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The Question Bank

Comprehension Test Questions for IBPS PO Pre, SBI PO Pre, SBI Clerk Mains, IBPS Clerk Mains and LIC AAO Pre Exams.

Passage No. 172

Directions: Please read the passage carefully and answer the questions that follow:

Employment by a big company is, perhaps, the best job a young educated aspirant would look forward to. Government jobs are preferred, in general, to private sector jobs. Large companies are usually considered to be the best employers. A **proxy** for growth in headcount would be the growth in what the companies spend on compensation to employees. Growth in this would reflect a growth in the headcount and the growth in wages paid. We find that this growth rate has been falling. CMIE's Prowess database shows a steady fall in the rate of growth of compensation paid by companies to employees since 2013-14. The database includes performance information on a large sample of listed and unlisted companies of all sizes and industries. Compensation to employees grew by 25 per cent in 2013-14. The growth rate halved to 12 per cent in 2014-15 and then it fell further to 11 per cent in 2016-17. In 2017-18, the growth rate fell to 8.4 per cent. From this, it wouldn't be entirely wrong to infer that the corporate sector's appetite for new hiring has been declining quite sharply. 2017-18 saw the slowest growth in the past eight years, or since the year after the Lehman crisis of 2008 when the compensation to employees grew by only 7.7 per cent. The Prowess database also shows that the corporate sector registered a fall in growth in fixed assets to 6.9 per cent in 2017-18.

Growth of investments into the job-creating plant and machinery part of fixed assets was even lower at 5.9 per cent. Both were the lowest since 2004-05. Evidently, **the two declines in growth rates — plant and machinery and wages go hand-in-hand**. The lack of investments into fresh capacities is hurting growth in employment. We see the same fall in investments in another dataset — capex and the same fall in employment in yet another dataset — the Consumer Pyramids Household Survey. The evidence of falling growth in investments and employment during the recent past is therefore overwhelming. Some of the growth in compensation to employees can be explained as a consequence of inflation and given that inflation has been much lower in recent years compared to the past, it would be good to correct the growth numbers for inflation. We do this using the consumer price index for recent years and the consumer price index for industrial workers for earlier years. Now we see inflation-adjusted compensation to employees grow by only 4.6 per cent in 2017-18. This is lower than the already-low average growth of 5.5 per cent seen in the preceding three years. The average real compensation to employees grew at the rate of 5.3 per cent per annum in the four years between 2014-15 and 2017-18. The industry-wise distribution of this growth in inflation-adjusted compensation to employees shows some **sharp** variations between major sectors. The services sector has seen a very small growth in compensation to employees in 2017-18. Compared to the overall growth of 4.6 per cent, the services sector saw a growth of only 2.2 per cent.

Questions :

1. Which of the following statements is/are true according to the CMIE Prowess dataset?

- A. Rate of growth of compensation paid by companies to employees has registered deceleration since 2013-14.
- B. Compensation to employees grew by 35 per cent in 2013-14.
- C. Corporate sector's appetite for new hiring has been enhancing.
- D. Year 2014-15 witnessed the slowest growth rate in compensation to employees since the Lehman crisis of 2008.
- E. All of the above are true.

2. Which of the following words is nearly similar in meaning to 'proxy' as written in bold?

- A. Subsidiary
- B. Something used to represent something else
- C. Proximity
- D. Prowl
- E. None of the above

3. Which part of speech is the word 'Sharp' given in bold in the passage?

- A. Noun
- B. Verb
- C. Adverb
- D. Adjective
- E. None of the above

4. What does the sentence "the two declines in growth rates — plant and machinery and wages go hand-in-hand" indicate?

- A. Unless we invest in job creating fixed assets, capacity to absorb work force, wages will not increase.
- B. Reduced investments in fixed assets reduce overall company fixed costs.
- C. Rate of investments in capital expenditure and compensation paid match correspondingly.
- D. Real growth rate is achieved by taking inflation into account as per RBI estimates.
- E. None of the above.

5. If the term 'Inflation adjusted compensation' as used in the passage implies 'compensation adjusted as per inflation', which of the following statements best refers to the term in the intended context?

- A. Social Security benefits are subject to cost-of-living adjustments based on inflation.
- B. Inflation causes the purchasing power of workers that make the minimum wage to decline over time.
- C. Employers must adjust the wages they pay employees upward over time to ensure that employees are able to enjoy the same standard of living over time.
- D. If the cost of hiring an additional worker exceeds the revenue that the new worker will produce, the business will lose profit by hiring the new worker.
- E. None of the above

6. Growth in compensation in which of the following sectors was lower than the overall growth in 2017-18?

- A. Services Sector
- B. CPI for Industrial Workers
- C. Capital Goods Sector
- D. Public Sector
- E. None of the above

7. Which of the following can be the title of the passage?

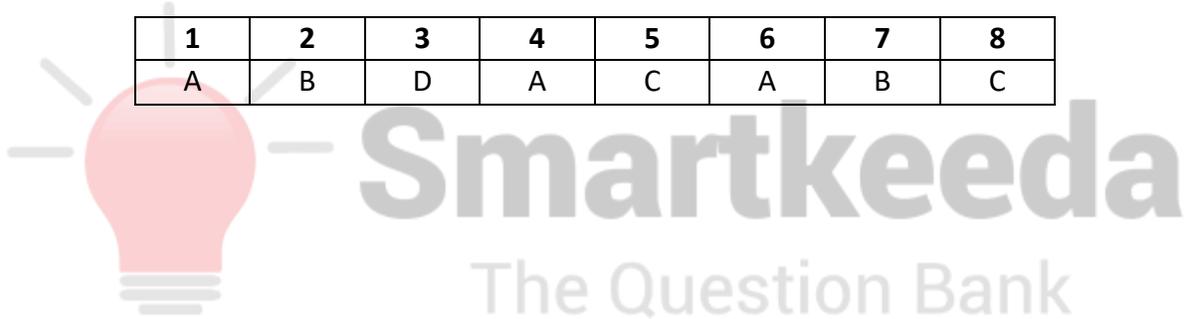
- A. Compensation crisis in Indian Markets
- B. Steady slowdown in Indian Job Market
- C. After effects of Lehman Crisis
- D. Tepid corporate investments and economic growth post Lehman crisis
- E. The causes and effect of unemployment in India

8. Which of the following statements can be inferred from the passage?

- A. Services Sector
- B. CPI for Industrial Workers
- C. Capital Goods Sector
- D. Public Sector
- E. None of the above

Correct Answers :

1	2	3	4	5	6	7	8
A	B	D	A	C	A	B	C



Explanations:

1. **Refer to:**
CMIE's Prowess database shows a steady fall in the rate of growth of compensation paid by companies to employees since 2013-14.

The sentence above echoes what's been stated in the statement given as option A.

Now, we need not check the other statements as we have already got the correct option. However, if you go through the 1st paragraph of the passage, you can infer that whatever has been said in the statement given in option B, C or D, is distorted and not true.

Option B. Compensation to employees grew by **35 per cent** in 2017-18.

The correct percentage is 25 per cent.

Option C. Corporate sector's appetite for new hiring has been **enhancing**.

Exactly opposite has been said here.

Option D. Year **2014-15** witnessed the slowest growth rate in compensation to employees since the Lehman crisis of 2008.

It was actually 2017-18 that witnessed the slowest growth.

Evidently, option A is the correct answer.

2. **Subsidiary** means 'less important than but related or supplementary to something'.

Proxy means 'a figure that can be used to represent the value of something in a calculation'.

Proximity means 'nearness in space, time, or relationship'.

Prowl means 'moving quietly and carefully while hunting'.

Clearly, option B is the correct answer.

3. **Refer to:**
... some **sharp** variations ...

As we can observe that 'variations' is a plural case of the noun 'variation', so the word coming right before it has to be an adjective.

Option D is hence the correct answer.

4. Refer to:

The lack of investments into fresh capacities is hurting growth in employment. This part shows the crux how lower investments in fixed assets and plant and machinery chokes fresh employment opportunities. So rates of plant and machinery investments and wages growth rates coincide.

Options B, C & D are not the correct answers.

Hence, option A is the correct answer.

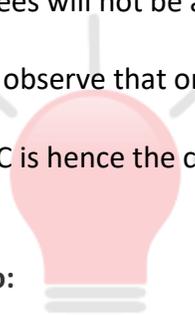
5. Inflation-adjusted compensation:

Inflation-adjusted compensation refers to the compensation of an individual or group after taking into consideration the effects of inflation on purchasing power.

For example, if prices in the economy double over the course of five years, wages must also double or employees will not be able to buy as many goods and services with their wages.

We can observe that only the statement given as option C refers to the term in the intended context.

Option C is hence the correct answer.



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6. Refer to:

The services sector has seen a very small growth in compensation to employees in 2017-18. The sector witnessed a growth of only 2.2 % lower than overall rate of 4.6%.

Clearly, it is the services sector that registered a very low growth in compensation in comparison to overall growth in 2017-18.

Hence, Option A is the correct answer.

7. As we can observe, the write in the passage discusses Indian job market and instances of its going down for past few years.

Among the choices available, only the option B seems an appropriate title to the passage as it encapsulates the whole passage in just six words.

Hence, Option B is the correct answer.

8. **Statement I.** A decline in inflation can cause growth in compensation to employees.

Refer to:

Some of the growth in compensation to employees can be explained as a consequence of inflation and given that inflation has been much lower in recent years compared to the past, ...

Clearly, the highlighted part above expresses the same idea as stated in statement I. Hence, statement I is valid in the context of the passage.

Statement II. A private job in a large company is generally considered better than a government job.

Refer to:

Government jobs are preferred, in general, to private sector jobs. Large companies are usually considered to be the best employers.

If we read the sentence given in bold, we can infer that the passage talks about 'Large' companies and not only 'Private' large companies. Therefore, we can say that the given statement is vague in the context of the passage. Statement II is hence not valid.

Statement III. Not all the sectors witnessed the same growth or decline in compensation to employees between 2013-14 to 2017-18.

Refer to:

The industry-wise distribution of this growth in inflation-adjusted compensation to employees shows some sharp variations between major sectors.

The highlighted parts above validate what's been stated in statement III. Hence, statement III is also a valid statement.

Option C is hence the correct answer.





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