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Carpe diem

The pause in global college admissions is a chance for India to reverse its student exodus

International student mobility and educational exchange programmes have been one of the key casualties of the Covid-19 pandemic, after sought-after destinations have clamped down on visitors by way of cancelled flights and travel restrictions. With campus shutdowns putting both summer and fall admissions for the upcoming academic year into limbo, international universities have also replaced their classroom programmes with online versions until January. These factors are prompting many Indian students to reassess their plans to apply to foreign universities for undergraduate and graduate courses this year. This represents an opportunity for India to reverse its annual student exodus — which has seen the number of young people migrating abroad for tertiary education vault from 1.8 lakh in 2014 to over 7.5 lakh in 2018. The rising number of students who seek greener pastures overseas doesn't just cause a flight of talent and deprive India of its famous demographic dividend. It has also proved quite adverse for its balance of payments position. 'Studies' and 'maintenance of relatives abroad' figure as two of the largest items under RBI's Liberalised Remittances Scheme which has seen outward remittances more than double from $81 billion in FY17 to over $187 billion in FY20, resulting in a dollar drain.

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Convincing migrating students to stay with domestic options post-Covid though, will require sweeping reforms in the education system. Over the last two decades, Indian students' access to tertiary education has improved greatly through private sector presence, with the number of colleges and universities rising fourfold. By 2019, the country had 37 million students enrolled in 40,000 colleges across 990 universities with a respectable Gross Enrolment Ratio of 26 per cent. But despite improving physical infrastructure and enrolment numbers, the system is beset by a lack of diversity and quality in its offerings and turns out graduates who are lacking in employability. Poor education and research outcomes have thus made it difficult even for India's topmost institutions to break into the top hundred ranks in world university rankings. To bring India's universities up to scratch for students making international comparisons, greater administrative and academic autonomy to colleges to frame contemporary syllabi and woo high-quality global faculty through attractive compensation is imperative, as is a higher bar on accreditation. Greater effort and funding should go into building research capacity at colleges and improving industry-academia linkages.

The Central initiative to grant the 'Institution of Eminence' status to select colleges based on the above attainments was a step in the right direction. But it has become mired in controversy on account of net worth-based eligibility criteria, arbitrary choices and slow disbursal of funds. Expanding private presence in tertiary education also cannot come at the expense of publicly-funded institutions that provide affordable higher education. Education outlays in the Central and State budgets need to be at least doubled from their current levels of 3 per cent of GDP.

FROM THE VIEWSROOM

Lift lockdown for captive animals

Starving animals in shops, zoos and circuses should be set free

It was a sensitive message from an actor that put the spotlight on the plight of animals still locked in cages in shops that sell animals as pets. In the lockdown period, shop owners had left without caring for the animals inside. Local good samaritans and animal welfare groups had to rescue them. The worry is that more shops with captive starving animals may be shut to this day, unknown to authorities or welfare organisations.

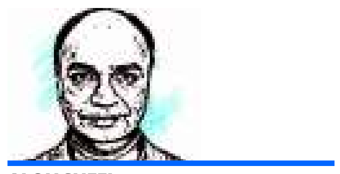
The Covid-linked lockdown has revealed why the use and sale of animals as pets and circus animals, for example, needs to be stopped. The very source of the coronavirus is being linked to China's wet markets where wild animals are sold for meat — a practice criticised globally, forcing China to take some measures to curb it. Another Covid revelation is the abandoning of pets by uncaring owners, apparently for fear of getting infected by them. This, despite the World Health Organization clarifying, repeatedly, that there was no truth in this view. If anything, humans transmit Covid to their pets. The distressing reality of locked-up animals and abandoned pets led People for the Ethical Treatment of Animals (PETA) to write to the Director Generals of Police across the country to book people abandoning their pets and take action against shops leaving captive animals to starve.

Animals in circuses also suffer, says animal rights organisation FIAPO, citing reports of owners choosing between the welfare of its staff versus animals. The organisation called for the animals to be released to caring shelters. For all the videos of animals reclaiming their space during the lockdown, its also true is that a German zoo reportedly had a "slaughter list" of animals to be fed to others because of the financial crisis. As the lockdown lifts for humans, so should it for animals captive in shops, circuses or zoos. Let them run free in their habitats.

PT Jyothi Datta Deputy Editor

Financial effects of reset in US-China ties

Would China's withdrawal from the US bond market and/or a runaway expansion of the Fed balance sheet weaken the dollar?



ALOK SHEEL

The US and China are not just the two largest economies in the world separately, but have also for long been in a 'co-dependent relationship'. China realised the danger of excessive reliance on US demand in a world turning its back on globalisation, and so it is consciously trying to change its growth model. The country now relies more on domestic consumption, is saving less and has balanced its current account.

The US, on the other hand, despite President Donald Trump's bluster, has done little to change its own counterpart model. Its dissaving has decreased slightly, but its current account deficit (CAD) is still an outsized 2.5 per cent of GDP.

Distancing China

The US has a growing income and wealth disparity problem, with its middle class thinning out as real wages at the lower end stagnate. China is a very efficient mass producer, and that enables the US to import cheap Chinese goods that have enabled its lower middle class to maintain its quality of life through Walmart, Best Buy and the like.

But the global financial crisis (GFC), and its political outcome, Donald Trump, signalled the beginning of a revolt against these disparities. Trump's solutions, however, only tend to magnify the underlying problem, because they ignore old lessons of trade theory and new lessons of global value chains.

The danger of the US cutting off China from its trade has increased with the political spat over Covid-19. This would entail the US CAD shifting to imports from other countries at higher cost. There would be a net welfare loss to the US, although this is an opportunity for countries like India. As in the past, India is not positioned to grasp it, unlike other countries in East Asia, such as Vietnam.

The US could try and shift to domestic production and create jobs — something Trump is trying to do. For this policy to succeed, the US would need to either import cheap migrant labour (defeating the domestic job creation agenda) or cut itself off from international trade, as there are more efficient producers out there in Asia.

Monetary policy

Income inequality in the US was exacerbated by financialisation of economy. Much of the income of the richer Americans now comes not from productive investment but rather from financial markets, from which the lower middle class is excluded.

Easy monetary policy, beginning with the 'Greenspan Put', has propped up financial markets. Even as it reflated asset markets, the liquidity overhang did not result in runaway consumer price inflation, as an open, globalised economy cushioned supply shocks.

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The Federal Reserve was able to keep market interest rates low because the US was able to finance big fiscal and CADs over extended periods on account of the large external demand for what is effectively the global reserve currency. Other countries run such deficits at their own peril, as they would be quickly penalised by markets. These markets had a Chinese angle, because Chinese export surpluses funded a large proportion of US deficits through the purchase of treasury bonds.

As the Chinese withdraw, QE would become the chief instrument of US monetary policy, with the Fed mopping up the excess supply of treasuries from the market to keep interest rates within the policy band. That the US Fed seems to have already embraced this 'Modern Monetary Theory' is reflected in its bloated balance sheet, and the interest paid on excess reserves (IOER) of depository institutions, rather than the overnight Fed Funds Rate, becoming the effective Fed policy rate. Would China's withdrawal from the US bond market and/or a runaway expansion of the Federal Reserve balance sheet weaken the mighty dollar?

No challengers No currency can match the market depth of the US dollar

Currency anchor

The dollar's strength rests ultimately on non-economic factors, like the pound sterling in the past. According to the IMF, the last global financial crisis was supposed to have been caused by the disorderly unwinding of global imbalances, with the dollar weakening on account of sustained domestic and external deficits.

The crisis did occur, and US deficits were also one of its ultimate causes, but the dollar only strengthened as a result. The dollar has become a bellweather currency, weakening when global growth and confidence is high, and strengthening at the first signs of darkening clouds.

Any rival reserve currency would need to surmount the inertia factor, as no currency can match the market depth of the US dollar. It is like trying to replace Microsoft Windows. You need a market-maker on a colossal scale to make this shift away from the dollar. The euro was supposed to play this role, but the odds were always stacked against ageing economies.

The other possible candidate, the Chinese renminbi, faces an even bigger inertia challenge than the euro, as it lacks soft power, and its hard power still cannot match the techno-military might of the US.

For the student of history, gold still remains the most likely candidate in the long run to replace the dollar. The problem runs deeper than just US deficits which are also the counterpart of the bottomless global demand for the US dollar. It lies in the concept of fiat currency itself. It has been around for less than half a century. History tells us that there is a moral hazard in giving policy-makers the discretion to issue fiat currency without a nominal anchor. Sooner or later, they will kill the golden goose.

And this is exactly what is happening. Gold has played the role of nominal anchor through much of recorded history.

The way sovereigns are expanding deficits and debt, and the alacrity with which central banks are accommodating them since the GFC, and now in the wake of the Covid-19 pandemic, arguably leaves one with bleak hope for the future of fiat currencies. Whether the world would return to the tried and tested nominal anchor, or some other, is arguable. But buying more gold at the next sharp drop to diversify asset portfolios might not be a bad idea.

The writer is RBI Chair Professor, ICRIER

Vizag gas tragedy exposes gaps in labour laws

The new 'code on occupational safety and health' does not inspire confidence, as statutory obligations have been diluted

KR SHYAM SUNDAR

The leakage of toxic styrene gas from the LG Polymers chemical plant in a village in Vizag should sound alarm bells to lawmakers.

The episode exposes vital gaps in our laws even as employers and a section of academics flog the labour laws as imposing high rigidity and even costs on the business. India has arguably not ratified the ILO Convention Occupational Safety and Health Convention, 1981 (No. 155) on account of two reasons — the incapacity of some sectors like agriculture and the higher costs arising out of complying with the safety regulations contained in it.

The Factories Act, 1948, was amended in 1987 to insert a Separate Chapter IV-A (Provisions dealing with hazardous processes) in the wake of the Bhopal gas tragedy. On the night of December 2-3, 1984, methyl isocyanate (MIC) gas leaked from the Union Carbide India Ltd pesticide plant in Bhopal, which killed thousands of people and injured more than half a million; these figures are contested, though.

There are several issues with the Act even after the significant 1987 amendment. Safety precautions and disaster control measures, with respect to the workplace and the community, have failed to keep pace with technological advances in chemical substances. This failure has been highlighted by recent public movements in Tamil Nadu and other places.

The potential hazard of "leakage" of gases and their airborne adverse implications has not been included in the Act, which only refers to the event of "explosion". In fact, under Section 41F, styrene is included in the Second Schedule, which deals with "permissible levels of certain chemical substance in work environment" (Item 102).

The reports on the functioning of the Safety Committee under Section 41G should mandatorily be submitted to the appropriate authorities for technical ratification by the experts and as a regular governance measure. It is well-known that the range of committees, be they the Safety Committee in this Act or the "works committee or the grievances redressal machinery" exist in the laws, but have not been functioning efficiently.

The Act does not contemplate inclusion of local representatives, say panchayati institutions or representatives of the community and medical and domain experts, to be a part of the wider Safety Committee. The Act requires every occupier to draw up and disseminate disaster control measures like safety measures to the workers employed in the factory and "to the general public living in the vicinity of the factory…" [Section 41B(4)].

Time to reform the inspection system

Hazardous industries should be equipped with hospital facilities (under the Employees' State Insurance Scheme or otherwise) and medical specialists to address the immediate consequences arising out of any disaster and tragedy. This is, however, outside the scope of the Factories Act. The measure of self-certification under various labour laws has been offered by many States, including third-party auditing even for boilers.

In fact, an undated circular on the website of Andhra Pradesh labour department has liberalised factory inspections based on the "risk criteria" — the low risk factories, i.e., those employing 20-150 workers will be inspected once in three years, the medium-risk factories among others employing 150-1,000 workers once in two years and the high-risk employing 1,000 and above and major accident hazard factories once a year.

Unsafe Code

To be sure, many States have liberalised the factory and labour inspection system in response to the notorious tag given to inspectors as "inspector-raj" — which, however, was not without basis. But it calls for reforms of the inspection system and not a free-for-all.

India has ratified the ILO Convention on Labour Inspection, 1947 (081). There could be reforms to curb corruption and harassment but to do away with inspection amounts to throwing the baby out with the bathwater.

When the non-implementation of labour laws is taken into account, the labour rigidity argument falls like the pack of cards. In fact, the Code on Occupational Safety and Health and Working Conditions (one of the four 'codes' under the proposed labour laws) has diluted safety issues. For example, the Code has removed the above-mentioned Second Schedule and left it to the rules which are yet to be drawn up.

There is a tendency to transfer provisions in the law into the domain of rule-making. In the Factories Act, every occupier (the legal entity or individual designated as responsible for conditions in a unit) under Section 41G in a factory handling hazardous substances and/or using the hazardous processes shall constitute a bi-partite Safety Committee.

But the Code has left its constitution to a general or a special order by the appropriate government. The growing role of rule-making on matters of labour does not augur well for labour rights and safety. Bhopal, Rana Plaza and now LG Polymers are cruel reminders of the downsides of the low-cost globalisation paradigm.

The writer is Professor, HRM Area, XLRI

BELOW THE LINE

SC rocks for tipplers

Tipplers are grateful to the Supreme Court for not stalling — despite a plea to do so — the sale of alcohol across the country during the ongoing Covid-induced lockdown. Ever since some States started opening up the State-run alcohol outlets, it is well known that there has been huge surge in the number of people lining before such outlets. However, what is little known is that the number of online searches for 'delivery of liquor at home' has hit the roof.

Clearly, seeing this trend, the Delhi Government/excise department has moved fast and stolen a march over the other States by introducing an online token (e-token) service to buy liquor. The electronic tokens specify the store and timings for residents on a web link set up by the excise department.

Communication trouble?

As political leaders across the world come to the forefront to brief the media during the Covid pandemic, India is left high and dry with Joint Secretary-level bureaucrats mostly reading out handouts for the day's briefing. Not only Prime Minister Narendra Modi, but even Health Minister Harsh Vardhan have remained conspicuous by their absence in Covid related press conferences.

Lately, Harsh Vardhan, who otherwise has not had the official mandate to brief the media, has been live telecasting web meetings with States on his social media accounts.

While the meetings last for two hours, the viewers get to see only his opening statement for a mere 10 minutes, after which the feed is cut. So much for transparency and sharing of information when it comes to Covid-19.

Politics over migrants

Congress leaders in Kerala who wanted to pay for the train tickets of migrants, as promised by their party president Sonia Gandhi, had to eat humble pie the other day. District-level party leaders, instructed by the party's State leadership, marched enthusiastically to the collectorates, with mediapersons in tow, to hand over the cheques (each worth ₹10 lakh per district). But the Collectors refused to accept them, stating that they do not have necessary orders. This stumped the party leaders because they lost an opportunity to proclaim that they have paid for the tickets of migrants who want to go back home to their families.

A source in the know of the development, said while paying for the travel of migrants (there are nearly 20 lakh of them) would have cost several crores, even if the Railways subsidises the travel, the Congress in the State was eyeing some publicity by paying some pittance, he said.

"If they were so keen to help the migrant labourers, who stopped them from going and giving the money to them directly? All that these leaders had to do was to go to the railway stations where these migrants were queuing up to get their tickets and give them the cash, which they would happily accept," he quipped.

Relief in sight

Over 40 days may have lapsed since the Covid-induced lockdown was announced on March 25. There is still no sign of fiscal stimulus in India, when most countries and their central banks around the world have already done two rounds of stimulus to support their economies. Buzz in the corridors of power is that a suitable time is being considered before a package of measures focussed on MSMEs could be announced.

Even MSME Minister Nitin Gadkari is quite confident that a MSME-friendly package will be announced and would become a reality.

On their part, MSMEs are keeping their fingers crossed and hoping it would see the light of the day before the month end. As they say, better late than never.

Our Delhi Bureau

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