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OPINION IN LEAD

India's attempts to alter the labour code: Reforms or retreat?

Over 120 million workers have been thrown out of work since India imposed the lockdown on 24 March 2020 to contain spread of COVID-19. Survey of workers receiving relief from NGOs indicate that nearly two-thirds of the workers have lost jobs. The lockdown has been a humanitarian disaster as well, as hundreds of thousands of workers are having to walk back to their homes, in a process in which hundreds have died. Although various forms of support measures, such as cash handouts, subsidized food, have been implemented, surveys show that 31 percent of urban poor are yet to receive food relief while 70 percent have not received cash. There is an urgent need for effective relief measures as well as robust revival in economic activity to prevent deprivation and morbidity. On the economic revival front, India's state governments are attempting sweeping deregulation of their labour markets. While the stated policy position is that the deregulation and flexibilization of work assists in restarting the economic activity, there is significant evidence that flexibilization may not kick-start the economy and in fact hurt economic prospects. More crucially, the wholesale deregulation, in its current form, worsens condition of work and workers. In this sense, the attempt is hardly a reform that it claims to be. The move hardly guarantees revival and may, in fact, end up hurting the working classes.

Indian states like Madhya Pradesh (MP) and Uttar Pradesh (UP) have, in recent weeks, attempted sweeping deregulation of their labour markets. For instance, workhours per day has been increased from the existing 8 to 10-12 hours per day while trade union activity stands restricted. The ordinance passed by UP—Uttar Pradesh Temporary Exemption from Certain Labour Laws Ordinance 2020—exempts new as well as old firms from complying with all but five laws for the next three years. The ordinance requires assent from the President to become law, labour being a concurrent subject. The ordinance has attempted to do away with laws relating to equal remuneration, 8-hour workdays, trade unions, industrial disputes, shops and establishment (regulating work in shops; work hours, wages, holidays etc), occupational safety and working conditions. The UP government's position is that the deregulation aids quick revival of economic activities, greater investment as well as job creation. UP's economic advisor, for instance, has argued that although the state's comparative advantage lies in cheap labour, distortionary labour laws inflate the cost of labour. The economic advisor cited flexible labour laws—and hence low labour costs--in Vietnam and Bangladesh as the reason for the countries' rapid industrialization and mass job creation. UP government has suggested that with the move, it could attract corporations that are looking to relocate from China. Some sections from the industry associations have been supportive of the ordinance and point out that measures like 12-hour workdays and restriction of trade unions will help overcome the present crisis.

It has been suggested that, owing to onerous regulations, firms have chosen to remain small (since most regulations apply to firms employing 100 or more workers) and that this has resulted in India's massive informality (between 80 to 90 percent workers are in the informal sector). Proponents of deregulation argue that labour regulations inflate labour costs and hence disincentivize investment while the industry keeps switching to capital intensive operations. Furthermore, it is argued that the vast majority of unorganized sector workers have never had regulatory protection anyway and hence deregulation should be pursued as it offers greater opportunities towards reduction in informality. Notwithstanding the government's fiery rhetoric that the wholesale flexibilization is aimed at creating jobs for the returning migrant workers, UP's ordinance is driven by rather problematic and sweeping assumptions. To be sure, India's existing labour regulations—with over 40 federal laws and over 200 state-enacted laws and amendments—are considered complex and wanting of reforms. Wholesale deregulation and flexibilization, however, are barely the required initiatives.

The argument that labour laws raise cost of doing business and end up disincentivizing investment, job-creation and economic growth and that merely doing away with such regulations will result in investment and growth, is problematic. In any case, the labour laws are being bypassed flagrantly and this has been well documented. For instance, those charged with inspections (around safety or workhours) are being easily bribed to look the other way including by highly resourced export-oriented firms that have resources to comply with regulations. When minimum wage regulations require depositing of wages into bank accounts, employers ask workers to hand back the excess wage in cash. Surveys show that none of the contract workers got recently amended minimum wages even in regions like Delhi. Indeed, slapdash enforcement has been a norm and such order has harmed workers more. While the quest still is to look for cheap labour it is pertinent to highlight that not only have wages stagnated since the 1980s, tacit business-state collusion, again a well-documented phenomenon when it comes to labour regulations, has meant that collective action programs have been increasingly difficult to carry out in India. Indicative of the declining bargaining power of labour, can wages further be reduced and would not this mean outright exploitation waiting for social conflicts is a pertinent question. Costless hiring and firing, a key component in the deregulation drive and a professed driver of efficiency, is already a reality in India. Although proponents of deregulation highlight labour legislation as among the principal irritants in investment and job-creation (Economic Survey 2019 made such argument), easy bypassing of the labour laws mean that such regulations hardly feature as among the top challenges for businesses particularly. Predictably, 2017 study finds that recent deregulation attempts in certain states have produced minimal if any additional investment, employment or growth. In fact, units under the purview of labour laws saw more employment generation. It is important to highlight here that while the UP government claims to reduce informality and enhance wellbeing of workers via its deregulation efforts, the intent of India's state governments is questionable when it comes to ameliorating the plight of informal workers. In 2008, India's federal government has passed the Unorganized Workers Social Security Act but till date, states are yet to frame rules to implement the law.

A key contention in the deregulation attempt (and by proponents of deregulation) has been that the labour laws do not cover a vast majority of workers. To be sure, there are nuances in this. Trade union movements (around workhours or safety) have benefitted informal sector workers indirectly whether it is work hours and workplace safety. Furthermore, and as a consequence of the movement, even unorganized workers in recent years have formed trade unions despite resistance. Suspension of legislations whether it is working hours (increasing work hours from 8 to 11-12), trade unions or occupational safety, hence, is clearly detrimental to health, motivation and efficiency of workers. In fact, noncompliance to it is in contravention of ILO conventions.

It is argued that with deregulation comes greater growth and structural transformation and that this instead, reduces informality. Besley and Burgess, for instance, argues that when regulations are heavier and are pro-worker—contrary to pro-business—this leads to high levels of informality, low labour force participation and high unemployment. While we have seen elsewhere in the article that recent deregulation attempts by Indian states have not positively impacted investment, employment and economic growth, it is important to emphasize that deregulation and flexibilization can in fact hurt economic prospects owing to precarity and wage moderation that they bring about. A 2019 paper by Davanzati and Giangrande, deploying Kaldorian-Marxist perspectives, sheds some light into these intricate mechanisms. The paper finds that labour market deregulation and the attendant precariousness among workers dent aggregate demand and has a negative effect on economic growth, investment and employment. The structure of and variation in aggregate demand shapes growth of output as well as labour productivity. Such policies, in fact, may result in long-term economic stagnation. This happens as labour share in national incomes decline resulting in greater inequality. Owing to deregulation-induced wage moderation, and hence workforce's reduced motivation and quality, growth in labour productivity, as well as output, suffers significantly. Studying Italy, the study finds flexibilization policies such as non-indexed wages, restricted collective bargaining and instant hire and fire have reduced worker protection levels by over 40 percent. Despite greater hours worked, Italians produce less GDP per hour worked than peers. An important observation of the study is that a large number of small firms that cannot upgrade lobby to moderate wages—a strategy that results in reduced costs but ends up denting not only aggregate demand but also social cohesion.

Although the labour regulations are wanting of reforms, wholesale abandonment of labour laws including those specifying 8-hour workdays, occupational safety and collective bargaining are a retreat and no reform as such. Such regressive shifts not only hurt worker wellbeing and productivity but also economic prospects.

This piece is written by Avinash Chandra Gupta, Research Officer, SAWTEE. Views are personal.

REPORT

Energy demand to slump to new low in 2020

Efforts to slow the spread of coronavirus has reduced the global carbon dioxide emission significantly as energy consumption slumped by unprecedented levels.

Global CO2 emissions are expected to decline by 8 percent, or almost 2.6 gigatonnes (Gt), to levels of 10 years ago, according to this year's *Global Energy Review* published by International Energy Agency (IEA). Such a year-on-year reduction would be the largest ever, six times larger than the previous record reduction of 0.4 Gt in 2009 – caused by the global financial crisis – and twice as large as the combined total of all previous reductions since the end of World War II. As after previous crises, however, the rebound in emissions may be larger than the decline, unless the wave of investment to restart the economy is dedicated to cleaner and more resilient energy infrastructure.

As of the 28 April, there were 3 million confirmed cases and over 200 000 deaths due to the COVID-19. As a consequence of the efforts to slow the spread of the virus, the share of energy use that was exposed to containment measures jumped from 5 percent in mid-March to 50 percent in mid-April.

Beyond the immediate impact on health, the current crisis has major implications for global economies, energy use and CO2 emissions. IEA's analysis of daily data through mid-April shows that countries in full lockdown are experiencing an average 25 percent decline in energy demand per week and countries in partial lockdown an average 18 percent decline. Daily data collected for 30 countries until 14 April, representing over two-thirds of global energy demand, show that demand depression depends on duration and stringency of lockdowns.

Global energy demand declined by 3.8 percent in the first quarter of 2020, with most of the impact felt in March as confinement measures were enforced in Europe, North America and elsewhere. The report has explored a scenario that quantifies the energy impacts of a widespread global recession caused by months-long restrictions on mobility and social and economic activity. The result of such a scenario is that energy demand contracts by 6 percent, the largest in 70 years in percentage terms and the largest ever in absolute terms.

Global coal demand was hit the hardest, falling by almost 8 percent compared with the first quarter of 2019. Three reasons converged to explain this drop. China – a coal-based economy – was the country the hardest hit by Covid-19 in the first quarter; cheap gas and continued growth in renewables elsewhere challenged coal; and mild weather also capped coal use. The report estimates that 8 percent decline in coal demand in 2020, in large part because electricity demand will be nearly 5 percent lower over the course of the year.

Oil demand could drop by 9 percent on average across the year, returning oil consumption to 2012 levels. Oil demand was also hit strongly, down nearly 5 percent in the first quarter, mostly by curtailment in mobility and aviation, which account for nearly 60 percent of global oil demand. By the end of March, global road transport activity was almost 50 percent below the 2019 average and aviation 60 percent below.

The impact of the pandemic on gas demand was more moderate, at around 2 percent, as gas-based economies were not strongly affected in the first quarter of 2020.

Renewables were the only source that posted a growth in demand, driven by larger installed capacity and priority dispatch.

Electricity demand has been significantly reduced as a result of lockdown measures, with knock-on effects on the power mix. Electricity demand has been depressed by 20 percent or more during periods of full lockdown in several countries, as upticks for residential demand are far outweighed by reductions in commercial and industrial operations. For weeks, the shape of demand resembled that of a prolonged Sunday. Demand reductions have lifted the share of renewables in the electricity supply, as their output is largely unaffected by demand. Demand fell for all other sources of electricity, including coal, gas and nuclear power.

This is excerpted from the Global Energy Review 2020.

NEWS

Pakistan begins Afghan transit trade via Gwadar port

Pakistan on 29 May operationalized the Gwadar port for Afghan transit trade, with the first-ever cargo ship berthing at the seaport to mark the beginning of a new era of trade via sea route from Gwadar to Afghanistan.

In a series of tweets, Adviser to Pakistan's Prime Minister on Commerce and Investment Abdul Razak Dawood shared that a ship carrying 16,000 metric tonnes of urea and fertilizer for Afghanistan has arrived in Gwadar.

According to ministry officials, imported urea that arrived at Gwadar would be bagged at the port and later would be sent to Afghanistan in trucks under the Afghanistan-Pakistan Transit Trade Agreement-2010 (APTTA).

Apart from fertilizers, Afghanistan would also be granted permission for the transit trade of sugar and wheat from Gwadar, whereas only those trucks carrying fully sealed consignments would be allowed to go to the neighbouring country.

Earlier, Pakistani government had granted a special permission to resume the handling of Afghan cargo at Gwadar port under the APTTA-2010 to help the early clearance and quicker transportation of sugar, wheat, and fertilizer to Afghanistan.

Source: https://profit.pakistantoday.com.pk/, 29.05.2020.

India's auto sales may slip to 10-yr low amid weak sentiment

Automobile sales in India will touch decadal lows in the current fiscal year as job losses and salary cuts in urban areas sour consumer sentiment, according to Crisil research. Passenger and commercial vehicle sales are expected to fall down to 2010 levels.

Up to 80 percent of cars are bought through financing and consumers would be hesitant to take a loan in these circumstances. Also, two-third of passenger vehicles sales are from people who are replacing their car, an 'unnecessary expense' that could be deferred.

Passenger vehicles sales are predicted to dip 25 percent on the low base of FY20 when sales declined 18 percent. Commercial vehicles sales were predicted to decline 27 percent. Demand is predicted to sharply rebound in FY22, with a double-digit growth, albeit on the extremely low base.

Source: https://economictimes.indiatimes.com/, 28.05.2020.

Nepal asks India to resume import of tea and palm oil

Nepal government has asked Indian government to allow Nepali traders to export tea and refined palm oil in the Indian market.

The Ministry of Commerce and Supplies was reported to have written two separate letters to related Indian government agencies through the Ministry of Foreign Affairs asking to allow Nepali traders to export tea and refined palm oil to the Indian market. Refined palm oil and tea are two top exports from Nepal.

The development comes amid reports that India stopped importing refined palm oil and tea from Nepal.

India stopped importing refined palm oil and tea even before Nepal's objection to the road inauguration by Indian government through Lipu Lekh Pass, a Nepali territory, on 6 May. But, in recent days, the southern neighbour is reported to have completely stopped importing palm oil and tea from Nepal.

The Indian government has yet to respond to Nepal's call to resume import of palm oil and tea in Indian market yet.

Nepal's lucrative palm oil exports to India had hit a setback as the southern neighbour suspended all import licences besides imposing stringent trade measures in a bid to check cheap imports and protect domestic industry on May 11.

Source: https://myrepublica.nagariknetwork.com/, 25.05.2020.

World Bank warns 60 million at risk of 'extreme poverty'

Up to 60 million people will be pushed into 'extreme poverty' by the coronavirus warns the president of the World Bank.

David Malpass said the bank expects global economic growth to shrink by 5 percent this year as nations deal with the pandemic.

This has already led to millions losing their jobs and businesses failing, with poorer countries feeling the brunt.

The World Bank defines 'extreme poverty' as living on less than US$1.90 per person per day.

The Washington-based lender is offering US$160bn in grants and low-interest loans to help poor countries tackle the crisis.

The World Bank worked with the International Monetary Fund on a scheme to allow poorer countries to request debt relief on repayments of loans owed to G20 members until the end of this year.

Source: https://www.bbc.com/, 20.05.2020.

China's uneven economic recovery continued in April

China's industrial economy bounced back strongly in April after the first quarterly contraction in history, but retail and investment remained weak, as demand concerns persisted.

Across the board, monthly data was improved from March, with industrial production, retail sales, fixed asset investment all kicking on. However, with weak demand at home and abroad, China's efforts to get the economy back to full speed are likely to remain slow, analysts have said.

Industrial production, a measurement of output in China's manufacturing, mining and utilities sectors, grew by 3.9 percent from a year earlier, following a 1.1 percent contraction in March. This was much better than the median result of a Bloomberg poll of analysts, which predicted 1.5 percent growth.

Retail sales, a gauge of consumer spending in the world's most populous nation, fell by 7.5 percent compared to April 2019. This was much improved on March's 15.8 percent drop, which helped drive a 19.0 percent collapse in spending in the first quarter. It was worse than analysts' forecasts of a 6.0 percent drop.

Investment in the manufacturing sector fell by 18.8 percent over the first four months of the year, with infrastructure investment down 11.8 percent and property down 3.3 percent.

The surveyed jobless rate was 6 percent in April, up from 5.9 percent in March but better than the all-time high of 6.2 percent in February. However, while this is an indicator of the unemployment rate in a certain segment of the economy, it is not viewed as an accurate depiction of the overall employment situation.

And while industrial production has bounced back reasonably strongly, producer prices have fallen to a four-year low, it was announced on Tuesday, suggesting manufacturers are unable to charge what they would like for the products they make.

Most businesses have reopened, according to various trackers, but capacity issues persist.

Source: https://www.scmp.com/, 15.05.2020.

WTO head steps down a year early as downturn looms

The head of the World Trade Organization (WTO) has said he will step down a year earlier than planned, at a crucial moment for the global economy.

Roberto Azevedo's surprise departure comes as the WTO faces the impact of the coronavirus pandemic and criticism from US President Donald Trump.

Global trade has slumped and the world is braced for the worst downturn since the Great Depression.

Meanwhile, US President Donald Trump has accused the body of treating America unfairly.

Mr Azevedo said his early departure as the WTO's director-general was a "personal decision" that was in the best interests of the organization.

The Trump administration has repeatedly accused the global trade watchdog of having strayed from its purpose to liberalize and protect markets, and that conditions around China's entry into the organization in 2001 have led to millions of American job losses.

Mr Azevedo's departure comes at an especially difficult time for the WTO, with global trade expected to slump to historic lows as measures to slow the spread of Covid-19 shut down economic activity around the world.

At the same time the Geneva-based body last year saw one of its main functions, arbitrating trade disputes, hobbled by the US.

Source: https://www.bbc.com/, 15.05.2020.

Bangladesh's stimulus package tops BDT 1 trillion

Bangladesh's government has announced an additional BDT 20 billion stimulus package to assist migrant workers, unemployed youth and rural population during the economic crisis caused by the coronavirus pandemic.

Prime Minister Sheikh Hasina announced the additional package, which will be given to four state entities: Palli Shanchay Bank, Probashi Kalyan Bank, Karmasangsthan Bank and Palli Karma-Sahayak Foundation, or PKSF.

Each entity will receive BDT 5 billion for distribution as loans among those vulnerable groups.

The additional package takes the total stimulus package past BDT 1 trillion, equivalent to 3.6 percent of Bangladesh's gross domestic product.

The premier launched a scheme to provide financial assistance to 5 million vulnerable families who will each receive a one-time grant of BDT 2,500 through mobile banking services.

Bangladesh reported its first cases of the novel coronavirus on 8 March. Since then, the virus has infected 17,822 people and killed 269 others.

The government has also enforced a nationwide shutdown of schools, offices and public transport system since 26 March as part of the efforts to limit the outbreak.

Source: https://thefinancialexpress.com.bd/, 14.05.2020.

Record global CO2 concentrations despite COVID-19 crisis

Over the past few weeks there have been many reports of localized air quality improvements as the world has locked down to combat the coronavirus pandemic. However, the most recent data from the United States National Oceanic and Atmospheric Association (NOAA) shows global carbon dioxide (CO2) levels rising sharply.

In April 2020 the average concentration of CO2 in the atmosphere was 416.21 parts per million (ppm), the highest since measurements began in Hawaii in 1958.

Furthermore, ice core records indicate that such levels have not been seen in the last 800,000 years.

The United Nations Environment Programme's (UNEP) World Environment Situation Room shows a sharp increase in CO2 concentrations of more than 100 ppm since March 1958.

Owing to anthropogenic CO2 emissions (emissions from human activities), CO2 concentrations are not only increasing, but accelerating.

These results may come as a surprise to those who optimistically assume that COVID-19 will reduce total global emissions.

While it is true that vehicular and air traffic, as well as industrial activity, has reduced sharply in most parts of the world since January 2020, this is not the case with our electricity supply: 64 percent of the global electricity energy mix comes from fossil fuels (coal: 38 percent, gas: 23 percent, oil: 3 percent), according to the World Energy Outlook 2019. Heating systems have been functioning as before COVID-19. None of the fundamentals have changed (such as the shift to renewable energy, public transport, deforestation).

Forest fires and wildfires that are increasing in likelihood and severity due to climate change continue to affect swathes of Brazil, Honduras, Myanmar, Thailand, and Venezuela, each fire emitting large amounts of additional CO_2.

Source: https://www.unenvironment.org/, 11.05.2020.

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