

Chapter 14

Collective Bargaining: A Tool to Strengthen the Industrial Peace in SMEs

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ABSTRACT

The study aims to explore the role of collective bargaining as a tool to strengthen industrial peace in SMEs. The current status of collective bargaining and its perceived effectiveness has been measured using a survey method from a sample of Northern and Southern India SMEs. Further, the attempt has been made to derive the challenges that SMEs face regarding collective bargaining and its usage for industrial peace. The study also has practical and theoretical implications as well. Hence, policymakers, government authorities, and the managers and owners of SMEs can take action to make collective bargaining a tool to strengthen the industrial peace in SMEs. An awareness campaign for SMEs and trade unions can be organized to discuss the challenges highlighted in this study to make maximum benefits out of collective bargaining. The study contributes to the literature, as largely the previous studies have been conducted in the context of collective bargaining for the large-scale industries only, not for medium or small-scale industries.

INTRODUCTION

Collective bargaining has been defined as a group of actions through which the negotiation takes place. It involves the counter proposals and proposals. Two terms make up the phrase “collective bargaining”: “collective” which signifies group action through its representatives and “bargaining,” which suggests discussions. Collective bargaining also represents collective negotiations that happen between employers and employees pertaining to the working environment and situations. Collective bargaining has also been

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considered as situation in which mean requirements of employment are finalized through the process of bargaining. Collective bargaining made it easier for representatives of organisations and labourers to come up and negotiate with a specific set of conditions. It strengthens the workforce by improving their bargaining capacity. Collective bargaining raises the moral and production capacity of working employees. It enables the management to resolve disputes at reduced cost. With increased cordial relationships between management and workers, the productivity of organisation increases considerably. Effective bargaining by management without any biases leads towards settling various issues such as remunerations, benefits, bonus, insurances, and target and demands properly. Collective bargaining has been recognised as a collective process that represents both management and workers to actively indulge in sorting out issues. It is dynamic and adopts flexible bargaining attitudes.

Collective bargaining serves several purposes for workers: a voice or participation function allows workers to voice grievances and participate in the enterprise's success; a protective function ensures adequate pay, sets limits on daily and weekly working hours, and regulates other working conditions for those with weak individual negotiating power; and a distributive function ensures that workers receive a fair share of the benefits of productivity growth, technology, and training. Collective bargaining offers a mechanism for settling conflicts of interest, which is a crucial conflict management function for employers. When collaborative norms are used to legitimize managerial authority, it is generally more acceptable and effective. Collective bargaining offers a mechanism for settling conflicts of interest, which is a crucial conflict management function for employers. When managerial authority is backed by shared regulations, it is typically more palatable and successful (Flanders, 1968)

Meaning and Definitions of Collective Bargaining

One of the pioneers of the industrial relations area in the United Kingdom and an economic theorist, Beatrice Webb, coined the term "collective bargaining" in 1891. Collective bargaining, according to her and her colleague Sidney Webb, is a procedure wherein employees band together and designate representatives to bargain over their terms and conditions of employment. It was viewed as "one of the methods used by trade unions to further their basic purpose of maintaining or improving the conditions of their [members'] working lives" or as a collective alternative to individual bargaining (Webb, 1920)

Collective bargaining is a medium through which the terms of employment gets fixed between employers and working employees by authorized agents. The interested parties sit on the table and sort out the matters to obtain desirable outcomes. It enables management to bargain on the table with leaders or workers by considering their view points. Collective bargaining does not confine to agreements only. It is an ongoing continuous process that keeps on continuing for 365 days. It involves two parties, employers and employees who collectively come out to some decisions in favour of organisation. As it is a two-party medium to resolve disputes and issues so there is no interference of third element. After discussing the issues, demand and offering by management, a mutual decision is taken. The involvement of two parties makes it a bipartite process. There has been a lot of flexibility and fluidity in the process of collective bargaining. There is no compulsion to come out for an agreement. The agreement only gets authorised when both parties agree to resolve the issue.

According to the Encyclopaedia of social services: -Collective bargaining has been defined as a complete process of negotiations as well as discussions among two parties resulting in understanding and bargaining under the given terms and conditions. Definitions of collective bargaining commonly refer back to Flanders, who described collective bargaining as also being 'a rule-making process' (Flanders, 1970).

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