CHAPTER II

COLLECTIVE BARGAINING—A THEORETICAL FRAMEWORK

Introduction

In its broadest sense, industrial relations is an interdisciplinary field that encompasses the study of all aspects of people at work. The field includes the study of individuals, groups of workers who may or may not organize into a union or an association, the behaviour of employer and union organizations, the public policy or legal framework governing employment conditions, the economics of employment problems, and even the comparative analysis of industrial relations systems in different countries over different time periods. Industrial relations researchers draw on the relevant aspects of the established disciplines of law, economics, history, and the behavioural sciences to describe, predict and sometimes prescribe solutions to problems in the field. Yet because of the interdisciplinary nature of their approach, industrial relations researchers are not bound by the limits or traditional boundaries of these separate disciplines. Since almost all employment problems involve dimensions that cut across the traditional disciplines, adequate analysis and/or treatment of problems must also reflect their full range and complexity.

The study of collective bargaining or union management relations is only one subject area within this rather diverse field. This subject area encompasses all issues that affect the relations among organized groups of workers, employers, and government officials or agencies.
Collective bargaining nicely illustrates the need to integrate knowledge of multiple disciplines. Unions and employers interact within a complex legal framework; their actions are influenced and often constrained by economic or political events largely beyond their control; decisions are made by leaders representing complex and often large organizations, diverse interest groups and individuals with differing needs, expectations, attitudes, and abilities.

The concept:

The term 'collective bargaining' was first introduced in the works of Sidney and Beatrice Webb in their book on 'Co-operative Movement' shortly before the turn of the century. But in 'Industrial Democracy', a study of trade unionism published in 1897, they enlarged upon it, describing the process of collective bargaining as then practised in Britain and its extension from the individual undertaking to the district and industry level and then to the national level. Although they did not define the concept, they saw collective bargaining as fundamentally an economic transaction, one that employees turned to, in order to enhance their bargaining power vis-a-vis their employer. In short collective bargaining was a strategy preferred by employees whenever they perceived their economic power would be greater through
collective action than through individual bargaining with employers. While this view of collective bargaining remains popular today, several authors have noted that bargaining is more than a simple economic exchange. Allan Flanders, for example, expanded on the Webb's interpretation of bargaining by arguing that collective bargaining is also a rule making process that goes beyond the negotiation of economic terms of a contract, and defines the rights of and relationships among individuals, employees, union officials and employers. Similarly, Neil W. Chamberlain and James W. Kuhn conceptualized collective bargaining partly as an economic transaction, partly as a governmental system in which the laws of the workplace are codified and partly as a structure for continuous decision making. Thus one of the central concepts in any analytical framework for the study of collective bargaining must be the substantive rules or terms and conditions of employment.

**Constituent parts:**

Collective bargaining is a combination of two parts: collective and bargaining. Collective denotes group action as opposed to individual action. The voice of individual worker in relation to the total work force is so insignificant that it counts for nothing. The employee has a right to quit and look for work elsewhere if he is unhappy with his present work situation. In individual capacity the employer does not hold the cards. The hazards
of life make it necessary for every business to be organised in such a way that no individual is indispensable. So, the individual employee no matter irrespective of his competence is unable to negotiate effectively on working conditions as an individual. 'Take it or leave it' is the ace of trumps in management's hands. Collective therefore means group action—through representatives. On the management side, it connotes the management's delegates at the bargaining table; on the side of the workers, it denotes the union which may represent the local plant membership, the city wide or region wide or the entire national or international membership.

The term bargaining is synonymous with haggle, chaffer or negotiate. It implies flexibility in place of rigidity. There is enough scope for a compromise or a mutual give and take before reaching any agreement or settlement.

Essentially, successful collective bargaining is an exercise in graceful retreat—retreating without seeming to retreat. Collective bargaining is known by its characteristics, which include, the organization involved, the power relationships between the bargaining parties, the continuing relationships between the parties involved in negotiations, administration, interpretation and enforcement of the bargaining agreement, and the process
of accommodating conflict between the management and the union. Collective bargaining is the relationship of two organisations, the management and the representatives of the employees. This is not a relationship between the employer and his employee nor is it the replacement of individual bargaining by collective bargaining. As Reynolds indicated in general, 'the alternative to collective bargaining is no bargaining'. Under most economic conditions, the individual worker is so insignificant in relation to the total work force that his bargaining power does not exist. Individual bargaining means that the employer has a right to quit and to look elsewhere for work if he is displeased with his present terms and conditions of employment. Often this is an unacceptable prospect and so the worker remains in unsatisfactory occupational conditions which collective bargaining might have changed for the better. In most cases, the difference between individual bargaining and collective bargaining appears to be the difference between employee influence and lack of it, between occupational improvement and possible job stagnation, between economic security and insecurity.

Characteristics of Collective Bargaining:

1. It is a two party process implying that bargaining is not merely the presentation by one party of demands which require a defence by the other party, rather it is a mutual give and take in which both
parties make demands, proposals and counter proposals. Mature collective bargaining can survive only when each party recognizes and assumes its responsibilities in agreements reached jointly and it can be implemented for a sustained period of time only if each party benefits. Otherwise the situation is not economically supportable. Therefore, collective bargaining implies a reasonable equality of bargaining strength between the two organizations and some gain to each of the parties.

2. Collective bargaining is a pure power relationship between management and the union, in which conflict exists over the control of the functions in employment relations. Both management and union attempts, through economic power, to retain the functions under their jurisdiction at the time of the bargaining process. Through power relationships, each party attempts to encroach upon the other party's function. For instance, union leaders are constantly challenging management's rights to manage while management continually threatens the unions exclusive control over its membership.

3. Collective bargaining is a continuous process of communication between labour and management during the negotiation, administration, interpretation and enforcement of the labour agreement.
A large share of collective bargaining is not conflict but a process by which the main terms of the agreement, already understood by the negotiators, are made acceptable not to those in charge of the bargaining but to those who will have to live with its results. Collective bargaining as a form of communication leads to the peaceful resolution of conflict through various forms of compromise, agreement and cooperation.

4. In this treaty making and treaty enforcing process, collective bargaining is industrial government through the consent of the governed, the employees. It is the extension of the basic principles and practice of democracy into industry and it is completely consonant with our philosophy of government which is that a person should have a voice in his economic destiny.

Depending on the circumstances, collective bargaining may be legislative, judicial or executive. Under this system of industrial government, the concept of industrial jurisprudence has provided a system of quasi-judicial law which protects the employer against arbitrary treatment while at work. In each industrial unit, a body of regulation develop, which is comprised of statutory law (the contract, the arbitration onwards and other written documents) and of common law (decision on grievances, precedent
setting action by supervisors, understanding, varied agreements all largely informal and unrecorded.) To this body of quasi judicial regulations, Sumner Slicher applied the term industrial jurisprudence, a term which provides a means of introducing civil rights into employment relations.

**Goals of Collective Bargaining:**

In collective bargaining, several different sets of goals are formulated by management, labour and society. Although these goals may be complex and often conflicting, they compromise the basic drives which motivate the parties, in the collective bargaining process, the objectives of labour and management in the bargaining process and how are these objectives reconciled with the labour policy of the society in which they exist.

In a study of over one hundred industrial organizations, F.H. Harbison and J.R. Coleman have succinctly stated the goals motivating management and labour as they attempt to set the basic price for labour in the market place.

**Goals which motivate management:**

1. Preserve and strengthen the firm: Management is committed to the production of a profit or the avoidance of a loss for the investor in company operations. The profit motive thus provides the incentives for management to maintain the financial and organisational welfare of the firm through lower costs, adequate
financial reserves for new plant and equipment and development of superior employee morale.

2. Retain effective control over the firm: Throughout its interactions with labour, management is concerned with maintaining its management prerogatives such as financing business operations, specifying products sold and services rendered, establishing productive standards, determining plant lay out, selecting new employees, determining in job content and methods of manufacture.

3. Establish Stable, Predictable relations with union: Management wants to obtain responsible union activity in all phases of collective bargaining. Thus guaranteed conduct by the union leadership would tend to ensure co-operation with management in an effort to provide maximum productivity.

4. Preserve the free enterprise system: In addition to preserving and strengthening the firm, the executive is acutely concerned with other economic and social objectives within the framework of collective bargaining. In the minds of the executives, it is extremely important to provide for the right to venture, the right of individual initiative and the right to fair competition.

5. Advance the personal ambitions of managers with the bargaining process: Managers have their own personal goals and interests. They may demonstrate individual
behaviour ranging from open conflict to co-operation.
Successful bargaining is frequently related to the ability of the manager to reconcile his interests with the objectives of the firm.

Management therefore undertakes the defense of the free enterprise system, as a means of providing stability for our society and of enhancing the status of the worker by maximizing his psychological and economic securities through superior managerial methods.

Goals which motivate labour:

Unions develop their collective bargaining policy with certain underlying objectives including attempts to:

1. Preserve and strengthen the union.
2. Promote economic welfare of the membership.
3. Acquire additional control over jobs.
4. Promote broad social and economic objectives.
5. Advance the personal ambitions of union leaders.

Mc. Grath's Tripolar Model of Collective Bargaining:

The tripolar model was first presented by Mc Grath and Julian (1962) but subsequently elaborated by Vidmar (1971) and Mc. Grath (1966). It is called tripolar model because it assumes that each spokesman is subject to forces towards three conflicting 'party' positions: R-forces, directed towards the position of the party the negotiator represents; A-forces, directed towards the position of the opposing party;
and C- forces, directed towards the position of 'the broader organization or social system in which all parties participate'.

R- forces are of at least two types: those arising from a negotiator's ideological or attitudinal identification with his reference group, and those arising from his role obligations as a representative of that party. A-forces include such components as the attraction a negotiator has for his opponent as a person, any sympathy he has for the goals of the other party, and his perception of whether his opponent is bargaining in good faith or not. The C-force 'pressure' on a negotiator is analogous to the 'pull' towards the position of a generic or universalistic reference group and is constituted in the desire to set forth a solution which would be good for the general community.

It is assumed that the success of a situation must be judged from the viewpoint of each of the parties to the conflict. The 'totally successful solution' would maximally satisfy all three parties (i.e. own party, opponents' party and the 'community'). The degree of success actually obtained as in consequence likely to be determined by the balance between the three sets of forces towards those three parties. The ability to achieve any solution depends upon some effective degree of A-force pressure on both negotiation teams. However, when the negotiation task is (or is perceived as) one in which the groups are contri- ently opposed, the R-force pressure acts against the A-force
pressure. Hence, the success of a negotiation session is contingent upon the balance of pressures acting on the individual (or teams) making up the negotiation group.

R-forces are, however, regarded as more important determinants of task success than either A- or C-forces, and R-force pressure is assumed to be inversely related to task success. 'Task Success' in No. Grath's work and that of his associates is invariably assessed in terms of some 'multipartisan' criterion. Ideally, ratings of the success of an outcome would be obtained from leaders of the three respective main parties, and the product of these would be taken to define the degree of success. Strong R-forces prevail against successful negotiation because they are the major source of divisiveness and conflict within the group. Conflict arises not as a result of the task per se, but rather from a conflict-producing role structure derived from member commitments to reference groups outside the actual negotiation situation and from perception of a contrariant reward situation. Conflict in formal negotiation groups is thus regarded as a function of the task itself, the attitudinal commitments of a negotiator to a party position, and the role obligation of a negotiator to represent a party. It is not just the task or conflicting member attitudes per se that causes performance decrement, but also the effects of a representational role structure.
Mr. Groth has posited two types of R-force pressure that arising from a negotiator's role obligation to represent a group, and that arising from his attitudinal identification with a reference group position. There is a certain amount of experimental evidence that both types may seriously affect an individual's judgement of the essential elements in a competitive intergroup situation. Judgements of the intentions of own and other side, of their abilities and goals, will be biased in accordance with own group interests. Mr. Groth has rather neglected the importance of such perceptual influences. Each type of R-force pressure may affect bargaining behaviour either directly, via-negotiator's willingness to compromise, or indirectly, via-negotiators' perception of party positions.

Theories of Collective Bargaining:

The following important theories are discussed in the present chapter:

(i) Webb's classical view,
(ii) Chamberlain's three-fold theory;
(iii) Dunlop's view on determination of priorities in the bargaining process.
(iv) Walton and K. Kearsie's behavioural theory of labour negotiations.
(v) Flandor's view on unified theory.

Webb's classical view:

Towards the end of nineteenth century the idea of collective bargaining was originated in the writings of Sidney and Beatrice Webb. Webbs dealt with collective
bargaining as one of the several methods used by trade unions to further their basic purpose of maintaining or improving the conditions of their members. In their analysis, it appears as an alternative to the methods of mutual insurance and legal enactment, and all these concepts were formed in order to categorize the observed activities of trade unions in the nineteenth century Britain. They concluded that apart from this organization building activities, the unions were:

(i) providing their members with various kinds of benefits;
(ii) bargaining with employers for their members as a collectivity and
(iii) pressing for legislation which favours their interests.

In dealing with collective bargaining, Webbs did not consider it other than as a trade union method. There is, for instance, hardly any consideration in the whole of Webbs' writing of an employer's interest in collective bargaining. In short for the Webbs, collective bargaining was exactly that the words imply; a collective equivalent and alternative to individual bargaining. Where workmen were willing and able to combine, they preferred it to bargaining as individuals with their employer because it enabled them to secure better terms of employment by controlling competition among themselves. After all,
employers could hardly be expected to welcome a strengthening of the bargaining position of the employees unless it brought them some compensating advantage. Webbs, however, tended to assure that collective bargaining was something forced upon employers against their will by strikes and other union sanctions.

**Chamberlain's view:**

Considering many deficiencies of the traditional view of collective bargaining and its twentieth century developments, N.W. Chamberlain attempted to outline a 'generic definition' of the institution. He proposed that all the theories hold about the nature of collective bargaining could be reduced to three:

1. a means of contracting for the sale of labour;
2. a form of industrial government; and
3. a method of management.

Chamberlain called them respectively the marketing, governmental and managerial theories in the context of America, though his supporting arguments have a more universal application. Moreover, the three theories express not only different views of what happens in collective bargaining, but also different conceptions of what should happen. The marketing view rests on the principle that collective bargaining is necessary to reduce the balance of bargaining inequality between
employers and employees. The principle underlying the governmental view is the sharing of industrial sovereignty which according to Chamberlain, has two facts. The one is that employers should divide their power with unions so as to produce 'mutually acceptable' laws of industrial self-government, the other that they should engage in a joint defense of their autonomy. An ethical principle of self-determination bars the intervention of others into this area of private group decisions. Lastly, the managerial view is supported by the 'principle of mutuality', which holds that those who are integral to the conduct of an enterprise should have a voice in decisions of concern to them. One might say that, what the first theory draws attention to the trade union acting as a 'labour cartel' in collective bargaining, the second sees it as introducing an autonomous and agreed 'rule of law' into employer-employee relations and the third stresses its contribution towards making management more democratic or fathering 'industrial democracy'.

Dunlop's view:

Dunlop's theory of industrial relations system has provided a much needed framework for integrating many diverse aspects of the field. Dunlop conceptualizes that every industrial relations system involves three groups of actors:

(1) Workers and their organizations,
(2) Managers and their organizations and
(3) Governmental agencies concerned with the work place and the work community.
Every industrial relations system creates a complex of rules to govern the work-place and work community. These rules may take a variety of forms in different systems, agreements, statutes, orders, regulations, awards, policies and practices and customs. The actors in an industrial relations system are regarded as confronting in an environmental context in a single time. The environment is comprised of three interrelated contexts; the technology, the market or budgetary constraints and the power relations and status of the actors. The system is bound together by an ideology or understanding shared by all the actors. The central task of a particular rules are established in particular industrial relations systems and how and why they change in response to changes affecting the system.

Dunlop's view of collective bargaining involves the determination of priorities' within each side in the bargaining process. He advocated that a homogenous union negotiates with a homogenous management or association is erroneous and mischievous. A great deal of the complexity of the collective bargaining involves the process of compromise and assessment of priorities within each side. In an important sense collective bargaining typically involves three coincidental bargains - the rejection of some claims and the assignment of priorities to others within the union, an analogous process of assessing priorities and trade offs within a single management or association, and the bargaining across the table. The same process is involved in the administration and application of agreement.
This view of collective bargaining also has ignored the traditional view of Webbs, perhaps that is why it has been so little appreciated. There are two sides to a labour market with wages being costs for employers and incomes for employees. Viewed simply in 'bargaining' terms it was easy to slip into the assumption of homogeneity of interest on each side. Once collective bargaining penetrates into management, however, the multiplicity of diverse interests of separate work groups and the functional and hierarchical conflicts of interests within management can not possibly be disregarded. The problem of determining priorities therefore, becomes much more acute.


Walton and Mc Kersie's treatment of labour negotiation process is intended to analyse four systems of activities which together account for almost all the behaviour in negotiations. They referred to each of the distinguishable systems of activities as a sub-process. The first sub-process is 'distributive bargaining', its function is to resolve pro conflicts of interests. The second, 'integrative bargaining', functions to find common or complementary interests and solve problems confronting both parties. The third sub-process is 'attitudial structuring' and its functions are to influence the attitudes of the participants towards each other and to affect the basic bonds which release the two parties they represent. A fourth sub-process, inter organizational bargaining, has the function of achieving consensus within each of the interacting groups.
Distributive Bargaining:

Distributive bargaining is central to labour negotiations and usually regarded as the dominant activity in the union management relationship. Unions represent employees in the determination of wages, hours and working conditions. Since these matters involve the allocation of scarce resources, there is assumed to be some conflict of interests between management and unions. The joint decision process for resolving conflicts of interest is distributive bargaining. The term itself refers to the activity of dividing limited resources. It occurs in situations in which one party wins the other party loses.

Integrative Bargaining:

Integrative bargaining refers to the system of activities which is instrumental to the attainment of objectives which are not in fundamental conflict with those of the other party and which therefore can be integrated to some degree. Such objectives are said to define an area of common concern, a problem. Integrative bargaining and distributive bargaining are both joint decision making processes. However, these processes are quite dissimilar and get one national responses to different situations. Integrative potential exists when the nature of a problem permits solutions which benefit both parties, or at least when the gains of one party do not represent equal sacrifices by the other. This is closely related to what game theories call the varying-sum game.
Attitudinal Structuring:

Attitudinal structuring refers to activities which influence the attitudes of the parties towards each other and affect the basic relationship bonds between the solid units involved. This is an additional major function of negotiations which influences the relationship between parties, in particular such as friendliness-hostility, trust, respect and the motivational orientation of competitiveness-co-operativeness. Although the existing relationship pattern is acknowledged to be influenced by many more enduring forces (such as the technical and economic context, the basic personality dispositions of key participants, and the social belief systems which pervade the two parties), the negotiators can and do take advantage of the intention system of negotiations to produce attitudinal change.

This sub-system of activities are instrumental to the attainment of desired relationship patterns between the parties. Desired relationship patterns usually give content to this process in a way comparable to that of issues and problems in distributive and integrative process.

Intra-organizational Bargaining:

During the course of negotiations another system of activities, designed to achieve consensus within the union and within the company, takes place. Intra-organizational bargaining refers to the system of activities which brings the expectations of principal into alignment with those of
the chief negotiator. The chief negotiators often play important but limited role in formulating bargaining objectives. On the union side, the local membership exerts considerable influence in determining the nature and strength of aspirations and the international union may dictate the inclusion of certain goals in the bargaining agenda. On the company side, top management and various staff groups exert this influence on bargaining objectives. In a sense the chief negotiator is the recipient of two sets of demands – one from across the table and one from his own organization. His dilemma stems from conflict of two levels: differing aspirations about issues and differing expectations about behaviour.

Flander's view:

Flanders has nevertheless criticized Chamberlain's threefold theory and tried to give a theory of a unified nature of collective bargaining. He rejects first the marketing approach assimilated to the one of the Webbs on the grounds that it is limited to the economic aspect of a mostly political process and thus misleading and inadequate because explaining too little of the process. Then he considers the governmental approach as too restrictive by putting the emphasis on procedural rules which can be embodied in the substantive rules which result from the third approach, the managerial one. Flanders considers collective bargaining as 'joint regulation' and criticizes Chamberlain's managerial approach for its assumption of
jointly conceived objectives leading to functional integration. In fact, Flander’s concept of collective bargaining as 'joint regulation' of labour markets and labour management seems to us more satisfactory on the grounds that it encompasses in one point of view all industrial relations systems where collective bargaining is an existing process, the degree to which the 'joint' character of regulation is more or less important of course varying widely, but being always present. Flander’s concept of joint regulation as opposed to joint management allows to distinguish more clearly the two antagonistic principles which are implied in the nature of collective bargaining, i.e., conflict and co-operation which constitute the basis for joint regulation.

Webb’s classical view distinguished the following processes in industrial relations - individual bargaining, arbitration, conciliation, legal enactment and open warfare. Individual bargaining was seen as the method whereby individual contract was made between the individual workman and the employer. Collective bargaining was the method in reaching a single agreement made by the representatives of a group of workman and the employer, laying down the principles upon which workman of that group could be engaged.

In Flander’s view, individual bargaining is a market or economic process, whereas collective bargaining, involving as it does the use of power as well as the making of rules, is really a political process. However, collective bargaining
regulates, rather than replaces individual bargaining. Dunlop's theory has provided a framework for integrating many diverse aspects of the field. Dunlop conceptualizes an emergent interval structure, the 'Web-of-rules' by which the actors live and explains this by referring to larger structures in the environment. Both the dependent and independent variables in his theory are structural concepts.

The essential distinction between Dunlop's framework and Walton and Mc Kersie's behavioural theory, is between a theory of structure and one of ongoing process. Walton and Mc Kersie's theory focused on the rule-making mechanism which is a part of the linkage between these structures. They took the goals and structures of the two organizations as given things. They also accept as not requiring explanation the existing set of rules which governs their continuous interchange but then ask what the process is by which these rules are changed periodically. Rather than dealing with the rule-making process as an essentially deterministic mechanism, which seems to be implicit in Dunlop's theory, Walton and Mc Kersie treated it as a goal-directed activity - a set of instrumental acts which can be more or less intelligently conceived and more or less expertly executed.

The Economics of Collective Bargaining:

Almost every collective bargaining negotiation soon or late resolves itself into a wage debate, for it is the size of the pay envelope that soon or late, comes to occupy
the centre of the stage. The chief reason that management 
and union try to achieve a meeting of minds is to resolve 
points of conflict over who gets what out of total profits, 
actual and potential. Despite irresponsibles on the right 
and left, unionism remains primarily concerned with the share 
the worker can get from the earnings of an enterprise. Indeed, 
organized labour is not interested in control of an enterprise 
as control, but rather in particular to the extent that 
labour's stake can be safe-guarded and advanced. In any 
collective bargaining, both managements and unions are called 
on to face a vast array of economic issues, often obscure in 
origin and impact. Too often they rely - at best upon a spirit 
of give and take, rather than upon the marshaling and exami-
nation of pertinent data.

The Need for Facts:

Indeed, in approaching their joint problems, the 
management and union are, in many cases, deficient in facts. 
A desire to get the 'controlling facts' to ascertain an 
accurate ratio between labour costs and company earnings are 
characteristics of informed sophisticated bargainers. This 
whole approach presupposes a certain ripeness of judgement, 
a willingness to explore mutually, that is a rule to go with 
maturity in the management - union relationship. It is the 
inexperienced bargainers of the immature union who ask for 
the moon. It is the unschooled bargainers of an unseasoned 
management who deny that the moon exists.
However, even among our more mature labour and employer groups, few guiding precepts - other than rule of the thumb - are to be found. Hence collective bargaining too often becomes a compromise based upon approximation and upon the financial and forensic power of two parties rather than upon scientific verifiable evidence. A rise in the cost of living, for example, may furnish the union with its most telling argument, or again it may be an increasing in per-capita output within the plant; or a general round of raises granted by a rival firm. In periods of prosperity, the union seeks to push up the existing scale. In slack or depressed times, the union tries to conserve its gains. Actuated by the same underlying motivations, the employer’s argument is opposite but of the same calibre. Managements may resist union contentions by pointing to wage scales higher than those at a comparable factory; or to heavy investments in new machineries required to keep up with the competitive pace; or to a tax burden uncommonly high.

Neither side seems disposed to accept the bad with the good. A union that, during a span of full employment, wants wages tied to living costs or profit percentages, finds little merit in this proposal during a time of deflation. The converse also holds good:

The Dangers of High Prices:

That this trend is dangerous for the future prosperity can hardly be derived. Whatever prices can be pre-determined,
independent of the rise or fall of effective demand, the temptation to maintain the price at a high level is generally stronger than perception that this rigidity, if put into practice through out the country, would lead to economic stagnation and collapse. The hazard in any such situation is that a company, bent on retaining a previous price structure, in the face of declining demand, produces less and less while lay offs in its own plant swell unemployment. Moreover, it is not only specific company that is affected by pursuing a policy of price rigidity in supplying. and feeder enterprises are likewise affected and in turn curtail their own operation.

The same principle applies to the process of setting prices for labour. Both management and union must be aware of the danger of pricing themselves and their product out of the market. In this connection, collective bargaining becomes a crucial instrument for sparking and stimulating the capacity use of materials, machine and manpower. This function is especially important in view of the fact that the basic decisions now-a-days are group decisions, corporate decisions, union decisions, farm bloc decisions and not the solitary decisions of individual sellers and individual buyers. But whatever the degree of competition, whether semimonopolistic with prices virtually frozen, or cut-throat competition of free for all parties, the underlying aim of collective bargaining must be to summon forth the utmost use of our
resources. Hence when management and union get together to make a bargain, they should keep in the front of their minds that their arrangements will influence the price of the product which must be sold to a third party, the consumer. The consumer does not sit down to approve the price, but he may reject it later when he does his own kind of 'bargaining'. He may refuse to buy, or perhaps won't buy as much as he would otherwise if the price were more favourable compared to other claims on his income.

Collective bargaining and maximum production:

In that economy, collective bargaining must be more consciously invoked by management and unions to serve a double purpose:

1. to regularize prices without letting them rise too high, and at the same time to aid in the abolition of sweat shop practices which may 'anchor' prices but at the risk of reducing purchasing power;

2. to relax the rigidity of prices found in imperfect competition by putting production and employment first, rather than curtailing output to maintain a pre-existing scale even when up against falling demand. Prices and wage administration today must move towards the same goal as that achieved by the automatic competition of the free (nearly free) market namely, the complete and continuing use of
what we have in materials, machines and manpower.

Environmental considerations affecting collective bargaining:

Collective bargaining is virtually affected by the environment in which it takes place. The interaction between labour and management in the various phases of collective bargaining takes place within a useful context which may be rapidly changing or relatively stable. The environment may involve:

1. the technological and physical conditions of the industrial community;

2. the labour market conditions in which management buys labour services and the product market conditions in which goods are sold;

3. the external settling of the parties, including the relationship of management to other managements and of the union to other unions;

and

4. the philosophies and ideologies of the community and industry in which the groups bargain.

One of the best summaries of the factors producing favourable or unfavourable environmental conditions in collective bargaining was published by National Planning Association. The study reveals that four major groups
of environmental factors affect the nature of collective bargaining relationship:

1. industrial factors.
2. community factors.
3. political factors; and
4. time factors.

1. Industrial Environment:

Important to the industrial environment are: the size of the plant and company, production patterns, technological advance, nature of the jobs, cost factors, market factors and locational factors. However, size is a significant factor as it affects the social distance between managers and the workers, between managers and leadership, and between the union leadership and the workers. As the size of an industry expands, the social distance between each of these three groups increases until communications become very formal. The community of interests of the three groups and the knowledge they hold in common decline rapidly as the firm size increases.

If a continuous demand for the product of a firm or an industry ensures a steady flow of production throughout the year, the firm or industry will tend to enjoy a favourable bargaining relationship, since the union membership has continuing employment security. Some firms with seasonal operations or with production crises may encounter bargaining
problems arising out of the unavailability of raw materials or perhaps out of reduction in consumer demand. Because the union's economic power also tends to rise and fall with the health of the given industry or firm. The union leadership and membership find that instability creates unfavourable climate for collective bargaining.

If basic technology changes rapidly in company, management and labour are faced with greater problems than if technical advances are made at a moderate rate.

The enlarging or diminishing of job opportunities for present employees is affected by the extent of technological change in any workplace. The more severe the change, the less favourable are conditions for stable bargaining. As an illustration, if the union has not been consulted in the planning of the massive innovations in production which may reduce the work force rapidly. It may insist upon a technological change in order to retard further automation. The industrial environment is significantly affected by the level of skill and responsibility, involved in each occupational category. A local union, made up of workers with highly skilled, responsible jobs, has considerably more economic power than the local which is made up of unskilled or semi-skilled assembly line workers and considerably more ease in retaining its workers. Moreover, it is much more difficult for management to combat a strike or pressure tactics when it is backed by skilled, professional or technical workers.
In bargaining relationship, high costs sometimes compel union management co-operation, but often high costs cause industrial conflict, since the firm is unable to provide adequate wages, hours and working conditions. On the other hand, the most efficient firms can provide additional wages and improved working conditions without impairing their competitive position in the market. Moreover if labour cost is a small part of the total costs of operation, the firms and the union are in a favourable position to move towards a peaceful relationship.

The market factors which affect the collective bargaining environment include: market expansion or contraction, economic cycles and product price.

1. If a product market is expanding, there is ample opportunity for employment, promotional opportunities and room for agreement at the bargaining table or the allocation of job opportunity; whereas a contracting market produces employment insecurity through lay-off policies, make work rules, and work sharing system.

2. The product market relates to cyclical fluctuations in the economy in that, the greater the cyclical sensitivity of demand for the product, the poorer the conditions for industrial peace, since employment security for the worker is directly affected.
3. Lastly, if there is a little or no relationship between product demand and product price, environmental conditions are favourable to collective bargaining, since higher costs can be passed on to the consumer in the form of higher prices. If on the other hand, there is a strong inverse relationship between product demand and product prices, there may be very little room for bargaining, since any increase in wages would lead either to a decline in sales or to a decline in the profit of the firm.

In the consideration of location factors, the mobility of the plant may be related to union organizing attempts. Unorganized mobile plants are able to escape union organized areas and thus create collective bargaining problems for the unionized plants that remain and organizing problems for the unions. Immobile plants may provide for union stability and stable bargaining relationship.

Community environment:

In each collective bargaining relationship, external factors from the community impinge upon the parties involved. The community environment is comprised of the work force composition, the plant and the labour markets, local wage levels, and the industrial climate.

In a favourable bargaining relationship workers are producing steadily and are easily taught and easily managed;
in an unfavourable one, workers are inconstant in their work attendance and productivity and are ready to fight with management at the slightest provocation.

When considering the relationship of the plant to the local labour market, the larger the share of the local labour force that is employed at a given plant, the less favourable the environment for mature bargaining and vice-versa. In one industry, or one plant town, the worker has no other job opportunities in the local labour market. The plant which employs most of the workers in the community directly affects the entire community through its collective bargaining relationship, whereas the plant having a small percentage of the entire work force does not significantly affect the community in the event of industrial strife.

Local wage level affects the collective bargaining relationship primarily through the standard of equitable comparison which is the comparison of wage rates paid for comparable work in different plants and industries, usually. If a high wage firm is located in a community having a low wage structure, it has a good chance of making satisfactory wage settlements through negotiations. However, if a low wage firm is located in a high wage community, it has little chance of maintaining a stable bargaining relationship, since the firm's employees will leave for other employment and the union will be continually attempting to upgrade the firm's wage level to that of the community.
In highly organised metropolitan areas where the union is an accepted institution, employees are more likely to join the unions because it is supported by the union locals and because management may accept unionization as inevitable. However, in areas which are partly organized or completely unorganized, unions have an extremely difficult time in organizing in the face of basically hostile community attitudes.

**Political environment:**

Internally, both management and union are affected by the 'political environments' which are shaped by their forms of organization. Union leaders are attentive to the accomplishments of rival unions, so as to anticipate the desires of their membership and thus retain their support.

The trade unions as a 'political organization' is subjected to many pressures which include:

1. pressure by rival unions;
2. the pressure of factionalism within the union.

These two pressures tend to create insecurity among the leadership and disturbances among the membership. Because of this insecurity, union leaders frequently become more aggressive, a tendency which seldom encourages industrial peace. Two other factors affecting the political environment are the degree of homogeneity of the union membership and the
locus of power within the union. If the membership is relatively homogenous in culture, values and religion, the atmosphere surrounding collective bargaining is likely to be favourable. If the locus of power is high up in the union hierarchy, the chances for mutual relationship at the local level are slight. Lastly, if the union follows the pattern set down by its own international or by other rival unions, industrial peace may follow because the local parties do not have to negotiate the contract themselves. However, the choice may lead to less independent action by the local union and the loss of some of its autonomy. When management follows the industry wide pattern, many problems are removed from the bargaining table because the union is likely to be stubbornly insistent about getting the pattern (even to the point of striking) and not persistent about getting even more.

Time as an environmental factor:

Time acts as a constraint throughout the industrial, community and political environments affecting the collective bargaining relationship. If a bargaining relationship has its origins in peaceful periods of time, such as in the periods of government encouragement during two world war, the relationship is very likely to be successful. As time passes, each collective relationship enters new phases which involve changes in these factors of industrial community and political environments. The environmental forces do not cause industrial peace, but these forces may provide the opportunity for labour and management to move towards a fruitful and mature collective bargaining relationship.
**ENVIRONMENTAL FACTORS AND INDUSTRIAL PEACE**

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<th>Frequently unfavourable circumstances.</th>
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Collective Bargaining and the International Labour Organization (ILO):

While collective bargaining as a method for regulating terms and conditions of employment has been the concern of the ILO from its earliest days, it was in the years following the Second World War that the International Labour Conference adopted a series of standards—conventions and recommendations, directly or closely related to the question.

The freedom of Association and protection of the Right to Organise Conventions, 1948, defined the essential guarantees necessary to employers' and workers' organizations for their establishment and functioning. It was followed by right to organise and collective bargaining convention, 1949, Article 4 of which states that measures appropriate to national conditions should be taken where necessary to encourage and promote the full development and utilisation of machinery for voluntary negotiation between employers' and employees' organisation and workers' organisation with a view to the regulation of terms and conditions of employment by means of collective agreements.

In 1951, the conference elaborated on this statement in the Collective Agreements Recommendation (No. 91) which deals particularly with collective bargaining machinery, definition of collective agreements, their effects, extension, interpretation and supervision. According to these standards machinery should be established by agreement or laws or
regulations, as appropriate under national conditions, to negotiate, conclude, revise and renew collective agreements or to be available to assist the parties in the process. The organisation methods of operation and functions of such machinery should be determined by agreements between the parties or by law or regulation as appropriate. After dealing with collective agreements the Recommendation states that as regards their effects, they should be binding on the signatories and those on whose behalf the agreement is concluded. Employers and workers so covered should not be able to include in contracts of employment stipulations contrary to those of the collective agreements; such stipulations should in any case be regarded as null and void and automatically replaced by the corresponding stipulations of the collective agreement. However, those provisions, in the individual contract more favourable to the worker should not be regarded as contrary to the collective agreement.

As regards the extension of collective agreements, Recommendations state that where appropriate measures to be determined by national laws or regulations, should be taken to extend the application of all or certain stipulations of collective agreement to all employers and workers included in the industrial scope of the agreement. This extension may be made subject to certain conditions, particularly that the collective agreement covers a sufficiently representative member of employers and workers and
that the request for extension be made by one of the parties to the agreement and that prior to its extension, the employers and workers affected be given an opportunity to submit their observations.

As far as the interpretation of collective agreements is concerned, disputes arising out of the interpretation of a collective agreement should be submitted to an appropriate procedure for settlement established either by agreement between the parties or by law or regulations. The supervision of the application of collective agreements should be ensured by the parties to the agreement or by bodies either existing for their purpose or ad hoc bodies.

At the regional level, a number of ILO regional conferences have adopted resolutions or conclusions concerned directly with collective bargaining and collective agreements as well as with other aspects of industrial relations, particularly the First and Second American Regional Conferences (1946 and 1949) and the First African Regional Conference.

Finally, a series of texts have been adopted by the industrial committees on the subject of particular relevance, concerning collective bargaining and the observance of collective agreements adopted by Iron and Steel Committee at its first session in 1946 which endorsed the principle of the right to collective bargaining between employers and workers leading to the formulation of collective agreements,
affirmed the need for strict observance of the terms and conditions of such agreements and recommended that collective agreements should include a clause providing for the resolution of differences arising during its currency, whether by negotiation, mediation and conciliation and arbitration.

Further the memorandum concerning conditions of work and social problems in Iron and Steel Industry in countries in the course of industrialization (1957) stated that in new Steel Plants employers and workers should seek to establish and use machinery of collective bargaining from the outset in accordance with the practice usually followed in the country concerned; that agreements should be strictly respected by the parties; and differences arising out of the interpretation of an existing agreement should be resolved by procedures agreed in advance by the parties concerned or established by legislation. Finally the recommendation noted that wages, hours of work and other combinations of work in steel industry shall be determined by collective bargaining except where in accordance with the practice of the country. They are established under legislation or by arbitration.

The ILO has not, however, confined itself in the matter of collective bargaining to the elaboration of standards. It has published reports, studies and workers' education manuals, arranged study terms and the sending of groups of it-instant experts and individual experts.
REFERENCES:


   Dunlop argued that the rules governing the work place should serve as the focal point for the study of industrial relations.


18. Ibid., p. 141.


26. Ibid.,


33. Ibid., pp. 690-700.

34. Ibid., pp. 704-707.