



CURRENT AFFAIRS



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Date - 2 May 2024

THE WRONG WAY TO FIGHT INEQUALITY

THIS ARTICLE COVERS 'DAILY CURRENT AFFAIRS' AND THE TOPIC DETAILS OF "THE DEBATE REGARDING WEALTH TAX". THIS TOPIC IS RELEVANT IN THE "ECONOMY" SECTION OF THE UPSC CSE EXAM.

WHY IN THE NEWS?

Recent research by French economist Thomas Piketty and his colleagues has shed light on concerning trends in economic inequality in India over the past century. Their study, titled "Income and Wealth Inequality in India, 1922-2023: The Rise of the Billionaire Raj," reveals stark disparities, suggesting that current levels of inequality surpass those observed during British colonial rule.

According to their findings, as of 2022, the top 1% of India's population owned a staggering 40.1% of total wealth and commanded 22.6% of total income. In stark contrast, the bottom 50% held a mere 6.4% of total wealth and earned just 15% of total income. These figures paint a grim picture, especially when compared to the top 10%, who possessed 65% of total wealth and garnered 57.7% of national income.

Piketty and his co-authors argue that India's predominantly income-based tax system exacerbates this inequality, dubbing it regressive. They advocate for the implementation of a wealth tax targeting the affluent to address these disparities. However, while their data raises alarms, it prompts important discussions around the efficacy and implications of wealth redistribution measures.

MORE ABOUT THE ISSUE

Piketty and his collaborators highlight two significant trends that shed light on the dynamics of income and wealth inequality in India.

Firstly, they observe a sharp escalation in inequality starting from the 1980s, coinciding with India's gradual shift towards market-oriented policies. During this period, the share of the bottom 50% in total national income plummeted from 23.6% in 1982 to a mere 15% by 2022. In contrast, the income share of the top 10% surged from 30.1% to 57.7% over the same timeframe.

Secondly, the researchers draw attention to India's economic trajectory, emphasizing a shift from stagnant growth during the socialist era to a more robust expansion post-1990. They note that between 1960 and 1990, India's economy sputtered along at a meager 1.6% annual growth rate. However, following economic reforms in the 1990s, growth accelerated significantly, averaging 3.6% per year up to 2022.

These findings underscore the complex interplay between economic policies, growth patterns, and inequality dynamics in India, prompting deeper examination into the impact of market reforms and their implications for income distribution.

THE IMPORTANCE OF MARKET SYSTEM

1. **Efficient Allocation of Resources:** Free markets allow resources to flow to their most valued uses through the forces of supply and demand. Prices serve as signals, guiding producers and consumers in making decisions about production, consumption, and investment. This efficiency promotes optimal allocation of resources, leading to higher productivity and economic growth.
2. **Innovation and Entrepreneurship:** Free markets incentivize innovation and entrepreneurship by rewarding individuals and businesses for developing new products, services, and technologies. The prospect of earning profits motivates entrepreneurs to take risks, experiment, and invest in research and development, driving technological progress and long-term economic dynamism.
3. **Consumer Choice and Welfare:** Free markets offer consumers a wide array of choices and options, allowing them to select goods and services that best meet their preferences and needs. Competition among producers fosters quality improvements, innovation, and price reductions, enhancing consumer welfare and standard of living.
4. **Job Creation and Economic Mobility:** Free markets stimulate job creation by enabling the growth of businesses and industries. Entrepreneurs and investors create employment opportunities as they expand their enterprises to meet market demand. Moreover, the dynamic nature of free markets provides individuals with opportunities for upward economic mobility, allowing them to improve their living standards and socioeconomic status over time.
5. **International Trade and Integration:** Free markets facilitate international trade and economic integration, enabling countries to specialize in the production of goods and services in which they have a comparative advantage. This specialization enhances global efficiency, promotes economic cooperation, and expands market access, leading to mutual gains for participating nations.
6. **Fiscal Discipline and Accountability:** Free markets encourage fiscal discipline and accountability by limiting the role of government intervention in economic activities. Governments must operate within budget constraints and maintain sound fiscal policies to ensure market stability and investor confidence.
7. **Dynamism and Adaptability:** Free markets are dynamic and adaptable, capable of responding to changing economic conditions, technological advancements, and consumer preferences. This flexibility allows economies to adjust efficiently to shocks and challenges, fostering resilience and sustainability over the long term.

WHY INEQUALITY IS INEVITABLE IN MARKET SYSTEM

- **Differential Access to Resources:** In free markets, individuals and businesses have varying levels of access to resources such as capital, education, and technology. This discrepancy can result in unequal starting points and opportunities, leading to divergent economic outcomes.
- **Rewards for Scarcity and Talent:** Free markets reward scarcity and talent. Scarce resources or skills command higher prices and thus contribute to wealth concentration among those who possess them. This can exacerbate inequality as those with access to scarce resources or exceptional skills accumulate more wealth.
- **Meritocracy and Competition:** Free markets often operate on principles of meritocracy and competition, where individuals and businesses compete for market share and profits based on

their abilities and performance. While this can foster innovation and efficiency, it also means that those who excel are rewarded disproportionately, further widening the gap between the successful and the less successful.

- **Accumulation of Wealth:** In free market systems, individuals and businesses have the freedom to accumulate wealth through entrepreneurship, investment, and innovation. Over time, this accumulation can lead to the concentration of wealth in the hands of a few, as wealth tends to generate more wealth through compounding returns and economies of scale.
- **Structural Inequalities:** Free market systems can perpetuate structural inequalities stemming from historical factors such as discrimination, unequal access to education, and social networks. These structural inequalities can persist and even worsen in the absence of interventions to level the playing field.

NEGATIVE CONSEQUENCE OF WEALTH TAX

1. **Capital Flight:** Wealthy individuals may relocate their assets or even themselves to jurisdictions with lower or no wealth taxes, leading to capital flight. This outflow of capital can deprive the economy of investment and entrepreneurial activity, hindering economic growth.
2. **Reduced Investment:** Wealth taxes can discourage investment by reducing the funds available for capital formation and entrepreneurship. When wealthy individuals have to pay a significant portion of their wealth in taxes, they may have less capital available to invest in businesses, innovation, and job creation.
3. **Wealth Erosion:** Continuous taxation of wealth can erode the capital base of wealthy individuals over time. This reduction in wealth can limit their ability to make long-term investments or engage in philanthropic activities, which can have adverse effects on economic development and social welfare.
4. **Distortionary Effects:** Wealth taxes can distort economic decision-making by incentivizing tax avoidance strategies such as asset concealment, income shifting, or relocation. This can lead to inefficiencies in resource allocation and undermine the effectiveness of the tax system.
5. **Negative Impact on Savings:** Wealth taxes may discourage savings and capital accumulation by reducing the after-tax return on investment. This can disincentivize individuals from saving for retirement, education, or other long-term goals, potentially exacerbating future economic challenges.
6. **Administrative Complexity:** Implementing and enforcing a wealth tax can be administratively complex and costly, requiring extensive resources for compliance monitoring and enforcement. The administrative burden may outweigh the revenue generated from the tax, leading to inefficiencies in the tax system.
7. **Potential Economic Stagnation:** In extreme cases, excessive taxation of wealth can lead to economic stagnation by discouraging entrepreneurship, innovation, and risk-taking. This can result in a lack of dynamism in the economy, hampering productivity growth and overall prosperity.

Overall, while wealth taxes may be intended to address income inequality and generate revenue for government spending, they can also have unintended consequences that may undermine economic growth, investment, and innovation. Policymakers need to carefully consider these potential drawbacks when designing and implementing wealth tax policies.

HEAT HAZARD AND LABOUR HEALTH

THIS ARTICLE COVERS 'DAILY CURRENT AFFAIRS' AND THE TOPIC DETAILS OF "**Heat Hazard and Labour Health**". THIS TOPIC IS RELEVANT IN THE " **ENVIRONMENT AND ECOLOGY**" SECTION OF THE UPSC CSE EXAM.

Why in the News?

The most recent publication from the International Labour Organization (ILO), titled '**Ensuring safety and health at work in a changing climate**,' highlights the urgent requirement to adapt labor practices to climate change and strengthen global protections for Occupational Safety and Health (OSH). It emphasizes the significance of tackling the changing hazards linked with climate change to secure the longevity of the workforce.

MORE ABOUT THE REPORT

- The International Labour Organization (ILO) has outlined six significant impacts of climate change: **excessive heat, solar ultraviolet radiation, extreme weather events, workplace air pollution, vector-borne diseases, and agrochemicals**. These factors can result in various health issues such as stress, stroke, and exhaustion.
- The ILO specifically identifies **agriculture workers, construction sector employees, city conservancy workers**, and those in transport and tourism as the most affected by climate change.
- Additionally, the increasing prevalence of gig employment globally, which is particularly vulnerable to heat, is noteworthy. According to a study by Nasscom, gig workers constitute approximately 1.5% of India's workforce, projected to increase to about 4.5% by 2030.
- In the Indian context, this suggests that around 80% of the country's 2023 workforce of 600 million is at risk of heat-related hazards when considering all these sectors collectively.

How does climate change and Heated planet affect labor health?

- **Excessive Heat:**

Rising temperatures due to climate change increase the risk of heat-related illnesses among outdoor workers, such as construction workers, agricultural workers, and those in industries like landscaping and road maintenance. Heat stress, heat exhaustion, and heatstroke become more prevalent as temperatures soar, particularly in regions experiencing heat waves.

- **Respiratory issues:** Climate change exacerbates air pollution and increases the frequency and intensity of wildfires, which release harmful particulate matter and pollutants into the air. This pollution can trigger or worsen respiratory conditions such as asthma, bronchitis, and chronic obstructive pulmonary disease (COPD) among workers exposed to outdoor or indoor pollutants.
- **Vector-borne diseases:** Changes in temperature and precipitation patterns influence the distribution and behavior of disease-carrying vectors like mosquitoes and ticks, leading to the spread of vector-borne diseases such as malaria, dengue fever, Zika virus. Workers in agriculture, forestry, and outdoor recreation are at heightened risk of exposure to these diseases as they spend substantial time in environments where vectors thrive.

- **Extreme weather events:** Climate change is associated with an increase in the frequency and severity of extreme weather events, including hurricanes, floods, droughts, and storms. These events pose direct threats to worker safety and health, causing injuries, fatalities, and mental health issues such as post-traumatic stress disorder (PTSD).
- **Decreased labor productivity and economic disruption:** High temperatures can reduce labor productivity due to decreased physical and cognitive performance. Heat stress impairs concentration, coordination, and decision-making abilities, leading to an increase in errors, accidents, and injuries in the workplace. Additionally, extreme heat can disrupt supply chains, transportation systems, and agricultural activities, further impacting economic productivity.



WHICH SECTORS ARE MOST AFFECTED BY EXCESSIVE WARMING?

- **Agriculture:** Farmworkers, agricultural laborers, and farmers are highly susceptible to heat waves due to their prolonged exposure to outdoor conditions. Globally, agriculture stands out as the sector most vulnerable to heat, especially in developing nations. This susceptibility is particularly pronounced due to the prevalence of informal farm laborers who often lack adequate protection from extreme weather conditions.
- - **Micro-small and Medium enterprises:** After agriculture, India's extensive Micro, Small, and Medium Enterprises (MSME) sector comes next, engaging approximately 21% of the nation's workforce, which amounts to over 123 million employees. The predominant informal nature of this sector has resulted in minimal supervision of working conditions

by State Occupational Safety and Health (OSH) departments, rendering workers highly susceptible to heat-related risks.

- **Construction:** Construction workers face increased risks during heatwaves, as they often work in direct sunlight and perform physically demanding tasks. Exposure to high temperatures can lead to heat exhaustion, heatstroke, and dehydration, impacting worker safety and productivity on construction sites. **The construction sector employs roughly 70 million workers, comprising nearly 12% of India's total workforce.** Workers in this sector face challenges associated with the urban heat island effect, given the predominantly urban nature of construction activities and the ongoing growth of cities.
- **Transportation:** Workers in the transportation sector, including truck drivers, delivery personnel, and railway workers, may be affected by heatwaves while operating vehicles or working outdoors. High temperatures can pose health risks and safety hazards for workers who spend long hours in non-air-conditioned vehicles or exposed to asphalt surfaces.
- **Indoor workers:** Although indoor workers may have some protection from direct sunlight, heatwaves can still impact indoor environments, particularly in buildings without adequate ventilation or air conditioning.

Laws to address workplace safety and heat hazards

- **Factories Act, 1948:** This legislation mandates that employers are responsible for ensuring that workers are not exposed to extreme temperatures in the workplace. It offers directives on ventilation and temperature regulation to prevent heat-related ailments. Emphasis is placed on maintaining a comfortable thermal environment for workers, particularly those subjected to high heat, such as in iron furnaces at steel plants.
- **Dock Workers (Safety, Health and Welfare) Act, 1986:** This act incorporates measures to shield workers from heat hazards by guaranteeing adequate safety protocols and protective equipment to mitigate risks associated with fire hazards and other workplace perils.
- **Employees' State Insurance Act, 1948:** Section 13 of this act stipulates that employers must shield their workers from fire hazards by providing an ample supply of extinguishers and appropriate protective gear. The legislation underscores the significance of establishing a secure working environment for employees to avert heat-related injuries and health complications.

Wayforward for India

- **Effective Enforcement of laws:** Strengthen existing laws related to occupational safety and health (OSH) to explicitly address heat hazards. Ensure strict enforcement of these regulations, including regular inspections and penalties for non-compliance.
- **Heat Stress Monitoring :** Implement systems for monitoring heat stress levels in workplaces, particularly in high-risk sectors such as agriculture, construction, and manufacturing. Use tools such as **wet bulb globe temperature (WBGT)** monitoring to assess heat stress conditions accurately. Establish mechanisms for workers to report heat-related issues promptly.
- **Strong Building codes:** Invest in engineering solutions to mitigate heat exposure in workplaces, such as improved ventilation, shade structures, and cooling measures. Explore innovative technologies, such as personal cooling vests or air-conditioned rest areas, to protect workers from excessive heat.
- **Workplace Adaptation and Flexibility:** Introduce flexible work arrangements, such as adjusted working hours or shifts, to minimize exposure to peak heat periods. Encourage employers to schedule physically demanding tasks during cooler parts of the day and provide regular rest breaks in shaded areas.

- **Access to Water and Rest Facilities:** Ensure access to clean drinking water and adequate rest facilities for workers, especially those engaged in outdoor activities. Promote the provision of shaded rest areas and encourage workers to take frequent breaks to hydrate and cool down.
- **Design protective gear:** Develop specialized clothing designed specifically to protect workers from excessive heat exposure, including breathable fabrics, light colors, loose-fitting clothing, hats, sunglasses, sunscreen lotions, and other accessories. Provide proper training to workers on the correct use of this gear.

Prelims based Question

Q1. Which of the following statements CORRECTLY describes the International Labour Organization (ILO)?

- (a) It is a specialized agency of the United Nations focusing on international trade regulations
- (b) It is an intergovernmental organization that promotes social justice and internationally recognized labor rights
- (c) It is a non-governmental organization advocating for environmental sustainability and climate change mitigation.
- (d) It is a multinational corporation dedicated to promoting corporate social responsibility.

ANSWER: B

Mains based Question

Q1. Critically evaluate the role of gig employment in exacerbating the vulnerability of workers to heat-related hazards, as highlighted by the International Labour Organization (ILO) report. Discuss the implications of the projected increase in gig employment for labor protection and climate resilience efforts in India.

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