

ECONOMY

❖ **The lingering crisis of labour post-pandemic**

➤ **CONTEXT: The International Labour Organisation (ILO) recently released two reports that gave an indication of the global employment scenario post-pandemic.**

- The 'Global Wage Report 2022-2023: The Impact of inflation and COVID-19 on wages and purchasing power' discuss the twin crises, inflation and economic slowdown, which created a "striking fall" in real monthly wages around the globe. The report blames the war in Ukraine and the global energy crisis for this situation.
- Another report, the 'Asia-Pacific Employment and Social Outlook 2022: Rethinking sectoral strategies for a human-centred future of work' stated that the Asia-Pacific region lost about 22 million jobs in 2022.
- ILO Director-General Gilbert F. Hounbo warned the decrease in wages is placing millions of workers in a dire situation. "Income inequality and poverty will rise if the purchasing power of the lowest paid is not maintained," he warned.

➤ **What does the data show?**

- The ILO report on wages looked at the real and nominal wages of employees. The word "wage", was defined as the total gross remuneration including regular bonuses received by employees during a specified period for time (monthly for the report) worked as well as for time not worked, such as paid annual leave and paid sick leave.
- The nominal wage data shows the adjusted figures after accounting for consumer price inflation while real wage growth refers to the year-on-year change in real average monthly wages of all employees. "In each edition of the Global Wage Report the objective is to collect wage data from as many countries and territories (about 190) which are then grouped into five separate regions,".
- In India, the nominal wages rose to ₹17,017 per month in 2021 from ₹4,398 in 2006. But when inflation is factored in, the real wage growth in India plunged to -0.2% in 2021 from 9.3% in 2006. The negative growth in India started after the pandemic
- In China, the growth decreased from 5.6% in 2019 to 2% in 2022.
- In Pakistan, the growth is -3.8%.
- According to the report the increasing cost of living has the greatest impact on lower-income earners and their households as they have to spend most of their disposable income on essential goods and services, which generally experience greater price increases than non-essential items.

➤ **Is inequality rising?**

- At the Asia-Pacific level, only the jobs in high-skill occupations saw a recovery from the COVID-19 crisis, which is true across all subregions.
- The ILO said it is raising concerns about increased inequality. While there is an employment gain of 1.6% among high-skill workers between 2019 and 2021, there is no such substantial gain among low-to-medium-skill workers.
- Among the G-20 countries, the report noted a significant gap in the average level of real wages between advanced G-20 countries and emerging G-20 countries such as India. It is on the level of about \$4,000 per month in advanced economies and about \$1,800 per month in emerging economies.

➤ **What are the ILO's remedies?**

- The report suggests a set of policy options and responses to the cost-of-living crisis.
- According to the report 75 to 95 million people were pushed into extreme poverty during COVID-19. It said the bargaining process for future nominal wage adjustments should embrace a sufficiently large but prudent price expectation. "This could contribute to safeguarding the standard of living of households — particularly low-income households — against unexpected future inflation hikes, while avoiding an undesirable wage-inflation spiral.
- The report said that there is a need to strengthen labour market institutions and wage policies. The ILO states that the creation of decent formal wage employment is a prerequisite for a more equitable distribution of wages and income, and is a key contributor to equitable and sustainable wage growth.
- ILO wants governments to focus on gender pay gap as when women leave the labour market, they are less likely to return than men.
- Report says a multilateral approach is the key to solving the crises around us. There is an urgent need to address the negative effects of climate change; increasing inequalities; the poverty, discrimination, violence and exclusion endured by millions of people, including the discrimination that women and girls continue to suffer in many parts of the world; the lack of vaccines and access to adequate sanitation and essential healthcare for all; and the growing digital divide between poor and wealthier countries.

ENVIRONMENTAL DEGRADATION

❖ **Why are fisherfolk protesting the Vizhinjam port project?**

- ❖ **CONTEXT: Vizhinjam has been on the boil for the past months with protesters mainly fisherfolk and their families laying siege to the under-construction Vizhinjam port.**
- The protestors led by the Latin Archdiocese have been demanding the halting of the construction work of the port by Adani Vizhinjam Port Private Limited.
- **What lies at the heart of the protests?**
- According to protesters, the port work has aggravated the coastal erosion along the coast of Thiruvananthapuram. They have raised seven demands which include, a scientific study to assess the impact of the port work on the shoreline after stopping the construction of the port.
- Further, around 300 families along the coastline were shifted to relief camps after their houses were destroyed due to high-intensity coastal erosion. The protesters demand a comprehensive rehabilitation package for the fisherfolk in the region, an assured minimum wage when the sea turns rough due to inclement weather, and subsidised kerosene for boats.
- **Has it aggravated coastal erosion?**
- All types of construction work along a coast, aggravate sea erosion (loss of beach) and accretion (gain of beach). Any structure (be it groyne, seawall, or breakwater) intensifies erosion on one side and accretion on the other. Although coastal erosion is dominant in all coastal districts of Kerala, it is more severe along the coastline of Thiruvananthapuram.
- A study conducted by the National Centre for Sustainable Coastal Management, Society of Integrated Coastal Management, and the Ministry of Environment and Forest had noted that the erosion is minimum at Thrissur (1.5 %) and maximum at Thiruvananthapuram (23%), even before the port construction.
- In Kerala's case, the seasonal shoreline changes would be more severe during monsoon months due to the high-energy short storm waves that lash the coast almost in a perpendicular position moving the sand offshore.
- The latest report of the expert committee appointed by the National Green Tribunal and Shoreline Monitoring Cell observed that erosion in spots such as Valiyathura, Shanghumugham, and Punthura remained the same as before and after the commencement of the port construction (December 2015).
- During the October 2020–September 2021 period, spots like Kochuveli and Cheriyaathura to the north of Valiyathura suffered erosion. The report noted that the relatively high number of cyclones formed over the Arabian sea after cyclone Ockhi in 2017 was the main reason for the recent erosion and accretion and that the impact of the port activity on either side of the coast had less significance.
- **The government's stance**
- The Kerala Government made it clear that since the coastal erosion is due to climate change as reported by various agencies, the demand for stopping the port construction cannot be conceded.
- Officials argue that the Vizhinjam seaport is being constructed inside a natural sediment cell which is a pocket-like area in which interruptions to the movement of sand along the coast do not significantly affect the adjacent coastline.
- **Is the Vizhinjam project important?**
- Located on the southern tip of the Indian Peninsula, just 10 nautical miles from the major international sea route and east-west shipping axis, and with a natural water depth of more than 20m within a nautical mile from the coast, the Vizhinjam port is likely to play a pivotal role in the maritime development of the country and Kerala.
- The port is expected to leverage the growth of minor ports in Kerala and other regional ports, creating thousands of employment opportunities.

PRELIMS

1. Soil Health Card Scheme

- **CONTEXT: Agriculture Minister Narendra Singh Tomar recently inaugurated the National Conference on Soil Health Management for Sustainable Farming. According to the minister More than 22 crore Soil Health Cards distributed to farmers across country.**
- The Government of India introduced the Soil Health Card Scheme on February 19, 2015.
- The Ministry of Agriculture and Farmers' Welfare Department of Agriculture & Co-operation promotes the Soil Health Card (SHC), a programme of the Government of India.
- The Department of Agriculture of each State and Union Territory Government is responsible for implementing its action.
- The Soil Health Card programme aims to educate each farmer about the status of their farm's soil nutrients and provide guidance on the amount of fertiliser to use and how to apply soil amendments in order to preserve soil health over the long term.
- This programme is being implemented across all the States and Union Territories,.

- The Soil Health Card SHC programme calls for the State Governments to analyse the composition of the soil once every three years so that corrective action can be taken to improve soil nutrients.
- A Soil Health Card (SHC) is a printed report that a farmer receives for each of his land holdings.
- It will include information about his soil's condition concerning 12 factors, including N, P, K (Macro nutrients), S (Secondary nutrient), Zn, Fe, Cu, Mn, and Bo (Micro-nutrients) and pH, EC, OC (Physical parameters).
- The SHC administered in the succeeding cycle of two years will be able to document any changes in the soil health during that time period.

➤ **Salient Features**

- The government intends to implement the program for all farms.
- Every region of the country will be covered by the programme.
- The farmers will receive a report with all the information about the soil of their specific farm in the form of a soil health card. The soil health card will be issued to a farmer once every three years.
- With the aid of GPS instruments and revenue maps, soil samples will be drawn in grids of 2.5 ha in the irrigated area and 10 ha in the rain-fed area.
- The staff of the state government's department of agriculture or that of a contracted organisation will be used to gather samples.
- Students from nearby agriculture and science colleges may also be included by the state government.
- In general, soil samples are collected twice a year, either when there is no standing crop in the field or after the harvest of the Rabi and Kharif crops, respectively.

2. **Purchasing Managers' Index (PMI)**

➤ **CONTEXT: Services PMI hits 3-mth high**

- PMI or a Purchasing Managers' Index (PMI) is an indicator of business activity — both in the manufacturing and services sectors.
- It is a survey-based measures that asks the respondents about changes in their perception of some key business variables from the month before.
- It is calculated separately for the manufacturing and services sectors and then a composite index is constructed.
- The index is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers.
- The PMI is derived from a series of qualitative questions. Executives from a reasonably big sample, running into hundreds of firms, are asked whether key indicators such as output, new orders, business expectations and employment were stronger than the month before and are asked to rate them
- A figure above 50 denotes expansion in business activity. Anything below 50 denotes contraction.
- Higher the difference from this mid-point greater the expansion or contraction. The rate of expansion can also be judged by comparing the PMI with that of the previous month data. If the figure is higher than the previous month's then the economy is expanding at a faster rate. If it is lower than the previous month then it is growing at a lower rate.
- The PMI is usually released at the start of the month, much before most of the official data on industrial output, manufacturing and GDP growth becomes available. It is, therefore, considered a good leading indicator of economic activity and of industrial output
- Central banks of many countries also use the index to help make decisions on interest rates.
- The PMI also gives an indication of corporate earnings and is closely watched by investors as well as the bond markets.

3. **NBFCs**

➤ **CONTEXT: Shriram Finance becomes India's largest NBFC post merger with 2 group entities (Shriram Transport Finance Company and Shriram City Union Finance)**

- A non-banking financial company, also known as a non-banking financial institution, provides financial services and products but is not recognised as a bank with a full banking licence.
- NBFCs are not banks, but their activities include lending and other activities such as providing loans and advances, credit facilities, savings and investment products, trading in the money market, managing stock portfolios, money transfers, and so on.
- NBFC Registration is required before NBFC activities can begin.
- Their activities include hiring, leasing, infrastructure finance, venture capital finance, housing finance, and so on.
- Deposits can be accepted by NBFC, but only **term deposits** and deposits repayable on demand is not accepted.

- Some examples of well-known NBFCs are Kotak Mahindra Finance, SBI Factors, Sundaram Finance, and ICICI Ventures.
- **Types of NBFCs**
 - The NBFCs can be categorised under three broad heads:
 - On the nature of their activity
 - On the basis of deposits
 - On the basis of their assets size
- **On the basis of deposits**
 - Deposit accepting Non-Banking Financial Corporations
 - Non-deposit accepting Non-Banking Financial Corporations
- **On the basis of their assets size**
 - Systematically Important NBFCs
 - Non-systematically Important NBFCs
- **On the nature of their activity:** Asset Finance Company (AFC), Loan Company (LC), Mortgage Guarantee Company (MGC), Investment Company (IC), Systematically Important Core Investment Company (CIC-ND-SI), Infrastructure Finance Company (IFC), Non-Banking Financial Company: Micro Finance Institutions (NBFC-MFI) etc.
- **Regulation of NBFCs**
 - The RBI's Department of Non-Banking Supervision (DNBS) is tasked with regulating and supervising NBFCs in accordance with the regulatory provisions contained in Chapters III B and C and Chapter V of the Reserve Bank of India Act, 1934.
 - The Reserve Bank's Regulatory and Supervisory Framework provides for, among other things, registration of NBFCs, prudential regulation of various categories of NBFCs, the issuance of directions on the acceptance of deposits by NBFCs, and sector surveillance through off-site and on-site supervision.
 - Deposit-taking NBFCs and Systemically Important Non-Deposit Accepting Companies face increased regulation and supervision.
 - The three main goals of regulation and supervision are as follows:
 - depositor protection
 - consumer protection
 - financial stability.
 - In extreme cases, the RBI is also empowered under the RBI Act 1934 to take punitive action, such as:
 - Cancelling a Certificate of Registration, issuing prohibitory orders against accepting deposits, filing criminal cases, or filing winding-up petitions under the provisions of the Companies Act.
 - The Reserve Bank of India (RBI) recently proposed a tighter regulatory framework for Non-Banking Financial Companies (NBFCs) by establishing a **four-tier structure** with a progressive increase in regulatory intensity.
 - It has also proposed reducing the classification of non-performing assets (NPAs) of base layer NBFCs **from 180 to 90 days overdue**.
 - The proposed framework is intended to **protect financial stability** while allowing smaller NBFCs to continue to operate under light regulations and grow with ease.

ANSWER WRITING

Q: The globe is warming due to climate change while the nations across the world are debating over similar talks in UNFCCC COPs since the past two decades. Do you agree that the convention primarily established for tackling climate change has now become futile and is majorly concerned with each nation focusing on its national interest and bypassing international issues? Critically examine.

The issues concerning climate change had been put internationally by United nations General assembly (UNGA) during the 1960s which eventually led to the establishment of United Nations Framework Convention on Climate Change (UNFCCC) in 1992. Since then, every year Nations through Conference of parties (COPs) discuss on matters related to climate change. However, these meetings are not as efficient and effective as envisaged during the early years of establishment. The conflict of interest among different nations, especially between the developed and developing nations on various matters that are majorly focused on domestic matter, is resulting to minimal progress in tackling climate change.

➤ **Ongoing debates and issues**

- Inadequate NDCs: nationally determined contributions (NDCs) were introduced in Paris agreement where each country has to set target for every five years to work on their climate goals. NDCs for 2030 by many countries remains totally inadequate to stop increase in average temperature by 1.5degree Celsius by 2030.

- Climate finance issues: inadequate funding for developing nations, shortage of grant-based finances and few amount of funds for adaptation strategies is creating difficulties for developing nations to tackle climate change.
- No unanimity: for instance, the resolution initiated to phase-out coal by developed nations in COP26 Glasgow was strongly opposed by the developing nations such as India and, who are largely dependent on coal for electricity.
- Fairness and equity issues: such as dilution of the principle of common but differentiated responsibilities, absence of dedicated funding mechanism for loss and damage to small island nations. **However, these conventions were not fully ineffective and have progress on several cases such as:**
- Developed nations taking responsibility of Historical emissions of carbon dioxide and making corrections through Kyoto protocol.
- Creation of Green climate Fund (GCF) to help developing nations in getting access to the funds.
- Pledging to reduce emissions of green house gases (GHGs) such as Methane, fossil fuel-based carbon either through forming alliance (ex., Global methane pledge, International solar alliance etc.) or through commitment by nations.
- taking scientific studies and analyzing the impact of climate change on environment and biodiversity through IPCC reports.

Hence, climate change is not national but international matter that transcends national boundary, so nations must work together in addressing and tackling climate change since we all are one family which is also envisaged in the Hindu philosophy.

MCQs

- The nationwide 'Soil Health Card Scheme' aims at
 - Expanding the cultivable area under irrigation.
 - Enabling the banks to assess the quantum of loans to be granted to farmers based on soil quality.
 - Checking the overuse of fertilizers in farmlands.

Which of the above statement/s is/are correct?

- 1 and 2 only
- 3 only
- 2 and 3 only**
- 1, 2 and 3

- Consider the following statements regarding NBFCs:
 - NBFCs does not hold a banking license.
 - NBFC can issue Demand Drafts like banks.

Which of the statements given above is/are correct?

- 1 only**
- 2 only
- Both 1 and 2
- Neither 1 nor 2

- With reference to the Purchasing Managers' Index, consider the following statements:
 - The index shows trends in both the manufacturing and services sector.
 - A PMI number greater than 50 indicates contraction in business activity.

Which of the statement/s given above is/are correct?

- 1 only**
- 2 only
- Both 1 and 2
- Neither 1 nor 2

- With reference to the International Labour Organization, consider the following statements:
 - ILO received the Nobel Peace Prize for its contribution to setting labour standards, developing policies and devising programmes.
 - It was established by the Treaty of London as an affiliated agency.
 - After the demise of the League of Nations, the ILO became the first specialized agency associated with the UN.

Which of the statement/s given above is/are correct?

- 1 and 2 only
- 2 and 3 only
- 1 and 3 only**
- 1,2 and 3

- Which of the following report/s is/are published by International Labour Organization (ILO)?
 - Global Wage Report

2. Social Dialogue Report
3. World Employment and Social Outlook
4. World Social Protection Report

Choose the correct answer using the codes given below?

- a) 1,2 and 4
- b) 2,3 and 4
- c) 1,2 and 3
- d) All of the above**

6. Consider the following statements with regards to World Wildlife Conservation Day
1. World Wildlife Conservation Day is celebrated on December 4 every two year.
 2. It has been celebrated immediately after Rio Earth summit.

Which of the above statement/s is/are no correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2**
- d) Neither 1 nor 2

7. Recently "SHE STEM - 22" is a flagship event between India and which of the following country?

- a) Netherland
- b) France
- c) Russia
- d) Sweden**

8. With reference to the Agriculture Infrastructure Fund which was in news recently, consider the following statements:

1. It aims to promote investment in viable projects for post-harvest management infrastructure and community farming assets.
2. The funds under this scheme are extended only to State agencies and Agricultural Produce Marketing Committees (APMCs).
3. Credit guarantee coverage will be available under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme.

Which of the statement/s given above is/are correct?

- a) 1 and 3 only**
- b) 2 and 3 only
- c) 2 only
- d) 1, 2 and 3

9. Justice G Rohini Commission often mentioned in news, which of the following statement/s is/are not correct with regards to this?

1. The Commission has been set up to examine sub-categorisation of other backward classes (OBCs).
2. The commission was set up by the President under Article 340.

Choose the correct answer using the codes given below

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

10. With respect to the Corporate Social Responsibility, consider the following statements:

1. It is governed by the Companies Act, 2013.
2. India is the first country in the world to mandate CSR spending along with a framework to identify potential CSR activities.
3. It is applicable to companies with an annual turnover of 5,00 crores and more, or a net worth of Rs. 100 crores and more, or a net profit of Rs. 5 crores and more.

Which of the statements given above is/are correct?

- a) 1 and 2 only**
- b) 2 and 3 only
- c) 1 and 3 only
- d) 3 only