



**An Evaluation of The Effectiveness of Collective Bargaining In Building
Industrial Harmony: The Case of Parastatals In Nakuru**

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DECLARATION AND RECOMMENDATION

DECLARATION

I declare that this research is my original work and has not been presented before for an award of a degree in any university.

Signature  Date 26/09/06

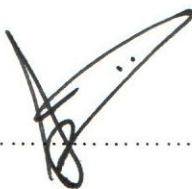
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This research proposal has been submitted for oral examination with our approval as university supervisors.

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ABSTRACT

The study examined the role of collective bargaining as a tool that promotes industrial harmony within the organization. The main aim of collective bargaining is to institutionalize dialogue and consensus at the expense of conflict and confrontation. The study's main aim was to find out why there has been an increase in industrial unrest despite the existence of a well defined collective bargaining process in most large organizations in the country and what factors contribute to failures of the process. The objectives of the study were to find whether financial strength of a union brings respect to it from the organization, whether improved productivity increases an organization's profitability and to establish whether training of negotiators influences the process of collective bargaining and dispute resolution. The hypotheses were, there is a positive correlation between productivity and profitability, positive correlation between union financial strength and industrial harmony and positive correlation between training of negotiators and industrial harmony. The study was carried out in three parastatals with strong union activity. Respondents were stratified into three namely managers, union officials and unionized employees.

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LIST OF ABBREVIATION

C.O.T.U – Central Organization of Trade Unions

E.P.Z – Export Processing Zone

F.K.E – Federation of Kenyan Employers

I.L.O – International Labor Organization

K.P.L.C – Kenya Power and Lighting Company

N.B.K – National Bank of Kenya

P.B.K – Pyrethrum Board of Kenya

CHAPTER ONE: INTRODUCTION

1.1 Background

Over the years, as trade unionism made itself felt in Kenya, workers have used collective bargaining as an instrument of influence in managerial decisions. Collective bargaining is the most fundamental basis upon which industrial relations is founded (Waweru, 1984). It ensures that the conditions of service are worked out on a regular and systematic basis. It also ensures that industrial unrest is curtailed.

However, in Kenya reports of industrial unrest have been on the increase, raising questions whether collective bargaining is effective in promoting industrial harmony. Kenya lost seven potential investors following unrest at the EPZ (Export Processing Zone) while another six firms closed as orders fizzled out over uncertainty (EPZ strikes caused Kenya foreign investment, *Daily Nation*, 14th November, 2004).

The unrest is not limited to the export processing zone. In Nakuru, over 3000 workers of Spin Knit Limited and Sunny Auto Spares downed their tools paralyzing operations in 2003. In Nairobi, strikes involving Coca Cola distributors at the Nairobi Bottlers Limited plant and the Basco Paints factory fueled further industrial unrest (Strikes rock more factories, *Daily Nation*, February, 2003). In Naivasha, some 900 workers at the Shalimar Flower Farm in pursuit of a 90 percent pay rise also struck (Workers strike at Shalimar flower farm, *Daily Nation*, January, 2003). In Kilifi, police engaged workers of the Umoja Rubber Company in numerous running battles as they dispersed them following a strike at the Kikambala factory (Workers strike at Shalimar flower farm, *Daily Nation*, January, 2003).

The unrest was not limited to the private sector. Workers at Telkom Kenya went on strike only for it to fizzle out due differences among workers themselves. In May 2004, workers at the Kenya Power and Lighting Company almost went on strike. They had issued a 21 day strike notice to the management. However, last minute

bargaining averted industrial action. However, the threat of strike action still looms over the corporation. The threat of strike action around the country resulted in the Minister for Health, Charity Kaluki Ngilu warning Ministry employees against resorting to industrial unrest as a means of airing their grievances. She advised them to forward their problems instead of downing their tools and taking to the streets.

The annual report by the Federation of Kenyan Employers (FKE) in 2000 stated that disputes to the industrial court went up by 83% in one year. The number of trade disputes handled by the industrial court increased by 14.4% in 2001 compared to 9.7% in 2000. Between 1997 and 1998, the number of strikes rose from 97 to 105 and are still rising (Business Week, 1999). In 1997, the teachers, bankers and nurses strike ensured that there was a 73% increase in lost man-days (Increase in trade disputes in *Business Week*, 1999). Most of the strikes in 1997 were public sector strikes.

All this increased unrest is occurring even though the number of trade unions is on the increase. For example, all workers in the EPZ were allowed to unionize between January 2003 and March 2003. All 9 companies in the EPZ are negotiating collective bargaining agreements. The law permits as few as 7 employees to form unions. There are 41 unions registered under the Trade Unions Act and the number is increasing. All but 5 unions including the 240,000 member Kenya National Union of Teachers (KNUT) and the newly registered Kenya Union of Civil Servants with about 300,000 members are affiliated with COTU.

Despite all these, strikes or the threat of strikes have increased. These strikes cost a lot to the various organizations and institutions affected. The teachers strike resulted in a 99% increase in lost man-days. During the first 5 days of 2003, there were 111 strikes. In 2002 there were 146 strikes resulting in the loss of 6,647,526 man-days (Strikes costing country, *Daily Nation*, March 29, 2003). According to Mr. Hirji

Shah, chairman of FKE, the strikes of 1999 cost organizations 3 million man-days which was the highest ever at the time.

As stated earlier, industrial unrest in the country has resulted in lost investment opportunities due to uncertainty. Firms have gone under due to decreased production and decreased orders from customers and most importantly workers have lost their jobs. 700 workers within the EPZ were dismissed following the strikes. Some employees who went on strike at the Keroka Town Council in Nyamira District were suspended. These and many other examples show the effect of industrial unrest on the country as a whole.

1.2 Statement of the problem

Collective bargaining provides a framework where by workers' representatives and employers' representatives negotiate on conditions of employment in an atmosphere that is devoid of conflict. Despite the existence of an established system of collective bargaining, there is no corresponding industrial harmony given the increased frequency of industrial unrest. This research intended to find the extent to which collective bargaining agreements ensure industrial harmony.

1.3 Objectives of the study

The major objective was to assess the impact of collective bargaining on industrial harmony.

1. To establish the impact of financial strength of the union on respect from the employer.
2. To establish the impact of improved productivity by employees on organizational profitability.
3. To establish the impact of training of negotiators on the effectiveness of collective bargaining and dispute resolution.

1.4 Research hypotheses

1. There is a positive correlation between employee productivity and industrial harmony.
2. There is a positive correlation between the financial stability of unions and industrial harmony.
3. There is a positive correlation between training of negotiators and industrial harmony.
4. Improved employee productivity results in increased profitability of organizations.

1.5 Significance of the study

Industrial harmony is important to the economy. Due to the recent industrial unrest, the country lost a lot of investment. Exports from the EPZ earned the government \$ 170 million in 2002. However the unrest in early 2003 ensured that the country lost seven potential investors. Furthermore, a local investor, Baraka, reportedly shelved planned expansion, occasioning the loss of 4000 jobs. Others diverted their capital to more stable countries like Madagascar. Initial reports by the Minister of Trade and Industry indicated that United States importers had cancelled \$ 12 million worth of textile orders. According to Silva (1996), collective bargaining limits industrial unrest as it institutionalizes settlement through dialogue and consensus rather than through conflict and confrontation. Furthermore, it is a form of participation in decision making and an essential feature in the concept of social partnership. It also ensures the generation of trust especially when there has been a long course of successful dealings between the relevant parties. In short, industrial unrest results from failure of collective bargaining (Silva, 1996).

The study is important in that it looks at the relevance of collective bargaining and by extension trade unions in a changing industrial relations environment. If the practice is relevant the study may find ways of strengthening it. Therefore the study will be a basis for the future research into collective bargaining. This may be



important for the economy as it may unveil ways of decreasing industrial unrest and increasing productivity.

1.6 Scope of the study

The study was carried out in Nakuru in order to look at industrial relations in similar organizations, namely parastatals in different sectors.

1.7 Limitations of the study

The unwillingness by some respondents to participate in the study may prove to be a major challenge. The researcher therefore issued more questionnaires than the intended sample so as to cover this eventuality. Furthermore, some respondents were not well versed in the negotiation process and collective bargaining as a whole.

1.8 Definition of terms

For the purpose of this study, definitions will be operationalized as follows:

1. Collective bargaining – This refers to negotiation between a trade union and an employer about pay and working conditions.
2. Trade Union – This refers to an organized association of employees engaged in a particular type of work or working in the same organization, formed to protect their interests and improve conditions of work.
3. Management – This refers to all those who control a business enterprise.
4. Industrial unrest – This refers to disagreement between workers and management which may result in workers refusing to work or to work normally. It further refers to the threat by workers to cease working or cease working normally. The number of strikes and breakdown in negotiations can measure it.
5. Industrial harmony – This refers to a situation whereby there is no industrial unrest and therefore workers perform their duties normally. The decreased number of strikes and breakdowns in negotiations can measure it.

6. Parastatals – This refers to a large corporation that has the government as its owner.
7. Effectiveness – This refers to the ability to produce a desired result through involvement by all parties in a climate of mutual respect. This can be measured in terms of the frequency of positive outcomes from a process.
8. Workers – This refers to those who use their labor or knowledge so that the enterprise can function well in exchange for remuneration and other benefits.

CHAPTER TWO: LITERATURE REVIEW

2.1 Role of unions

Unions arise from the asymmetry in contracting between individual workers and employers, the concern for basic workers' rights and the different perceptions about the merits of employment relations governed by individual contracts and collective agreements. Therefore, the desirability of unions depends on many factors including what unions do, how collective bargaining is organized and the effectiveness of dispute resolution mechanisms (Aidt and Tzannatos, 2002).

Unions especially those with a monopoly on labor supply can force firms to relinquish some of their profits. However, if nonunion workers can readily replace union workers, the union's bargaining position is substantially reduced (Ulph and Ulph, 1989).

Unions play an important role in keeping down large transaction costs which are based on numerous individual contracts. This is because collective agreements minimize the complex nature of the labor market (Aidt and Tzannatos, 2002).

Unions also facilitate worker-participation and worker-manager cooperation in the workplace. This can have efficiency-enhancing effects that jointly benefit workers and management (Freeman and Medoff, 1979, 1984).

Unions also represent the special interests of their members in collective bargaining and in the political process. Unions generally promote policies that reduce competition in labor and product markets. This includes support for minimum wage legislation, trade protection among others. Unions support such policies if they increase the surplus available for sharing with the firm (the effect of less competitive product markets) or increase the unions bargaining power (less competition from nonunion labor markets). Such is the power of unions (Pencavel, 1995).

Role of employers' organizations

The members of an employers' organization are individual firms, typically within a particular industry. Each employers' organization may in turn be a member of a national employers' organization. A firm may decide to join an employers' organization to improve its bargaining position with workers (possibly organized in a union). Firms derive their bargaining power from their ability to lock out workers. The cost of industrial conflict from the point of view of an individual firm is larger than the cost to the industry as a whole. This is because an individual firm involved in a strike is likely to lose its market share to other firms in the industry that produce close substitutes. Accordingly, whereas each firm has an incentive to give in to wage demands (to avoid a local conflict), the industry as a whole has less incentive to do so and by joining forces, it is easier for firms to resist wage demands from unions (Dorwick, 1993).

In addition, employers' organizations play an important role in providing training. Since general training is a public good, firms are unlikely to provide much of it unless they are subject to external pressure. A strong employers' organization can offer training facilities for firms and can impose sanctions if a firm does not pay its share of the cost (Soskice, 1990).

Dispute resolution

The breakdown of negotiations between individual workers and their employers can take various forms ranging from poor relations in the workplace to labor turnover (Aidt and Tzannatos, 2002). Breakdown of negotiation results in loss of incomes for workers and lost profits for employers. It is therefore in the interest of both sides to reach an agreement before lock outs and strikes are implemented.

In reality collective bargaining sometimes breakdown and production, labor earnings and profits are lost. It can't be assumed that the total of such costs is greater under collective bargaining than under the individual contracting system as

it is not known. It is believed that when disputes occur under collective bargaining, it is because of asymmetries in the information possessed by the involved parties (Hicks, 1932). For example, when a trade union misjudges the maximum wage that the employer is willing or able to pay. Under such circumstances, the existence of regulation can prove decisive in resolving disputes through its information-gathering and disseminating roles.

Some conflict is inevitable when wages and other employment conditions are set by negotiation, rather than by the invisible hand of the market. Therefore, many believe that a centralized union-based system of wage bargaining may be less costly to the society than an individually based negotiating system in terms of both total transaction costs and dispute costs.

The context of collective bargaining in developing economies

There is a very important difference between the highly developed and less developed economies, that is, as a rule, the structure of the developing economies cannot sustain as high a level of unionism as the more developed economies. The reason is that unions are agents of employees and in the less developed economies, a larger fraction of workers are not employees but are self-employed and unpaid family workers. Moreover, given the costs of organizing workers in geographically dispersed rural areas, the locus of unionism is in urban areas, and, within urban areas, in large conspicuous enterprises (Pencavel, 1996).

The consequence is that the fraction of the economy's labor force that is potentially unionizable in less developed countries is smaller than in highly urbanized, more highly developed economies. Indeed, the fraction of workers in developing economies covered by collective bargaining agreements is less than one quarter, often substantially less than this (Joshi and Little, 1994). The workers represented are more likely to be those employed by the state and large private-sector

employers, sometimes described as among the elite of the economically active population (Pencavel, 1996).

States in these economies on the other hand have adopted different postures with respect to unionism and collective bargaining. There is the patronage regime where the state nourishes unionism and collective bargaining and on the other end of the spectrum, there is the obstructionist regime where the state undermines and subverts unionism and collective bargaining (Pencavel, 1996).

In patronage regimes, collective bargaining is explicitly endorsed by a proper system for organizing labor markets and the state facilitates the new unionization of state enterprises. The activities of unions are supported by measures that restrict the discretionary behavior of employers of nonunion and union labor alike. Examples of such regimes are provided by some former British colonies in Africa and the West Indies and other countries like India and Bangladesh (Pencavel, 1996).

In contrast, obstructionist regimes strictly regulate if not suppress collective bargaining. Each union must obtain the sanction of the state to operate as a collective bargaining agent, the unionization of large sectors of the economy is prohibited, the content of collective bargaining agreement is restricted, and strikes are often illegal. Some of the features are found in certain countries in South-East Asia and North Africa (Pencavel, 1996).

Some countries exhibit a mixture of these two types of regimes. In much of Latin America, employer-financed severance payments and fringe benefits are mandatory and alliances between unions and political parties are common. At the same time, the state may intervene heavily in union affairs and in the collective bargaining process. Kenya has fallen into this category over the years.

Both patronage and obstructionist regimes share the feature that unions are highly politicized. To unions, it appears as if the discretionary activities of local or national political leaders assume much greater importance than the economic realities of the workplace. Indeed, the union movement is often the route to political power: many leading politicians in developing countries embarked on their careers by gaining influence within the union movement (Essenberg, 1981).

In Kenya, the Industrial Relations Charter of 1962 and later 1980, formed the basis of the collective bargaining process in Kenya. It brought about tripartitism in Kenyan industrial relations with relationships existing between the Government, the Federation of Kenyan Employers and the Central Organization of Trade Unions. The charter states that parties are to adhere to democratic principles and adhere to the provisions laid down by the Trade Disputes Act. The ILO convention numbers 87 and 98 give the working man the right to associate and organize themselves for the purpose of collective bargaining. The Industrial relations charter specifically endorsed the spirit of these ILO conventions by instituting the basis for recognition of unions as the sole bargaining agents of the workers by the employers.

Costs or benefits of unions

From a theoretical perspective, the net benefit/cost of unionism is ambiguous and depends on the economic, political, and organizational environment in which collective bargaining takes place. Therefore, trying to judge the contribution of unions and collective bargaining more generally to the achievement of economic and social outcomes is, at the end of the day, an empirical question (Aidt and Tzannatos, 2002).

An empirical study by the Institute for Employment Research by S. Kohaut and L. Bellman found that in 1995 collective bargaining covered 61.6% of western German establishments and 83.1% of western German employees. Furthermore, 53.4% of establishments and 72.2% of employees were covered by industry-wide

collective agreements. 8.2% of establishments and 10.9% of employees were covered by company agreements and 38.4% of establishments and 16.9% of employees were not covered by collective bargaining at all. Further findings of the study were that the higher the percentage of female employees, the higher the probability that the establishment is covered by collective bargaining. Also, new establishments were less likely to be covered by collective bargaining. Also, the higher the export turnover, the less likely the establishment is covered by collective bargaining. The study however left two questions answered, namely the nature of personnel and industrial relations in organizations not covered by collective bargaining and the effects of collective bargaining on industrial harmony.

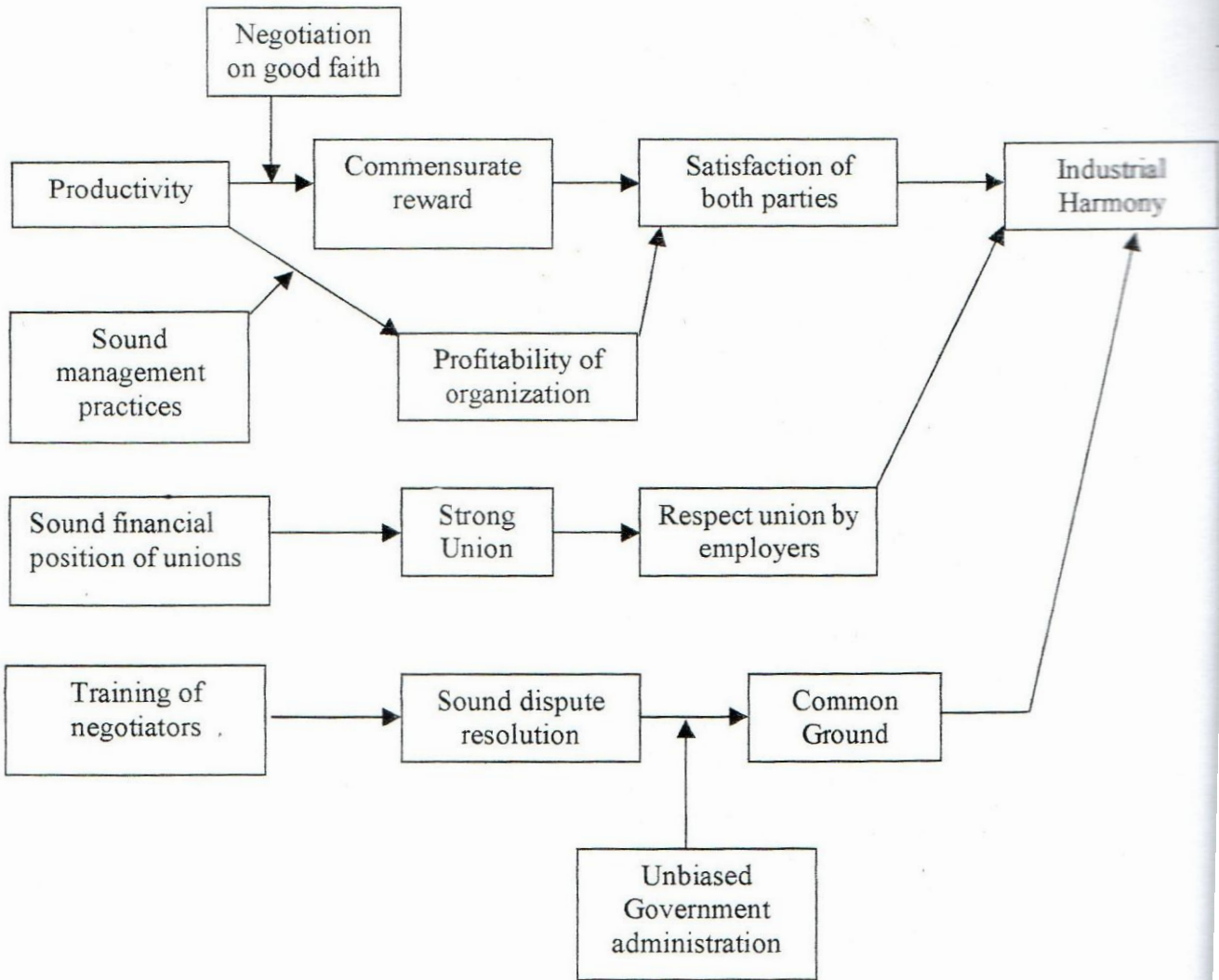
Cameron (1984) measured the nature of strikes in 18 different countries and the relationship between the number of working days lost to strikes and various variables of economic variables performance. The findings of the study were that countries with high strike activity are associated with high inflation, high unemployment rates and fast growing average earnings. However, the study did not look at the effects of union and collective bargaining coverage on strike activity.

2.2 Conceptual framework

The conceptual framework looks effects of several independent variables that enable the organization to experience industrial harmony which is the dependent variable. Increased worker productivity can lead to industrial harmony if there is commensurate reward to the employees resulting in satisfaction by both parties. However commensurate reward for the employees can only be achieved if both parties negotiate in good faith during the collective bargaining process. Also, increased productivity can lead to increased profitability subject to sound management practices by the management thereby resulting in satisfaction for all parties concerned. A financially sound union becomes a strong union as it can sustain a strike. Consequently it gains respect from the employer. Negotiators that are well trained on both sides will ensure that there is sound dispute resolution the

result is common ground by both parties, which however is subject to an unbiased arbitration from the government side. Productivity, financially stable union, and trained negotiators are the independent variables. Commensurate reward, profitability, strong union, satisfaction, sound dispute resolution, common ground and respect of the union are intervening variables. Finally, sound management practices, negotiation in good faith and unbiased government arbitration are moderating variables.

Figure 1



Source: Own

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research design

The study used survey design. Survey design is important here as it can be used to describe existing observed phenomena and also established causal relationships (Kathuri and Pals, 1993). Surveys are also an efficient way of getting an insight into people's thoughts, opinions and feelings. It is also a better way of collecting large quantities of data.

3.2 Target population

The target population consisted of 613 people. These people were unionizable employees from three organizations namely N.B.K, K.P.L.C and P.B.K. The result was that different respondents from different corporations were interviewed. These corporations are chosen due to the strong unionization of their employees.

3.3 Sampling procedure and design

A complete census was used by the researcher to acquire information from the managers and union officials from the three organizations. Simple random sampling on the other hand was used to get a sample from the unionizable employees. There were employees from three organizations sampled. These organizations were the Pyrethrum Board of Kenya (PBK), the National Bank of Kenya (NBK) and the Kenya Power and Lighting Company (KPLC). PBK has 243 unionizable employees, NBK has 35 unionizable employees and KPLC has 335 unionizable employees. The sample size from the three organizations was obtained by using a formula as suggested by Mugenda and Mugenda, (1999).

$$n = \frac{Z^2 pq}{E^2}$$

However, the formula is for an infinite population. Since the study deals with a finite population, the finite population correction factor was therefore used.

$$n = \frac{Z^2 pq N}{E^2(N-1) + Z^2 pq}$$

n – desired sample size

Z – the standard normal deviate at the required confidence level

p – the proportion in the target population estimated to have characteristics measured

q – 1-p

N – the total population

E – desired level of precision

3.4 Data collection methods and procedures

The data collected was primary in nature. This primary data was obtained by means of structured questionnaires administered to the respondents consisting of both open and closed ended questions.

3.5 Data analysis

The data was collected using descriptive statistics like mean, median, standard deviation, percentages, bars and graphs. The likert scale was used to measure attitudes. The Statistical Package for Social Sciences (SPSS) was used to analyze data and make conclusions and recommendations from what was studied.

CHAPTER FOUR: RESULTS AND DISCUSSION

4.1 General findings

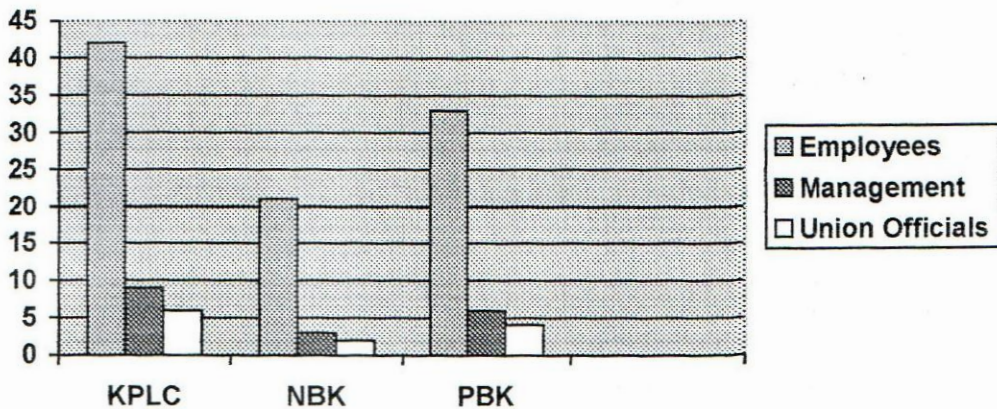
A total of 126 respondents replied to the questionnaires they were issued with. The respondents were divided into three strata namely management, employees and union officials in three different organizations namely KPLC, NBK and PBK. Table 1 below indicates the distribution of the employees.

Table 1: Distribution of respondents

Company	Employees	Management	Union Officials	Total
KPLC	42	9	6	57
NBK	21	3	2	26
PBK	33	6	4	43
TOTAL	96	18	12	126

Source: Field survey 2006

Figure 2



4.2 Impact of challenges facing collective bargaining according to employees and union officials.

Table 2: Strong & powerful management

Scale	Respondents	
	Frequency	Percent
1	9	8.3
2	7	6.3
3	19	17.4
4	32	29.0
5	41	39.0
Total	108	100.0

Source: Field survey 2006.

Therefore, according to the table, 68% of the respondents felt that this was a serious challenge to collective bargaining. Therefore, it is important for collective bargaining to occur in an atmosphere that is not affected by a lopsided relationship between the parties.

Table 3: Impact of Employees productivity on collective bargaining

Scale	Respondents	
	Frequency	Percent
1	9	8.4
2	9	8.4
3	42	38.3
4	12	11.2
5	36	33.6
TOTAL	108	100.0

Source: Field survey 2006

One of the major factors affecting collective bargaining is the level of employee productivity. Employees are in a better bargaining position when the rate of productivity is higher than the reward being offered. From the findings it is evidenced that more than 80% (about 83%) feel that this is a major contributing factor in the bargaining process.

Table 4: Financial Strength/position of the union

Scale	Respondents	
	Frequency	Percent
1	11	10.8
2	8	7.2
3	33	30.4
4	30	27.6
5	26	24.0
TOTAL	108	100.0

Source: Field survey 2006.

A union is very effective especially if it is financially stable. According to the table, 82% of the respondents felt that the financial position of a union could be a serious challenge to collective bargaining. This is especially so if the union is in the red. The result is that it cannot negotiate on an equal footing with the representatives of the organization.

Table 5: Level of training & Experience of negotiators

Scale	Respondents	
	Frequency	Percent
1	5	4.6
2	5	4.6
3	37	34.3
4	15	13.9
5	46	42.6
TOTAL	108	100.0

Source: Field Survey 2006.

The level of training and experience of the negotiators can have impact on collective bargaining. Highly trained and experienced negotiators will ensure that the collective bargaining process occurs in a smooth manner and in an atmosphere of mutual understanding. According to the table, 90.8% of the respondents felt that training or the lack of it could be a serious challenge to collective bargaining.

Table 6: Government Intervention/Position

Scale	Respondents	
	Frequency	Percent
1	16	14.9
2	3	2.8
3	23	21.3
4	25	23.2
5	41	37.9
TOTAL	108	100.0

Source: Survey 2006

Collective bargaining in some instances is a tripartite process involving the union representatives, employer representatives and finally the government as neutral arbitrator. However if the government loses its neutrality, the process of collective bargaining could be affected. According to the table, 82.4% of the respondents felt that government intervention especially in favour of the employer organization could be a serious challenge to collective bargaining.

Table 7: Negotiation in good faith

Scale	Respondents	
	Frequency	Percent
1	-	-
2	3	2.8
3	19	17.6
4	18	16.7
5	68	62.9
TOTAL	108	100.0

Source: Field Survey 2006.

One of the most important issues in collective bargaining is good faith. Both parties should respect one another and negotiate in good faith for there to be understanding and mutual cooperation. However, the process of collective bargaining could collapse if one party does not negotiate in good faith. According to the table 97.2% of the respondents felt that the process could be in jeopardy if management did not negotiate in good faith.



4.3 Impact of challenges facing collective bargaining according to management

Table 8: Power of the union

Scale	Respondents	
	Frequency	Percent
1	3	16.7
2	4	22.2
3	4	22.2
4	3	16.7
5	4	22.2
TOTAL	18	100.0

Source: Survey 2006

Collective bargaining should occur in an atmosphere in which none of the parties is deemed to be too powerful. Such a situation could result in a stalemate or collapse of the process. 61.1% of the respondents felt that collective bargaining could be in jeopardy if the union was too powerful.

Table 9: Use of strike as a weapon

Scale	Respondents	
	Frequency	Percent
1	4	22.2
2	-	-
3	2	11.1
4	2	11.1
5	9	55.6
TOTAL	18	100.0

Source: Survey 2006

Collective bargaining should not be conducted under a cloud. There should never be a threat of action if one party does not get what it wants. 77.8% of respondents felt that the used of strike as a weapon was a serious challenge to the process of collective bargaining. The result is ill will and lack of mutual respect between the parties.

Table 10: Training of Union Officials

Scale	Respondents	
	Frequency	Percent
1	1	5.6
2	3	16.7
3	4	22.2
4	10	55.5
5	-	-
TOTAL	18	100.0

Source: Field survey 2006

If those who participate in negotiation are not trained, all the tenets of collective bargaining will be overlooked. This is especially so in the case of union officials. The tenet of compromise rather than confrontation will not be adhered to. 77.7% of the respondents felt that if union officials are not trained, the process of collective bargaining will be under severe pressure and may collapse. They felt that this could be a serious challenge to the process itself.

Table 11: Negotiation in good faith

Scale	Respondents	
	Frequency	Percent
1	2	11.1
2	-	-
3	2	11.1
4	5	27.8
5	9	50.0
TOTAL	18	100.0

Source: Survey 2006

Good faith in a negotiation brings about trust and respect. If one party is deemed not to negotiate in good faith, the whole process of collective bargaining could collapse. The result may be industrial unrest. 88% of the respondents felt that union officials did not negotiate in good faith and therefore, the process was under severe strain.

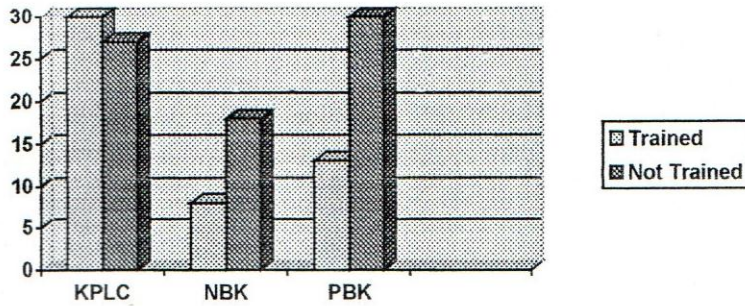
4.4 Proportion of personnel trained in negotiation

Table 12: Distribution of trained and untrained personnel

Company	Trained	Not Trained	Total
KPLC	30	27	57
NBK	8	18	26
PBK	13	30	43
	51	75	126

Source: Field survey 2006.

Figure 3



Training is an important aspect in negotiation. Only those that are trained could conduct themselves in a professional manner. It is important for the entire workforce to be trained so they can appreciate the collective bargaining process and respect the other side.

The table shows that of the respondents studied, only 40.5% were trained in negotiation as opposed to 59.5% who were not trained. Most of the organizations did not have a policy of training personnel.

Table 13: Importance of training negotiators

Scale	Respondents	
	Frequency	Percent
1	2	1.6
2	4	3.2
3	11	8.7
4	34	26.9
5	75	59.6
Total	126	100.0

Source: Field survey 2006

Training of negotiators is important as it ensures that collective bargaining is done in a professional manner in an atmosphere of mutual respect. 95.2% of the

respondents felt that training is important and crucial in the collective bargaining process.

4.5 The Role of Productivity in improving profitability

Table 14: The importance of improved productivity on organizational profitability.

Company	Yes	No
	Respondents	Respondents
KPLC	57	-
NBK	26	-
PBK	42	1
TOTAL	125	1

Source: Field survey 2006

Employees and union officials know that increased productivity results in increased output for the organization and therefore increased profits. Of the 126 respondents who participated in the survey, only 1 (0.8%) disagreed with the view that productivity is directly proportional to profitability. This shows that importance of increased employee productivity to the organization.

4.6 Role of a strong union in improving collective bargaining

Table 15: Importance of a strong union

Company	Yes	No
	Respondents	Respondents
KPLC	57	-
NBK	22	4
PBK	42	1
TOTAL	121	5

Source: Survey 2006

A union that is strong both structurally and financially is good for collective bargaining. It ensures that negotiations take place in an atmosphere of mutual respect. Furthermore the relationship between the parties are not lopsided. Only 5(3%) of the respondents disagreed with this view. A strong union is crucial for a smooth collective bargaining process.

4.7 The Role of individual contracting

Table 16: The effectiveness of individual contracting as opposed to collective bargaining

Company	Yes	No
	Respondents	Respondents
KPLC	13	44
NBK	1	25
PBK	8	35
Total	22	104

Source: Survey 2006

Some organizations use individual contracts in their hiring policy. However, individual contracts may prove lopsided in favour of the organization as opposed to collective bargaining. Collective bargaining is a more effective tool as it ensures equality in working relationships. A large majority of 104(82.5%) of those questioned felt that collective bargaining is a more effective tool in industrial relations.

4.8 The Role of collective bargaining in industrial harmony

Table 17: Collective bargaining and industrial harmony.

Company	Yes	No
	Respondents	Respondents
KPLC	48	9
NBK	25	1
PBK	37	6
TOTAL	110	16

Source: Survey 2006

Collective bargaining is subscribed to by organizations so that employers and employees can agree terms and conditions of work in a peaceful and harmonious manner. Collective bargaining agreements therefore ensure that there is industrial harmony in the organization. 110 (87.3%) of the respondents who participated in the survey agreed with the view. This illustrates the importance of collective bargaining in modern industrial relations.

4.9 Results of the hypothesis tests

The first hypothesis was stated as, "There is a positive correlation between employee productivity and industrial harmony". Pearson's correlation was used. The result was a positive relationship between the variables with employee, management and union officials showing figures 0.103, 0.834 and 0.547 respectively.

The second hypothesis was stated as "There is a positive correlation between financial stability of unions and industrial harmony" The result was also a positive relationship between the variables with employee, management and officials showing figures of 0.393, 0.878 and 0.327 respectively.

The third hypothesis was stated as "There is a positive correlation between training of negotiators and industrial harmony". There was a further positive relationship between the variables with employee, management and official showing figures of 0.207, 0.327 and 0.283 respectively.

Lastly the hypothesis was stated as, "Improved employee productivity results in increased profitability of organizations". The result was there was a positive relationship with employees, management and officials showing figures of 0.144, 0.830 and 0.650 respectively. Therefore the entire null hypotheses were confirmed and accepted albeit at different strengths.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

From the study, it was established that the financial strength of the union had a positive effect on the process of collective bargaining as the union could negotiate on a more equal footing with management. Therefore, members of the management had more respect for union members. However, among management, there was the belief that a strong union had a positive influence on collective bargaining and thus management's respect for union was higher.

Secondly, the study established that employee productivity increases the profitability of the organization. Once again, the view was strongest among management, although it was also strong among union officials. Increased employee productivity could therefore be a variable that makes an organization more profitable.

Thirdly, the study established that training of negotiators influences the process of collective bargaining and dispute resolution in a positive manner. The result of training is a more structured and professional collective bargaining process. The view was strong among every sector whether management, employees or union officials.

Finally, the study established that employees and officials favoured collective bargaining over individual contracting. Many felt that individual contracting would weaken the power of employees to demand for their rights. Others felt that it would lead to victimization, nepotism, tribalism and other vices. Others thought that it would be an expensive process. Among the management support for the different processes was evenly balanced with those supporting individual contracting stating that it would bring about meritocracy and efficiency in the organization. Generally, more people especially among employees and union officials favoured collective bargaining.

5.2 Recommendations

From the study it is apparent that the process of collective bargaining has a lot of problems. However the process could be improved so as to ensure increased industrial harmony. The following recommendations are therefore made:

- (i) There is a need to adequately train not only negotiators but also every employee of the organization in the negotiation process. This would ensure that the process of collective bargaining is carried out in a climate of mutual respect and understanding, whereby both parties aim to compromise rather than confront each other. Employees will also understand the rationale behind management decisions and management would understand the grievances that employees have.
- (ii) Employees and members of the management should also encourage financially stable unions that would bring a harmonious balance in the organization. Union officials' activities like further subscriptions and business ventures should be considered so as to put the unions back in the black. Unions should also be professionally run.
- (iii) Management should ensure that employees are better remunerated for their labour so as to ensure that the collective bargaining process is smooth and consequently, industrial harmony is achieved. Many strikes occur due to perceived differences between employees and management remuneration packages.
- (iv) Lastly, there should be mutual respect between both parties with an emphasis on compromise rather than confrontation. The result would be a smooth collective bargaining process and consequently industrial harmony.

5.3 Suggestions for further research

From the findings, there is need for further research in the following areas:

- (i) Reasons why training programmes in negotiation are not prevalent in many organizations.
- (ii) The relative merits and demerits of collective bargain and individual contracting in organizations.
- (iii) A study of collective bargaining in both the public and private sector.

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APPENDICES

APPENDIX I

SPECIMEN LETTER TO THE RESPONDENTS

Joseph Denis Wamoto,
Egerton University,
Faculty of Commerce,
P.O. Box 408,
Kisii – Kenya.

Thro
The Dean, Egerton University,
Faculty of Commerce,
P.O. Box 408,
Kisii.

Dear Respondent

Re: Research Project

I am a student at Egerton University pursuing a Masters of Business Administration (MBA) degree specializing in Human Resource Management. I am currently carrying out a research on: **Effectiveness of Collective Bargaining in enhancing Industrial Harmony – A Case of Parastatals in Nakuru Municipality.**

The purpose of this questionnaire is to gather information from respondents regarding the **challenges that collective bargaining face in their organization as a tool that promotes industrial harmony.** You have been selected as one of the respondents who will assist the researcher to acquire the necessary data in this study.

You are hereby assured that the information you will give will be treated with a lot of confidentiality and used strictly and only for academic purposes.
Thank you for your co-operation.

Joseph Denis Wamoto

Researcher

APPENDIX II

QUESTIONNAIRE I (MANAGEMENT)

Please fill in the questionnaire below by ticking the appropriate areas of comment where needed.

1. Name of organization _____

2. You're your organization have a process of collective bargaining?

Yes No

3. Is the process of collective bargaining in your organization well structured?

Yes No

4. To what extent do these challenges impact on collective bargaining in your organization?

Key NI = No impact LI = Little Impact FI = Fairly Impact

SI = Strongly Impact VSI = Very Strongly Impact

	NI	LI	FI	SI	VSI
Union is too powerful	1	2	3	4	5
Union always ready to use strike as a weapon	1	2	3	4	5
Union officials not well trained in negotiation	1	2	3	4	5
Workers are not well trained in negotiation	1	2	3	4	5
Union official do not negotiate in good faith	1	2	3	4	5

5. Have you been trained in industrial relations and negotiation?

Yes No

6. Have you been involved in the process of collective bargaining?

Yes No

7. Have there been attempts to address the challenges facing collective bargaining in your organization?

Yes No

8. If yes, to what extent?

Key N = None L = Little F = Fair S = Same
A = A lot

	N	L	F	S	A
Union is too powerful	1	2	3	4	5
Union always ready to use strike as a weapon	1	2	3	4	5
Union officials not well trained in negotiation	1	2	3	4	5
Workers are not well trained in negotiation	1	2	3	4	5
Union official do not negotiate in good faith	1	2	3	4	5

9. Do you think collective bargaining enhances industrial harmony?

Yes No

10. If Yes, Explain _____

11. What are other factors that you think contribute to industrial harmony?

APPENDIX III

QUESTIONNAIRE II (UNION OFFICIALS)

Please fill in the questionnaire below by ticking the appropriate area or comment where needed

1. Name of organization _____

2. Does your organization have a process of collective bargaining?
 Yes No

3. Is the process of collective bargaining in your organization well structured?
 Yes No

4. To what extent do these challenges impact on collective bargaining in your Organization?
 Key NI = No Impact LI = Little Impact FI = Fairly Impact
 SI = Strongly Impact VSI = Very Strongly Impact

	NI	LI	FI	SI	VSI
Management is too powerful	1	2	3	4	5
Payment is not commensurate to productivity of workers	1	2	3	4	5
Union is financially weak	1	2	3	4	5
Management negotiators are not well trained in negotiation	1	2	3	4	5
Government biased in favour of employer organization	1	2	3	4	5
Management do not negotiate in good faith	1	2	3	4	5

5. Have you been trained in industrial relations and negotiation?
 Yes No

6. Have you been involved in the process of collective bargaining?

Yes No

7. Have there been attempts to address the challenges facing collective bargaining in your organization?

Yes No

8. If yes, to what extent

Key N = None L = Little F = Fair S = Same A = Alot

	N	L	F	S	A
Management is too powerful	1	2	3	4	5
Pay is not commensurate to productivity	1	2	3	4	5
Union is financially weak	1	2	3	4	5
Sound management practices	1	2	3	4	5
Management negotiators are not well trained in negotiation	1	2	3	4	5
Government is biased in favour of employer organization	1	2	3	4	5
Management do not negotiate in good faith	1	2	3	4	5

9. Do you think collective bargaining enhances industrial harmony?

Yes No

10. If Yes, Explain _____

11. What are other factors that you think contribute to industrial harmony?

12. Do you think the following could enhance industrial harmony in your organization?

Key SD = Strongly Disagree
A = Agree

D = Disagree
SA = Strongly Agree
N = Neutral

	SD	D	N	A	SA
Commensurate pay for workers for their productivity	1	2	3	4	5
Respect of union by management	1	2	3	4	5
Training of negotiators	1	2	3	4	5
Sound management practices	1	2	3	4	5

13. Do you think improved productivity by employees improves the profitability of the organization?

Yes

No

14. Do you think that a strong union will improve the process of collective bargaining in the organization?

Yes

No

15. Do you think employees are rewarded commensurate to their productivity?

Yes

No

16. Do you think individual contracting is more effective than collective bargaining?

Yes

No

17. If yes, explain _____

18. If no, explain _____

APPENDIX IV

QUESTIONNAIRE III (UNIONIZABLE EMPLOYEES)

Please fill the questionnaire below by ticking the appropriate area or comment where needed.

1. Name of organization _____

2. Does your organization have a process of collective bargaining?

Yes No

3. Is it the process of collective bargaining in your organization well structured?

Yes No

4. To what extent do these challenges impact on collective bargaining in your organization?

Key NI = No Impact LI = Little Impact FI = Fairly Impact

SI = Strongly Impact VSI = Very Strongly Impact

	NI	LI	FI	SI	VSI
Management is too powerful	1	2	3	4	5
Pay is not commensurate to productivity workers	1	2	3	4	5
Union is financially weak	1	2	3	4	5
Management negotiators are not well trained in negotiation	1	2	3	4	5
Government biased in favour of employer organization	1	2	3	4	5
Management do not negotiate in good faith	1	2	3	4	5

5. Have you been trained in industrial relations and negotiation?

Yes No

6. Have you been involved in the process if collective bargaining?

Yes No

7. Have there been attempts to address the challenges facing collective bargaining in your organization?

Yes

No

8. If yes, to what extent

Key N = None

L = Little

F = Fair

S = Save

A = A lot

	N	L	F	S	S
Management is too powerful	1	2	3	4	5
Pay is not commensurate to productivity	1	2	3	4	5
Union is financially weak	1	2	3	4	5
Sound management practices	1	2	3	4	5
Management negotiators are not well trained in negotiation	1	2	3	4	5
Government is biased in favour of employer organization	1	2	3	4	5
Management do not negotiate in good faith	1	2	3	4	5

9. Do you think collective bargaining enhances industrial harmony?

Yes

No

10. If Yes, Explain _____

11. What are other factors that you think contribute to industrial harmony?

12. Do you think the following could enhance industrial harmony in your organization?

Key SD = Strongly Disagree D = Disagree N = Neutral
 A = Agree SA = Strongly Agree

	SD	D	N	A	SA
Commensurate pay for workers for their productivity	1	2	3	4	5
Respect of union by management	1	2	3	4	5
Training of negotiators	1	2	3	4	5
Sound management practices	1	2	3	4	5

13. Do you think improved productivity by employees improves the profitability at the organization?

Yes No

14. Do you think a strong will improve the process of collective bargaining in your organization?

Yes No

15. Do you think employees are rewarded commensurate to their productivity?

Yes No

16. Do you think individual contracting is more effective than collective bargaining?

Yes No

17. If yes, explain _____

18. If no, explain _____

APPENDIX V

ACTIVITY

DURATION

Preparation and approval of proposal 4 weeks

Preparation for field analysis such as questionnaire printing 1 week

Data Collection

Questionnaire presetting 1 week

Actual data collection 3 weeks

Data analysis 1 week

Final draft 4 days

APPENDIX VI
RESEARCH BUDGET

Typing	Services
Amount	
Proposal 50 pages@ sh 40	sh 2,000
Research report 150 pages@ sh 40	sh 6,000
Photocopy Services	
Proposal 40 pages@ sh 2 for 8 copies	sh 800
Binding 8 copies of proposal@ sh 65	sh 520
Project 150 pages for 7 copies @ sh 40	sh 2,000
Two 10 page questionnaires@ sh 40	sh 800
 Data Collection	
Subsistence during fieldwork 21 days@ sh 500	sh 10,500
Traveling expenses during fieldwork 21 days@ sh 500	sh 10,500
Stationery	
Assorted pens and pencils 12@ sh 20	sh 240
Writing papers@ sh 300 for 4 reams	sh 1,200
• Binding charges 8 copies@ sh 65	sh 520
Binding charges final report 8x150	sh 1,200
TOTAL	sh 41,980
10% Contingencies	sh 4,198
Grand Total	sh 46,178

