

# IMPACT OF COLLECTIVE BARGAINING ON EMPLOYEE COMPENSATION AND WELFARE IN INDIA: MEDIATING ROLE OF POLITICAL INTERFERENCE

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## Abstract

The Indian economy has been developing steadily since globalization. Industrial conflicts have also grown multiple times. Collective bargaining is a mechanism to resolve industrial conflicts and collective bargaining aims at arriving at employment terms that are conducive for employers and employees. Collective bargaining yields numerous benefits to the employees such as increased income, better working conditions, retirement benefits, medical benefits, and so on. However, all collective bargaining initiatives are not successful because of multiple trade unions, political interference, inefficient negotiation, and so on. This study aims at analyzing the role of collective bargaining in employee compensation and welfare keeping political interference as a mediator. This study is conducted among the employees working in automobile companies in India. The collected primary data are analyzed, and the results convey that perceptions of collective bargaining, and employee compensation and welfare do not vary from person to person based on age, gender, and job position. But perceptions of political interference vary from person to person based on gender. Male employees have more variance in perceptions of political interference (Mean score: 3.8373) than female employees (Mean score: 3.6830). The results reveal that collective bargaining plays a significant role in getting good pay, retirement benefits, job security, and other benefits (39.08%).

**Keywords:** Collective bargaining, Industrial conflicts, Welfare, Compensation, Political interference

**JEL Classification:** J33, J52, D72, I31

## INTRODUCTION

The Indian economy has been growing at a significant speed since its liberalization and globalization. Many new businesses and industries have come up and many have vanished. New businesses such as e-commerce, electrical vehicles, application-based food delivery, and so on that exist today were not there fifteen to twenty years ago. The businesses grow and transform themselves with the changes over a period. When the businesses grow, the conflicts within the company and between the companies also grow disproportionately. Despite the changes in size, nature, and functions of the businesses, the conflicts in businesses remain

unchanged and sometimes the conflicts outperform the growth of the businesses. The conflicts may pertain to employee pay, bonus, incentives, welfare measures, work environment, work-life balance, safety measures, work culture, and so on. Globally, trade unions are in a decline phase because of fewer members and consequently, trade unions have weak collective bargaining power (Badigannavar et al., 2021). However, trade unions in India survived despite many challenges. The number of members in trade unions in India has spiked from 35 million in the year 2008 to 100 million in the year 2013 (Badigannavar et al., 2021). The government of India initiated labor code reforms. The government enacted three labor codes such as "The code on Social Security", "Occupational Safety, Health, and Working Conditions", and "The Industrial Relations Code"(Bhuta, 2022). Collective bargaining is a business practice to reach a mutual settlement of disputes relating to pay, welfare, safety measures, and work-life balance between the employer and employee (Ambason et al., 2020). Collective bargaining takes different forms in different countries (Doellgast & Benassi, 2014). Collective bargaining facilitates the employees' productivity, and organizational performance (Nora et al., 2015). Collective bargaining enhances the income of the employees (Do & Pham, 2021). Collective bargaining has been active due to legal provisions and voluntary initiatives, but the success of collective bargaining is limited (Bini, 2018). The success of collective bargaining in India is hampered by various factors and predominant constraints for the success of collective bargaining are the inefficiency of trade unions, and the political and social climate (Bini, 2018). In India, most trade unions are affiliated with political parties (Nishith Desai, 2019). Interference between political leaders and multi-unionism create problems for employers and employees in the collective bargaining process (Nishith Desai, 2019). This study focuses on measuring and analyzing the impact of collective bargaining on compensation and welfare of the employees keeping political interference as a mediator.

## 1. REVIEW OF THE EXTANT WORKS

Reviewing the existing research works is essential to understand the current focus of the research and the research gap. This study reviews research works on collective bargaining, trade unionism, consequences of collective bargaining, and political interference. Collective bargaining is a method of arriving at decisions that benefit the parties representing employer and employees (Organization for Economic Cooperation and Development (OECD), 1994). Collective bargaining is a process of mutual influence between the employer and employees (Babalola & Ishola, 2017). Collective bargaining coverage is the number of workers whose terms of employment are reached by collective agreements (International Labor Organization, 2018). Collective bargaining is a fundamental principle and right at work (International Labor Organization, 2015). Job security, employee controls, and overtime, low pay, bonus, and incentive allowance non-payment, hours of work and leave overtime, adverse working conditions are the points of industrial conflicts (Radhika & Ram, 2021). Several benefits can be the outcomes of collective bargaining and they include improvements in work conditions, compensation, retirement benefits, equality, and so on (International Labor Organization, 2015). Employee participation in the management of the business is limited in India (Sen, 2012). Satisfaction with collective bargaining enhances the performance of the employees

(Babalola & Ishola, 2017). A decentralized collective bargaining system is more effective in employment and wage equality than the decentralized one (Garnero, 2021). Collective bargaining positively impacts firm performance and employee productivity. Collective bargaining and trade unionism may affect the quality of training of the firm and its performance (Berton et al., 2021). Collective bargaining has a positive impact on financial performance, a firm's profitability, and labor productivity (Bryson & Wilkinson, 2001). Shrinking collective bargaining allows wages to fall (Bulfone & Afonso, 2020). A positive relationship exists between the objectives of collective bargaining and the income of the employees (Do & Pham, 2021). Social dialogue improves workplace performance (Global Deal, 2021). In recent times, trade unions engage in aggressive collective bargaining tactics by staging strikes. The Indian automotive industry has seen many strikes backed by trade unions that have caused a major slump in the earnings of the automobile companies (Nishith Desai, 2019). Trade unions seeped into the Information Technology sector also (Nishith Desai, 2019). Collective bargaining agreements are legal acts and they apply to all firms in an industry or region (Villanueva, 2015). Collective bargaining, joint negotiation, and grievance management are the key principles of industrial dispute management in business organizations (Ukokhe & Florah, 2022). Failure of collective bargaining in India is a common one because collective bargaining is troubled by political interference (Bini, 2018). The existing research works reveal that collective bargaining is an important legal tool for resolving industrial disputes and collective bargaining provides various benefits to employers as well as to employees. The collective bargaining process is hampered by political interference. There are limited studies in India on the role of political interference in getting benefits to employees through collective bargaining. So, this study aims to bridge the research gap identified.

## **2. RESEARCH DESIGN FOR THE RESEARCH WORK**

### **2.1. Research Framework**

The method of research adopted in this study is the survey method. A structured questionnaire is used to get primary data from the employees working in Automobile companies in Bangalore, India.

### **2.2. Sampling Framework**

Employees working in automobile companies in India represent the population of this study. Automobile employees in Bangalore are the target population. A judgment sampling technique has been applied to gather the primary data. The automobile employees in Bangalore are more than 3 lakhs. When the population is more than 2,50,000, the sample size, at a 95% level of significance with a 5% margin of error, is 384 (Krejcie & Morgon, 1970).

### **2.3. Measurements**

The core variables of this study are collective bargaining, political interference, and employee compensation and welfare. These variables are measured in the questionnaire using many sub-dimensions in a five-point Likert scale. Collective bargaining is measured through sub-dimensions such as collective bargaining objectives, the information provided for collective

bargaining, the competence of parties in collective bargaining, trade union involvement, and the implementation of collective bargaining agreements. Employee compensation and welfare are quantified using wages, dearness allowance, retirement benefits, bonuses, annual leave, paid holidays, causal leave, job classification, overtime, incentives, canteen facilities, medical facilities, working hours, employee provident fund, and job security. Political interference is measured using political party affiliation of the trade union, involvement of political leaders in collective bargaining, pressure exercised by the political leaders on employer and employees, and attitude of the political leaders on collective bargaining. Further, the questionnaire has questions seeking the personal characteristics of the respondents.

#### 2.4. Pilot Study

Reliability ( $\alpha$ ) scores of the variables such as collective bargaining, political interference, and employee compensation and welfare are 0.902, 0.876, and 0.800 respectively. Reliability scores are satisfactory and then the main is conducted.

### 3. RESULTS AND ANALYSIS

The data collected is cleansed and coded for analysis. The normality of the data is checked, and it is found that collective bargaining, political interference, and employee compensation and welfare are not statistically normal. The personal characteristics of the sample units are presented in this section. 70.8% of the sample units are male and 29.2% of the sample units are female. 95.8% of the sample employees are less than 40 years old, and 4.2% of the employees are more than 40 years. 65.6% of the sample employees are from the junior management level, 34.1% of them belong to middle-level management, and 3% of the respondents are from senior-level management. All the sample employees agreed that they are part of a trade union and that their trade unions are involved in collective bargaining with their employers. Differential analysis is undertaken to identify the differences in perceptions of collective bargaining, political interference, and employee compensation and welfare based on the personal characteristics of the employees. The results of the differential analysis are presented here.

**Table 1: Variances in Perceptions of Collective Bargaining**

Factors	P-value	Result
Gender	0.386	No Variance
Age	0.939	No Variance
Job position	0.796	No Variance

Source: Survey data

Differences in perceptions of the sample employees on collective bargaining and personal characteristics are analyzed. The results convey that perceptions of collective bargaining do not vary based on gender, age, and job position of the sample employees (Table – 1).

**Table 2: Variances in Perceptions of Political Interference**

Factors	P-value	Result
Gender	0.033	Variance exists
Age	0.746	No Variance
Marital status	0.220	No Variance

Source: Survey data

The results convey that perceptions of political interference too do not vary based on the age, and job position of the sample employees (Table – 2). But perceptions of political differences vary based on gender.

**Table 3: Variances in Perceptions of Compensation and Welfare**

Factors	P-value	Result
Gender	0.307	No Variance
Age	0.966	No Variance
Job position	0.599	No Variance

Source: Survey data

Perceptions of compensation and welfare do not vary based on gender, age, and job position of the sample employees (Table – 3).

Relationships among perceptions on collective bargaining, political interference, and employee compensation and welfare are analyzed and presented in Table – 4. The chosen variables are positively and moderately related to each other.

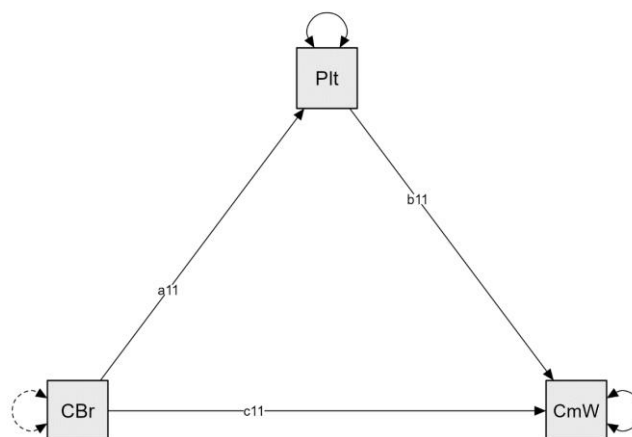
**Table 4: Relationship Analysis**

Particulars	Collective bargaining	Political interference	Compensation and welfare
Collective bargaining	1		
Political interference	0.570	1	
Compensation and welfare	0.486	0.438	1

Source: Survey data

The mediating role of political interference in collective bargaining to employee compensation and welfare relations is analyzed using the PROCESS model – 4 (Hayes, 2012). The tested mediation model is presented in figure – 1.

**Figure 1: Mediation of Political interference in collective bargaining and employee compensation and welfare**



**Table 5: Model Summary**

r	r <sup>2</sup>	MSE	F	P
0.7115	0.5062	0.4495	391.6489	0.000

Dependent variable: Political interference

Tables 5 and 6 exhibits the impact of collective bargaining on political interference (mediator) and model fit. The proposed model is significant (Table – 5). Collective bargaining significantly impacts political interference (p-value: 0.000). Collective bargaining affects political interference by 50.62%.

**Table 6: Model**

Particulars	Coefficients	SE	t	P
Constant	1.5493	0.1218	29.0258	0.000
Collective bargaining	1.0200	0.0515	19.7901	0.000

Dependent variable: Political interference

The mediating effect of political interference is presented in Table 7 and Table 8. Table – 7 indicates that the model is significant. 45.99% variance in employee compensation and welfare is explained by political interference and collective bargaining.

**Table 7: Model Summary**

r	r <sup>2</sup>	MSE	F	P
0.6782	0.4599	0.1554	162.2224	0.000

Dependent variable: Employee compensation and welfare

The coefficients of the model are presented in Table – 8. Both collective bargaining and political interference affect employee compensation and welfare significantly (p-value: 0.000).

So, indirect effects from collective bargaining to political interference (Table – 6) and political interference to employee compensation and welfare (Table – 8) are significant.

**Table 8: Model**

Particulars	Coefficients	SE	t	P
Constant	1.6172	0.1201	13.4695	0.000
Collective bargaining	0.3908	0.0431	9.0597	0.000
Political interference	0.1352	0.0301	4.4936	0.000

Dependent variable: Employee compensation and welfare

**Table 9: Direct Effect**

Effect	SE	t	P
0.3908	0.0431	9.0597	0.000

The direct relation between collective bargaining and employee compensation and welfare is significant and employee compensation and welfare are explained by 39.08% (Table – 9). The total indirect effect of political interference in collective bargaining and employee compensation and welfare relation is 13.79%. Indirect relation is also significant.

**Table 10: Indirect Effect**

Mediator	Effect	SE	P
Perceptions on DFS	0.1379	0.0343	0.000

Mediation analysis results reveal that collective bargaining and employee compensation and welfare relation is significant and political interference significantly mediates the relationship between collective bargaining and employee compensation and welfare.

#### 4. DISCUSSIONS

Collective bargaining is a process of reaching employment terms between employers and employees in a business organization. Collective bargaining is a mechanism to resolve industrial disputes such as pay, bonus, benefits, job security, work conditions, and so on. Collective bargaining, according to the existing research works, provides numerous benefits and enhances employee and organizational performance. However, the success of collective bargaining in India is limited predominantly due to inefficient trade union leaders and political interference. This study aims at studying the impact of collective bargaining on the compensation and welfare of employees working in automobile companies in Bangalore, India. Automobile company employees are chosen for the study because trade unions in automobile companies in India are very active. Differential analysis results convey that perceptions of collective bargaining and employee compensation and welfare do not vary based on gender, age, and job position. But perceptions of political interference vary based on gender and not based on age, and job position. Mean scores convey that male employees have more variance in perceptions of political interference (Mean score: 3.8373) than female employees (Mean score: 3.6830). Collective bargaining significantly and positively affects employee compensation and welfare. It conveys that collective bargaining plays a significant role in

getting good pay, retirement benefits, job security, and other benefits (39.08%). Political interference directly influences employee compensation and welfare, but on a lesser magnitude (13.5%). Further, political interference mediates the collective bargaining and employee compensation and welfare relation significantly (13.79%). These results indicate that political interference brings down the effectiveness of collective bargaining in providing better employee compensation and welfare for automobile companies. Thus, collective bargaining is effective in bringing more compensation and welfare to the employees in automobile companies in India and political interference brings down the effectiveness of collective bargaining. So, trade unions in India should be freed from the clutches of political interference and the collective bargaining process should be exercised lawfully to get more benefits for the employees.

## 5. CONCLUSIONS

Despite the changes in businesses and human resources management policies in modern business organizations, industrial conflicts between employers and employees continue to exist. Collective bargaining has been instrumental in arriving at employment terms. This study aims at analyzing the impact of collective bargaining on employee compensation and welfare and the role of political interference as a mediator in collective bargaining and employee compensation and welfare relation. The study is conducted among the employees working in automobile companies in Bangalore, India as descriptive research. The study results found that perceptions of collective bargaining, and employee compensation and welfare do not vary based on their characteristics. But their perceptions of political interference differ from person to person. Further, the study has found that collective bargaining impacts the compensation and welfare of the employees positively, Political interference significantly mediates the relationship between collective bargaining and compensation and welfare of the employees. Similar studies can be carried out in other industries across India to validate this study's results. It is a behavioral study and so, it has response bias and other behavioral biases.

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