Sleepy Classes IAS
Awakening Toppers





UPSC EPFO
APFC 2026

COMPLETE APFC SPECIAL SUBJECTS CONTENT NOTES

PYQ MAPPED

Accounting & Auditing
Social Security
Industrial Relations
Labour Codes

Sleepy Classes IAS
Awakening Toppers

Labour Laws, Social Security, Accounting and Auditing

Complete Study Notes

Concepts • Statutory Provisions • Labour Codes • Worked Examples • Concept Checks

---

Part A – Industrial Relations and Labour Codes

Part B – Labour Welfare and the OSH Code

Part C – Social Security Laws and Pension Schemes

Part D – Financial Accounting

Part E – Auditing

Useful for UPSC EPFO (EO/AO, APFC) and other competitive examinations

Helpline: 1800-890-3043

www.sleepyclasses.com

Preface

Dear Aspirant,

If you are holding this book, you have already made a choice that many people only talk about: you have decided to prepare seriously. Perhaps you are studying after a long day at work, between college lectures, or late at night when the house is finally quiet. We know that journey, because we have walked it alongside many learners like you. This book is our way of walking beside you.

Labour laws, social security, accounting and auditing can feel like four different worlds — Acts and Codes with dozens of sections, schemes that keep changing, journal entries that refuse to balance, and auditing standards with unfamiliar names. Most students do not struggle because these subjects are too hard. They struggle because the material is scattered across many sources, written in heavy language, and rarely connected into one clear story. We wanted to change that.

So we brought everything together in one place. Part A takes you through industrial relations and the Labour Codes; Part B covers labour welfare and the OSH Code; Part C explains the social security laws and pension schemes; Part D builds financial accounting from the very first principle to company accounts; and Part E completes the picture with auditing. Each chapter begins with a short map of what lies ahead, explains ideas in simple language with examples, highlights what examiners like to ask, and ends with concept checks so that you can test yourself the same day.

We have tried to write the way a good teacher speaks — patiently, without jargon for its own sake, and with respect for the effort you are putting in. Where the law has changed, we have flagged it. Where students usually get confused, we have slowed down. Where a worked example can teach more than a page of words, we have shown the working step by step.

A book, however, can only show the path; the walking is yours. Read a little every day rather than a lot on one day. Revise before you feel ready. Attempt the questions even when you are unsure — mistakes made at the desk are the cheapest mistakes you will ever make. And on the days when progress feels slow, remember that every topic you understand today is one less worry on the day of the examination.

We are deeply grateful to our faculty, our content team and, above all, to our students, whose questions and doubts shaped every chapter of this book. If you find something that can be explained better, please tell us; this book will keep growing with you.

Stay curious, stay consistent and be kind to yourself on the hard days. We believe in you — and we hope that, by the last page, you will believe in yourself a little more too.

With warm wishes for your success,

Team Sleepy Classes

Contents

Part A – Industrial Relations and Labour Codes 5

Unit I – Concepts of Industrial Relations 6

Chapter 1: Industrial Relations – Concepts, Approaches and Institutions 6

Unit II – Industrial Relations Law 24

Chapter 2: The Trade Unions Act, 1926 24
Chapter 3: The Industrial Employment (Standing Orders) Act, 1946 29
Chapter 4: The Industrial Disputes Act, 1947 33
Chapter 5: The Industrial Relations Code, 2020 42

Unit III – Wages 57

Chapter 6: The Payment of Wages Act, 1936 57
Chapter 7: The Minimum Wages Act, 1948 63
Chapter 8: The Payment of Bonus Act, 1965 68
Chapter 9: The Code on Wages, 2019 72

Unit IV – Working Conditions 83

Chapter 10: The Factories Act, 1948 83
Chapter 11: The Mines Act, 1952 90
Chapter 12: The Child and Adolescent Labour (Prohibition and Regulation) Act, 1986 95

Part B – Labour Welfare and the OSH Code 99

Unit V – Labour Welfare and Industrial Relations Concepts 100

Chapter 13: Labour Welfare 100
Chapter 14: Wages, Tripartism and Labour Policy 109
Chapter 15: Workers' Participation in Management 119
Chapter 16: Industrial Health and Safety 124

Unit VI – Working Conditions Law 130

Chapter 17: The Occupational Safety, Health and Working Conditions Code, 2020 130

Part C – Social Security Laws and Pension Schemes 148

Unit VII – Social Security Acts 149

Chapter 18: The Employee's Compensation Act, 1923 149
Chapter 19: The Employees' State Insurance Act, 1948 155
Chapter 20: The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 161
Chapter 21: The Maternity Benefit Act, 1961 168
Chapter 22: The Payment of Gratuity Act, 1972 172
Chapter 23: The Five Social Security Acts Compared 177

Unit VIII – The Social Security Code 179

Chapter 24: The Code on Social Security, 2020 179

Unit IX – Retirement and Pension Schemes 202

Chapter 25: Types of Retirement Schemes – EPF, EPS, EDLI, PPF and the Old Pension Scheme 202
Chapter 26: The National Pension System (NPS) 214
Chapter 27: NPS Vatsalya, the Unified Pension Scheme and NPS Swasthya 226
Chapter 28: Atal Pension Yojana 234

EXPLORE OUR APFC BATCHES
SCAN THE QR CODE for more Information
Helpline: 1800-890-3043 www.sleepyclasses.com

Part D – Financial Accounting 240

Unit X – Accounting Fundamentals 241
Chapter 29: Introduction to Accounting 241
Chapter 30: Accounting Principles and Concepts 254

Unit XI – Recording and Books of Account 275
Chapter 31: Journal and Ledger 275
Chapter 32: Cash Book and Subsidiary Books 310
Chapter 33: Trial Balance and Rectification of Errors 349
Chapter 34: Bank Reconciliation Statement 382
Chapter 35: Bills of Exchange and Promissory Notes 385

Unit XII – Final Accounts and Financial Statements 389
Chapter 36: Final Accounts and Adjustments 389
Chapter 37: Financial Statements and the Income Statement 426
Chapter 38: Balance Sheet and Shareholders' Equity 440
Chapter 39: Cash Flow Statement 471
Chapter 40: Accounting Ratios 479

Unit XIII – Depreciation, Provisions and Inventories 496
Chapter 41: Depreciation 496
Chapter 42: Provisions and Reserves 501
Chapter 43: Valuation of Inventories (AS-2) 508
Chapter 44: Inventories – Cost and Valuation Methods 517

Unit XIV – Company and Partnership Accounts 523
Chapter 45: Company Accounting – Shares and Debentures 523
Chapter 46: Partnership Accounting 530
Chapter 47: Companies Act, 2013 – Key Provisions 532
Practice Question Bank – Financial Accounting 534

Part E – Auditing 550

Unit XV – Foundations of Auditing 551
Chapter 48: Nature, Objectives and Scope of Auditing 551
Chapter 49: Classification and Types of Audit 558

Unit XVI – Planning and Risk 564
Chapter 50: Audit Strategy, Audit Planning and Audit Programme 564
Chapter 51: Risk Assessment and Internal Control 573

Unit XVII – Evidence and Verification 582
Chapter 52: Audit Evidence 582
Chapter 53: Audit of Items of Financial Statements 595
Chapter 54: Audit Documentation 605

Unit XVIII – Completion and Reporting 611
Chapter 55: Completion and Review 611
Chapter 56: The Auditor's Report 618

EXPLORE OUR APFC BATCHES
SCAN THE QR CODE for more Information
Helpline: 1800-890-3043 www.sleepyclasses.com

Part A – Industrial Relations and Labour Codes

Industrial relations concepts, IR law, wage laws and working-conditions law

Unit I – Concepts of Industrial Relations

Unit II – Industrial Relations Law

Unit III – Wages

Unit IV – Working Conditions

Previous Year Question tags. A tag such as **APFC PYQ 2023** beside a heading or point marks a concept on which a question was asked in the UPSC EPFO APFC examination of that year (papers of 2012, 2015, 2023 and 2025). Where more than one year is shown, the concept was asked in each of those years and deserves priority in revision. A note under each chapter title lists the years in which that chapter was examined.

EXPLORE OUR APFC BATCHES

SCAN THE QR CODE for more Information

Helpline: 1800-890-3043 www.sleepyclasses.com

Unit I – Concepts of Industrial Relations

Chapter 1: Industrial Relations – Concepts, Approaches and Institutions

Concepts from this chapter were asked in the APFC examination of **2012** **2015** **2023**. *Look for the PYQ tags beside the relevant points.*

In this chapter

1. Meaning and Features of Industrial Relations
2. Approaches to Industrial Relations
3. Trade Union Movement in India
4. Theories of Trade Unionism
5. Forms of Industrial Disputes
6. Workers' Participation in Management (WPM)
7. Absenteeism, Stress and Attrition
8. Collective Bargaining
9. Labour Welfare
10. Labour and the Five Year Plans
11. Theories of Wages
12. Wage Boards
13. Industrial Relations Models across Countries
14. International Labour Organisation (ILO)
15. Accident Causation Theories
16. Previous Year Question

1. Meaning and Features of Industrial Relations

The term **industrial relations (IR)** combines two words: **industry** — any productive activity in which an individual or a group of individuals is engaged — and **relations** — the relationships that exist within an industry between the employer and his workmen. **APFC PYQ 2012**

According to the **ILO**, industrial relations deal with either the relationship between the State and employers' and workers' organisations, or the relations between the occupational organisations themselves.

Features of Industrial Relations

- **Two parties** – labour and management interacting in an industrial setting.
- **Conflict and co-operation** – IR studies ways of managing conflict and improving co-operation.
- **Macro factors** – it is shaped by the socio-economic environment, technology and national labour policy.
- **Terms of employment** – it focuses on working conditions and dispute-resolution practices.
- **Legislation** – laws, regulations and government policy shape IR.

Industrial Relations vs Human Relations

- **Meaning:** *Industrial Relations:* Relationships between employers and workers in industrial settings; *Human Relations:* Interpersonal relationships and behaviour of individuals within groups
- **Objective:** *Industrial Relations:* Maintaining harmony and resolving disputes; *Human Relations:* Developing a sense of belonging, improving efficiency and recognising human potential
- **Scope:** *Industrial Relations:* Broader — employer–employee relations, trade unions and legal frameworks; *Human Relations:* Narrower — mainly individual and group behaviour
- **Related aspects:** *Industrial Relations:* Industrial disputes, collective bargaining and employer–worker collaboration; *Human Relations:* Individual behaviour, group morale and social and moral aspects
- **Application:** *Industrial Relations:* At three levels: organisational, industry-wide and national; *Human Relations:* Usually limited to the personnel philosophy within an organisation
- **Key focus:** *Industrial Relations:* Setting and maintaining working conditions, grievance redressal and compliance; *Human Relations:* Creating satisfaction, motivation and teamwork among employees

2. Approaches to Industrial Relations

Scholars have interpreted IR in different ways. These approaches give the theoretical basis for managing workplace relationships and resolving conflict.

2.1 Systems Approach – John Dunlop (1958)

- IR operates as a **social system** influenced by several variables:
- **Actors** – employers, employees (and their unions) and government agencies.
- **Contexts** – the market (M), technology (T) and the distribution of power in society (P).
- **Ideology** – the beliefs and values shared by the actors (I), which hold the system together.
- **Rules** – the output of the system, both **substantive** and **procedural**.
- It explains how these factors interact to produce industrial harmony, with the system constantly adjusting to stay in balance. Dunlop's major works include Industrial Relations Systems (1958) and Industrialism and Industrial Man (1960, with Clark Kerr, Frederick Harbison and Charles Myers).

2.2 Unitary Approach

- **Focus:** teamwork and shared goals.
- **Beliefs:** an organisation is a unified whole with common objectives; conflict arises from poor management and is temporary.
- **Objectives:** build trust, openness and collaboration; keep outside intervention (tribunals, unions) to a minimum.
- **Key points:** strikes are seen as destructive; direct negotiation between management and employees is stressed.
- **Criticism:** ignores power imbalances and the legitimate role of trade unions.

2.3 Pluralist Approach

- **Focus:** the diverse interests within an organisation.
- **Beliefs:** an organisation is a coalition of competing groups (e.g. employees and management); conflict is natural and inevitable, and can promote growth and innovation.

- **Key features:** trade unions represent employees' interests; management mediates between competing interests; the State ensures orderly resolution through legislation and tribunals.
- **Criticism:** overemphasises conflict and may institutionalise it rather than resolve it.

2.4 Marxist (Radical) Approach

- **Focus:** class struggle and systemic exploitation.
- **Beliefs:** society is divided into capitalists and labourers; conflict is inherent because of the profit motive; trade unions are instruments of class struggle and social change.
- **Insights:** economic disparities fuel industrial disputes; State policy often favours employers and perpetuates inequality.
- **Criticism:** overlooks the possibility of collaboration between employers and workers.
- **Hyman's structural contradictions theory (1971):** trade unions are in conflict with employers because of contradictions in the politico-economic structure. Any analysis of IR must therefore be sensitive to the structure of the political economy of production and to the inequalities inherent in capitalism.

2.5 Sociological Approach

- **Focus:** social dynamics affecting IR — values, customs, mobility and stress shape worker behaviour; social changes such as urbanisation and the break-up of families also affect IR.
- **Insights:** economic, technical and political changes alter employer–employee relations; social stressors such as housing and transport in industrial areas contribute to conflict.
- **Key thinkers:** Michael Burawoy (capitalism and industrial production), Harry Braverman (deskilling of workers under capitalism), Joan Acker (gender and workplace discrimination), Richard Hyman (role of trade unions in shaping IR).

2.6 Gandhian Approach

- **Propounded by:** Mahatma Gandhi.
- **Beliefs:** strikes should be peaceful, non-violent and the last resort; resources belong to society and must be shared fairly; conflict arises from greed and inequality.
- **Core principles:** workers are co-partners in the enterprise; disputes should be settled through arbitration, negotiation and dialogue; profits should be shared with the workers who help produce them (trusteeship).
- **Legacy:** ethical industrial relations and collaborative dispute resolution.

2.7 Psychological Approach

- **Focus:** individual perceptions and interpersonal dynamics.
- **Beliefs:** conflict arises from differing perceptions, lack of trust and economic factors; management and labour often hold negative stereotypes of each other.
- **Insights:** psychological factors such as recognition, power and income affect harmony; addressing them improves productivity and relations.

2.8 Human Relations Approach – Elton Mayo APFC PYQ 2012

- **Focus:** worker satisfaction and interpersonal harmony.

- **Beliefs:** workers have social and psychological as well as economic needs; co-operation and small work groups raise morale and productivity.
- **Objectives:** promote mutual interest and harmony; meet employees' emotional and social needs; improve job satisfaction and efficiency.
- **Legacy:** the basis of modern HR practice.

2.9 Oxford Approach – Allan Flanders

- **Focus:** the study of the **institutions of job regulation** (Industrial Relations: What is Wrong with the System?).
- **Belief:** every business enterprise is a social system of production and distribution with structured relationships.
- **Insights:** job regulation is **internal** (work rules, wage structure, grievance procedure) or **external** (trade unions and collective agreements). Collective bargaining is central to IR, being a way of resolving conflict through negotiation.
- **Equation:** r = f(b) or r = f(c), where r = rules of industrial relations, b = collective bargaining, and c = conflict resolved through collective bargaining.
- **Criticism:** overemphasises collective bargaining and the political process, and neglects technology, market forces and ideology.

2.10 Socio-Ethical Approach

- **Focus:** ethics and the social responsibility of business beyond profit.
- **Insights:** fair and equitable treatment of workers; safety, health and well-being; respect for workers' rights and dignity; inclusive decision-making in which workers are heard.
- **Collective bargaining** is seen as a tool of social justice and fairness, addressing power imbalances and exploitation.

Comparison of Approaches

- **Systems** — *Key features:* Social system with many factors; *View of conflict:* Result of power imbalances; *Role of collective bargaining:* Balances power dynamics; *Focus:* Legal and regulatory framework
- **Unitary** — *Key features:* Teamwork and shared goals; *View of conflict:* Temporary, due to poor management; *Role of collective bargaining:* Discouraged; *Focus:* Organisational unity
- **Pluralist** — *Key features:* Competing interests and trade unions; *View of conflict:* Natural and inevitable; *Role of collective bargaining:* Tool for negotiation; *Focus:* Conflict resolution
- **Marxist** — *Key features:* Class struggle and exploitation; *View of conflict:* Inherent in capitalism; *Role of collective bargaining:* Unions as tools of class struggle; *Focus:* Economic disparities
- **Sociological** — *Key features:* Social structures and worker behaviour; *View of conflict:* Result of social factors; *Role of collective bargaining:* Negotiation of power relations; *Focus:* Economic and social factors
- **Gandhian** — *Key features:* Ethics and trusteeship; *View of conflict:* Greed and self-interest; *Role of collective bargaining:* Tool for harmony and justice; *Focus:* Moral and ethical principles
- **Psychological** — *Key features:* Individual attitudes and behaviour; *View of conflict:* Perceptions and motivation; *Role of collective bargaining:* Dispute resolution; *Focus:* Individual-level factors

- **Human Relations** — *Key features:* Employee dignity and participation; *View of conflict:* Lack of involvement; *Role of collective bargaining:* Mutual gains strategy; *Focus:* Employee well-being
- **Oxford** — *Key features:* Institutions of job regulation; *View of conflict:* Resolved through collective bargaining; *Role of collective bargaining:* Central to the IR system; *Focus:* Political and institutional framework
- **Socio-Ethical** — *Key features:* Fair treatment and dignity; *View of conflict:* Power imbalances and exploitation; *Role of collective bargaining:* Tool for social justice; *Focus:* Ethical and legal aspects

2.11 Other Approaches

Giri Approach APFC PYQ 2015

Named after **V.V. Giri** — trade unionist, Labour Minister and later the fourth President of India — this approach stresses **collective bargaining, mutual negotiation and voluntary arbitration** rather than government-imposed adjudication. It shaped India's post-independence labour policy.

- **Collective bargaining first** – disputes should be settled by direct negotiation and **bipartite agreements** between employers and unions, reducing dependence on government; collective bargaining is a democratic, participative route to harmony.
- **Voluntary arbitration over adjudication** – adjudication by tribunals and courts is costly, slow and worsens relations; arbitration by a neutral third party is flexible and industry-friendly.
- **State as facilitator, not enforcer** – the State should act as a mediator promoting fair negotiation and intervene only when absolutely necessary, preserving industrial democracy.
- **Unions as partners** – strong, independent, responsible unions; **one union per industry** to avoid multiplicity and rivalry; unions should focus on long-term welfare rather than militant action.
- **Workers' participation in management** – involvement at all levels, e.g. through **Joint Management Councils**.
- **Conciliation and mediation** – conciliation officers and mediators should resolve disputes early, before they escalate.

ILS Model

Developed by the **International Institute of Labour Studies** in close association with the ILO. It has four elements: **parties, environment, process and rules**.

Craig's Model

- IR is a natural system interacting with its environment through **feedback loops**.
- **Actors and internal inputs** – influenced by external inputs, the actors contribute their values, goals, strategies and power.
- **Conversion mechanisms** – processes by which actors turn internal and external inputs into outputs.
- **Outputs** – the results of the system.

Weber's Social Action Approach

Weber stressed the question of **control** in a context of growing rationalisation and bureaucracy, and the "power of control and its dispersal". In his scheme, a trade union has both **economic** purposes and the goal of involvement in **political and power struggles**.

EXPLORE OUR APFC BATCHES
SCAN THE QR CODE for more Information
Helpline: 1800-890-3043 www.sleepyclasses.com

3. Trade Union Movement in India

The development of the movement can be studied in six periods: **pre-1918, 1918–24, 1925–34, 1935–38, 1939–46, and 1947 onwards**.

3.1 Before 1918

- The earliest sign of labour agitation was in **Bengal in 1860**, led by **Dinabandhu Mitra**, dramatist and social reformer, against the hardships of cultivators and plantation workers; the government then appointed an **Indigo Commission**.
- **Sasipada Banerjee** started welfare activities among workers in the early 1870s, founding the **Working Men's Club (1870)** and the Bengali monthly **Bharat Shramjibi (1874)**. He also set up the **Bara Bazar Organisation** for jute mill workers. The Brahmo Samaj formed the **Working Men's Mission (1878)** and the **Working Men's Institution (1905)**.
- In **1875**, **Sorabjee Shapurji** protested in Bombay against poor working conditions. The first **Factory Commission** was appointed in 1875, leading to the **Factories Act, 1881**, which proved inadequate against child labour.
- The strike at the **Nagpur Empress Mill (1877)** is considered the first workers' strike in India.
- **Narayan Meghaji Lokhande** founded the **Bombay Millhands Association** (the first labour association, 1890), with himself as President, and the journal **Dinbandhu**. He was given the title Rao Bahadur (1895) and was a Justice of the Peace. His efforts won mill workers a **weekly holiday on Sunday**, a **half-hour recess** in the afternoon, working hours from **6.30 a.m. to sunset**, and payment of wages by the **15th** of each month. A petition signed by 17,000 workers reiterated the 1884 demands, which were placed before the **Factory Labour Commission (1890)**.
- Other early bodies: Amalgamated Society of Railway Servants of India and Burma (1897, registered under the Companies Act), Printers' Union Calcutta (1905), Bombay Postal Union (1907), Kamgar Hitvardhak Sabha (1910), and the Bombay Millhands Defence Association formed by **Bal Gangadhar Tilak** (1908).

3.2 1918–1924: Birth of Modern Trade Unionism

- Many unions were formed, including the **Madras Labour Union**, the **Ahmedabad Textile Labour Association**, the Indian Seamen's Union, the Calcutta Clerks' Union and the All India Postal and RMS Association.
- **Madras Labour Union (April 1918)** – generally regarded as the **first trade union in India**, organised by **B.P. Wadia**, an associate of Annie Besant, mainly among workers of the Carnatic and Buckingham Mills; tramway workers and rickshaw-pullers also joined. For the first time there was **regular membership**, with a subscription of **one anna a month**.
- **ILO (1919)** – India was a founder member. The government nominated **N.M. Joshi** as the workers' representative without consulting unions, which spurred workers to organise.
- **AITUC (1920)** – the **All India Trade Union Congress** was formed in Bombay, with **Lala Lajpat Rai** presiding over its first session; Motilal Nehru, Annie Besant, C.F. Andrews, B.P. Wadia and N.M. Joshi took part. APFC PYQ 2023

3.3 1925–1934

- In **1931**, at the Calcutta session, AITUC split again, and a section led by **S.V. Deshpande and B.T. Ranadive** formed the **All India Red Trade Union Congress**.
- Industrial conflict declined, partly because the **Trade Disputes Act, 1929** restricted strikes and lock-outs, and partly because failed strikes caused disillusionment.
- The **Royal Commission on Labour (1929)** was appointed, with **J.H. Whitley** as Chairman and N.M. Joshi and Diwan Chaman Lal as members, to inquire into labour in industrial undertakings and plantations, workers' health, efficiency and standard of living, and employer–worker relations.

3.4 1935–1938: Revival

- Congress ministries formed in several provinces in **1937** tried to strengthen unions and improve labour conditions.
- Workers became more aware of their rights, and management attitudes changed.
- The most important State law of the period was the **Bombay Industrial Disputes Act, 1938**.

3.5 1939–1946

- World War II disrupted industrial relations: prices rose far faster than wages, AITUC split over the national movement, and post-war retrenchment caused unemployment.
- The **Defence of India Rules, 1942** remained in force during the emergency.
- The **Industrial Employment (Standing Orders) Act, 1946** made it compulsory for employers with **100 or more** workmen to define conditions of employment precisely and make them known, to reduce conflict.
- **Indian Labour Conference (ILC)** – a tripartite body set up to promote co-operation between government, employers and unions; its first meeting was held in **1942** (then called the Tripartite National Labour Conference). It is the **apex-level tripartite consultative committee** of the Ministry of Labour and Employment. Its members are all the Central Trade Union Organisations, central employers' organisations, all State and Union Territory governments and the Central Ministries concerned. The **45th session** was held on 17–18 May 2013 at Vigyan Bhavan, New Delhi (the 46th in 2015). Its agenda is finalised by the **Standing Labour Committee**, also tripartite.

3.6 After 1947

- **Industrial Truce Resolution (1947)** – adopted to secure the co-operation of employers and unions in maintaining industrial peace. Employers were to recognise the proper role of labour and secure fair wages and conditions; labour was to recognise its duty to raise national income. Disputes were to be settled without interrupting production, and both sides agreed to maintain peace and avoid stoppages for **3 years**.
- **INTUC (1947)** – formed by labour leaders associated with the Congress Party, aiming at a social order free of hindrances to the all-round development of individuals, and progressively eliminating anti-social concentration of power. APFC PYQ 2023
- **Hind Mazdoor Sabha (1948)** – formed by the Socialist Party, to promote the economic, political, social and cultural interests of workers, co-ordinate affiliated unions, form industry federations, secure freedom of association, speech, assembly and press, the right to work, social security and the right to strike, and work for a democratic socialist society. APFC PYQ 2023

- **United Trade Union Congress (UTUC, 1949)** – aiming at a socialist society, a workers' and peasants' state, nationalisation of the means of production and unity of the trade union movement. APFC PYQ 2023
- **National Council of Central Trade Unions (1972)** – an attempt by HMS, INTUC and AITUC, at a meeting on 21 May 1972, to work together. In September 1977, an all-India convention of central trade unions (including CITU, BMS, HMS, HMP and TUCC) demanded a national wage and price policy and need-based wages.
- **1957–1965** – a shift from **legalism to voluntarism**. The **Code of Discipline (1958)** asked the parties not to take unilateral action, but had limited success.
- **Workers' Education Scheme (1958)** – to educate rank-and-file workers through worker-teachers; run by the **Central Board for Workers' Education**, now the **Dattopant Thengadi National Board for Workers Education and Development (DTNBWED)**.
- **First National Commission on Labour (1966)** – reported in **1969**. The **National Labour Institute** was set up in **1974** (renamed the **V.V. Giri National Labour Institute** in 1995). APFC PYQ 2012
- **ESMA (1981)** – after a 1981 ordinance banning strikes, the **Essential Services Maintenance Act** empowered the government to ban strikes, lay-offs and lock-outs in essential services and to punish those taking part in or instigating illegal strikes.
- **National Commission on Rural Labour (1987)** – chaired by **C.H. Hanumantha Rao**; reported on 31 July **1991**.
- **Second National Commission on Labour (1999)** – chaired by **Ravindra Varma**; reported to Prime Minister Atal Bihari Vajpayee on 29 June **2002**. APFC PYQ 2012
- **National Commission for Enterprises in the Unorganised Sector (NCEUS, 2004)** – chaired by **Dr Arjun Sengupta**, as an advisory body on the informal sector.

4. Theories of Trade Unionism

4.1 Marx's Class Conflict Theory

- Unions are a product of capitalism and of the struggle between the **proletariat** and the **bourgeoisie**.
- Three capitalist tendencies feed the labour movement: accumulation of wealth by capitalists at workers' cost; suppression of wages; and inevitable economic crises.
- Unions should not stop at wage struggles but work to **abolish capitalism** and establish a socialist state — organising workers to end competition among themselves, raising class consciousness and accepting guidance from intellectuals.

4.2 Webbs' Theory of Industrial Democracy

- Sidney and Beatrice Webb, Industrial Democracy (1897).
- Unions arise naturally as a response to market pressures that push employers to cut wages.
- Unions establish **"common rules"** on minimum wages, hours and safe conditions, and are agents of **industrial democracy**.
- They rejected Marx's classless society in favour of **gradual reform** within capitalism by peaceful means, and saw a permanent role for unions in a democratic state.

4.3 Cole's Theory of Union Control of Industry

- G.D.H. Cole, The World of Labour (1913) — between Marx's revolution and the Webbs' reformism.

- Unions are instruments of class struggle, but industry should be controlled by **workers in partnership with the State**, achieved gradually rather than by revolution.

4.4 Hoxie's Functional Classification

Robert F. Hoxie argued that **socio-psychological** factors, not just economics, shape unionism: workers in similar circumstances develop common interpretations of their problems, giving rise to different functional types:

- **Business (bread-and-butter) unionism** — *Features:* Seeks better wages, conditions and job security within capitalism; trade-conscious, not class-conscious; conservative; uses collective bargaining and strikes, avoids violence; *Example:* AFL-CIO (USA)
- **Friendly or uplift unionism** — *Features:* Aims at moral, intellectual and social uplift through education, co-operatives and profit-sharing; trade-conscious with a wider social outlook; *Example:* SEWA (India)
- **Revolutionary unionism** — *Features:* Class-conscious; seeks to overthrow capitalism; rejects private ownership and wage labour. Sub-types: socialist and anarcho-syndicalist (direct action, sabotage, boycotts); *Example:* Industrial Workers of the World
- **Predatory unionism** — *Features:* No fixed ideology; driven by leaders' interests; uses any means, legal or illegal, including collusion with employers; *Example:* Some unions in construction and mining
- **Dependent unionism** — *Features:* Depends on outside support — company unions (controlled by employers) and label unions (dependent on acceptance of union-labelled goods); little bargaining; *Example:* Company unions in large corporations

Takeaways: unions evolve from socio-psychological as well as economic causes; real unions blend several types; and although unions bring democracy into IR, their internal functioning is often undemocratic.

4.5 Tannenbaum's Sociological Theory

- **Frank Tannenbaum** (Columbia University): unionism is a social response to industrialisation, which made workers dependent on machines and employers.
- Unions arose **spontaneously** — "the initial organiser of the trade union movement is the shop, the factory, the mine and the industry". **Machines are the cause; the labour movement is the result.**
- Over time unions gained **monopoly** power over labour supply, became partners in management, and **civilised capitalism** rather than overthrowing it.

4.6 Commons' Environmental Theory

- **John R. Commons** (University of Wisconsin) stressed **economic and environmental** factors.
- Free land in early America delayed unions; as land became scarce, workers stayed in factories and unionised. Immigration and racial divisions weakened collective action until industries matured.
- Unions are a protective device against market uncertainty; collective bargaining is a form of class struggle, but workers and employers would ultimately form a partnership.

4.7 Perlman's Theory of Scarcity Consciousness

- **Selig Perlman** (Wisconsin), a colleague of Commons: unionism stems from workers' fear that jobs are **scarce**, not from class struggle.

- This leads to **job-conscious unionism** — regulating hiring and promotion and restricting non-union labour.
- Three factors shape unions: the **resistance of capitalism**, the **role of intellectuals** (often rejected by workers) and the **maturity of unions**. Unions should work within capitalism.

4.8 Kerr and Associates' Protest Theory

- Kerr, Dunlop, Harbison and Myers called unions **labour organisations** and argued that Western studies are not universally applicable.
- Industrialisation changes the worker's relation to work; workers protest through turnover, sabotage, absenteeism and unionism.
- Five ideal types of leadership of industrialisation: **dynastic elite, middle class, revolutionary intellectuals, colonial administrators and nationalist elite**.

4.9 Simons' Theory

Henry Simons argued that unions are **monopolistic and anti-democratic**; their monopoly power leads to abuse rather than social benefit, contrary to a decentralised democratic economic order.

4.10 Gandhi's Trusteeship Theory

- Based on **Sarvodaya** and class harmony, not class struggle.
- Unions should uplift workers through education and supplementary occupations, not just bargain over wages.
- Capitalists are **trustees** of wealth for society, keeping only what they need.
- Workers should keep out of politics; **peaceful strikes only as a last resort** after negotiation, conciliation and arbitration; **non-violence** throughout.

5. Forms of Industrial Disputes

5.1 Strikes

A strike is a collective stoppage of work by employees to press their demands.

- **Gherao**: Workers physically surround managers to restrict their movement
- **Picketing**: Workers demonstrate outside the workplace with placards, urging others to join
- **Boycott**: Workers withdraw co-operation or refuse to handle certain goods
- **Stay-away strike**: Workers hold rallies and demonstrations outside instead of reporting for work
- **Pen-down strike**: Workers come to work but do not perform their duties
- **Token strike**: Work stops for a short fixed period (e.g. one day) as a symbol of protest
- **Lightning strike**: A sudden strike without warning
- **Go-slow**: Workers deliberately slow down production
- **Work-to-rule**: Employees do only what their job description strictly requires — no overtime or extra tasks
- **Hunger strike**: Workers fast, often near the workplace or the employer's home
- **Secondary (sympathy) strike**: A strike against organisations linked to the employer

- **General strike / political strike**: Mass, often nationwide, strikes for collective demands or against government policy

5.2 Lock-out and Strike Compared

In a **lock-out**, the employer closes the workplace to pressure workers into accepting his terms.

- **Initiated by:** *Strike:* Workers; *Lock-out:* Employer
- **Nature:** *Strike:* Cessation of work by employees; *Lock-out:* Temporary closure of the workplace
- **Purpose:** *Strike:* To press demands; *Lock-out:* To enforce management's terms
- **Affects:** *Strike:* Employer's production; *Lock-out:* Workers' livelihood
- **Impact:** *Strike:* Economic and political; *Lock-out:* Economic and disciplinary
- **Varieties:** *Strike:* Many (gherao, hunger strike, etc.); *Lock-out:* No sub-types

6. Workers' Participation in Management (WPM)

Degrees of Participation APFC PYQ 2012

- **Informative:** Workers are informed about the organisation's activities and may express views
- **Consultative:** Workers are consulted (e.g. on safety and health), but management decides
- **Associative:** Management is obliged to consider and act on workers' input
- **Administrative:** Workers help choose methods of implementing decisions
- **Decisive:** The highest level — workers and management take decisions jointly

Forms of Participation

- **Collective bargaining** – periodic negotiation on wages, conditions and benefits.
- **Works committees** – compulsory in establishments with **100 or more** workers, with equal representation.
- **Joint Management Councils** – consultative bodies with representatives of both sides.
- **Board-level participation** – worker representatives on the board.
- **Workers' ownership** – as practised in former Yugoslavia, with workers in both managerial and operational roles.
- **Suggestion schemes** – workers submit ideas for improvement.

Levels of Participation

- **Shop-floor level** – work allocation, quality control, safety.
- **Plant level** – production planning, inventory, maintenance scheduling.
- **Enterprise level** – strategic planning, resource allocation, performance evaluation.

7. Absenteeism, Stress and Attrition

Absenteeism

- **Webster:** the habit or practice of being absent without valid reason. **Labour Bureau, Shimla:** total man-shifts lost through absence as a percentage of total man-shifts scheduled. **Fillipo:** absence when a worker is scheduled to work but does not report. **Sanctioned leave is not absenteeism.**

- It is a universal phenomenon (usually 7%–30%, up to 40% in extreme cases), varying across occupations, industries and departments.
- **Absenteeism rate:** (Number of days absent ÷ Total scheduled working days) × 100
- **Frequency rate:** (Number of times leave was taken ÷ Total scheduled working days) × 100 — the incidence of absence, regardless of length
- **Severity rate:** (Days lost due to work-related injuries and illnesses ÷ Total hours worked by all employees) × 200,000 — days lost per 100 full-time workers

Stress vs Burnout

- **Definition:** *Stress:* Mental or emotional strain from workplace demands; *Burnout:* Physical, emotional and mental exhaustion from prolonged stress
- **Cause:** *Stress:* Short-term pressure from workload or deadlines; *Burnout:* Long exposure to chronic stress without relief
- **Duration:** *Stress:* Temporary and situational; *Burnout:* Persistent and progressive
- **Symptoms:** *Stress:* Anxiety, irritability, tension, fatigue; *Burnout:* Exhaustion, detachment, reduced sense of achievement
- **Response:** *Stress:* "Fight or flight"; *Burnout:* Withdrawal, disengagement, helplessness
- **Impact:** *Stress:* Can be positive or negative; *Burnout:* Almost always negative
- **Management:** *Stress:* Identify stressors, coping strategies, support; *Burnout:* Time off, professional help, long-term work changes
- **Prevention:** *Stress:* Stress management, healthy lifestyle, resilience; *Burnout:* Supportive workplace, reasonable workloads, fixing systemic issues

Attrition vs Turnover

- **Definition:** *Attrition:* Employees leave and positions stay vacant; *Turnover:* Employees leave and are replaced
- **Reasons:** *Attrition:* Retirement, resignation without replacement, restructuring, elimination of roles; *Turnover:* Voluntary (resignation, retirement) and involuntary (termination, lay-off)
- **Impact:** *Attrition:* Gradual reduction of workforce; cost savings or efficiency; *Turnover:* Frequent replacement; higher hiring and training costs
- **Calculation:** *Attrition:* (Leavers not replaced ÷ Average employees) × 100; *Turnover:* (Leavers replaced ÷ Average employees) × 100
- **Example:** *Attrition:* A firm automates and does not replace 10 retirees; *Turnover:* A firm hires 10 people for posts vacated by resignations

8. Collective Bargaining

- **Meaning** – negotiation between employers (or their representatives) and workers (usually through unions) to settle terms of employment.
- **ILO definition** – negotiations between an employer or group of employers and one or more workers' organisations, to reach agreement on working conditions and terms of employment.
- **Objectives** – to reach a **collective bargaining agreement (CBA)** on pay, conditions, benefits and hours, and to maintain industrial peace.

Types of Collective Bargaining

- **Industry bargaining**: Common in public-sector industries (coal, steel, banks, insurance) and traditional private industries (textiles, plantations); uniform wages across an industry; losing ground to enterprise-level flexibility
- **Enterprise bargaining**: At company or plant level; agreements tailored to the business; gaining popularity
- **Concession bargaining**: Began in the USA during downturns; unions accept wage cuts or restrictions in exchange for job security; in India, seen in downsizing and VRS
- **Composite bargaining**: Goes beyond wages to job security, conditions and corporate policy; co-operative; focuses on productivity and stability
- **Distributive bargaining**: Win–lose; one side gains at the other's expense; usually over wages and bonuses, backed by strike threats
- **Integrative bargaining**: Win–win; joint problem-solving for mutual gain; preferred for long-term harmony
- **Attitudinal structuring**: Changing attitudes and relationships where there is past hostility; builds trust before negotiation
- **Intra-organisational bargaining**: Resolving differences within the union or management (e.g. skilled vs unskilled) before external negotiation

Content and Elements

- Collective bargaining is a **rule-making** process. **Procedural rules** govern negotiation, renewal and termination of agreements and facilities for union officials. **Substantive rules** govern the relationship between workers and management — economic (wages, benefits), governmental (compliance with law) and workplace (job roles, promotion, dismissal, conditions).
- **Issues:** Union recognition, job security, wages, fringe benefits, promotions, transfers, dismissals and working conditions
- **Procedure:** Depends on whether the parties negotiate directly or a third party (e.g. government) intervenes
- **Collective agreements:** Under ILO Recommendation No. 91, written agreements on working conditions and terms of employment between employers and workers' organisations

Integrative vs Distributive Bargaining

- **Definition:** *Integrative:* Collaborative, for mutual benefit; *Distributive:* Competitive, each side maximising its own gain
- **Focus:** *Integrative:* Win–win; *Distributive:* Win–lose
- **Goal:** *Integrative:* A solution meeting both sides' needs; *Distributive:* The best deal for one's own side
- **Information:** *Integrative:* Shared openly; *Distributive:* Withheld or manipulated
- **Relationship:** *Integrative:* Preserved; *Distributive:* Secondary to the outcome
- **Communication:** *Integrative:* Open, seeking common ground; *Distributive:* Guarded, persuasive
- **Outcome:** *Integrative:* Creative solution benefiting both; *Distributive:* Compromise favouring one
- **Time:** *Integrative:* Longer; *Distributive:* Quicker

Behavioural Models of Collective Bargaining

- **Chamberlain's bargaining power model** – bargaining power is the ability to secure the other party's agreement on one's own terms. Union power is measured by management's willingness to agree; management power by the union's willingness to accept. The deciding factor is the **cost of disagreeing relative to the cost of agreeing**.
- **Hicks' model** – focuses on the cost and length of strikes: each side weighs strike costs against gains; employers raise offers according to the expected length of a strike. It predicts a precise settlement, unlike range theory.
- **Pigou's bargaining range theory** – settlement falls within a range between the **union's maximum** and the **employer's minimum**, reached through proposals and counter-proposals.
- **Walton and McKersie (1965)** – four sub-processes: **distributive bargaining, integrative bargaining, attitudinal structuring and intra-organisational bargaining**.

9. Labour Welfare

Theories of Labour Welfare

- **Police theory – Employers exploit workers, so welfare must be enforced by law**
  - *Example:* Factories Act safety and sanitation rules
- **Philanthropic theory** — *Idea:* Welfare out of kindness and generosity; *Example:* Company-funded hospitals and schools
- **Trusteeship theory** — *Idea:* Gandhian — industrialists are trustees who must use profits for workers and society; *Example:* CSR programmes
- **Placating theory** — *Idea:* Welfare to pacify workers and prevent strikes; *Example:* Post-WWI compensation schemes
- **Public relations theory** — *Idea:* Welfare to build reputation and goodwill; *Example:* Worker-friendly policies in advertising
- **Functional (efficiency) theory** — *Idea:* Welfare maintains efficiency and productivity; *Example:* Free meals, healthcare, training
- **Religious theory** — *Idea:* Welfare as a religious duty bringing spiritual reward; *Example:* Free health camps by religious bodies

Types of Labour Welfare

- **By legal obligation** – **voluntary** (not legally required: education for workers' children, clubs, subsidised housing or transport) and **statutory** (legally required). Statutory measures are **basic** (for all workplaces: first aid, drinking water, sanitation, rest rooms) or **conditional** (depending on workforce size: canteens for **250+** workers under the Factories Act, crèches, ambulance rooms) (Sills, 1968). They may also be welfare legislation (hours, safety, hygiene) or social security legislation (protective benefits).
- **By contribution** – **mutual** welfare, to which both employers and workers contribute (ESI, provident fund, labour co-operatives).
- **By location** – **intra-mural** (inside the establishment: canteens, drinking water, first aid, rest shelters, crèches) and **extra-mural** (outside: housing, transport, education, recreation).

EXPLORE OUR APFC BATCHES
SCAN THE QR CODE for more Information
Helpline: 1800-890-3043 www.sleepyclasses.com

10. Labour and the Five Year Plans

- **First (1951–56):** More jobs and better living standards, focus on the rural sector; industrial peace through collective bargaining, mutual settlement and voluntary arbitration, with State arbitration/adjudication if these fail
- **Second (1956–61):** Socialist pattern; industrial democracy; conciliation, voluntary arbitration and negotiation; tripartite wage boards; EPF extended; training of craftsmen; Employment Service and Central Labour Institute
- **Third (1961–66):** Code of Discipline reinforced; more voluntary arbitration; Works Committees and Joint Management Councils strengthened; Workers' Education expanded; fair wages alongside minimum wages; Standing Advisory Committee on factory safety; National Mine Safety Council
- **Fourth (1969–74):** Continuity; ESI expansion; mine safety; stronger enforcement; labour-intensive works (roads, irrigation, electrification, housing, small industry)
- **Fifth (1974–79):** Employment generation and welfare; mobility from surplus to deficit regions; stronger conciliation and enforcement; research on wages and productivity
- **Sixth (1980–85):** Job creation; NSSO employment surveys; focus on women and the educated unemployed
- **Seventh (1985–90):** Manpower planning; technology, modernisation and productivity; re-skilling
- **Eighth (1992–97):** Lower unemployment; rationalising regulation for flexibility; workers' participation; skills, wage equity and informal sector
- **Ninth (1997–2002):** Productivity; simplifying labour laws; National Social Assistance Programme; National Child Labour Project
- **Tenth (2002–07):** Gainful employment; health and vocational training; child labour rehabilitation
- **Eleventh (2007–12):** Better-quality jobs; more regular, less casual work; women's employment; skills; IT, telecom and tourism
- **Twelfth (2012–17):** Skill gaps; Credit Guarantee Fund for skill financing; State Skill Missions; industry–academia links; online labour-market systems and skilled workforce registry; employment exchanges as career centres

11. Theories of Wages

- **Subsistence theory (Ricardo – "iron law of wages"):** Wages settle at the minimum needed to sustain a worker and family: higher wages raise population and labour supply, pulling wages down; lower wages do the reverse. Criticism: ignores labour demand, unions, growth and technology.
- **Wages fund theory (Adam Smith, J.S. Mill):** Wages depend on a fixed fund of capital for labour and the number of workers; raising one group's wages lowers another's. Criticism: the fund is not fixed; ignores productivity, bargaining and policy.
- **Purchasing power theory (Keynes):** Higher wages raise demand, output and growth; wage cuts reduce demand and may worsen unemployment. Criticism: macro-focused; ignores individual productivity.
- **Residual claimant theory (Francis Walker):** Wages are what remains after rent, interest and profit; higher productivity means higher wages. Criticism: wages are not always the last claim; assumes perfect competition.