of candidates based on a scientific assessment, and temporary talent is as important to the work as full-time talent. One of the problem is that most companies are still stuck in fixed yearly or annual performance reviews. But with people coming in for shorter-term opportunities, annual reviews may no longer be relevant, and the need is to move to more outcome-based objectives associated with specific tasks or deliverables. The feedback has to be fast as even temporary workers, especially those with higher skills, want to know whether their work has been to the satisfaction of their clients. So the leadership culture must shift to more collaboration and partnership. The other aspect is to address the concerns of full-time workers who should not feel threatened by the induction of freelance professionals. The immediate response from the full-time

employee would be resistance. So the need is to educate existing employees about the transformation — that the outsider is not coming in to replace him. This is important as in a blended workforce, there could be teams of permanent and freelance workers in different places working on the same projects. To ensure that they work seamlessly, there must be systems to ensure that each worker is connected to each other, with visibility of work documents and timelines. While full cultural integration between the two types of staffers may prove too idyllic at times to be credible, efforts have to be made to engage them as much as possible. The short point is that 2020 could be the year of the gig workers. For companies, it makes ample sense to adopt the new staffing module, as according to Mercer, the gig model offers more flexibility, reduced fixed costs, and the capacity to react much faster to market changes. It is also an opportunity to tap into a new international talent pool and access expertise on demand. Tomorrow's winners would be companies who would have a robust on-board-ing system in place for gig workers.

CHINESE WHISPERS

Kalyan Singh missing from meet Kalyan Singh was missing at the high-profile gathering in the midst of which Prime Minister Narendra Modi unveiled a 25-foot bronze statue of former prime minister Atal Bihari Vajpayee in Lucknow on December 25, the latter's birth anniversary. A special CBI court in Lucknow has framed charges against Singh, former Uttar Pradesh chief minister, in the 1992 Babri Masjid demolition case. Singh, who was earlier exempted from facing trial in the case due to the Constitutional immunity he enjoyed as governor of Rajasthan, was summoned by the court after his tenure expired recently. Singh's grandson and UP Minister of State Sandeep Singh was also not there at the event.

Parallel march A senior faculty member of Presidency University led a protest rally against the Citizenship (Amendment) Act, 2019, and the National Register of Citizens (NRC) in Kolkata, a video of which has gone viral on social media. The video shows Pradip Basu, dean of humanities and social sciences, raising slogans like "Burn the copy of NRC", "Burn the copy of CAA", and "Dump the Fascist regime", to the cheers of the students rallying behind him. Basu said on Thursday the 4-km march from the Presidency University campus in College Street to Shyambazaar on December 24 was spontaneous and no flags of political parties or of student unions were raised in it. "I felt the need to protest and when the students approached me, I immediately agreed," he said. An official of the varsity said the institute would not comment on the decision of an individual to join a protest march. "We have always stood for democratic traditions," he said.

Gearing up for B day The Bharatiya Janata Party (BJP) has started its internal consultations on Budget 2020. The party plans to reach out to all stakeholders and give its feedback to the Narendra Modi government and Finance Minister Nirmala Sitharaman (pictured). General Secretary (organisation) BL Santhosh is leading the exercise. "Any feedback and suggestion that helps the party and the government to increase its connect with the ground realities are welcome," party's spokesperson on economic affairs Gopal Agarwal said. The consultations started on December 19 and will continue till January 14. The plan is to hold 11 sectoral dialogues. The reports from these consultations after deliberation with BJP national working president J P Nadda would be forwarded to the government.

State battles no indicator of national politics

It would be wrong to assume Modi government can be defeated after BJP's performance in Jharkhand



YOGENDRA YADAV

There are two ways of misreading Jharkhand elections. The first mistake was made by the Bharatiya Janata Party (BJP) before the election: The assumption that the 2019 Lok Sabha victory would automatically translate into a triumph in assembly elections. This led to hubris, loss of allies and loss of elections for the BJP. The second mistake is the one that the non-BJP parties are likely to make post the election results: The assumption that the BJP's loss in assembly elections will build up to the BJP's eventual defeat in the next Lok Sabha election. This assumption leads to complacency, and can be fatal for the Opposition. It was natural for the BJP to make the assumption that it did after its spectacular success in the Lok Sabha elections, where it won 303 seats. After all, the BJP led in 63 out of 81 assembly constituencies in Jharkhand. In terms of vote share, it was head and shoulders ahead of any opposition party. Previously a victory of this scale in the Lok Sabha election would have ren-

dered the assembly election that followed within six months a foregone conclusion. This is exactly what happened after Narendra Modi's first victory in 2014. But something has clearly changed. It began with the Odisha assembly elections held along with the parliamentary elections itself. While the BJP won eight out of 21 seats in the Lok Sabha, Naveen Patnaik's Biju Janata Dal had a comfortable majority in the simultaneous assembly elections (113 out of 147 seats). But it looked like an aberration. Maharashtra and Haryana assembly elections established it as a trend. In both the states, the BJP's seats and votes plummeted between the Lok Sabha and Vidhan Sabha elections. The result of the Jharkhand election puts a seal of confirmation on this new pattern. In retrospect, one can see that the assembly elections held in Gujarat and Karnataka and later in Telangana, Rajasthan, Madhya Pradesh and Chhattisgarh also fit into the same pattern. Although the BJP's loss in terms of votes is not substantial when compared to the last assembly elections, the drop between Lok Sabha and assembly elections is breathtaking. Clearly, not only did the Modi magic not work, attempts to distract the voters through remote national issues like Kashmir or Ram Janambhoomi or NRC-CAA failed as well. The BJP will have to come to terms with a harsh reality: Whenever its state governments are put to test, they fare very badly. The BJP would need to think afresh about its incumbency in Uttar Pradesh, and in taking on formidable opponents in Delhi and West Bengal.



RISE OF THE PHOENIX Jharkhand Mukti Morcha Chief Hemant Soren addressing a gathering after his win in the Jharkhand assembly election

The immediate reaction to the Jharkhand verdict indicated that the anti-BJP parties could fall for the opposite error. Many opposition leaders and commentators seemed to assume that this was the beginning of the end of the Modi regime. Many leaders claimed that the verdict was the people's reaction to this government's economic policies, its communal agenda or even the National Register of Citizens. Nothing could be further from the truth. It is fanciful to assume that the voter sitting in a Palamu village was responding to the debate around the

Citizenship (Amendment) Act. As of now, there is little reason to believe that PM Modi's personal popularity or the acceptance of some of his controversial policies like Kashmir has suffered a serious setback. Such an assumption would be politically suicidal and lull the opposition into political complacency. Political scientists call it "ticket-splitting" and view this as a sign of voters' sophistication. For the first two decades, Indian voters voted the same way in the Lok Sabha and the assembly elections, irrespective of the level of competition. In the next

two decades, 1970s and 1980s, they voted in the assembly elections as if they were choosing their prime minister. The pattern reversed in the 1990s and 2000s -- the voters cast their vote in the Lok Sabha election as if they were choosing their CM. Now, we seem to have finally arrived in an era where voters look at the specific level and their local choices before deciding who to vote for. In normal times this would be seen as an indication of the Indian voter coming of age. But we live in unusual times. This game of electoral competition is being played out when the institutional edifice of our republic is being taken apart. In this context, any weakening of the regime should bring some relief. But this relief could be illusory. Faced with declining support at the state level, the Modi regime could use the "ticket-splitting" logic to concentrate on retaining support at the Centre. This is likely to be accompanied by greater concentration of powers for the central government and the reduction of state governments to glorified municipalities. Given the rather weak capacity and imagination of regional parties, including those in power, the regime could well succeed in continuous dismantling of the republic even while ceding political space at the state level. In sum: State battles are no substitute for taking on the Modi regime at the level of national politics. By special arrangement with ThePrint

The author is the national president of Swaraaj India. Views are personal

INSIGHT

CAA, NRIC and the uncertain climate



ANAMITRA ANURAG DANDA & BAPPADITYA MUKHOPADHYAY

We are going through a crisis over the Citizenship Amendment Act (CAA) and the National Register of Indian Citizens (NRIC). There is a lot of confusion and one fears such confusion might degenerate into chaos, loss of lives and damage to property, besides the loss of productive time that is happening already. Broadly, three groups are protesting: The first is against inclusion of illegal migrants; the second against exclusion; and the third against discriminatory inclusion. Protesters in Assam belong to the first group; they fear they would be saddled with over 12 million primarily Hindu refugees as citizens. The rest-of-India-protests are in two groups. One thinks that our Constitution, which espouses secularism, is now compromised because of the CAA and therefore, CAA allows discriminatory inclusion. The third group raises the more serious concern regarding the NRIC. For a country that is notorious about record keeping, this burden of proof on the residents is going to make many Indians, especially the poor, illegal. However, while a non-Muslim will have a high chance of eventually being accepted as an Indian citizen, the same is not true for Muslims without "appropriate documents". This is the

exclusion argument. However, India needs to be future ready and arguments against migrants have to be stronger than what it is currently. Economic argument against immigration, legal or otherwise, has two parts to it: One, the argument of scarce resources, and the other, competition in the labour market. For an emerging economy where many of the "legitimate citizens" are deprived of basic welfare schemes, the scarce resources will be stretched further if more dependents are added. This was why Aadhaar was emphasised -- to prevent leakages. Dealing with refugees necessitates proper use of Aadhaar, the way it was meant to be. The labour market argument seems rather bizarre given that most of the jobs that illegal migrants manage to bag are the informal sector jobs that are not the ideal benchmark of jobs to base critical policy decisions. The next set of arguments is based on voting rights. The accusations regarding "vote bank politics" are particularly severe when it comes to certain states that share international border with Bangladesh. How will CAA and the supposed NRIC solve this? If every person who has a valid voter card is included in the NRIC, then those who are voting now and yet should not have that right, will continue to do so. The only way to address this problem would be to perhaps draw up an entirely new citizenship criteria, not with retrospective effect but with a cut-off on the date of a relevant enactment coming into force. Then the argument of harassment of many Indians, especially the poor and the marginal, irrespective of faith, does not exist. While there is no clarity as to how NRIC will be implemented or funded, the bigger question that goes a-begging is what should be India's policy towards migrants and refugees. It is pertinent to note that India is not a



UNITED VOICES Broadly, three groups are protesting: The first is against inclusion of illegal migrants; the second against exclusion; and the third against discriminatory inclusion

signatory to the UN Refugee Convention, 1951, and the Protocol of 1967, and that displacement in India and its neighbourhood will, in all likelihood, rise manifold due to extreme coastal water levels (ECWL) exacerbated by global warming. Irrespective of models used to assess global and national population exposures to ECWL, it is estimated that millions of people would be vulnerable by the year 2100, and nearly half as many by mid-century, under high greenhouse gas emissions scenario (RCP 8.5). Even for RCP 4.5, sea levels projected by 2050 are high enough to threaten land, currently home to millions, to a future permanently below the high tide line. Call these migrants or refugees, millions of these are sure to find their way into India given its geographical size and the size of the economy. Lost in this mayhem is the most crucial issue of refugees and illegal immigration. A closer look at the issue suggests that the appropriate policy to handle refugees may not be a simple binary of exclusion versus inclusion. This could also be an opportunity to address the issue of imminent sea-level-rise-induced displacement.

Global warming is causing the sea level to rise and is displacing hundreds of thousands annually in Bangladesh. It is fair to assume that by the middle of the century, many of them will swarm our borders and eventually perhaps enter India. The estimates of "climate refugees" will run into millions. What are we to do then? It is unconceivable that India will absorb a major portion of these refugees irrespective of their religion. Should we not be preparing ourselves to deal with the impending situation collectively with our neighbours and the global community? Rather than the binary of inclusion versus exclusion, we could have thought of a transit status for the illegal migrants. That would have paved a leadership position for us to determine how the world must share the burden of such climate refugees. Sadly, as the current narrative goes back and forth between those pro- and those anti-CAA-NRIC, the opportunity to take leadership on a looming crisis is being lost.

Danda is with Observer Research Foundation, Kolkata; Mukhopadhyay is with Great Lakes Institute of Management, Gurgaon

LETTERS

Discuss and debate

The last few weeks have seen major protests against the Citizenship Amendment Act (CAA) across the country. Opinion is divided on the amendment. Whatever the case, the Supreme Court has accepted the pleas challenging the CAA and would pronounce the verdict over its constitutional validity in due course. The ruling dispensation believes that those who are protesting the amendment have fallen prey to a misinformation campaign. Though this is a matter of discussion, it also needs to be accepted here that fishing in troubled waters by political parties is not uncommon. It is important that the legislative process in our country be more transparent. The Parliament should devote more time for discussion and subsequent passing of bills, particularly when the bill is to amend certain provisions of an existing Act. The standing committee should be utilised in finalising a draft Bill after thorough analysis. Reference of all Bills seeking amendment in various Acts to standing committee should be made part of standard procedure. The draft Bill along with recommendations of the committee should be put in the public domain to enable meaningful discussion and to educate all stakeholders about the nuances of the proposed Bill. The government then might bring in the Bills for final discussion and passage in Parliament. The government is free to accept or reject the feedback, but the process would ensure that the common man would come out educated and is less susceptible to influence. Sanjeev Kumar Singh Jabalpur

Work on the suggestions

Your editorial "Reviving economic growth" (December 25) highlights the suggestions from the International Monetary Fund (IMF) for reviving the current abysmal rate of economic growth. Indeed, if we are serious about achieving the \$5 trillion target we have to work on constructive suggestions made by the IMF. The goods and services tax (GST) has the primary objective to bring in all industry and trade into the tax net but political wrangling in the successive council meetings seems to have put this on the back burner while issues raised by different states and business sectors are coming centre stage. It is crucial to concentrate on a strong audit trail so that habitual and ingenious evaders are forced to pay the due taxes. This is a wider national cause and any buoyancy in the collections will benefit both the Centre and the states. That the ease of doing business will improve is another advantage. Of course, trade liberalisation is a long overdue need for supporting growth and employment. Ironically — despite stated policy and many public announcements at the highest level — we seem to be drifting towards protectionism rather than concentrating on measures to liberalise trade and get into more trade agreements and regional cooperation mechanisms. Krishan Kalra Gurugram

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



© Graphics Syndication UK Tel: 01257020094

ILLUSTRATION: BINAY SINHA



NRC and CAA: Lies, truths and half-truths

Detention centres exist in India, despite the prime minister's claims to the contrary

In January 2018, the National Human Rights Commission (NHRC) sent a mission from Delhi to look at the conditions inside Assam's detention centres. The mission had three men, Mahesh Bhardwaj, Indrajeet Kumar and Harsh Mander. Their terms were to see if due process was followed in Assam in declaring individuals foreigners, what conditions these people were being locked under, what would happen to those whose appeals were rejected and what the role of the foreigners tribunals was.

The mission found that people were being held in jails for several years. Husbands separately from wives "in a twilight zone of legality, without work and recreation, with no contact with their families, and with no prospect of release. In the women's camp, in particular, the women wailed continuously, as though in mourning."

As of September last year, 1,037 people had been locked up in this fashion. Many of them are unaware of the process that brought them there. Children have been born in these camps and remain there. The NHRC mission's report added that because the state did not differentiate between detention centres and jails, they were treated as prisoners but denied the benefits given to criminals under jail rules like parole and waged work. The mission said that for those who cannot prove their citizenship "each day is unchanging in its monotony. Early morning they wake up, stand up for the counting, have breakfast, then lunch and go inside ward after having early dinner at 4pm. For many years, the entire day they do nothing,

because the detention centre doesn't have even television or access to newspaper and library."

It has much more of this sort of thing, and it is so damning that the NHRC did the thing that we expect India's institutions to do in these times: It chose not to publish the report. NHRC Chairman, retired Justice H L Dattu, is a good and pleasant man who gives a patient hearing to all who go before him (I have gone twice), but he is in a sinecure and will not disturb it by getting into the nasty business of human rights.

Anyway, it is puzzling that the prime minister should claim there are no detention centres in India for people declared foreigner.

His exact words at a recent speech in Delhi were: "*Jo Hindustan ki mitti kay mussalmaan hai, jinke purkhe Ma Bharati ki santaan hai... un par nagarika qanoon aur NRC, donon ka koi lena dena nahin hai. Koi desh ke mussalmaanon ko na detention centre mein bheja ja raha hai, na Hindustan main koi detention centre hai. Yeh safed jhooth hain, yeh badiraade vaala khel hai, ye naapaak khel hai* (Neither the citizenship law nor the NRC have any implications for the Muslims of India, whose forefathers are sons of Mother India. No one is sending Muslims of this country to detention centres, nor is there any detention centre in India. This is a lie, it is a game with evil intent, an unholy game)."

It is not a lie and this is not a game. The detention centres exist and they are full and they are bringing disrepute to India. They have been covered by publications such as *The Economist* but more continue



AAKAR PATEL

Can US-China decoupling work?

The US and China have thus achieved a "Phase One" trade agreement: Washington will lower some of the additional tariffs it had previously imposed on Chinese imports and has cancelled the new tariffs it was about to introduce. Beijing, for its part, has agreed to increase its purchases of US agriculture and industrial products, liberalise access to the Chinese market in some sectors, and strengthen intellectual property protection.

The Trump administration will have to wait for a new phase of negotiations to try to achieve its goal of bringing structural reforms in China's economic and trade policies — which might prove to be quite elusive: President Xi Jinping is not more intent today than he was before to alter in any significant way the country's model of state-run capitalism.

So what will be officially signed early January is a ceasefire, which does not mean any respite in the US-China confrontation for strategic and technological prominence. The message from the Trump administration initiatives over the last two years remains one of a policy that can be summarised in three words: "Contain and Decouple", and which is acquiring a worrying momentum.

The latest developments involve the White House proposal that technology sales in the US from countries seen as "foreign adversaries" — read China — would be vetted by the secretary of commerce for security reasons. And Beijing has decided that all government offices and public institutions will have to remove all foreign IT and software equipment and replace them with Chinese domestic within the next three years. While Washington has put various Chinese companies on its "entity list", read trade blacklist, Beijing has set its own list of "unreliable entities" to punish companies — i.e. US companies — considered "harmful" to Chinese interests. And a defence policy bill now awaiting Mr Trump's approval would prohibit using federal funds to purchase buses

and rail cars from Chinese companies — with BYD Motors, a leading maker of electric cars and buses, the clear target of this latest initiative.

Add to that the Trump administration's pressures on US companies to move their activities out of China, the increasing restrictions on Chinese investments in the US, and on US technology transfers, the reduction of US visas for Chinese students, the unrelenting pressure on US allies to ban Huawei from their 5G development projects, and you get some notion of an across the board policy of containment and decoupling.

If this trend continues unabated, there is an increasing risk to see the global economy breaking up into a US-centred economic, business and technology sphere and a China-centred one, with many countries as collateral victims and struggling to avoid an impossible choice between the two camps. Such an outcome would represent a radical reversal of the economic evolution over the last 40 years. It would mean the disruption of almost all supply chains and major negative consequences on technology, financial and products flows, and on an already damaged international trade system. In other words, all the drivers of growth for the global economy are today under threat.

The irony is that this containment and decoupling strategy is not only likely to fail but that — if ever it were to succeed — it would, in fact, harm the US interests and global position. It is likely to fail because it underestimates the extent to which important segments of the US economy are dependent on the supply of Chinese products and services for which there is no substitute in many cases. Creating such substitutes will take time, be costly, and would require either creating dependencies on new external sources or an expansion of the American manufacturing base that is unlikely to happen. It will fail, also, because success of such a strategy would require that the European Union align itself totally to the US contain and decou-



CLAUDE SMADJA

being built around the nation. One is not sure why the prime minister said what he did. Perhaps, he was ignorant of the fact that they exist. Or perhaps he misspoke or misremembered. Whatever the case, he seemed to be softening in the face of dogged resistance on the streets from millions.

But two days later, he again appeared to have hardened. The Cabinet approved the funding of a population register that has been amended to align it to the National Register of Citizens (NRC). And in his next speech, the prime minister spoke darkly of the duties of the protestors. Instead of addressing the fact that over two dozen had been killed by the police — which lied about not having opened fire on them — he asked the protestors to introspect. Why the change again in tone?

Perhaps he received information from the grassroots that this was a good issue worth pushing further and electorally beneficial. Or perhaps he had an epiphany himself about this. The fact is that we are preparing for an industrial scale brutalisation of India's Muslims.

It will interest readers to know that the government of Assam has submitted an affidavit in the Gauhati High Court, which lays bare the manner in which the foreigners tribunals function. They are the work of part-time workers, on two-year contracts, incentivised to declare maximum people foreigners. Those who have a low rate are not given a contract extension. The courts have been complicit in this and because it is deemed a civil process, the scope to appeal the verdict has been narrowed to the point of meaninglessness. It is truly Kafkaesque and indeed that is exactly how *The Economist* described it.

There is a certain casualness with which India is going about doing this and that is astonishing. The prime minister's incorrect statement regarding detention centres and his turnaround indicate this casualness. It is astonishing because we have received a taste of the sort of backlash the NRC will produce on the streets and in universities across the nation. It is an issue that is absolutely black and white and, therefore, easy for people to take a position on.

Internal resistance to the NRC and the CAA from our courts, the NHRC and the various organs of the state, the foreign service, the Indian Administrative Service, the Indian Police Service and ministries and departments has been none and not much should be expected from them. It is on the street that we will see the resistance. Unlike the Babri verdict, the citizen's register touches people individually. Like with divorce and polygamy and temple entry, this is a matter where the individual can demonstrate resistance or indeed martyrdom. Mr Mander has announced that if a religion-based NRC is pursued, he will declare himself a Muslim and go to jail with his countrymen. There will be others like him as we enter 2020 and begin the population register process.

It will not be easy for the government to ram the mass incarceration of Muslims through. One hopes that the prime minister understands this, as he pursues an action that has already brought and will further bring to India a deserved infamy and disrepute.

ple goal. However, despite all the misgivings towards the rise of China's and Beijing policies — and the labelling of China as a "systemic rival" — the Europeans have no intention to cut themselves from China's economic dynamism and the huge potential that its market and resources represent. Getting tougher on Beijing, yes, strengthening European competition capabilities against China, yes, but decoupling, no.

But even if the Trump administration's goal of containment and decoupling were to be achieved, and even if this would slowdown the rise of China in the next few years, the US would end up being the real loser from this policy in the medium and long term. Already the US initiatives have created a number of problems for American companies; and the tightening of export and transfer of technology is leading Beijing to accelerate its drive towards self-sufficiency in critical domains such as semi-conductors, or prominence in the AI domain. While the US has still an edge over China in the overall technology power balance, this edge is eroding in many domains faster than many anticipated. China will keep the advantage of its 1.4 billion population and of its proximity with the Asean, the most economically dynamic region of the world with its 800 million population, more and more closely interconnected with China. The Asean countries will hate having to choose between China and the US. But whatever their suspicion towards Beijing, these countries will have to opt for China if push comes to shove, bringing their own dynamism to the momentum that will continue to drive the Chinese economy and technology.

An anti-China mood has now swept Washington. But frustration and impulses don't make an effective strategy. We hope that some people around President Donald Trump, in the business circles and in Congress realise that; and that this happens sooner rather than later, before the damage to the global economy becomes irreparable.

The writer is president of Smadja & Smadja, a strategic advisory firm; @ClaudeSmadja

Time running out for PSBs

Business is rapidly shifting to private banks

The Indian banking sector is showing signs of a turnaround after many years. The latest "Report on Trend and Progress of Banking in India 2018-19", released this week by the Reserve Bank of India, showed that the overhang of stressed assets has declined and fresh slippage in assets quality got arrested. Consequently, the consolidated balance sheet of scheduled commercial banks expanded at a higher pace for the first time since 2010-11. Further, the financial performance of the banking system improved and public sector banks (PSBs), after a gap of three years, reported profits at the net level in the first half of the current financial year.

But PSBs still have plenty to worry about. Apart from holding the larger share of non-performing assets (NPAs), they are rapidly losing business to banks in the private sector. For instance, during the period under review, private banks attracted 77 per cent of incremental term deposits. The average share of private banks in incremental term deposits improved from 19 per cent during 2011-15 to 81 per cent during 2016-19. Despite accounting for less than a third of the banking assets, private banks contributed 69 per cent to incremental growth in credit in 2018-19. The share of private banks is rising steadily in outstanding credit as well. The reasons for this shift are not very difficult to understand. Banks in the private sector are comparatively efficient and able to garner more funds with better services and attractive deposit rates. However, higher deposit rates are not affecting their margins. Private-sector banks maintain higher net interest margins than what PSBs do. Here's another example that marks the difference. PSBs accounted for over 90 per cent of the amount involved in fraud during the year, "mainly reflecting the lack of adequate internal processes, people and systems to tackle operational risks", noted the central bank in its report.

The trend of the rising share of private banks is likely to continue for a variety of reasons. Higher NPAs will remain a constraint for PSBs and the government is not in a position to indefinitely keep infusing large sums of capital. On the other hand, even though there have been problems in some private banks, they are still better placed. Top management can be swiftly changed, and private banks are in a much better position to raise capital and expand their balance sheets.

However, it is important to note that the shift in favour of private banks will also lead to a fair bit of value destruction in PSBs. At a broader level, inefficiencies in PSBs will also affect the flow of credit into the system and remain a drag on economic growth. Therefore, it is important for the government to introduce governance reforms and enable PSBs to compete with the private sector. In its latest report on India, the International Monetary Fund also highlighted the need for reforms in PSBs. It has rightly noted that in absence of reforms, mergers would not address the underlying issues and could potentially result in larger and weaker banks. Mergers could also divert attention from the core business and affect lending capabilities. Time is running out fast for PSBs and the government (read taxpayers).

Disclosure: Entities controlled by the Kotak family have a significant shareholding in *Business Standard*

Private mining, finally

Decision to auction coal blocks to commercial miners is overdue

The government will finally open up the coal sector with a large offer of over 200 blocks to commercial miners, and bidding for 40 blocks is likely to begin this financial year. According to the government, the 200 blocks being prepared for sale could produce as much as 400 million tonnes a year; if even a fraction of that is achieved, India's coal import bill would be considerably reduced. It is worth noting that it would not be eliminated, since India has no real reserves of the coking coal needed by its iron and steel plants. But at least the 125 million tonnes of thermal coal that is imported might now be produced at domestic sources. This is a long overdue measure, and it is welcome that the government has finally moved to enable commercial mining of coal. The legal requirements were put in place four years ago, but the obvious follow-up of auctioning the blocks did not take place. As a result, India has been dependent for too long on two different sources of thermal coal — Coal India Ltd, a state monopoly which is plagued by bottlenecks and inefficiency; and captive mining, which has been surrounded by much controversy over the past decade. It is to be hoped that the auction of these coal blocks in tranches will open up the market for thermal coal properly.

The government needs to keep the lessons of the past in mind when it is designing these auctions. Extracting the maximum revenue possible is not necessarily a good idea from the point of view of overall welfare — past coal auctions may have revealed high prices, but also led to a great deal of coal being left in the ground because some blocks were under-exploited. There are other pitfalls of the auction process. For example, the rules of the game should be made amply clear in advance. They should not be changed at a later date, because this undermines the sanctity of the auction process. Renegotiating the terms of the auction after it has been concluded is similarly problematic. It can lead to legal challenges — and, if predicted, can lead to uneconomic bids being made by those players most confident of winning a renegotiation process.

The medium- and long-term dynamics of the coal sector should also play into the expectations and planning of the auction process. At the moment, there is an all-round economic slowdown, which will affect the prices being paid. It should also be clear that thermal power plants in particular are not quite the booming businesses they were a decade ago. Many are in danger of becoming stranded assets, and long-term power purchase agreements are capped at quite a low level, thanks to technological change and market forces. It is also very important to think carefully about how an expansion of thermal coal extraction capability can be financed. There is limited private sector or global capacity available in the sector. Many funders have turned away from it. It would be dangerous for a big new expansion of thermal coal capacity to be funded entirely by the state-owned banking sector, following an unwritten mandate to that effect by New Delhi. This would present the very real danger of future bad debts.

Toolkit for policy-makers



BOOK REVIEW

A K BHATTACHARYA

In 1970, when Vijay Kelkar had earned his PhD in economics from the University of California, Berkeley, Ajay Shah was probably in the early stages of his primary school education before he, too, bagged a doctoral degree in economics from another noted university in California in 1990. The age difference of almost two decades between the two well-known economists, however, has made no difference to the quality and impact of their collaboration in economic research in later years.

Indeed, by the end of 2019, the two had completed their collaboration as co-authors of this magisterial book, *In Service of the Republic: The Art and Science of*

Economic Policy, which should go down in history as an authoritative toolkit on the art of policy-making. Rarely have economists from two generations come together to co-author a book that is likely to make a deep impact on the way economic administrators should approach tricky questions on governance.

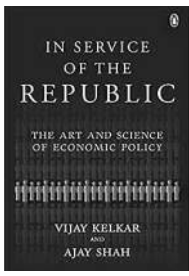
When should governments intervene to introduce a policy or fix an existing one? What should the state do when there are market failures? How and why market failures take place? And how should policy be guided to address them? These are some of the key questions the book under review addresses. The answers they provide should not come as a surprise to those who have followed the writings of Messrs Kelkar and Shah over the last many years, as also the policy actions they have initiated, either as part of the government or as members of various official committees.

The book was originally supposed to be a monograph, based on the C D Deshmukh Memorial Lecture Mr Kelkar had delivered in January 2017. The lecture

was titled "Reflections on the Art and Science of Policymaking", in which Mr Kelkar had also announced that it was part of an ongoing work with his colleague, Ajay Shah, and that the two were planning to write a monograph on these issues.

What was planned as a monograph two years ago is now a book of over 425 pages.

The difference in the title of Mr Kelkar's lecture and that of the book deserves to be noted. The book's title retains the central issue of the lecture, but adds a new dimension. The role of the republic the book dwells on is what makes the policy toolkit relevant and timely. In its entire analysis, the book frowns on the idea of a robust state that is supremely confident of its knowledge of what is good for the people. It argues that a liberal democracy



IN SERVICE OF THE REPUBLIC: The Art And Science Of Economic Policy
Author: Vijay Kelkar and Ajay Shah
Publisher: Penguin
Price: ₹699
Pages: 425

what will work for the Indian economy and the people. An excellent section on the roll-out of the Goods and Services Tax regime in the last two years and the implementation of the health policy is an example of how the authors' prescriptions on policy-making can bring about positive outcomes on the ground.

In another section, the authors suggest

that the state's power to use coercion can be a double-edged weapon. There are occasions when such coercion helps governance, if used judiciously and when based on a correct assessment of the nature of the problem. There are also occasions when the use of coercion can lead to sub-optimal and even counter-productive outcomes. The authors, therefore, argue that, ideally, the state should stay away from interfering if it is not required or there are no market failures. Freedom, they say, works pretty well in most situations and if the people, including market participants and economic agents, are left to themselves, the overall outcome is not a cause for concern. Yes, the state must intervene, but under specific circumstances such as in redistribution efforts to address certain kinds of market failures.

This is not a book that should scare non-economists. There are no tables, no complex discussion on econometric models, nor any regression exercise. Reading the book may make you wonder if it is primarily written for those civil servants and even some of our current political leaders who have a short attention span and insist on PowerPoint presentations or short notes that should

have their thoughts summarised in briefpoints.

Most policy-making challenges are analysed after summarising the key issues and the recommendations in brief points. You almost get a sense that the book is a by-product of a PowerPoint presentation. However, the style and structure followed have no adverse consequences for readers. The reading pleasure or accessibility are not a casualty. The added advantage is that the structure of the book will be an invitation to the civil servants and the political leaders — the real target audience of this laudable exercise. The authors' message at the very start of the book should make everyone sit up and take appropriate policy action. Instead of getting drawn into the current political debate on whether the Indian economy can become a \$5-trillion one in 2024, it notes that if India wants to repeat the growth surge witnessed between 1999 and 2011, it needs to fix its policy-making within a finite window of opportunity with a young workforce. "We must get rich before we get old," the authors note with a warning that policy-makers can hardly ignore.

Ajay Shah is a columnist with Business Standard