Workplace Bargaining in Small & Medium Enterprises in India: Trends & Practices

Abhishek Mishra
Assistant Professor
Department of Business Administration (Human Resource)
The University of Burdwan

Abstract: The present paper attempts to explore and describe the existent workplace bargaining practices in Indian SMEs. Small & Medium Enterprises, which have been acclimatised as engines of growth and development in developing economies (Fashoyin, 2006) are governed by informal nature and erratic employment relations practices. Workplace bargaining, especially collective bargaining is observed to be very weak or non-existent due in SMEs (Edwards, Collinson, & Rocca, 1995). Ascertainning qualitative research method like Focus Group Meeting (FGM) the paper intends to highlight the existent trends and practices concerning workplace bargaining in selected Indian SMEs. The findings highlight how the decline in traditional forms of 'collective strengths' as propagated by Marxism is adding more strength and power to the might of the employers. This trend also indicates the shift towards individualistic approach which violates the very notion of democratic participation at workplace resulting in the dying down of the employee voices. The study very specifically highlights the emerging aspects of employment relations in selected SMEs in India.

Keywords: Small and Medium Enterprises, Workplace Bargaining, Individual Bargaining, Collective Bargaining, Industrial Relations.

Introduction

Small and Medium Enterprises have gained considerable popularity in academic arena in recent years. Significant researches have been carried out (and is still being carried on) to examine and understand SMEs from theoretical as well as empirical perspectives. The SMEs will keep on serving as one of the major interest areas among the academic fraternity owing to significant contribution towards the improvement of economic health of nations by generating employment and giving birth and shape to new forms of work patterns (Storey, 1994; Overell, 1996). But the substantial amount of available literature are confined to understand the financial, marketing or operation related aspects and very little has been carried out to explore the labour, industrial relations or HRM related aspects in the SME sector (Wilkinson, 1999). The changing environment under which SMEs operate offers enough fodder for the researchers to conduct research to understand crucial developments in the field of HRM, IR or employment relations in these enterprises (Kinnie, Purcell, Hutchinson, Terry, Collinson, & Scarbrough, 1999).

SMEs are also governed by workplace vagaries, erratic employment relations practices and diversified workplace bargaining patterns. Curran (1986) identified it as the sector with 'invisible workforce'. Similarly, Edwards (2003) considered the SMEs to be characterised by uneven HR practices performed mainly by economic and social relationships. Ram (1991) claimed the workplace relations in the sector to be informal, intricate and conflicting. Wilkinson (1999) also highlighted the informal characteristic of SMEs. Non-unionism also happens to be an important characteristic feature of SMEs (Dundon, Wilkinson, & Gurgulis, 1999). All these give the employees little scope for employee involvement, little or no consultation and absence of collective voices at workplace in SMEs (Wilkinson, Dundon, & Gurgulis, 2007). However, it needs to be
highlighted at this juncture that a substantial amount of researches on SMEs are conducted on developed countries and little literature is available on HRM related practices in Indian SMEs. SMEs in India are regarded as the backbone of the national economy where its contribution to the industrial output is 45% and shares 40% of India's exports, employs 60 million people and creates 1.3 million employment every year (As per Europe-India Business Council). The need to carry such research becomes all the more imperative in the context of developing country like India which is a fecund ground for the growth of SMEs which are highly informal and unorganised in nature. Thus, given the circumstances and informal structure, irregular employment relations and HRM vagaries under which the SMEs operate, it would be interesting to learn the workplace bargaining trends and patterns in India.

Exploring the existing literature: The dominant role played by SMEs towards the achievement of global sustainability and eliminating regional economic balance has well been recognised and appreciated (Ayyagari, Beck, &Demirguc-Kunt, 2007). Almost all the economies across the globe are comprised largely of these small and medium enterprises (Cassel, Nadin, Gray, & Clegg, 2002). Due to their high dependence on labour, SMEs serve as one of the major employment generating sectors even in the private sector (Storey, 1994; Saini, 2014). Irrespective of their significant contribution to the economic growth and development of different nations, these SMEs have also been claimed as sweatshops and agencies of exploitation (Rainnie, 1989). Labour, which is the fundamental requirement of these enterprises remains ignored formal mechanisms for labour relations and consultation are missing (Fashoyin, 2006). The workplace relations, specifically in the small enterprises are found to be informal, complicated and diversified with high concentration on exploitative work (Rainnie, 1989; Ram, 1994; Holliday, 1995, Wilkinson, 1999). The collective workplace representation or collective bargaining which serves as the edifice of sound labour management relations are also mostly found to be absent in the sector (Cooke, 2005). Loss of collective bargaining leaves an employee with no voice and this remains one the critical ethical issues as the employee fails to raise his concerns related to wage or other employment related conditions (Buren & Greenwood, 2008). Earlier, the trade unions happened to be the most powerful mechanism of collective bargaining giving voice to employees. But with the decline in trade unions, the collective bargaining power of the employees witnesses a decline. This has made the bargaining a one sided affair where employers impose their conditions of employment.

Cooke (2005) in her study on employment relations in small firms offered very liberated descriptions of how workplace terms and conditions were imposed upon the employees rather being an outcome of bargaining practices. This absence of collective bargaining practices give the employees little scope to organise themselves in order to raise their demands. The trend of collective voice found to be diminishing in Japanese SMEs and employee voice through employees' association is considered detrimental for management (Matsuura & Noda, 2017). The reason why employers negatively perceive collective bargaining practices and employee voice can be assigned to the fact that most of the SMEs are family run. The employers consider themselves to be 'paternalistic' (Wray, 1996). Therefore, there they feel no need for collective bargaining at workplace. In Vietnam, the workers employed in SMEs operating under manufacturing sector had no scope for collective bargaining (Oxfam Research Report, 2016). Even if collective bargaining happens, it is confined to annual leaves or management treatment and not concerned with wage determination. This approach leaves the workers with heaps of grievances which remain unheard. The unions are often in the form of 'yellow unions'. These all give a terrible blow to workplace representation and collective bargaining practices. In the absence of collective bargaining, the workers resort to 'collective bargaining by riots' (Torm, 2020).
The aspects related to employment relations like, collective bargaining, trade union representation etc. in Europe countries has also been well researched. De Troyer & Le Lay (2007) in their study on small and medium sized European enterprises highlighted the existence of weak bargaining practices due to strong presence of familial culture in the enterprises giving little scope for trade unions to rise. Several others also raised their concern on low coverage of collective bargaining in European SMEs (Miller &Mulvey, 1996; Wilkinson, 1999; Kirton& Read, 2007). Sticking to the theory of 'Small is Beautiful' (Bolton, 1971), little or no incidents of conflicts and strikes indicate towards the little need for employee presentation in small enterprises (Dundon et al, 1999). Miklos et al (2006) in their study on SMEs in Central and Eastern Europe highlighted on the relationship between the size of SMEs and the coverage of collective bargaining. Their study indicated that with increase in the number of employees in SMEs, the coverage of collective bargaining also increases. It must be kept in mind that in Europe the SMEs are determined on the basis of headcounts. This clearly pinpoints that numbers play a vital role in determining the role of collective bargaining in SMEs. Since the numbers are kept low in SMEs there is weak presence of this mechanism. However, individual bargaining plays a dominant role in majority of SMEs in countries like Bulgaria and Hungary. Harney & Dundon (2006) in their study on Irish SMEs found the disapproval of collective bargaining practices as it is considered to be against the employers' prerogatives. The employers are found to be promoting HR practices to suppress collectivism of the workers. Non-union representatives are invited to speak on behalf of the workers giving rise to the individualistic approach to collective bargaining. This has not only declined union strength but also mitigated the employee voice in SMEs in Ireland. Miller (2013) in his study on service in small firms in United Kingdom showed the linkage between union presence and bargaining preferences. Where the trade unions were strong the workers preferred collective bargaining and vice versa. McBridge (2006) also highlights the trend of individual bargaining although she also argues the existence of collective bargaining. These studies very clearly indicate that the bargaining preferences are closely linked to the existence or non-existence of trade unions in SMEs.

Several researches have been carried out on Indian SMEs. SMEs in India have well been defined by the Micro, Small and Medium Enterprises Development Act, 2006. The Act defines SMEs as those enterprises in form of proprietorship, Hindu undivided family, association of persons, co-operative society, partnership or undertaking or any other legal entity, by whatever name called, engaged in production of goods pertaining to any industry specified in the first schedule of Industries Development and Regulation Act, 1951 & other enterprises engaged in production and rendering services, subject to limiting factor of investment in plant and machinery and equipment respectively as follows. Under manufacturing sector, any enterprise will be called Small Enterprises, if investment in plant and machinery is more than twenty five lakh rupees or 2.5 million but does not exceed five crore rupees or 50 million. If the investment in plant and machinery is more than five crore/50 million rupees but does not exceed ten crore rupees/100 million, it will be called a Medium Enterprise. Under service sector, any enterprise investing more than ten lakh rupees/one million but does not exceed two crore rupees/20 million for plant and equipment will be known as Small Enterprise. Whereas, any enterprise investing more than two crore rupees/20 million but not exceeding five crore rupees/50 million will be considered as Medium Enterprise (MSMED Act, 2006, page 5). The Indian SMEs are engaged in multifarious activities offering diversified range of products and services with high dependence on labour. Although researches on SMEs in India started a bit late as compared to Western world, but these are mostly confined to exploring the finance, policy or marketing
related dimensions. But the aspects or concerns related to the human resource and industrial relations in the sector has largely remained ignored. The vast spread of the sector makes it a real herculean task to conduct research in all the spheres of the sector. The labour camouflages also make it very difficult to explore and examine the labour related patterns and practices in the sector. The reasons why sufficient literature on human resource management or industrial relations in the sector is missing can be attributed to the nature of Indian SMEs which are largely unorganised, informal and unregistered (around 95 percent) in nature (Recommendation Report of Inter-Ministerial Committee for Accelerating Manufacturing in Micro, Small & Medium Enterprises Sector, Ministry of MSME 2013, p. 18). The report highlights their contribution to the manufacturing sector to be around 40 percent which very significantly highlights the vital contribution of the sector towards the economy of the country. Still the sector lacks quality literature on worker related issues. However, there always remains a silver lining amidst dense cloud of despair and pessimism. Researchers have started taking keen interest in the vital HR or IR related issues in the sector. Singh & Vohra (2009) while studying HRM in SMEs in India pinpointed the dominance of employers due to the high level of in formalization in the sector. The close relationship between employers and workers promote individual bargaining which gives little scope for workers to bargain in real sense. The little presence of trade unions also has weakened the collective bargaining in the sector. But their study does not specify collective bargaining trends in SMEs. The Indian SMEs are safe haven for workers with low skills and little education. As such they have little power to negotiate for wages or other related issues as they are prone to job insecurity which makes them easy to remove (Gross & Kharate, 2017). Ratnam (1999) also has discussed the declining trend of collective bargaining in the unorganised sector in India due to the decreasing influence of trade unions. As the SMEs enjoy labour and operational flexibility, absence of HRM function happens to be a natural outcome (Storey, 1994). The study by Srimannarayana (2006) on small firms in India focussed more on HRM functions which unfortunately find little importance in the SMEs. Collective bargaining which is the most strengthening weapon in the hands of workers to fight against the might of the employer happens to take a skip in the study. Ghosh (2010) in his study on collective bargaining and trade unionism pinpointed the linkage between collective bargaining and capital structure of the firms. Collective bargaining practices seem to exist more in larger firms where the trade unions resort to claim their share in the profits. But this trend is different in SMEs and specifically the small enterprises where the focus is more on surviving in the competitive market. Under such conditions, collective bargaining may take different form. Bisht (2010) in his study on IT industry observed the perspectives of employees on collective bargaining and trade unionism. Although focussing on organised sector which falls outside the purview of SMEs, the study is instrumental on the significance of understanding employees' perspectives on aspects of collective bargaining. The employees in the study emphasised on the need for collective bargaining in the sector to improve their working status and resolve their work related concerns. Studies to understand and examine workers' perspective on collective bargaining in SMEs have largely remained absent. It will be interesting to see how the workers in the SMEs offer their preferences concerning collective bargaining. The mechanism of collective bargaining has been given key considerations in India's industrial relations policy (Saini, 1983) and its potential to restrain disputes and conflicts have well been recognised. But considering the small nature of SMEs where the relation between employers and workers are informal in nature, it will be interesting to see the extent of collective bargaining practices in SMEs, if they exist at all. The upcoming section identifies the research questions which the authors intend to explore and examine. With respect to the research questions appropriate research objectives have been developed to gain fruitful result of the research.
Research Objectives: To keep the research precise and meet the objectives of the research within the stipulated duration, the author was primarily confined to achieving two main research objectives:
1. To describe the existent patterns of workplace bargaining trends in selected SMEs in India.
2. To explore the indigenous workplace bargaining practices in selected SMEs in India.

Research Methodology: The paper attempts to describe and explore the existent workplace bargaining trends and practices in selected SMEs in India. Descriptive research design has been adopted for the present research as the aim is to identify the characteristics, trends and practices of workplace bargaining practices in Indian SMEs. Qualitative method like Focus Group Meeting (FGM) has been ascertained to collect data which, thereafter, have been analysed and presented in descriptive form. Focus Group Meetings (FGM) have been ascertained to explore indigenous workplace bargaining practices in selected SMEs in India. As in-depth discussion was required to obtain insights regarding the newly emerging workplace bargaining practices, FGMs are best suited for the purpose as FGMs help in getting serious reflections on a particular subject.

As far as the question of selection of enterprises is concerned, a total of fifteen enterprises belonging to three sectors like the Rice Mill, the Handloom, and the Hotel sector have been selected. The Rice mills have been selected from the district of West Bengal which as one of the largest concentration of rice mills in India. The handloom sector and the hotel, specifically the budget hotels have been selected from Varanasi or Banaras situated in the state of Uttar Pradesh. Varanasi has also established its place as one of the main centres of handloom industry on the world map since ancient times. Being a tourist place, Varanasi also attracts millions of tourists every year which makes it one of the main sought after destination for hoteliers in India. These factors offer enough reason for selection of the sectors along with the place in the study. To identify the enterprises which come under the purview of small and medium enterprises, the definition offered by Micro, Small and Medium Enterprises Development Act, 2006 issued by the Government of India served as the obvious criteria for the selection of enterprises. Firstly, enterprises which come under the purview of SMEs have been identified. Thereafter, relying on snowball sampling, the author accessed the enterprises to conduct the Focus Group Meetings. Snowball sampling, being a technique under convenient sampling, uses personal references and acquaintances to access information and data. As conducting Focus Group Meeting takes plenty of time, the author restricted to only five enterprises from each sector for better comprehension of the results. Thus, in total 15 enterprises served as the sample size. The author during the FGMS acted as the moderator and facilitated the employees to discuss and freely offer their views on various aspects of workplace bargaining in the selected enterprises. A semi structured questionnaire including questions related to patterns of workplace bargaining in enterprises, preference for collective/individualistic bargaining, way of workplace interaction in enterprises etc was used for reference purpose during the FGMS. An attempt was made to collect as much responses of the employees as possible from the selected enterprises. The outcome of the Focus Group Meetings (FGM) has been discussed in the upcoming section.

Discussions: The Focus Group Meetings held in previous section highlighted the major trends and practices related to workplace bargaining in the selected SMEs in India. In the Rice Mills, the workplace bargaining was more or less bipartite in nature due to the curbing of trade union influence after change in political power which took place in 2011. Previously while the trade unions can very assertively dictate their terms of reference, now the balance of power has shifted more towards the employers where they have more say in all the matters.
related to workplace issues. Earlier while the trade unions used to approach the employer, now the same is done by the employee individually. During the FGMs the employees pointed out that in case they try to approach the management in a collective manner, it is seen by the employer as sign of employees' unionising efforts which often result in victimisation of the employees in future. However, the employees who joined during the period after the political change preferred individual bargaining as in their views approaching the employer in an individualistic manner may help them getting their grievances addressed in an expedite manner. This practice of individual bargaining is known as 'Gentleman's Agreement' where both the parties work come together at the enterprise level to resolve their differences and make workplace more productive and healthy. But one time during the year there is prevalence of tripartite bargaining practice when all the three parties i.e. the employers' association, the trade unions and the government agencies in the form of Deputy Labour Commissioner, Assistant Labour Commissioner come together to discuss the Bonus related issue before the festive season of Durgapuja. Thus, a district level negotiation takes place and is implemented accordingly.

In the handloom sector, the workplace bargaining is found to be bipartite in nature owing to the nature of enterprises being proprietary in nature. There is no existent of collective bargaining practices. Individually the workers and the owners discuss the issues and try to redress them as early as possible. Although several trade unions exist in the sector, they are very much fragmented with little membership base. The workers are also reluctant to join trade unions as they think that the owners do enough to take care of their grievances and complaints. The wages are determined at enterprise level or at the locality level.

In the hotel industry, the trend is also found to be towards individual bargaining practices. Interestingly, the presence of employees' association in the sector is absent. The employers are organised to a large extent. As such, they are in a position to implement their terms and conditions upon the employees. Also, as the employees employed in the sector mainly have little or no skills, they are not in a position to bargaining very strongly. Workforce is abundant in the sector. All the terms and conditions are unified in a bipartite manner with employers or the managers having more say in the negotiation process.

An interesting finding in the context of workplace bargaining in selected SMEs, specifically in the Rice Mills and Handloom sector was the existence of 'sardars' who played a crucial role when it came to bargaining with the employers. These 'sardars' are found to be existent in the Rice Mills and the Handloom sector where they have substantial influence upon the employees or workers employed in the sector. Employees or the workers in some respect are dependent on these 'sardars' for their job and livelihood. At the same time the employers also dependent on these 'sardars' as the availability of workers is very much dependent on these 'sardars'. During the times of bargaining, these 'sardars' have very crucial role to play. Also, the 'sardars' have to strike a balance between meeting the demands of both the parties. Both the sides are found to be equally dependent on these 'sardars' during the bargaining process.

**Conclusion and Recommendations**

Indian SMEs are largely informal in nature. With this characteristic of informality, there is decrease in power of employees when it comes to bargaining at workplaces. Also, there is little influence of trade unions which can contribute in a fruitful manner towards the cause of the employees. These all make bipartite relations one sided in SMEs in India. Policy initiatives must be taken to bring SMEs under formal category so that appropriate state
apparatus can be introduced to maintain a parity of power between the two parties when it comes to bargaining. During the study, it was found that some NGOs were playing a critical role in advancing the issues of wage and social security issues to the employers. Thus, suitable initiatives can be taken in this direction as well where registered NGOs can be authorised to play the role of 'bargaining agents' in such enterprises. These initiatives may help to overcome the workplace bargaining related issues in the SME sector in India.

The present study highlights the bargaining practices at workplace in selected SMEs of India. The study pinpointed how the workplace bargaining strategies are shifting towards individualism due to the decreasing membership and strength of the trade unions. The study also showed how the 'sardars' are emerging as substitutes of trade unions in some of the sectors. The present study offers significant light to carry further study in this direction. More research needs to be carried out in enterprises belonging to the service sector. With inclusion of more enterprises in the further studies, appropriate workplace bargaining models can be developed to prepare suitable bargaining machineries in Indian SMEs. Cross-country studies in this direction will also be a welcome step by the researchers.

The study will facilitate the future researchers to carry out a detailed study combining the two sectors and identify and develop a unified model of employment relations applicable to every enterprise. Further, the present research offers the scope to elaborate on the role of 'emerging actors' as identified in previous sections on sector-wise studies. This will facilitate the further improvisation of Dunlop's model of IRS based on which a more reliable model of ERS can be evolved. The study will also help the researchers to study the findings from a cross-country perspective for the identification of emerging employment relations practices applicable to all countries in a uniform manner.

References:


