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Collage:- J.D. Women's College

Course :– MBA (PG)

Semester :– 3 RD

Paper :— MB HC 02

Topic :-- Collective Bargaining in India

Subject :-- Industrial Relation

Collective Bargaining in India

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Definition of Collective Bargaining:

Industrial disputes between the employee and employer can also be settled by discussion and negotiation between these two parties in order to arrive at a decisionThis is also commonly known as collective bargaining as both the parties eventually agree to follow a decision that they arrive at after a lot of negotiation and discussion. According to Beach, "Collective Bargaining is concerned with the relations between unions reporting employees and employers (or their representatives).It involves the process of union organization of employees, negotiations administration and interpretation of collective agreements concerning wages, hours of work and other conditions of employees arguing in concerted economic actions dispute settlement procedures". According to Flippo "Collective Bargaining is a process in which the representatives of a labor organization and the representatives of business organization meet and attempt to negotiate a contract or agreement, which specifies the nature of employee-employer union relationship".

"Collective Bargaining is a mode of fixing the terms of employment by means of bargaining between organized body of employees and an employer or association of employees acting usually through authorized agents. The essence of Collective Bargaining is bargaining between interested parties and not from outside parties".

According to an ILO Manual in 1960, the Collective Bargaining is defined as:

"Negotiations about working conditions and terms of employment between an employer, a group of employees or one or more employers organization on the other, with a view to reaching an agreement." It is also asserted that "the terms of agreement serve as a code defining the rights and obligations of each party in their employment relations with one another, if fixes large number of detailed conditions of employees and during its validity none of the matters it deals with, internal circumstances give grounds for a dispute for counseling and individual worker.

Collective Bargaining Involves:

(i) Negotiations

(ii) Drafting

(iii) Administration

(iv) Interpretation of documents written by employers, employees and the union representatives

(v) Organizational Trade Unions with open mind.

Forms of Collective Bargaining:

The working of collective bargaining assumes various forms.

(1) In the first place, bargaining may be between the single employer and the single union, this is known as single plant bargaining. This form prevails in the United States as well as in India.

(2) Secondly, the bargaining may be between a single firm having several plants and workers employed in all those plants. This form is called

multiple plants bargaining where workers bargain with the common employer through different unions.

(3) Thirdly, instead of a separate union bargaining with separate employer, all the unions belonging to the same industry bargain through their federation with the employer's federation of that industry. This is known as multiple employer bargaining which is possible both at the local and regional levels. Instances in India of this industry-wide bargaining are found in the textile industry.The common malady of union rivalry, small firms and existence of several political parties has given rise to a small unit of collective bargaining. It has produced higher labour cost, lack of appreciation, absence of sympathy and economic inefficiency in the realm of industrial relationships. An industry-wide bargaining can be favourable to the economic and social interests of both the employers and employees.

Essential Pre-Requisites for Collective Bargaining and
Effective collective bargaining requires the following prerequisites:

(i) Existence of a strong representative trade union in the industry that believes in constitutional means for settling the disputes.

(ii) Existence of a fact-finding approach and willingness to use new methods and tools for the solution of industrial problems. The negotiation should be based on facts and figures and both the parties should adopt constructive approach.

(iii) Existence of strong and enlightened management which can integrate the different parties, i.e., employees, owners, consumers and society or Government.

(iv) Agreement on basic objectives of the organisation between the employer and the employees and on mutual rights and liabilities should be there.

(v) In order that collective bargaining functions properly, unfair labour practices must be avoided by both the parties.

(vi) Proper records for the problem should be maintained.

(vii) Collective bargaining should be best conducted at plant level. It means if there are more than one plant of the firm, the local management should be delegated proper authority to negotiate with the local trade union.

(viii) There must be change in the attitude of employers and employees. They should realise that differences can be resolved peacefully on negotiating table without the assistance of third party.

(ix) No party should take rigid attitude. They should enter into negotiation with a view to reaching an agreement.

(x) When agreement is reached after negotiations, it must be in writing incorporating all term of the contract. It may be emphasised here that the institution of collective bargaining represents a fair and democratic attempt at resolving mutual disputes. Wherever it becomes the normal mode of setting outstanding issues, industrial unrest with all its unpleasant consequences is minimised.

Main Features of Collective Bargaining are-

1. It is a Group Action

Collective bargaining is a group action as opposed to individual action. Both the parties of settlement are represented by their groups. Employer is represented by its delegates and, on the other side; employees are represented by their trade union.

2. It is a Continuous Process

Collective bargaining is a continuous process and does not end with one agreement. It provides a mechanism for continuing and organised relationship between management and trade union. It is a process that goes on for 365 days of the year.

3. It is a Bipartite Process

Collective bargaining is a two party process. Both the parties—employers and employees— collectively take some action. There is no intervention of

any third party. It is mutual given-and-take rather than take-it-or-leave-it method of arriving at the settlement of a dispute.

4. It is a Process

Collective bargaining is a process in the sense that it consists of a number of steps. The starting point is the presentation of charter of demands by the workers and the last step is the reaching of an agreement, or a contract which would serve as the basic law governing labour-management relations over a period of time in an enterprise.

5. It is Flexible and Mobile and not Fixed or Static

It has fluidity. There is no hard and fast rule for reaching an agreement. There is ample scope for compromise. A spirit of give-and-take works unless final agreement acceptable to both the parties is reached.

6. It is Industrial Democracy at Work

Collective bargaining is based on the principle of industrial democracy where the labour union represents the workers in negotiations with the employer or employers. Industrial democracy is the government of labour with the consent of the governed—the workers. The principle of arbitrary unilateralism has given way to that of self-government in industry. Actually, collective bargaining is not a mere signing of an agreement granting seniority, vacations and wage increase, by sitting around a table.

7. It is Dynamic

It is relatively a new concept, and is growing, expanding and changing. In the past, it used to be emotional, turbulent and sentimental, but now it is scientific, factual and systematic.

8. It is a Complementary and not a Competitive Process

Collective bargaining is not a competitive process i.e., labour and management do not coopt while negotiating for the same object. It is essentially a complementary process i.e., each party needs something which the other party has, namely, labour can put greater productive effort and management has the capacity to pay for that effort and to organise and guide it for achieving the enterprise's objectives.The behavioural scientists have made a good distinction between "distributive bargaining" and "integrative bargaining". The former is the process of dividing up the cake which represents what has been produced by the joint efforts of management and labour.In this process, if one party wins something, the other party, to continue the metaphor of the cake, has a relatively smaller size of the cake. So it is a win-lose' relationship. The integrative bargaining, on the other hand, is the process where both the parties can win—each party contributing something for the benefit of the other party.

9. It is an Art

Collective bargaining is an art, an advanced form of human relations.

Nature of Collective Bargaining

There are four important methods of collective bargaining, namely, negotiation, mediation, conciliation and arbitration for the settlement of trade disputes. In this context R.F. Hoxie said that arbitration is often provided for in collective bargaining under certain contingencies and for certain purposes, especially when the parties cannot reach agreement, and in the interpretation of an agreement through negotiation.Conciliation is a term often applied to the art of collective bargaining, a term often applied to the action of the public board which attempts to induce collective bargaining.Mediation is the intervention usually uninvited, of some outside person of body with a view of getting conciliation or to force a settlement, compulsory arbitration is extreme mediation. All these things are aids or supplement to collective bargaining where it breaks down. They represent the intervention of outside parties.

Importance of Collective Bargaining:
The collective bargaining advances the mutual understanding between the two parties i.e., employees and employers.

The role of collective bargaining may be evaluated from the following point of view:

(1) From Management Point of View:

The main object of the organisation is to get the work done by the employees at work at minimum cost and thus earn a high rate of profits. Maximum utilization of workers is a must for the effective management. For this purpose co-operation is required from the side of the employees and collective bargaining is a device to get and promote co-operation. The labour disputes are mostly attributable to certain direct or indirect causes and based on rumors, and misconceptions. Collective bargaining is the best remedial measure for maintaining the cordial relations.

(2) From Labour and Trade Union Point of View:

Labour has poor bargaining power. Individually a worker has no existence because labour is perishable and therefore, the employers succeed in exploiting the labourers.The working class in united form becomes a power to protect its interests against the exploitation of the employers through the process of collective bargaining.The collective bargaining imposes certain restrictions upon the employer. Unilateral action is prevented. All employees are treated on equal footings. The conditions of employment and rates of wages as specified in the agreement can be changed only through negotiations with labour. Employer is not free to make and enforce decisions at his will.Collective bargaining can be made only through the trade unions. Trade unions are the bargaining agents for the workers. The main function of the trade unions is to protect the economic and non-economic interests of workers through constructive programmes and collective bargaining is one of the devices to attain that objective through negotiations with the employers, Trade unions may negotiate with the employer for better employment opportunities and job security through collective bargaining.

(3) From Government Point of View:

Government is also concerned with the process of collective bargaining. Government passes and implements several labour legislations and desires it to be implemented in their true sense. If any person violates the rules and laws, it enforces them by force.Collective bargaining prevents the Government from using the force because an amicable agreement can be reached between employer and employees for implementing the legislative provisions. Labour problems shall be minimised through collective

bargaining and industrial peace shall be promoted in the country without any force.Collective bargaining is a peaceful settlement of any dispute between worker and employers and therefore it promotes industrial peace and higher productivity resulting an increase in the Gross National Product or the national income of the country.

Obstacles in the way of Collective Bargaining in India:

The main objective of developing collective bargaining technique is to improve the workers-management relations and thus maintain peace in industries. The technique has developed in India only after India got independence and got momentum since then.The success of collective bargaining lies in the attitude of both management and workers which is actually not consistent with the spirit of collective bargaining in India. There are certain problems which hinder the growth of collective bargaining in India.

The following factors or activities act as hindrances to effective collective bargaining:

(1) Competitive Process:

Collective bargaining is generally becoming a competitive process, i.e., labour and management compete each other at negotiation table. A situation arises where the attainment of one party's goal appears to be in conflict with the basic objectives of the other party.

(2) Not Well-Equipped:

Both the parties—management and workers—come to the negotiation table without doing their homework. Both the parties start negotiations without being fully equipped with the information, which can easily be collected from company's records. To start with, there is often a kind of ritual, that of charges and counter charges, generally initiated by the trade union representatives. In the absence of requisite information, nothing concrete is achieved.

(3) Time to Protest:

The immediate objective of the workers' representatives is always some kind of monetary or other gains, accrue when the economy is buoyant and

the employer has capacity to pay. But in a period of recession, when demand of the product and the profits are falling, it is very difficult for the employer to meet the demands of the workers, he might even resort to retrenchment or even closure collective bargaining is no answer to such a situation.

(4) Where Prices are Fixed by the Government:
In industries, where the prices of products are fixed by the Government, it becomes very difficult for the employer to meet the demands of workers which would inevitably lead to a rise in cost of the products produced. Whereas the supply price to the consumers cannot be increased. It will either reduce the profits of the firm or increase the loss. In other words, it will lead to closure of the works, which again is not in the interest of the workers.

(5) Outside Leadership:
Most of the Indian trade unions are led by outsiders who are not the employees of the concerned organisations. Leader's interests are not necessarily to be identical with that of the workers. Even when his bonafides are beyond doubt, between him and the workers he leads, there cannot be the degree of understanding and communication as would enable him to speak on behalf of the workers with full confidence. Briefly, in the present situation, without strong political backing, a workers' organisation cannot often bargain successfully with a strong employer.

(6) Multiplicity of Trade Unions:
One great weakness of collective bargaining is the multiplicity of trade unions. In a multiple trade union situation, even a well recognised, union with long standing, stable and generally positive relationship with the management, adopts a militant attitude as its deliberate strategy.

In Indian situation, inter-union rivalries are also present. Even if the unions combine, as at times they do for the purpose of bargaining with the employer they make conflicting demands, which actually confuse employer and the employees.

(7) Appointment of Low-Status Executive:
One of the weaknesses of collective bargaining in India is that the management deputes a low-status executive for bargaining with the

employees. Such executive has no authority to commit anything on behalf of the management. It clearly indicates that the management is not at all serious and the union leaders adopt other ways of settling disputes.

(8) Statutory Provisions:
The constraints are also imposed by the regulatory and participative provisions as contained in the Payment of Wages Act, the Minimum Wages Act, and Payment of Bonus Act etc. Such provisions are statutory and are not negotiable.

(9) Fresh Demands at the Time of Fresh Agreement:
At the time when the old agreement is near expiry or well before that, workers representatives come up with fresh demands. Such demands are pressed even when the industry is running into loss or even during the period of depression. If management accepts the demand of higher wages and other benefits, it would prefer to close down the works.

(10) Agreements in Other Industrial Units:
A prosperous industrial unit in the same region may agree with the trade unions to a substantial increase in wages and other benefits whereas a losing industry cannot do that. There is always pressure on the losing industries to grant wages and benefits similar to those granted in other (relatively prosperous) units in the same region.

Present position of Collective Bargaining:
Collective bargaining broadly covers subjects and issues entering into the conditions and terms of employment. It is also concerned with the development of procedures for settlement of disputes arising between the workers and management.

A few important issues around which collective bargaining enters in this developing country are as follows:
“Recognition of the union has been an important issue in the absence of any compulsory recognition by law. In the under-developed countries in Asia, however, on account of the tradition concept of management functions and the immaturity of the industrialist class there is much resistance from the employers to recognise the status of the unions.”

Bargaining upon wage problems to fight inflation or rising cost of living and to resist wage cuts during depression has resulted in several amicable agreements. But, no statistics are available for such amicable settlements. Therefore, Daya, points out, "It has been customary to view collective bargaining in a pattern of conflict; the competitively small number of strikes and lock-outs attract more attention than the many cases of peaceful settlement of differences."

Another issue on which bargaining takes place is seniority, but in India, it is of less importance than in western countries. But, in India, lay-off, retrenchment, dismissal, rationalisation and participation in the union activities have been important issues for collective bargaining.

Regarding bargaining on hours of work, it has recognized that "in one form or another subject of working time will continue to play an important part in collective bargaining; although the crucial battles may be well fought in the legislative halls."

Overtime work, holidays, leave for absence and retirement continue to be issues for bargaining in India, although they are not regarded as crucial.

The union security has also been an issue for collective bargaining, but it could not acquire much importance in the country, although stray instances are found. The Tata Workers union bargained with M/s Tata Iron and Steel Co. Ltd., Jamshedpur, on certain issues, one of which was union security and in the resulting agreement some of the union security clauses were also included.

The production norms, technical practices, details of working rules, standards of performance, allowance of fatigue, hiring and firing, protection of life and limb, compensation for overtime, hours of work, wage rates and methods of wage payments, recognition of unions, retrenchment, union security, holidays and competence of workmen form the subjects of negotiations and agreements through collective bargaining. Customary practices are evolving procedures to extend the area of collective bargaining. Collective bargaining has been giving official sanction to trade experiences and agreements.

Collective bargaining, thus, covers the negotiation, administration, interpretation, application and enforcement of written agreement between employers and unions representing their employees setting forth joint understanding, as to policies and procedures governing wages, rates of pay, hours of work and other conditions of employment.

Collective Bargaining in the Post- Independence Period:

Before Independence, the collective bargaining as it was known and practised was virtually unknown in India. It was accepted, as a matter of principle, for usage in union management relations by the state.

Though it was emphasised in the First Five Year Plan that the State would encourage mutual settlement, collective bargaining and voluntary arbitration; to the utmost extent and thereby reduce number of intervention of the state in union management relations.

However, because of the imperatives of political and economic factors, the State was not prepared to encourage voluntary arbitrations and negotiations and the resulting show of strength by the parties. The State, therefore, armed itself with the legal powers which enabled it to refer disputes to an arbitrator or an adjudicator if the two parties fail to reach a mutually acceptable agreement.

This move of compulsory arbitration and adjudication was opposed by several labour leaders because they believed that this would destroy the picture of industrial relations in India. Dr. V.V. Giri expressed his views on this point at the Indian Labour Conference in 1952, "Compulsory arbitration" he declared, "has cut at the very root of trade union organisation…If the workers find that their interests are best promoted only by combining, no greater urge is needed to forge a band of strength and unity among them. But compulsory arbitration sees to it that such a band is not forged… It stands there is a policeman looking out for signs of discontent, and at the slightest provocation, takes the parties to the court for a dose of costly and not wholly satisfactory justice."

Despite this controversy, collective bargaining was introduced in India for the first time in 1952, and it gradually gained importance in the following years. The information, however, on the growth of collective bargaining process is very meager, and the progress made in this respect has not been very conspicuous, though not negligible. The data released by the Labour

Bureau show that the practice of determining the rates of wages and conditions of employment has spread to most of the major segments of the national economy.

A sample, study covering the period from 1956 to 1960 conducted by the Employer's Federation of India has revealed that collective bargaining agreements have been arrived in respect of disputes ranging from 32 to 49 percent. Most of the collective bargaining agreements have been entered into at plant level. In this connection, the National Commission on Labour has thrown ample light on the progress of collective agreement.

In its own words, "Most of the collective bargaining (agreements) has been at the plant level, though in important textile centres like Bombay and Ahmedabad industry level agreements have been (fairly) common… Such agreements are also to be found in the plantation industry in the South, and in Assam, and in the coal industry. Apart from these, in new industries—chemicals, petroleum, oil refining and distribution, aluminium and electrical equipment, automobile repairing—the arrangement for the settlement of disputes through voluntary agreements have become common in recent years. In the ports and docks, collective agreements have been the role at individual centres. On certain matters affecting all the ports, all India agreements have been reached. In the banking industry, after the series of awards, employers and unions have, in recent years, come closer to reach collective agreements. In the Life Insurance Corporation (LIC) with the exception of the Employer's decision to introduce automation which has disturbed industrial harmony in some centres, there has been a fair measure of discussion across the table by the parties for the settlement of disputes."

The collective bargaining reached has been of three types:
(1) Agreement arrived at after voluntary direct negotiations between the parties concerned. Its implementation is purely voluntary;

(2) Agreements between the two parties, though voluntary in nature, are compulsory when registered as settlement before a conciliator; and

(3) Agreement which have legal status negotiated after successful discussion between the parties when the matter of dispute is under reference to industrial tribunal/courts.

Many agreements are made voluntarily but compulsory agreements are not negligible. However, collective bargaining and voluntary agreements are not as prominent as they are in other industrially advanced countries. The practice of collective bargaining in India has shown much improvement after the passing of some legislation like The Industrial Disputes Act 1947 as amended from time to time. The Bombay Industrial Relations Act 1946 which provided for the rights of workers for collective bargaining. Since then, a number of collective bargaining agreements have been entered into.

Issues Involved in Collective Agreements:
A study conducted by the Employer's Federation of India revealed that out of 109 agreements, 'wages' was the most prominent issue in 96 cases (88 percent) followed by dearness allowance (59 cases) retirement benefits (53 cases), bonus (50 cases) other issues involved were annual leave, paid holidays, casual leave, job classification, overtime, incentives, shift allowance, acting allowance, tiffin allowance, canteen and medical benefits.

A study of various collective agreements entered into in India, certain trends in collective bargaining are noticeable.

These are:
(i) Most of the agreements are at plant level. However, some industry-level agreements are also there;

(ii) The scope of agreements has been widening now and now includes matters relating to bonus, productivity, modernisation, standing orders, voluntary arbitration, incentive schemes, and job evaluation;

(iii) Long term agreements ranging between 2 to 5 years, are on increase;

(iv) Joint consultation in various forms has been provided for in a number of agreements; and feasible and effective.

Reasons for the Growth of Collective Bargaining:
The growth of collective bargaining in India may be attributed to the following factors:
(1) Statutory Provisions:
Which have laid down certain principles of negotiations, procedure for collective agreements and the character of representation of the negotiating parties?

(2) Voluntary Measures:
Such as tripartite conferences, joint consultative boards, and industrial committees at the industry level have provided an ingenious mechanism for the promotion of collective bargaining practices.

(3) Several Governments Measures:
Like schemes for workers' education, labour participation in management, the evolution of the code of Inter-union Harmony, the code of Efficiency and Welfare, the Code of Discipline, the formation of Joint Management Councils, Workers Committees and Shop Councils, and the formulations of grievances redressal procedure at the plant level— have encouraged the collective bargaining.

(4) Amendments to the Industrial Disputes Act:
The Amendments to the Industrial Disputes Act in 1964 provided for the termination of an award or a settlement only when a proper notice is given by the majority of workers. Agreements or settlements which are arrived at by a process of negotiation on conciliation cannot be terminated by a section of the workers.

(5) Industrial Truce Resolution:
The Industrial Truce Resolution of 1962 has also influenced the growth of collective bargaining. It provides that the management and the workers should strive for constructive cooperation in all possible ways and throws responsibility on them to resolve their differences through mutual discussion, conciliation and voluntary arbitration peacefully.

Government Policy to Encourage Collective Bargaining:
Ever since independence, it has been the declared policy of the Central Government to encourage trade unions development and the settlement of differences in industry by mutual agreement.

Article 19 of the constitution guarantees for all citizens the right to form associations or unions, only by reserving to the state powers in the interest of public order to impose reasonable restrictions on the exercise of this right.

The Industrial policy Resolution of 1956 declared that, "in a socialist democracy labour is a partner in the common task of development", thus

following out the resolution of the Lok Sabha of 1954 which set India on the path towards a "'socialistic pattern of society."

The Second Five Year Plan in 1956 was more specific and declared:
"For the development of an undertaking or an industry, industrial peace is indispensable; obviously, this can best be achieved by the parties themselves. Labour legislation and the enforcement machinery set up for its implementation can only provide a suitable framework in which employees and workers can function."

Has Government Discouraged Collective Bargaining?
It is obvious, that the declared policy of the government laid emphasis on the voluntary settlement of differences in industry. But industrial legislation since independence and government intervention to establish various standards of working conditions and machinery for compulsory arbitration of disputes have limited the scope of collective bargaining.

The areas that are covered by labour legislation are mainly physical working conditions and terms of employment, and to the extent that these are prescribed by law the scope of collective bargaining is limited.

The Industrial Employment (Standing Order) Act, 1948 makes compulsory the drawing up conditions of employment relating to methods of paying wages, hours of work, over time, shifts, holidays, termination of employment and disciplinary action, but not through joint negotiation. There is no statutory requirement that employer should discuss the draft standing orders with the union.

The Minimum Wages Act, also passed in 1948, has given statutory power to appropriate government to fix minimum wages in certain scheduled employments. The object of this legislation was to secure a minimum in those occupations or industries where the worker were not sufficiently organised to be able to negotiate reasonable wages for themselves.

If the government was committed to support the principle of collective bargaining, why no attempt was made to encourage it by legislation? The Trade Union Amendment Act, passed in 1947, did not in fact provide for the compulsory recognition by the employers of representative trade unions, but this act was never notified and so never came into force.

It is arguable that some legislative action to compel recognition of the more stable unions might have helped to create a better climate for encouragement of voluntary settlement in industry.

The attitude of the management and unions was commonly "Let the issue go to the tribunal", with the result that little real effort was made towards mutual settlement and conciliation officers found little response to their efforts at meditation. References to the adjudication piled up, the industrial tribunals were overwhelmed with cases, and lengthy delays and general frustration resulted.

From the above facts, it looks that the Government has discouraged the Development of Collective Bargaining in India. But the truth is that, the Government intention has never been to discourage it. In fact, the labour in India is not very well organised and it is not expected that it would be able to get its due share through collective bargaining.

Hence, the government has tried to protect in the interests of labour by passing the various acts such as the Factory Act of 1948. Employees State Insurance Act, 1948 and Minimum Wages Act. Hence, the cases involving industrial disputes should be to compulsory arbitration.

Khandubhai Desai, the then Labour Minister, stated in July 1956 that voluntary agreement to refer questions to arbitration was the best solution. But he added complete laissez-faire is out of date. Society cannot allow workers or management to follow the law of jungle. Therefore, as a last resort, the government has taken powers to refer disputes to adjudication.

It has, further, been argued that in a planned economy, the relations between the labour and management have also to be on planned basis.

They cannot be allowed to upset the production target just because one of the parties would not like to settle the disputes in fair manner.

Therefore, the Government of India under Industrial Disputes Act 1947 has created the following seven different authorities for the prevention and settlement of disputes:
1. Workers Committees.

2. Conciliation Officer.

3. Board of Conciliation.

4. Court of Enquiry.

5. Labour Courts.

6. Industrial Tribunals.

7. National Tribunals.

The important characteristic of the above machinery for the prevention and settlement of disputes is that, there is full scope for the settlement of dispute through collective bargaining and if it is not settled by Works Committees, Conciliation Officer, Board of Conciliation, only then, it is referred to Court of Enquiry and Labour Courts. The decision of the Labour Courts, Industrial Tribunal and National Tribunal is binding on both the parties.

Advantages of Collective Bargaining:
Perhaps the biggest advantage of this system is that, by reaching a formal agreement, both sides come to know exactly what to expect from each other and are aware of the rights they have. This can decrease the number of conflicts that happen later on. It also can make operations more efficient.
Employees who enter collective bargaining know they have some degree of protection from employer retaliation or being let go from the job. If the employer were dealing with just a handful of individuals, he might be able to afford to lose them. When he is dealing with the entire workforce, however, operations are at risk and he no longer can easily turn a deaf ear to what his employees are saying.
Even though employers might need to back down a little, this strategy gives them the benefit of being able to deal with just a small number of people at a time. This is very practical in larger companies where the employer might have dozens, hundreds or even thousands of workers on his payroll. Working with just a few representatives also can make the issues at hand seem more personal.
Agreements reached through these negotiations usually cover a period of at least a few years. People therefore have some consistency in their work environment and policies. This typically benefits the company's finance

department because it knows that fewer items related to the budget might change.

On a broad scale, using this method well can result in more ethical way of doing business. It promotes ideas such as fairness and equality, for example. These concepts can spill over into other areas of a person's life, inspiring better general behavior towards others.

Disadvantages of Collective Bargaining:

A major drawback to using this type of negotiation system is that, even though everyone gets a say in what happens, ultimately, the majority rules, with only a few people determining what happens too many. This means that a large number of people, particularly in the general workforce, can be overshadowed and feel like their opinion doesn't really matter. In the worst case scenario, this can cause severe division and hostility in the group.

Secondly, it always requires at least two parties. Even though the system is supposed to pull both parties together, during the process of trying to reach an agreement, people can adopt us-versus-them mentality. When the negotiations are over, this way of looking at each other can be hard to set aside, and unity in the company can suffer.

Collective bargaining can also be costly, both in terms of time and money. Representatives have to discuss everything twice—once at the small representative meetings, and again when they relay information to the larger group. Paying outside arbitrators or other professionals quickly can run up a fairly big bill, and when someone else is brought in, things often get slower and more complex because even more people are involved.

Some people point out that these techniques have a tendency to restrict the power of employers. Employees often see this as a good thing, but from the company's perspective, it can make even basic processes difficult. It can make it a challenge to deal with individual workers, for example.

The goal of the system is always to reach a collaborative agreement, but sometimes tensions boil over. As a result, one or both parties might feel they have no choice but to muscle the other side into giving up. Workers might do this by going on strike, which hurts operations and cuts into profits. Businesses might do this by staging lockouts, which prevents members' of the workforce from doing their jobs and getting paid, negatively effecting income and overall quality of living.

Lastly, union dues are sometimes an issue. They reduce the amount of take-home pay a person has, because they usually are deducted right from his paycheck. When things are good in a company and people don't feel like

they're getting anything from paying the dues, they usually become unhappier about the rates.

The idea of collective bargaining emerged as a result of industrial conflict and growth of trade union movement and was first given currency in the United States by Samuel Crompers. In India the first collective bargaining agreement was conducted in 1920 at the instance of Mahatma Gandhi to regulate labour management relation between a group of employers and their workers in the textile industry in Ahmadabad

Is minimum wage law justified?

Minimum wage law creates issues like unemployment. Yet most countries of the world have minimum wage law.

The minimum wage law is justified on the following grounds:

(i) First, the problem of unemployment that might erupt is slight exaggeration. Practically labour supply is heterogeneous consisting of unskilled, skilled, highly specialized and educated labour. All other categories of labour – other than unskilled and unorganized labour – are paid wages much higher than the minimum wage fixed by the law.

Therefore, the negative unemployment effective of the minimum wage law is confined to the category of unskilled labour. Therefore, the minimum wage law of protecting the interest of the weaker section of labour is not as high as projected above.

(ii) Second, the negative employment effect that minimum wage law may create is moderated by the positive employment effect of higher wage earnings. Higher wage incomes lead to higher consumption. Increase in demand for consumer goods, increases demand for labour and also open up new opportunities for employment. There is, therefore justification of minimum wage law.

(iii) Third, Inflation erodes the real income and real wage. The existence of minimum wage law provides an opportunity and need for upward revision of the wage rate.

(iv) Fourth, one major purpose of the minimum wage law is to promote social equity through a more equitable distribution of income.