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Comprehension Test Quiz 77

Directions: Read the following passage carefully and answer the questions that follow.

The government's recent doubling of duties on imports of beauty aids, watches, toys, furniture, footwear, and, surprisingly, kites and candles shows India's lack of competitiveness even in these entry-level labour-intensive industries. Also, a similar recent doubling of import duties on electronics, including related inputs and parts, is an admission by the government of the country's lack of competence in the highly labour-intensive, low-skilled and repetitive tasks of processing or assembling duty-exempt imported inputs to produce and export finished mobile phones and TVs. And, in textiles and apparel exports, India is now being outperformed not only by China but also by Bangladesh and Vietnam.

To anyone who is aware of the panoply of India's restrictive labour regulations (about 200 labour laws, with over a fourth being central acts), it does not come as a surprise that India is unable to grasp its natural comparative advantage in labour-intensive products. The Industrial Disputes Act (IDA) requires firms with 100 or more workers to seek government permission to retrench or lay off any worker. This permission is rarely granted. The Industrial Employment (Standing Orders) Act, 1946 requires employers in firms with 100 or more workers (50 or more in certain states) to seek permission even for reassigning a worker from one task to another. And the Trade Unions Act allows any seven employees to form a union, thereby using up a large proportion of the firm's managerial resources in dealing with several unions within itself. Through this regulation, unions have the right to strike and represent workers in legal disputes with employers. Last but not the least, The Contract Labour (Regulation And Abolition) Act, 1970 restricts, and even prohibits, the use of contract workers for certain tasks. Thus, these labour regulations effectively prevent firms from using labour-intensive methods of production. Also, since these laws hold

above certain threshold employment levels, firms often have an incentive to remain small and “informal”.

1. Which of the following is/are true with respect to the Trade Unions Act mentioned in the passage?

I. As per this law, Unions have the right represent workers in legal disputes with employers.

II. There is restriction on use of contract workers for certain tasks.

III. A minimum of 5 workers are needed to form a Trade Union.

A. Only I B. Only III C. Only I and II D. Only II and III

E. None of the above

2. Which of the following is/are true about India’s labour laws mentioned in the passage?

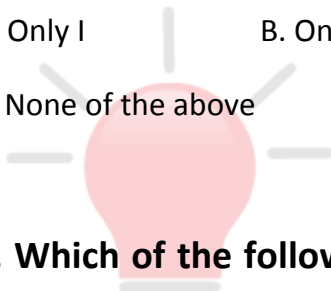
I. They are applicable below a certain threshold level.

II. Most of them are central acts.

III. They create conditions that prevent firms from using labour intensive methods of production.

A. Only II B. Only III C. Only I and II D. Only II and III

E. Only I and III



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3. As per the passage, the government has doubled import duty on which of the following?

I. Kites

II. Electronics

III. Edible items

A. Only II

B. Only I and II

C. Only II and III

D. Only I and III

E. All of the above

4. As per the author, what could be some reasons for imposition of import duties on some products?

I. Lack of competitiveness

II. Lack of infrastructure

III. Restrictive government regulations

A. Only I

B. Only III

C. Only I and II

D. Only II and III

E. None of the above

5. As per the passage, what can be inferred from India not being able to 'grasp its natural comparative advantage in labour-intensive products'?

A. Indian producers find it cost-effective to use intensive capital-intensive production techniques.

B. Indian producers find it cost-effective to use labour intensive production techniques.

C. Indian producers may find it cost-effective to use some capital-intensive production techniques.

D. All of the above

E. None of these

Correct Answers:

1	2	3	4	5
A	E	B	A	C

Explanations:

1.

Refer to:

‘And the Trade Unions Act allows **any seven employees to form a union**, thereby using up a large proportion of the firm’s managerial resources in dealing with several unions within itself. **Through this regulation, unions have the right to strike and represent workers in legal disputes with employers.**Last but not the least, **The Contract Labour (Regulation And Abolition) Act, 1970 restricts, and even prohibits, the use of contract workers for certain tasks.**’

Clearly, I is correct.

As per the last highlighted fragment, II pertains to **The Contract Labour (Regulation And Abolition) Act, 1970** and not the Trade Unions Act. Thus, II is incorrect.

III is also incorrect as a minimum of 7 employees are needed to form a Union.

Hence, option A is correct.

2.

Refer to:

‘To anyone who is aware of the **panoply** of India’s restrictive labour regulations **(about 200 labour laws, with over a fourth being central acts)**, it does not come as a surprise that **India is unable to grasp its natural comparative advantage in labour-intensive products.** The Industrial Disputes Act (IDA) requires firms with 100 or more workers to seek government permission to retrench ... The Industrial Employment (Standing Orders) Act, 1946 requires employers in firms with 100 or more workers (50 or more in certain states) to seek permission ... Trade Unions Act allows any seven employees to form a union, thereby using up a large proportion of the firm’s managerial resources in dealing with several unions within itself...The Contract Labour (Regulation And Abolition) Act, 1970 restricts, and even prohibits, the use of

contract workers for certain tasks. **Thus, these labour regulations effectively prevent firms from using labour-intensive methods of production. Also, since these laws hold above certain threshold employment levels, firms often have an incentive to remain small and “informal”.**

As per the highlighted fragments, I and III are correct.

II is incorrect. The first highlighted fragment indicates that central acts constitute only a little more than one-fourth of the total labour laws.

Hence, option E is correct.

3.

Refer to:

‘The government’s recent doubling of duties on imports of beauty aids, watches, toys, furniture, footwear, and, surprisingly, **kites and candles** shows India’s lack of competitiveness even in these entry-level labour-intensive industries. Also, a similar recent doubling of import duties on **electronics**, including related’

As per the highlighted fragments, only statements I and II are correct.

Statement III has not been mentioned anywhere.

Hence, option B is correct.

4.

Refer to:

‘The government’s recent doubling of duties on imports of beauty aids, watches, toys, furniture, footwear, and, surprisingly, kites and candles shows **India’s lack of competitiveness even in these entry-level labour-intensive industries.**’

II and III have not been mentioned in the passage. Only I can be seen in the highlighted fragment.

Hence, option A is correct.

5.

Option A is extreme as it uses the word intense. Even though India’s labour laws are restrictive, they do not give any indication of changing the production pattern so drastically.

Option B is opposite to what the paragraph states. If the labour regulations are restrictive, that should logically prevent India from using labour intensive production techniques.

Option C is the best fit here. It is moderate in tone and also logical in thought process.

Hence, option C is correct.



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