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## Comprehension Test for Bank Exams (SBI Clerk Pre)

### Passage No. 85

Directions: Kindly read the passage carefully and answer the questions given beside.

The cabinet recently approved the Code on Wages Bill, which proposes to make minimum wages a statutory right for all citizens. The Bill, which was tabled in Parliament in the monsoon session, proposes a monthly minimum wage to be set across India, which will be binding on all the states. Once it is passed, the states cannot set a minimum wage lower than the one set by the Central government. The proposed Code on Wages will **subsume** four extant Acts: the Minimum Wages Act of 1948, the Payment of Wages Act of 1936, the Payment of Bonus Act of 1965 and the Equal Remuneration Act of 1976.

Enacting labour reforms is always a **herculean** task and successive governments have shied away from it. Even the great wave of liberalization of 1991 did not include any factor market reforms. The proposed wage code Bill is the first serious venture in labour law reform by the current government.

Though the actual minimum wage is yet to be set by the Central government, there are indications that it will be significantly higher than the current wage rate. This will **invariably** result in either retrenchment of employees or a significant slowdown in new hiring or both. Economic theory suggests that a price floor, such as a minimum wage, which mandates how low a price can be set, always results in excess supply of that good or service. Seminal work by Nobel Prize winning economist George Stigler concludes that a minimum wage does not satisfy its original intentions—elimination of poverty—and will tend to increase unemployment and reduce family income.

Questions:

#### 1. Which of the following is/are true as per the passage?

- I. As per the Bill, states would have to set a minimum wage either equal to or more than the one set by the Centre.
- II. As per the Bill, there would a single minimum wage implemented across India.
- III. The implementation of a minimum wage rate would probably lead to a slowdown in hiring.

- A. Only III                      B. Only I and III                      C. Only II and III                      D. Only I and II  
E. All of the above

## 2. Which of the following is/are true about the Code on Wages Bill?

- A. The Bill was tabled in the budget session of the Parliament.
- B. It aims at setting a monthly minimum wage which will differ for different regions.
- C. The states would not be able to set a minimum wage that is less than 70% of what the code suggests.
- D. The proposed Code on Wages will merge 4 existing Acts.
- E. None of the above

## 3. Why have successive governments shied away from enacting labour reforms?

- A. Because reforms were not initiated at the time of liberalization in 1991.
- B. The issue is a huge task and also highly complicated.
- C. As the government did not consider the issue to be so serious.
- D. The government was busy in poverty removal and employment generation.
- E. None of the above

## 4. As per the passage, what are some possible effects of implementing a minimum wage rate?

- I. It would lead to a significant increase in employment.
- II. It could lead to increase in family income and reduction in poverty levels.
- III. It would increase the supply of workers in the market.

- A. Only II
- B. Only I and III
- C. Only III
- D. Only I and II
- E. All of the above

## 5. Which of the following situations strengthen the claim that a minimum wage would worsen the situation?

- I. A 10% increase in the minimum wage would reduce formal employment by 0.8%.
- II. There would be a decrease in the number of hours worked in low wage jobs.
- III. Companies will prefer to keep a majority of their workforce in the informal sector without any laws to protect them.

- A. Only II
- B. Only III
- C. Only I and II
- D. Only II and III
- E. All of the above

## 6. As per the passage, which of the following is the synonym of **subsume**?

- A. Absorb
- B. Exclude
- C. Disclose
- D. Modify
- E. None of the above

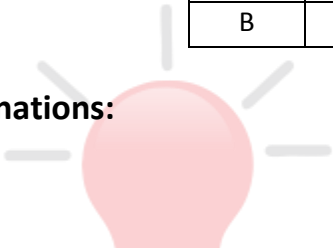
7. Which of the following is the antonym of **herculean**?

- A. Laborious      B. Tough      C. Burly      D. Easy      E. None of the above

**Correct Answers:**

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
B	D	B	C	E	A	D

**Explanations:**



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**1.** Refer to:

‘The states cannot set a minimum wage lower than the one set by the Central government.’

I is correct.

‘The Bill recognizes that a universal minimum wage across India and across different sectors does not work’

II is not correct.

‘There are indications that it will be significantly higher than the current wage rate. This will invariably result in either retrenchment of employees or a significant slowdown in new hiring or both.’

III is correct.

Only I and III are correct.

Hence, option B is correct.

**2.** Refer to:

'The Bill, which was tabled in Parliament in the monsoon session, proposes a monthly minimum wage to be set across India, which will be binding on all the states. Once it is passed, the states cannot set a minimum wage lower than the one set by the Central government. The proposed Code on Wages will subsume four extant Acts: the Minimum Wages Act of 1948, the Payment of Wages Act of 1936, the Payment of Bonus Act of 1965 and the Equal Remuneration Act of 1976.'

Options A, B and C are incorrect as per the highlighted fragments while D is correct.

Hence, option D is correct.

**3.** Refer to:

'Enacting labour reforms is always a herculean task and successive governments have shied away from it. Even the great wave of liberalization of 1991 did not include any factor market reforms.'

Option A is incorrect as this is not the reason for not enacting reforms but merely factual information.

Options C and D are incorrect as they have not been mentioned anywhere.

Option B is correct as per the fragment highlighted.

Hence, option B is correct.

**4.** Refer to:

'This will invariably result in either retrenchment of employees or a significant slowdown in new hiring or both. Economic theory suggests that a price floor, such as a minimum wage, which mandates how low a price can be set, always results in excess supply of that good or service. Seminal work by Nobel Prize winning economist George Stigler concludes that a minimum wage does not satisfy its original intentions—elimination of poverty—and will tend to increase unemployment and reduce family income.'

As per the highlighted fragments, I and II are opposite of what is correct.

III is correct as per the passage.

Hence, option C is correct.

**5.** All of the above situations talk about the adverse effects of implementing a minimum wage.

Hence, option E is correct.

**6.** **Subsume**- include or absorb (something) in something else.

Eg: Most of these phenomena can be subsumed under two broad categories.

As per the meaning stated above, *absorb* is the correct match here.

Hence, option A is correct.

**7.** **Herculean**: requiring great strength or effort.

Eg: A Herculean task.

As per the meaning given above, Options A and B are synonyms while option C is irrelevant.

Only *Easy* is the antonym.

Hence, option D is correct.



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