On the selling block, finally

Some musings on the possible sale of India's national carrier

OUT OF THE BLUE

ANJULI BHARGAVA

First, the good news. A government has finally made up its mind to bite the Air India bullet. If the NDA actually pulls this sale off, it will be one of the biggest and toughest reforms that I for one didn't think I'd see happen in my lifetime.

Last week, I happened to meet a few people involved in the process. Reams have been written on the subject and I have no new gems to add but here are my main takeaways from what I understood.

Sale of Air India seems a fait accompli this time around. The ministry of civil aviation and the ministers may have some apprehensions but they don't carry enough weight to be taken too seriously. The employees may raise some objections but are unlikely to have the heft to stall the juggernaut. The present CMD may not be expressing his thoughts on the subject but those privy to them say that he is privately convinced this is the only way to go.

Let me say here that he's not the first CMD with this view. I have met close to a dozen chairman and managing directors (CMD) of this airline over the years. CMD after CMD has always told me the same thing: the carrier is well beyond a turnaround. Even if the entire debt is waived off, it will just be a temporary reprieve till debt and accumulated losses pile up once again. You waive debt off today but five years down the line you will be back to square one. Even if oil prices do not rise, there is very little chance of Air India ever making much money — certainly not enough to sustain its operations, buy airplanes and function as other commercial carriers do.

Airlines the world over is a highly regulated business with many rules and procedures and one where safety is paramount. It's typically a low-margin business and very few airlines really make a lot of money. To do that, you have to run it with zero interference, let the CEO or the guy in charge have a free hand (even to make mistakes), think on your feet and respond yesterday.

None of this is possible in the Air India context. You follow a fairly rigid tendering process to buy anything — be it a blanket or an aircraft. As the CMD, you can't hire or fire. You are always under scrutiny — be it the media, the politicians, the bureaucracy or the employees. You are always judged in hindsight and every decision of yours can be questioned. In other words, you can't afford to go wrong. If you go wrong or make the wrong call, you are accused of corruption: the sceptre of enforcement directorate, the CBI and various courts of enquiry loom large before you. The scrutiny is endless and often conducted by those who have no intimate knowledge of the sector. You have virtually no authority and the fear of making a mistake hounds you constantly. Functioning like a CEO of a commercial airline ought to is almost impossible. In most companies, the output is more important than the process; here it is the reverse.

Two, it's not as if the airline is worthless as many tend to think. The real estate value of properties owned by the airline is much less than touted (lots of the properties are disputed or on long leases but are not owned) but there is a determinable value of the bilateral rights, the landing and take-off slots, the depreciated value of the aircraft and finally the brand name. Be it fame or notoriety, Air India is a known name the world over.

Three, I don't personally think there is much credence to the Tata story that claimed that they were in talks with the government for the carrier, but if it is true the Tatas in my opinion really need to examine if they need a new albatross round their necks. A present board member of one of the two airline ventures the Tatas are already invested in told me that the group's exposure to Vistara and AirAsia India was already ₹1,400 crore. And it's not as if either is showing any signs of touching a break even. It may be years before — and there's a big if here — either of its investments pays off.

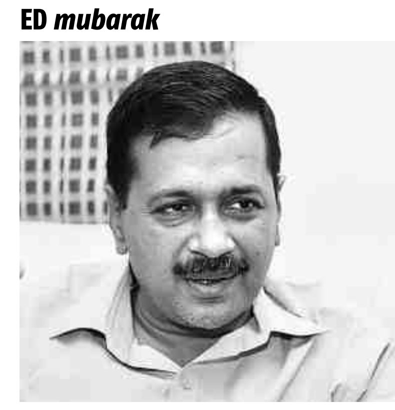
And "if" is the only certainty in India as we all know. In the last few weeks, many have been asking me whether the sale of Air India is imminent and desirable. Desirable for sure, but imminent? I suspect only one man has the answer.

CHINESE WHISPERS

Celebrating Eid

On Friday, none of the Bharatiya Janata Party leaders or union ministers attended the iftar hosted by President Pranab Mukherjee at the Rashtrapati Bhavan, while Opposition leaders were present in good numbers. On Eid day, BJP spokesperson Shahnawaz Hussain and Union Minister of State for Minority Affairs Mukhtar Abbas Naqvi hosted Eid Milan at their homes. Some of the union ministers like Arun Jaitley attended the Eid celebrations at Naqvi's house. However, none of the senior Congress leaders, like Ghulam Nabi Azad and Ahmed Patel, organised Eid celebrations. In several parts of India, devotees celebrated Eid by wearing black armbands to protest the recent lynchings of Muslims.

ED *mubarak*



Eid celebrations also brought forth some black humour. Delhi Chief Minister and Aam Aadmi Party chief Arvind Kejriwal (*pictured*) tweeted, "*Sabko Eid mubarak*", wishing everyone a happy Eid, in the morning. Kapil Mishra, his estranged comrade in arms, quoted Kejriwal's tweet to say: "*Aapko* ED *mubarak*" (wishing you ED, or Enforcement Directorate). Mishra has appeared before central investigating agencies to allege various acts of omissions and commissions by the Kejriwal government in Delhi.

Over-regulation is dangerous

A former banker got a taste of red tape in Delhi recently. At the national capital to release his book, he wanted a separate room for his wife at a members-only institution. The rules of the institution did not permit him to book a separate room for his wife. A helpful manager suggested he book a room for a "guest". Left without an option, the former banker checked in his wife as a "guest". "So my wife is my guest now," he remarked while explaining the dangers of over regulation.

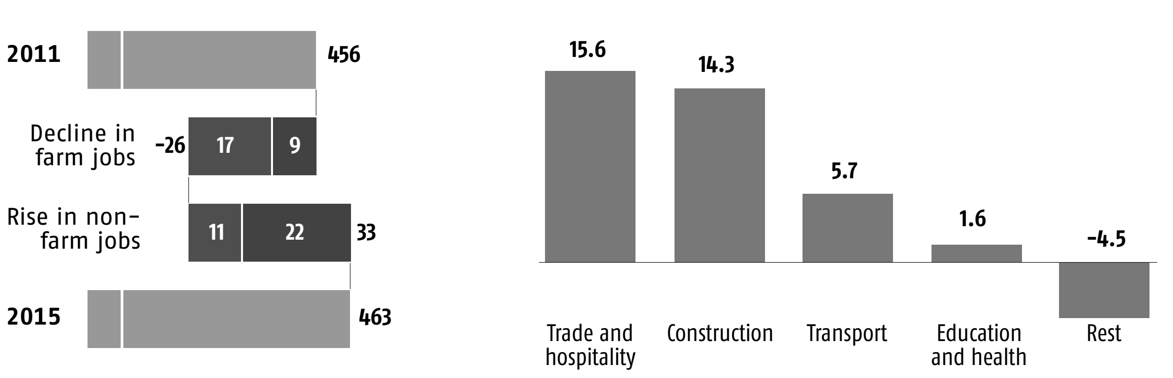
Better data needed on job scenario

As India's economy evolves and modernises, it is essential for the country to design and implement a 21st-century labour market assessment system that enables more relevant, timely and accurate analysis of the trends

RAKESH MOHAN & ANU MADGAVKAR

JOB BALANCE

(Rise in non-farm jobs between 2011 and 2015 has more than compensated for the decline in farm jobs)



All figures in million
Note: Years are financial years from April to March; thus 2011 is FY2011, from April 2010 to March 2011. Numbers may not sum due to rounding
Source: Labour Bureau; UN Population Division (medium variant); McKinsey Global Institute analysis

"There are lies, damned lies, and statistics," the 19th century British Prime Minister Benjamin Disraeli famously said. Today, his description of questionable data may be applied, somewhat facetiously, to Indian labour statistics. The problem is not that they are "fake", but rather that they give only a partial and sometimes inaccurate view of India's job situation. Not surprisingly, the publication of these statistics has stirred up a heated debate as to whether India is undergoing a period of jobless growth.

At face value, Labour Bureau data are quite alarming. Take a closer look, however, and we find some significant gaps. Quarterly surveys of enterprises suggest that India's labour market had meagre growth in the range of 150,000 to 400,000 jobs each year from 2013 to 2016. But these surveys do not provide an accurate aggregate national view. Most enterprises have fewer than 10 employees, but the quarterly surveys only track companies with more than 10; they make up less than two per cent of the national total.

Annual surveys, conducted over a larger base of households, suggest that fewer than two million jobs are being created annually. But that conclusion misses a crucial change: a marked structural shift in the workforce away from agriculture and towards the non-farm sector, particularly construction, trade, and transport. The data indicate that employment in agriculture may have shrunk by around 26 million between 2011 and 2015, while non-farm jobs appear to have risen by 33 million (exhibit).

That non-farm job growth outpaced the decline in agricultural employment is a positive sign. Yet, the data suggest that the labour force participation rate fell by three percentage points, from 55.4 per cent in 2011 to 52.4 per cent in 2015. These findings need further validation, including by testing the statistical robustness, since falls in labour force participation are not usually discernible over such short periods. Even if labour participation is declining, we need to understand more clearly why that is the case. For example, it may indicate that more young people have stayed in education, or that more women from households, once in extreme poverty, are entering the middle class. Both of these are welcome social developments rather than a sign of labour market weakness.

As India's economy evolves and modernises, it is essential for the country to design and implement a 21st-century labour market assessment system that enables more relevant, timely, and accurate analysis of the trends, which is currently under active discussion in the government under a task force on employment data headed by NITI Aayog Vice-Chairman Arvind Panagariya. Moreover, India now needs to focus on the quality of jobs, rather than simply their quantity. A new paper from the McKinsey Global Institute argues that this should be done through a new emphasis on "gainful employment" that encourages the creation of better, safer, higher paid, and more productive work. It is a more holistic way of thinking about employment — but we need to be able to measure it.

New statistical tools we could introduce include:

■ A full-fledged labour market employment survey conducted on a quarterly basis, with a much larger sample size, and validated by supplementary data from enterprises, job search portals, sales revenue, and tax-related data systems of the government. The recent announcement that NITI Aayog will conduct a quarterly household survey across urban areas, and an annual one across both urban and rural areas, to estimate the number of employed and unemployed people is a step in this direction.

■ Wages and incomes could be more comprehensively measured and harmonised with the consumption surveys. Longitudinal studies can be carried out using a constant panel of households to measure social mobility.

■ Time-use surveys are essential to capture how much work is obtained and how time is allocated, including across specific tasks, paid work, and unpaid work. A long-overdue modernisation of occupational definitions would be needed to reflect changes in the job market.

■ Specific labour segments can be covered more deeply; for instance, an annual higher education graduate survey could cover graduates of selected disciplines.

■ State-of-the-art data collection methodologies and surveying tools can be deployed in the labour field, with digitally enabled registration, data recording, verification processes, and speedy release of unit-level open data.

These are just some ideas for how to enhance our understanding of how India's labour market is changing. Indians aspire to higher pay, better, and more productive working conditions, and safer, cleaner, and more stimulating work. Better statistics are an important starting point to achieving those aspirations.

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CONSUMER LIFE

Expectations falter

MAHESH VYAS

Consumer sentiments declined by nearly three per cent during the week ended June 25. Last week the sentiments index had risen by 5.7 per cent and before that it had fallen by a similar measure. The consumer sentiments index has been bobbing within a narrow range since May this year, almost unsure of itself. This is unlike big trends seen in the preceding four months.

The index rose for three consecutive months during October, November and December fuelled by a good kharif crop and great expectations from demonetisation. The cumulative rise was a massive 7.7 per cent, or a rate of 2.6 per cent per month. Then, the index fell for the following three consecutive months from January through March at the rate of three per cent per month.

Compared to these big trends, recent months have been docile. The index did spike in April because of the loan waiver announced in Uttar Pradesh. But, although many states have announced loan waivers following Uttar Pradesh, the index has weakened. It did not sustain its exuberance even till the end of April.

Something is amiss.

Consumers seem to be losing confidence that their future would be brighter than their current economic conditions. A greater expectation about the future has been a constant factor in Indian consumers. In the recent past we seem to have always believed that "*Achhe din aane wale hain*". But, this belief seems to be waning.

In the week ended June 25, the index of consumer expectations was 3.5 per cent lower than the index of current economic conditions. Since both indices have the same base period in September-December 2015, it is apparent that the expectations sentiments have worsened more than perceptions of current conditions.

The labour participation rate and the unemployment rate fell during April and May. The small variations of June are too insignificant to signal any change in reality

During most of the past, expectations were higher than current conditions. But during the last two weeks the consumer sentiments index has remained below the current conditions index. While the Index of Consumer Expectations (ICE) was 3.5 per cent lower than the Index of Current Conditions (ICC) in the week of June 25, it was 2.2 per cent lower in the preceding week.

In four of the past eight weeks, the ICE has been lower than the ICC.

Besides, this current weakness of the ICE is across rural and urban regions.

Rural India is stressed as prices of agricultural commodities have been depressed in recent times. While several state governments have announced handsome loan waivers, prices of agricultural commodities have not improved. Since it is severely depressed prices that negated all the gains of a handsome kharif crop of 2016, farmers are reluctant to sow foodgrains enthusiastically during this kharif season.

Acreage was higher by 9.3 per cent by June 23, but the areas of stress are visible. Acreage under *arhar* is down by 70 per cent and *moong* is also down. Acreage under pulses is down by 33 per cent. The overall increase is largely because of sugarcane and cotton.

Cane acreage has improved in Maharashtra because of low base last year and because prices are good. Similarly, cotton sowing is up in response to good demand. Both cane and cotton do not go through those dreaded cash-starved *mandis* that cannot pick up the inflow from farms.

The monsoon was good during the first two weeks of the season but the third week wasn't very good. The monsoon's onset in Kerala was well on time and its progress into the rest of the country has been slow. But, Kerala and Karnataka received less than satisfactory rains.

Understandably, given the loan waivers, farmers are happy about their current economic conditions, as their liabilities have been reduced. But, their outlook still does not look good.

In urban India, the labour participation has stopped falling. But, it has been so abysmally low at 40-41 per cent for such a long time that it seems to have evolved into a severe sense of hopelessness in urban India. It is the summer months of April, May and June that witnesses a rush of new graduates into the labour force. During this time, we expect labour participation and unemployment to increase simultaneously.

But, we saw the LPR and the unemployment rate fall during April and May. The small variations of June are too insignificant to signal any change in reality.

The fall in the all-India Index of Consumer Expectations during the past two weeks seem to suggest that the Indian economy is unable to deliver and that expectations are belied.

The author is managing director and CEO, Centre for Monitoring Indian Economy P Ltd

LETTERS

Avert disaster

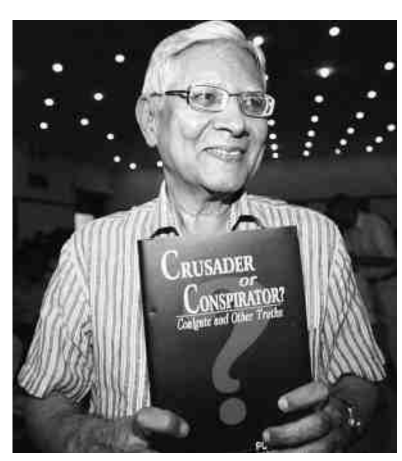
With reference to "No time for software testing now: GSTN chairman Navin Kumar" (June 26), the news on the front page of *Business Standard* sent shivers down my spine. I faced a similar situation in 1986 in the Bombay Custom House when the computer system was introduced. I was the collector of customs and had to face the terrible situation of failing software every now and then leading to agitation by importers and exporters. All trade and industry associations used to swoop down on me blaming the stoppage of work. I managed to carry on temporarily with manual processes but that was a much simpler situation than the goods and services tax (GST). If all the software fails, the input credit will stop and there will be mass protest. The chairman, Navin Kumar, has said, "We would have loved to have a couple of months more before the roll out." The government should give him two months and commenced the GST on September 1. There is still time to avoid the disaster.

Sukumar Mukhopadhyay New Delhi

Time to introspect

With reference to "Officers have been made scapegoat for political failure" (June 25) featuring an excellent interview with former coal secretary P C Parakh (*pictured*), despite some contestable formulations it brought out the need for coordinated reform in all facets of governance. It, however, left three important questions unanswered. The first is that the change in the mine allocation process must have been a written one from a minister/cabinet, unless of course the offices supinely followed a verbal order in a matter of such import. Why is it then not possible to identify the responsible politician/s, as is the citizen's right to know?

The second is that even if there was a written policy change from ministerial sources, why did not the senior officers object to it in writing by citing cogent reasons? The third is the issue of allocat-



ing some mines to non-qualified seekers. Wasn't it the duty of the officers to detect, for example, a claimant not having the requisite net worth? There can be no defence available if a person has failed to perform to the high standards expected from the senior-most officers.

P Datta Kolkata

Ease transition

Ajay Shah's article "Beware of premature load bearing" (June 26) conjectures a greater likelihood of systemic failure of "fledgling systems" while facing a new level of stress emanating from cases of insolvency and the goods and services tax (GST) roll-out. The arguments centre on the justification of "load-bearing capacity" to the discretion and stakes of officials involved in the insolvency resolution and GST implementation.

It is quite ostensible that the "six" elements listed by him should be present in the insolvency and bankruptcy council to fight against the risk of "organisational rout" or any negative externalities being borne out of the system. A talented pool of legal professionals can expedite the process of insolvency resolution through an overarching regulatory oversight. As the basic architecture appears to be sound, it is only about a fool-proof implementation as recourse for managing defaulted cases of both big and small under the aegis of the Insolvency and Bankruptcy Board.

In contrast, the multiple rates under the GST may create arbitrage opportunities due to "mis-classification", as ice cream and yoghurt being a case in point. The GST council needs to be regulated by a unified Central Board of Taxes to triangulate between corporate income tax and the GST. Furthermore, real-time reporting with minimal errors, accountability and a dedicated board with the right composition and delegation of authorities can improve load-bearing capacity. Otherwise, "broken" architecture of the GST policy and administration may not be able to bear the load of a rapid transition from the old to the new indirect tax regime.

Kushankur Dey Bhubaneswar

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HAMBONE

BY MIKE FLANAGAN

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A questionable idea

GST's anti-profiteering clause should be reviewed

India's transition to a new indirect tax regime from July 1 is not expected to be easy, even though it must be acknowledged that the roll-out of the goods and services tax, or GST, will yield many positive benefits for the economy. But companies will have to undertake numerous major changes to their processes. Compliance costs will hopefully fall at some stage, but the flawed final design of the GST has complicated the entire exercise. Nor does the supportive infrastructure for the GST seem so robust that the private sector can feel comfortable about the transition. As the chairman of the GST Network, Navin Kumar, told this newspaper, he "would have loved to have a couple of months more before the roll-out". The coding is not completely done as yet and will have to be exposed to high-volume usage almost immediately. Mr Kumar has frankly admitted that "there is no time now" for testing after the code writing freezes.

Thus, companies preparing to manage the transition to the GST have a lot to worry about. But perhaps the greatest concern is one that has been quite unnecessarily inflicted by the government. One aspect of the new GST will hang over companies' heads like the sword of Damocles: The so-called "anti-profiteering clause". This will give the government the power to force companies to pass the benefits of any cost savings under the new system to their customers. Last week, the GST Council outlined how the anti-profiteering system would work in practice. An authority would be constituted, headed by a secretary-level officer who will have the power to force a reduction in prices or order companies to return money to their customers. It would also be able to impose a penalty and even to order a company to be de-registered. These powers are prone to misuse.

The government has introduced the anti-profiteering clause in a bid to check prices that may rise in the wake of the GST roll-out. Its concern over prices is legitimate and the desire to rein in inflation is understandable. But it is also true that the anti-profiteering authority is a bad idea in principle and will likely be a problem in practice. In principle, the government should not be interfering in the market to this degree; if a company feels it can raise prices, then — unless it runs afoul of the competition law — it should be allowed to do so. In practice, while the government has recognised that concerns over the anti-profiteering clause exist and has thus announced that the authority is being set up for only two years, there is still far too much discretion being provided. Given the authority's composition, it appears that the new outfit may not be fully equipped to prove "profiteering". It, therefore, is likely to make unreasonable demands on industry. This is not, naturally, good news for companies. A rethink on how the authority should function is necessary.

Arrested development

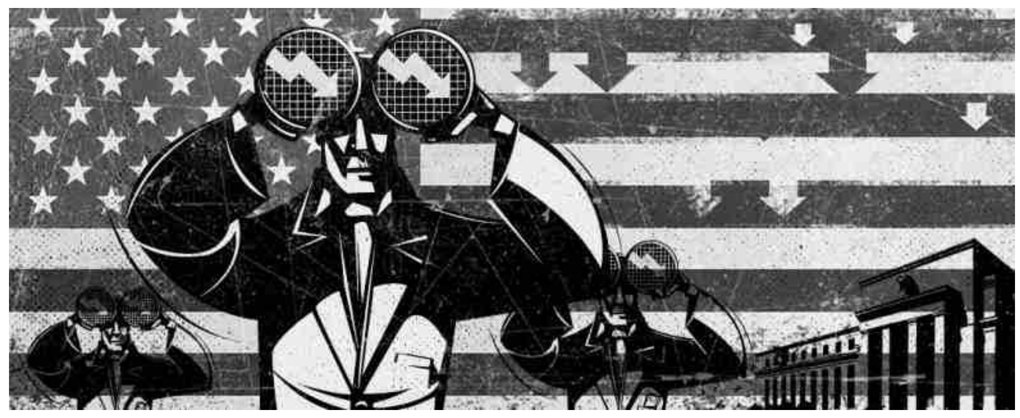
Congress-led Karnataka Assembly has set a disturbing precedent

The Congress party in Karnataka appears to be emulating the Bharatiya Janata Party (BJP) at the Centre in its draconian approach to free speech. The Speaker of the Karnataka Assembly, K B Koliwad, has authorised a one-year jail sentence on two editors for writing critical and allegedly defamatory articles. This decision reflects the kind of legislative overreach that sets dangerous precedents in infringing constitutional guarantees of freedom of speech, not to forget an unwritten foundational value of Indian democracy in accepting freedom of the press. Equally disturbing is the fact that one of the two articles, which was written in 2014 purportedly to defame Mr Koliwad even before he was appointed Speaker, was brought before the House privileges committee when he was its chairman. Surely minimum propriety demanded that he recused himself from hearing a case in the interests of impartiality. For the complainant to be the adjudicator can scarcely be deemed legitimate due process. The Speaker's order exceeds the recommendation of the privileges committee. The second article in question was brought before the privileges committee, under another Congress MLA on a complaint by a BJP colleague this year, and was deemed "100 per cent defamatory". Both rulings are deserving of unreserved censure.

Although the powers of privileges committees in Parliament and Assemblies are fairly broad under the Constitution, their *raison d'être* is, ironically, to protect freedom of speech in the House and to ensure that the legislative business is not subject to coercion. How the two articles, defamatory or otherwise, met either of these criteria is not obvious. In the context of this specific case, it is also difficult not to view an element of intimidation embedded in the imposition of jail sentences by the Assembly resolution. As a letter from the Editors' Guild of India points out, the privileges of the Assembly (as of Parliament) under which this action is taken is not even codified. "If individuals of the legislature feel that their reputations have been affected, they are free to take the matter to court against the journalists or publications and not act as complainant, prosecution and judge, as they did in this case," the letter rightly states as it requests the Assembly to withdraw its resolution.

The broader point to be made in the context of increasing intimidation of the Fourth Estate is that elected representatives, whether in the states or at the Centre, urgently need to acquire thicker skins. Criticism, however unfair, is part of the game for participants in an open democracy in which there are checks and balances in reasonably robust libel laws. Beyond that, perhaps MPs and MLAs would do well to understand the value of a free press which offers real-time access to what people are thinking. Without it, the susceptibility to missteps can be high — as Indira Gandhi learned to her cost in the electoral defeat she suffered in 1977. Mr Koliwad may have regained his sense of self-worth with these orders, but his public reputation may take a little longer to recover.

ILLUSTRATION BY AJAY MOHANTY



The next US recession?

How the Federal Reserve handles the extremely low levels of unemployment will be a big test in the coming years

We are now in the eighth year of the ongoing economic expansion in the United States. This is already the third-longest expansion of the post-war era. Given how extended this cycle is, inevitably some thought must now be given to when and how this comes to an end. Business cycles have not been abolished. We will invariably at some stage have a recession, required to cleanse the system of excesses and then start the cycle once again. A recession is not a trivial matter for financial markets: Earnings will decline and equities will move into a bear market, declining by at least 20 per cent; bond market spreads will widen and corporate defaults will spike. Recessions are not kind to investors. If the US markets decline by this magnitude, it goes without saying that, all other markets globally will fall as well. Many will fall even further and faster. A US recession is therefore a big deal. When it comes, it will cause pain for all investors. Emerging Markets have historically suffered the most. Valuations are today at elevated levels across all markets. Any market reaction will be sharp and disruptive given the lack of valuation support.

AKASH PRAKASH

Given this, is a recession imminent? Should investors start worrying and battening down the hatches?

The reality is that economic expansions do not die a natural death just from old age. There is no predetermined limit as to how long the economy can continue expanding. The economic expansion is normally brought to an end by some combination of the Federal Reserve tightening monetary policy and an unwinding of the excesses built up in the economy.

Given this framework, where are we on both these triggers?

As for the Fed raising rates and tightening policy is concerned, the process has already begun. Read the latest Federal Open Market Committee (FOMC) statement and it is quite clear that Janet Yellen is determined to continue raising rates. Given the current low level of real rates, the economy can easily handle further hikes. Another 25-50 basis points of Fed tightening should not derail the economic expansion. The risk here is the estimate of what is the real (inflation adjusted) neutral Fed funds rate — the rate at which monetary policy is neutral, neither providing stimulus nor constraining economic growth. Various academic studies indicate that this real neutral rate has collapsed over the last fifteen years. Most studies indicate that from a level near 4 per cent in the year 2000, the real neutral rate today is as low as 0.4 per cent. These estimates have been made by Federal Reserve research staff. The decline in the real neutral rate is not unique to the US; even in the EU we have seen a sharp decline, with the neutral rate being in fact negative. As inflation, growth and productivity have all declined, so has the neutral rate.

If these estimates are correct, given how much lower the neutral rate is today, there is a real risk the Fed overshoots and makes a mistake. The peak in the Fed funds rate should be much lower in this cycle, with fewer hikes. Will the authorities recognise this or still be wedded to the past? If the Fed were to follow a tightening path consistent with its own forecasts then by early 2019, monetary policy will turn restrictive. Given that monetary policy works with a lag of 12-18 months, any mistake on the part of the Fed will take time to be understood as well as to correct.

Another issue facing the Fed is unemployment, or rather the lack of it. At 4.3 per cent, US unemployment is already 0.4 per cent below the Fed's assessment of the NAIRU (non-accelerating inflation rate of unemployment). If growth continues, it is not unlikely that unemployment will slip below 4 per cent. If the Fed believes in its own NAIRU calculations, at some stage the lack of labour market slack will cause a spike in inflation. The authorities need to engineer a rise in unemployment to more sustainable levels. The problem with this is that it is almost impossible to finesse a rise in unemployment. You can almost never get just a small pick up in unemployment; its dynamics are such that it is almost impossible to control. In the post-war era, in the US, whenever unemployment has increased sustainably by 0.3 per cent, it invariably overshoots, triggers a recession and rises much more. How the Fed handles the current extremely low levels of unemployment, and the need for normalisation will be a big test in the coming years. A rise in unemployment can be a trigger for the next recession.

As for imbalances built up in this cycle, commercial real estate comes top of mind. Given what is happening to Main Street retail and the structural challenges faced by their business model, retail infrastructure, especially malls, will be challenged. Commercial real estate prices are already in real terms nearly 10 per cent above their 2007 peak, having risen by more than 80 per cent since 2010. The stock of debt outstanding here is nearly $4 trillion. If, as expected, vacancy rates rise for offices, malls and other commercial properties we could see stress. However, the banks have already tightened lending standards, thus any bust should not damage bank balance sheets beyond what they would experience in a normal cyclical downturn.

Corporate debt levels are near peak, with companies using the low rates to refinance. Till rates rise, pressure will not manifest as borrowing costs are so low and access to credit so plentiful. We need to worry once interest rates start moving up.

Consumer debt to disposable income is actually very well contained, as mortgages continue to decline led by falling homeownership. On the consumer side the possible stress points are student loans and auto loans. Student loans are at an all time high, with default rates near 10 per cent. Auto loans are near their previous peak, default rates have started inching up here as well.

While there are some imbalances, there does not seem to be any catalyst for an imminent crisis.

It does not feel as if there will be a recession in the US any time soon. We probably have another 12-18 months before the economic cycle turns. However once it does, be prepared for serious pain. Investors have had a clear run for the last eight years, this period of smooth sailing is now coming to an end.

The writer is with Amansa Capital. Views are his own

Towards a clean energy workforce

The current median age in India is 27.6 years. Over the next 20-25 years, about 600 million additional people will join the workforce. Many of the sectors, which traditionally accounted for large employment, are now adding fewer jobs year-on-year. Employment in public sector enterprises has decreased from a peak of 1.49 million in 2009-10 to 1.23 million in 2015-16. In Coal India, one of the country's largest employers, average daily employment has declined from 370,000 to 350,000 between 2010 and 2014. Automation is going to hit annual job growth in almost all existing industries, whether agriculture, construction, textiles or IT. India needs new sources and new types of jobs.

The future of jobs looks different from the past. The shape of enterprises will change, requiring a more nimble and mobile workforce. Many services will be delivered through decentralised channels. And new industries will need systems of lifelong learning, in order to adapt to rapid changes in technology and create avenues for employment over the long run.

INFLEXION POINTS

ARUNABHA GHOSH & NEERAJ KULDEEP

Renewable energy is on a rapid growth trajectory in India. Solar capacity increased from less than 20 megawatts (Mw) in 2010 to above 12,000 Mw (March 2017). During this period, annual deployment increased exponentially from 8 Mw in 2010 to 5,500 Mw in 2016. In fact, in the last three years, investments in the power sector have been primarily in renewables, accompanied by sharp falls in solar and wind tariffs and increasing investor confidence. Annual deployments are likely to increase further. Yet, little attention is given to the employment potential in renewable energy.

In February 2015, the Council on Energy, Environment and Water (CEEW) and the Natural Resources Defense Council (NRDC) had projected that India's 160,000 Mw of solar and wind targets would generate about 1.3 million *full-time equivalent* (FTE) jobs. The project deployment lifecycle includes business development, design and pre-construction, construction and commissioning, and O&M. These jobs are further segmented into technical, financial, legal and regulatory due diligence for business development, preparing engineering designs in the design phase, erecting mounting structures, wind towers, etc. during the construction phase, and regular O&M activities. Most jobs fall in the semi-skilled and unskilled categories.

But there is a difference between FTE jobs and a permanent workforce. This is because not all activities require a person to be employed throughout the year. Many jobs are one-time, especially during the initial three phases of the project deployment cycle where employees move from one project to another, as each phase lasts for less than a year. O&M, by contrast, provides full-time jobs through the year.

What matters, ultimately, is not just workers employed in renewable energy but the potential size of a renewable energy *workforce*. In the latest CEEW-NRDC study, *Greening India's Workforce: Gearing Up for Expansion of Solar and Wind Power in India*, we surveyed nearly 50 companies representing solar developers (both utility-scale and rooftop solar), wind developers, engineering, procurement and construction contractors and solar manufacturers. To date, more than 56,000 people are employed in solar and wind (over 21,000 workers were added in 2016-17) energy sectors. In 2017-18, another 25,000 people will join the industry. We estimate that 1.3 million FTE jobs will translate into a workforce of 330,000 people in project development over the next five years, if India achieved its solar and wind energy goals.

The greatest potential for the renewables workforce lies in smaller, decentralised projects. Per Mw, rooftop projects create 24.7 jobs, compared to 3.4 jobs in utility-scale solar and 1.27 jobs in wind. The seven times greater potential in rooftop projects means that 238,000 people could be employed in this segment. Another 58,000 workers will find jobs in utility-scale solar and 34,000 in wind energy.

Decentralised energy also increases the potential for creating jobs locally, giving opportunities to local entrepreneurs or for recruiting workers from near project sites. The construction phase of renewable energy projects constitutes 80 per cent of the total job potential, which could be locally sourced. Every state has potential for jobs in solar (maximum in Maharashtra, Uttar Pradesh, Karnataka, and Gujarat). Wind sector employment is concentrated in seven states (Tamil Nadu, Gujarat, Rajasthan, Andhra Pradesh, Maharashtra, Karnataka, and Madhya Pradesh). A state's share in total renewables employment, eventually, depends on its ambitions.

In addition, new jobs could be created to manufacture solar photovoltaic modules, solar PV installation structures, wind turbines, towers, wind blades, etc. Existing manufacturing industries, which supply *balance of plant* equipment (transformers, inverters, cables and wires) for solar and wind plants will also provide employment to cater to the growing renewables sector. We estimate that domestic solar module manufacturing could provide employment to another 45,000 people, if India could increase annual module manufacturing capacity to 17,000 Mw.

The employment potential in renewable energy (based on current targets) is just a glimpse. As the sector expands, new employment segments will emerge, such as renewable energy scheduling and forecasting, grid integration and balancing, energy storage, and re-powering and recycling of existing plants. The shape of enterprises is changing, as is the nature of jobs. Renewable energy could be at the forefront of new forms of job creation in India. It will need greater attention to decentralised service provision, continuing skilling, and increasing ambitions for clean energy — nationwide and within each state.

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Pakistan's human face

BOOK REVIEW

VIKRAM JOHRI

Meena Menon, a former deputy editor at *The Hindu*, is one of the few Indian reporters to have reported from Pakistan. She was based out of Islamabad from August 2013 to May 2014 before being inexplicably expelled from that country.

In *Reporting Pakistan*, Ms Menon captures the dual nature of that country's polity and society: On the one hand, deep similarities with India in terms of culture and social milieu and, on the other, grievous animosity bolstered by the Pakistan Army's nefarious ways.

Ms Menon was not the first journalist from *The Hindu* to report from Pakistan. Before her, there were Nirupama Subramanian and Anita Joshua, and this unbroken line of reportage helped her slip into Islamabad's social networks with ease. She describes the capital as a sedate city, even charming in parts, and largely untouched by the violence roiling the rest of the country.

It is not easy being a reporter in Pakistan — the media has few freedoms and voices critical of the Army are routinely threatened. The Pakistan Taliban, which wants to implement Sharia law in the country, closely tracks news reports and is quick to impart savage retribution for negative coverage, as Hamid Mir of Geo TV brutally realised in 2014.

When the journalist is from India, one would assume that she would be in constant peril. Not so, Ms Menon reassures us. It is true that she was tailed by two "spies" whom she hilariously dubbed Beard and Chubby, but they were harmless. She would hear stories of how people she had met were questioned by the authorities about the information she had sought.

But these were more irritants than threats, and even her expulsion may have been little more than a publicity stunt. For one, it is very difficult to be a real reporter in Pakistan. Most of the information about things that truly matter is controlled and selectively leaks out, so there is little option but to rely on the official sources. When you do not have access to most parts of the country, as Ms Menon did not due to visa restrictions, it is hard to investigate properly.

Even so, her sheer presence helped Ms Menon understand the ground situation better. Especially revelatory is her account of how Pakistan played down evidence of its complicity in the 26/11 attack, the most chilling atrocity that country has inflicted on us. Her description of the case, which also occupied that country's courts, displays a regrettable but expected lack of sincerity on the part of the Pakistani administration.

Ms Menon's understated account reinforces the sense of a failing society. Minorities are discriminated against— Ms Menon writes movingly of the fate of the Ahmadiyyas as well as of the Shias and the Hindus. The Pakistan Taliban is a growing presence, intent on establishing its loathsome social rules. And the Army's one-track antipathy for India risks damaging the country permanently.

The book is not all grim, though. Ms Menon can be very funny, as when she describes her troubles with Urdu. She repeatedly evokes the common Pakistani's hospitality, and is often welcomed, rather than shunned, when she reveals that she is Indian. Her accounts of Islamabad parties reminded me of the close-knit but exclusive Delhi circles that outsiders desperately seek to penetrate.

It is the profiles that really lift the book. In a strained media setup, the magazine *Criterion Quarterly* provides high-quality analysis of contemporary events. Deeply critical of the ideology of terror, the magazine is run by former diplomat S Iftikhar Murshed. Reading about him I could not escape the distinctly Indian impression that if he had been a less important person, he may not have been able to get away with publishing such a magazine.

Ms Menon also visited Abida Parveen at her Islamabad residence, a place replete with homage to and memories of her popularity in India. Ms Parveen spoke of her father, an exponent of the Patiala *gharana*, and of her abiding admiration for Indian artistes like Pandit Jasraj and Ustad Amir Khan. "For her," Ms Menon writes, "India and Pakistan are one country."

But ultimately, you cannot escape the overarching military presence in every aspect of Pakistani politics. In March 2014, Ms Menon profiled "Mama" Qadeer Baloch, the leader of the insurgency in Balochistan, for her newspaper. The grand old man of Balochi resistance had undertaken the historic "long march" from Quetta to Islamabad to protest the disappearance of Balochi youth.

That profile would be the pride of any journalist, but Ms Menon was summoned by the external publicity office. She recounts how the person grilling her had highlighted a quote from Mama Qadeer in which he had denied that he received support from India's Research & Analysis Wing (RAW). Despite the denial, the mere mention of the agency was a sore point with the powers-that-be, and Ms Menon was asked to leave Pakistan.

Reporting Pakistan is a delightful read. Ms Menon's fluid narration takes the reader deep inside a country that, despite occupying a lot of mind space in India, is little known. Her book is an earnest attempt at humanising and giving a face to a place that we normally talk about only in reference to conflict.

REPORTING PAKISTAN
Meena Menon
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