

# DAILY FINANCIAL NEWS ANALYSIS

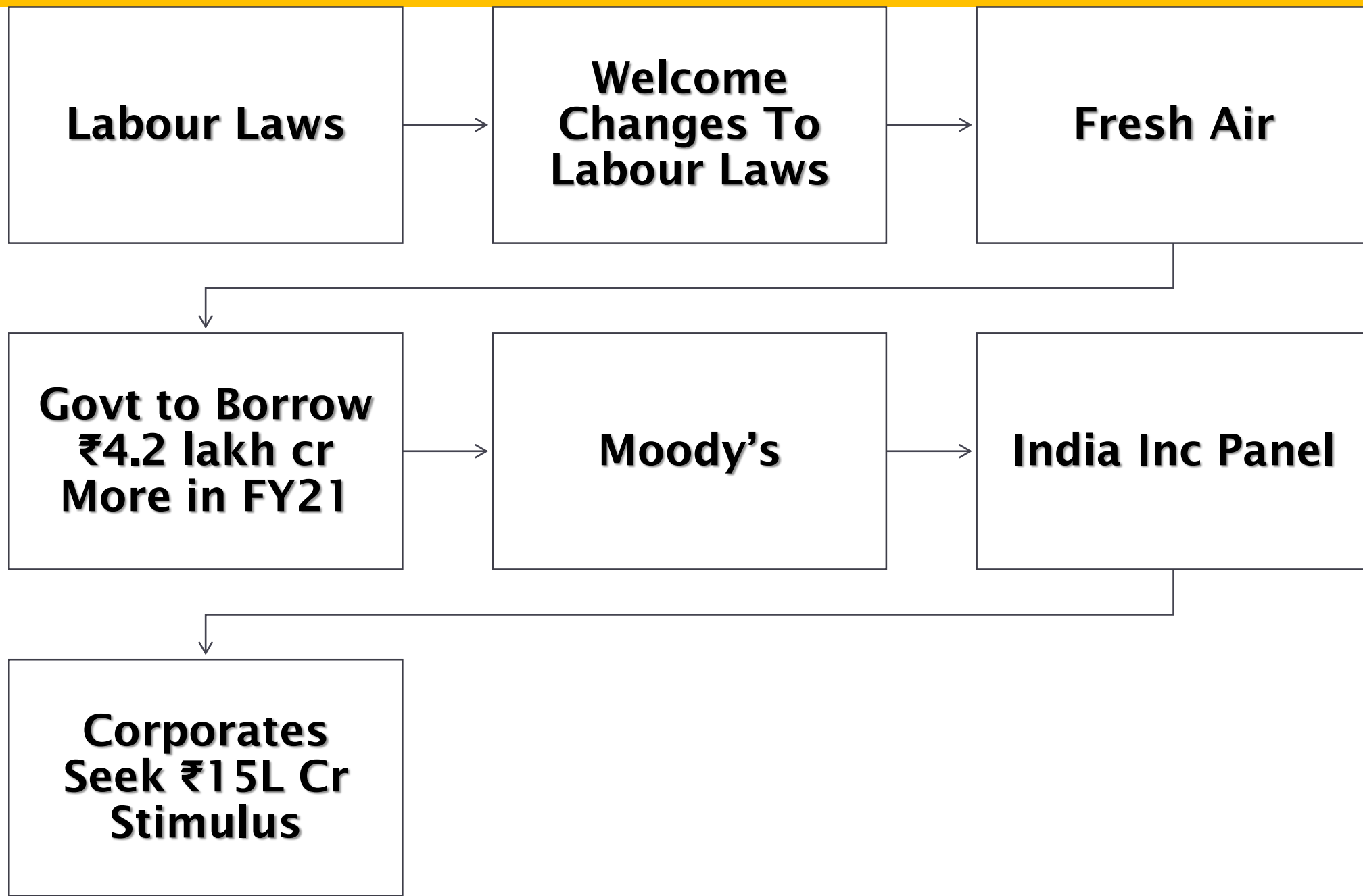
**UPSC  
SBI  
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**by Prashant Mavani**

**FOR ALL  
COMPETITIVE EXAMS**

**9 May 2020**







# UPSC/IAS

(Pre + Mains)



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## No Labour Pain

Three big BJP-ruled states – Gujarat, Madhya Pradesh and Uttar Pradesh – announced significant labour reforms allowing businesses to hire and fire, among a host of other measures, to unshackle industry and attract investments. **ET** examines the labour reforms template of these states, which also seems to be part of efforts to lure companies looking to move out of China.

### MADHYA PRADESH

#### 1] HIRE & FIRE

- Establishments with up to 100 workers can hire according to needs
- No registration for contractors with 50 labourers

#### 2] THE END OF INSPECTOR RAJ

- No factory inspection for 3 months
- No inspection for firms with less than 50 workers
- Third-party inspection allowed



#### 3] EASIER LICENCES & REGISTRATION

- Registrations and licences to be issued in a day
- Renewal of factory licence once in 10 yrs
- Startups need one-time registration; no renewal

#### 4] SHIFT HOURS

- Raised to 12 hrs from 8 hrs in factories
- Overtime of up to 72 hours permitted; flexibility in changing shifts
- Shops and establishments can operate from 6am till midnight

### UTTAR PRADESH

**Industry exempted from all labour laws barring the following:**

- 1] Building and Other Construction Workers' Act, 1996
- 2] Workmen Compensation Act, 1923
- 3] Bonded Labour System (Abolition) Act, 1976
- 4] A Section of Payment of Wages Act to apply



### GUJARAT

**New industrial establishments exempted from all labour laws barring the following:**

- 1] Minimum Wages Act
  - 2] Industrial Safety Rules
  - 3] Employees' Compensation Act
- **Ordinance** to roll out benefits that will be available for 1,200 days
  - **100% online** approvals within 15 days
  - **33,000 hectares** set aside; land to be allocated in 7 days

### WHAT IT MEANS FOR BUSINESS

- 1] Free hand to employers to hire and fire workers
- 2] No labour inspection or govt intervention
- 3] No role of unions

#### INDIA INC PLEASED...

- Says this will provide much-needed flexibility
- There will be competition among states for reforms

**The changes will give immense flexibility to industry in labour practices while giving a huge relief to economic activity.**

**CHANDRAJIT BANERJEE, Director-General, CII**

#### ...BUT LABOUR UNIONS UNHAPPY

- Want the Centre to restrain states from introducing such changes
- Say these would be detrimental to workers, give free hand to employers

**If govt allows states to amend labour laws, it will affect industrial peace in the country.**

**SAJI NARAYANAN, President, Bharatiya Mazdoor Sangh**



**WELCOME CHANGES**  
**» SEE EDIT**

# Welcome Changes To Labour Laws

- We welcome the move by BJP states **Uttar Pradesh** and **Madhya Pradesh** — with **Gujarat** seeking to follow suit via an **Ordinance** — **to temporarily suspend the operation of labour laws**, to help production struggle its **way out of the hole** in which it finds itself in the wake of seven weeks of lockdown.
- India had **45 labour laws** at the level of the **Centre** and about **200 labour laws** at the level of the states.
- Till the Modi government decided to streamline the central laws into **4 codes** on **industrial relations, wages, social security** and **occupational safety**.
- The **last three** have been legislated into law, while the first one remains a work in progress.

## Welcome Changes To Labour Laws

Revive animal spirits and economy

We welcome the move by BJP states Uttar Pradesh and Madhya Pradesh — with Gujarat seeking to follow suit via an Ordinance — to temporarily suspend the operation of labour laws, to help production struggle its way out of the hole in which it finds itself in the wake of seven weeks of lockdown. India had 45 labour laws at the level of the Centre and about 200 labour laws at the level of the states, till the Modi government decided to streamline the central laws into four codes on industrial relations, wages, social security and occupational safety. The last three have been legislated into law, while the first one remains a work in progress. Compliance with the maze of laws has been a stumbling block for industry.

The current move must be seen as an earnest governmental effort to revive the economy and breathe some life into the animal spirits that have gone into a swoon. However, some caveats are in order. Labour is a concurrent subject, in which the Centre and the states can make laws. Where there is any conflict between a central law and a state law on the same subject, the central law will prevail. If some of the laws sought to be suspended have a central counterpart, the suspension is open to legal challenge. While Uttar Pradesh has retained compensation for disability caused at work, the Vizag gas leak shows occupational safety brooks no compromise.

Madhya Pradesh has done well to let shops stay open from 6am to 12 midnight. Keeping shops open longer is the only way to prevent crowding of shoppers. A 12-hour shift is harsh, and it might be more cost-effective for management to avoid costly overtime payments on a routine basis and deploy workers in two shifts. But change in the law gives employers the option to run a longer shift. In a condition — transient, it is to be hoped — of labour shortage,



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# Fresh Air

- Lockdown and a dramatic reduction in **air pollution**.
- Air pollution in north India has dropped to a **20-year low**.
- **Harvard University** study establishes a correlation between **long-term exposure** to air pollution and **Covid-19 mortality**.
- The study finds that people living in polluted cities are more likely to have **compromised respiratory, cardiac and other systems** — and, therefore, are **more vulnerable to Covid-19**.





- Clean air and the **right to breathe** must be available to all citizens.
- **ECONOMIC REVIVAL PACKAGE** can get India to this **Green Frontier**.
- New investments could be directed towards **renewable energy**, with larger allocations and subsidies to initiatives like the **National Solar Mission**.
- **Large electric battery factories** could be established to enable **localised energy storage solutions**.



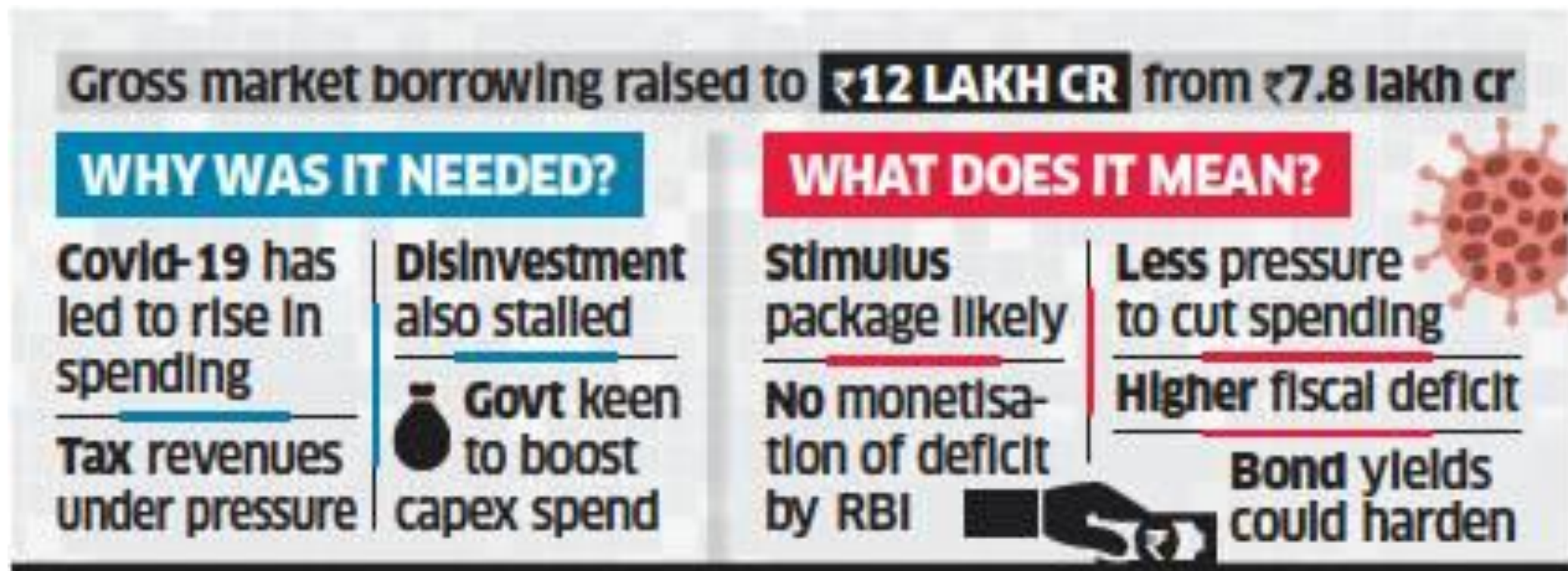


- **Bailouts and incentives** to the **auto, aviation and construction sectors** could encourage green transitions and clean air ambitions.
- Global experience suggests that **crisis** create **political opportunities** for embracing change.
- After the **2008 global financial crisis**, **China** spent nearly a third of its **\$568 billion stimulus** towards projects that addressed environmental goals.
- China has since become a **global leader** in solar, wind and hydropower markets.
- Warming climate may well be the **single-biggest macro shock** the world will have to face.

- India is already the **third-largest emitter** of **greenhouse gases (GHGs)**.
- Our emissions will nearly double in the next decade or so.
- Public and private funds need to be redirected to **green investments**.
- The battle for clean air requires structural reforms across multiple sectors, institutions and processes.

# Govt to Borrow ₹4.2 lakh cr More in FY21

- The government has raised its gross market borrowing target for the current financial year to **₹12 lakh crore** from ₹7.8 lakh crore estimated in the budget.
- Combination of **lower tax collections** and the **fiscal stimulus** needed to support the economy.





- **Moody's Investors Service** had predicted **2.5%** growth for India in FY21 in **March**.
- **May 2020**: India's economy **will not grow** in the current financial year.
- **FY22**: bounce-back to **6.6% growth**
- It reaffirmed India's **Baa2** rating with a **negative outlook**, indicating a credit upgrade was unlikely in the near term, as it estimated a fiscal slippage of up to **two percentage points to 5.5% of GDP** against the budgeted 3.5%.

# India Inc Panel

- A panel led by **Mahindra & Mahindra** managing director **Pawan K Goenka** and comprising members from leading business groups, has begun **identifying industries to propel India's manufacturing** in a post-pandemic world.
- The committee is expected to draw up strategies to boost industrial growth in at least **12 sectors**, including **steel, agro-chemicals, food processing, aluminium, electronics** and **textiles**.
- The special panel, set up with support from **DPIIT**.
- Government moves to put in place a **single window** for all business activity, in partnership with **states**.



- The panel will look at **industries that aid domestic growth** with a **focus on exports** to achieve world dominance.
- India's **eight infrastructure sectors contracted** the steepest in **nearly eight years** in March after touching an **11-month high** in February.
- Independent economists expect industrial production for March to contract by **15-40%**.
- Various industry chambers will **draw up strategies for at least three sectors each and submit the reports**, especially as countries seek to replace **China-made products** with those from other sources.
- The CII will submit a report on **agrochemicals, steel, food processing and aluminium**, while the Federation of Indian Chambers of Commerce and Industry would work on textiles, electronics and furniture.

# Corporates Seek ₹15L Cr Stimulus

- **CII**: immediate stimulus of around **₹15 lakh crore**
- This accounts to **7.5%** of India's GDP
- By the time the third phase of the lockdown ends on May 17, the Indian industry would have lost two months of output.
- With economic activities being restricted for over **50 days now**, the negative impact on the economy is expected to be even more significant than what we had earlier anticipated.
- To support the estimated **63 million MSMEs**, the industry body has suggested a credit protection scheme for MSMEs, whereby **60-70% of the loan should be guaranteed by the government.**



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