

Chapter 5

Negotiation

Breathing life into the employment relationship

Aliakbar Akbaritabar

Valeria Breuker

Two interesting presentations !

- Consider the fact that I am from Iran 😊
- Internationalization of economy of countries !
 - Case of sanctions (14 years of de-internationalization because of the wrongdoings of both sides)
- Negotiation !
 - Case of nuclear negotiations between 5+1 and Iran

Popular Understanding

Negotiation is something that **management** and **trade unions** do

It seemingly challenges any kind of **logic**

- You have heard, it is a matter of negotiation = anything is possible

takes up an excessive amount of **time**

often results in **strikes** or other expressions of **conflict**

The focus is on **wages** or other **economic dimensions** of the employment relationship such as working time.

Negotiation, in other words, is about **bargaining**.

Negotiation in reality is very different

Negotiation gives effect to the employment relationship.

Negotiation is by no means restricted to collective actors

Despite popular image, Negotiation **involves far more than the management-trade union bargaining** over wages and conditions

In a phrase:

- The work organization is 'a **system of negotiated order**'

So,

- Negotiation is a **collection of processes that individuals/groups use to define and redefine the terms** of their interdependence with other parties
- Especially important where this interdependency is characterized by **uncertainty** and **incompleteness**
 - as in the case of the employment relationship.

'give-and-take'

Nothing is automatic about the employment relationship



to put

management decisions

collective agreements

employment rights,



into effect



involves **dialogue**,

day- to-day consensus building and 'give-and-take', i.e. 'negotiation'.

Unequal Power Balance

It is true that

- employment relationship involves an **asymmetric** or unequal power balance.

But there is considerable **mutual dependency**

- employees rely on the employer for their income
- managers depend on employees to achieve their own goals and targets.
- The result is that
 - coercion is very rarely a serious option.

Muller-Jentsch:

- 'any type of order, even the most repressive, is to a certain degree **negotiated order**.
- Example: when you don't protest, you are taking the option of negotiation away from yourself, in other words, you agree with current situation!

Is negotiation Explicit or Implicit ?

explicitly
through
formal
negotiations

appraisal or performance review sessions

discussions about working time flexibility

implicitly
through 'tacit
agreements'
and 'silent
bargaining'

behavioral action and reaction through which the parties explore and draw the **boundaries of their mutual expectations.**

Example:

Structures surrounding individual agents behavior that is being transferred to future generations through laws and/or proverbs, jokes ... (in work environment you hear that manager is tough, don't mess with him)

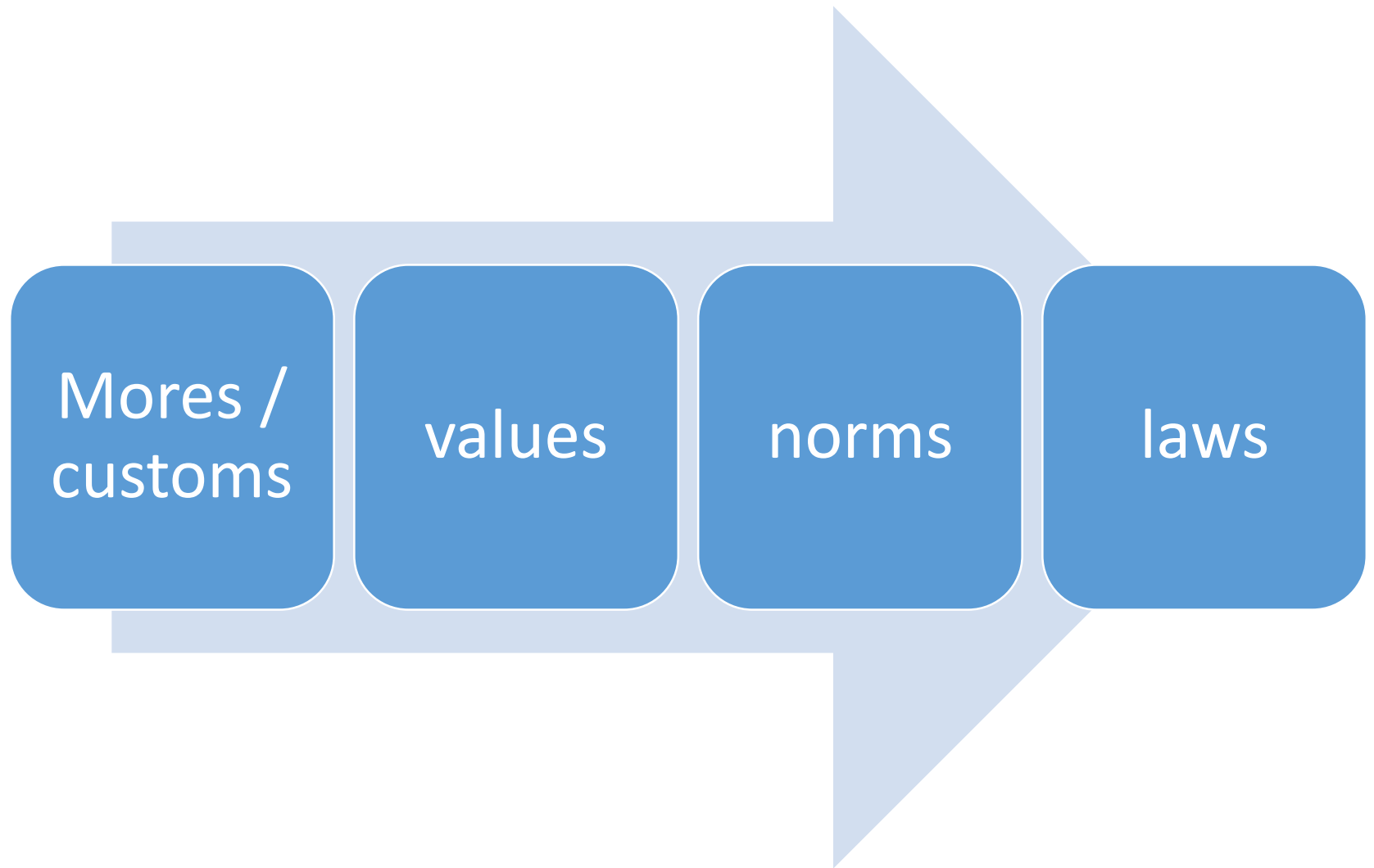
Psychological Contract

it is not the **legal contract** that determines how employers, supervisors and managers behave on a day-to-day basis.

Rather it is the 'psychological contract' that determines what the parties will, or will not do and how it will be done and **this is more or less continuously being negotiated.**

- **fairness** of obligations and promises
- extent of the **trust** that the parties have in them
- extent to which they are **honored**

A metaphorical comparison



Distributive ('win-lose') bargaining

Process that most people are likely to think of when negotiation is discussed.

Issues where **one party's goals are in basic conflict with those of another**

In the language of game theory,

- there is a **fixed or 'zero sum'** in which one party wins what the other loses.

In more normal language,

- there is a cake of a given size the bigger one party's share, the smaller the other party's.

An example

Most obvious example --> **wages**

- Any improvement in wages means an increase in **management's costs**;
- the bigger the improvement, the bigger the increase in these costs.
- the lower the wage increase, the less is **employees' income**.

Not just restricted to economic resources such as wages or working time,

- Issues of **power** and **status** can also be involved.

Distributive Bargaining at individual level

less obvious

- because it is a much more private affair

most employees are **paid under grade structures** that rarely give the individual the opportunity to negotiate a change in position.

employees may **threaten to resign** in the **hope of securing promotion** and/or an **increase in wages**

Former employees, negotiations over the **terms of their departure** in the event of a claim for **unfair dismissal**.

Integrative ('win-win') or co-operative bargaining

Issues that involve objectives that **are not in fundamental conflict** with those of the other party

therefore **can be integrated** to some degree.

Such objectives are said to define **an area of common concern**

- they are essentially a **'problem' to be solved**, where a compromise can bring benefits to both parties.

language of game theory:

- the sum is variable.
- Like the example of **blue ocean** or red ocean in marketing terms
- Another example => negotiations between two presenters

Zone of Acceptance

Not restricted to collective actors

Dominant form of negotiation so far (as individual employees are concerned)

becoming more and more important as the need for greater flexibility intensifies.

employment relationship grants residual rights of control of the employer. Marsden calls it a 'zone of acceptance' within which **employees agree to let management direct their labor.**

Zone of Acceptance

Includes:

- **range of tasks** that employees are willing to undertake at management's direction,
- priority to be accorded to different **types of work**
- willingness to vary **working time** according to management's requirements.

From time to time, these limits **need to be updated**,

- employment relationship is built on **exchange**
- the **logical** way to change terms is also by **agreement**
- which involves a form of '**tacit**' or '**implicit**' negotiation.

Example in individual level

- multi-skilled care teams in a National Health Service (NHS)
- A key obstacle to more flexible work patterns was that **different categories of staff** had their 'zones of acceptance'
- ward nurses -> worked shifts
- Physiotherapists -> worked Monday to Friday, with premium payments for working overtime and unsocial hours.

- The solution to the problem involved scrapping payment of special allowances for unsocial hours, in return for adjustments to basic pay and the introduction of a performance bonus whose absolute size was determined by how well the hospital achieved its objectives, and which was payable to satisfactory and good performers.
- Accompanying the new pay structure
- an individual performance appraisal and goal setting system
 - clarification of work roles
 - setting goals
 - planning personal development and regular reviewing.

Managers
and staff
were
encouraged
to **discuss**,

on a one-to-one basis,
the purpose of the job,
its main activities,
Responsibilities
Resources
and so on

Whether
the **job
description**
needed
revision.

They were also encouraged to 'jointly develop, goals, tasks or objectives' which facilitated achievement of the job's purpose

along with a personal development plan.

Differences of integrative negotiations

- **Different strategies and tactics** opposed to 'distributive bargaining'.
- **less threats and bluffs**
- much more focus on the **ordering of the agenda** and the items that people are prepared to put on the table.
- greater concern to establish **what they have in common**
 - **to avoid** putting one another in a seemingly 'win-lose' situation.

Attitudinal structuring

is the term predominately reserved for the **on-going relationship** that has a past and a future.

negotiation is not just about exchange or, indeed, making decisions.

It is also about **influencing and shaping preferences**.

This process is

- on-going or **continuous**
- it is **incomplete**
- it brings numerous **opportunities** for the parties to seek to change the relationship to their advantage.

- most prominent in the case of the relationship between **management and individual employees**
- the aim of managers is not just to give employees information
- Rather it is to **structure their attitudes and shape their preferences**
- managers have been much more prone to share the **bad rather than the good news** in the hope and expectation of **dampening expectations** about a wage increase or other improvements in terms and conditions.
- In many organizations the aim is now quite openly to '**win hearts and minds**', above all where employees are required to interact with customers or clients - programs of 'total quality management' (TQM), 'customer care' and 'management by customers' (i.e. customer surveys) have proliferated, along with a series of initiatives targeting individual performance.

Intra-organizational bargaining

- Negotiation is seen largely in terms of a '**horizontal relationship**'
 - A tries to reach some accommodation with B and vice versa.
- In the typical situation, things are **more complicated**
 - there is '**vertical**' as well as 'horizontal' relationship.
 - A and/or B usually involve **more than one individual**
 - groups comprising A and B have to reach some accommodation **among themselves** about how they are going to deal with the issues.

- Wherever **groups** of people are involved, there are usually quite fundamental **differences of opinion or position** to be found between the members.
- even the **most apparently homogenous groups** such as '**management**'. For example, there may be differences of opinion between the different levels of line management about how to handle an issue. Or the differences may be of position and functionally-based.
- For example, the line manager driven by operational needs may say or do things on the spur of the moment, whereas the HR manager may be more concerned to maintain consistency of behavior.

Good cop – bad cop

(they need to first come to an agreement among themselves)

- Negotiation parties try to come to a **common position**
- while simultaneously trying to find out how whether there are any **differences of opinion on the other side** that can be exploited.
- In the face-to-face negotiations themselves, everything will be done to **avoid differences emerging**.
- Each party may involve several members, but only one member is likely to **do the talking** - if others wish to make a point, they will be expected to pass or note take great care to resolve their differences or **hide them from the other party**. Or members may be given very clear cut roles.



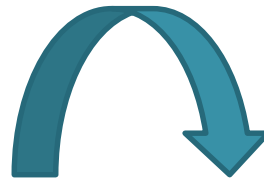
Negotiation in practice: a changing balance

A considerable shift from “**distributive**” to “**integrative**” bargaining.

There is a growing recognition of the problems that “**intra-organisational bargaining**” gives rise to, which is reflected in forms of “**soft regulation**”.

From distributive to integrative bargaining?

In most EU countries in 1990s there is a shift in the nature of management union negotiations for employment and competitiveness, but even for social pacts.



In cross-sector **social pacts** there are soft incomes policy, with guidelines covered: *(tax, wages, social security, pension, education and active employment policies)*.


- The increasing competitive pressure on management above all in manufacturing.
 - The introduction of the Single European Market, encouraging companies restructuring on regional level.
 - The opening of markets and privatisation.
 - The collapse of the former USSR and the incorporation of Poland and Hungary into the EU.
- The change in macro economic policy and the adoption of “non-accommodating” monetary regimes targeting low rates of inflation.
 - The European Monetary Union encouraged decentralization.
 - The spread across Europe of the German Bundesbank’s regime.
 - Common pattern to solve inflation (European going rate)

Two considerations

An increasing resort to attitudinal structuring

There has been an “**attitudinal structuring**”:

- “*Direct Voice*”, development in technology
- Pressure on performance (need for commitment).
- Balance change between employer and employees.
- Less demanding of managers.



“Involving individual employees or teams in decisions that affect the day to day organisation of their work helps to create a culture of autonomy and responsibility. And systems for encouraging employee feedback and suggestions are key innovation and building commitment to continuous improvement”.

- Collective voice is important in building a climate of trust.*
- Excessive reliance on “attitudinal structuring” is also exposing management to criticism.*

“psychological contract”



Potential merit: able to correct some limitations of the legalistic view of the employment relationship.



It symbolises an ideologically biased formula designed for a particular managerialist interpretation of contemporary work and employment.

Coping with the collective action problem-development in “soft regulation”

There is a co-ordinated bargaining, “banchmarking” and the EU’s open method of coordination (OMC).



Institutional expression of “Isomorphism”, in terms of “*intra-organisational bargaining*” or *collective action* problem policy makers and practitioners faced in multi-level governance situation.

Principle of subsidiarity

“soft-regulation” that resolve both the horizontal and the vertical dimensions of the collective action or intra-organisational bargaining.

Framework agreement: to set a sense of direction, and avoid failures, without consequences for representatives at local level. A set of principles which are binding on the parties at other levels.

Co-ordinated bargaining:

- 1) Unilateral form, is where one of the parties is opposed to collective bargaining.
- 2) The joint form, is where the parties develop an understanding that coordinated bargaining.

EU's "bechmarking"

- A management tool to regulatory instrument on the vertical and horizontal level.
- **Bechmarking** and **OMC** have a “logic of appropriateness”, linked to democratic legitimacy and effectiveness in “policy entrepreneur”, but involves member states, ‘social partners’ and other partners.

- EU policy makers could take a problem solving approach on long term
- The process need to become less opaque, with clear goals, targets and social security.



Since the coming of Single European Market and the currency emerged some contradictions:

- Decentralisation in company and workplace bargaining.
- Centralisation in social pacts at the cross-sector level as Governments seek national level, with social partners on wage moderation and flexibility.



Pact for employment and competitiveness (PEC)

- 1) Preserve employment.
- 2) Reduce organisation costs and contribute to economic growth.

Three ideal-types:

- 1) Agreements linked to the survival of business
- 2) Agreements aid the process of retrenchment.
- 3) Agreement linked to the adaptation of the business growth.

Figure 5.2 Changing emphases in employment relations²⁶

The 'old' employment relations

The 'new' employment relations

Key assumptions

- stability
- conflict
- social justice
- standardisation
- a predominant level of activity
- centralisation

- change
- co-operation
- continuous improvement
- diversity
- multiple levels of activity
- decentralisation ('subsidiarity')

Subject matter

- claims/grievances
- rights/obligations
- pay and conditions
- inputs

- information/
- standards/targets
- employment and competitiveness
- outputs

Processes

- distributive bargaining
- agreement making
- law making
- vertical integration
- enforcement/sanctions

- integrative bargaining
- social dialogue
- benchmarking/target setting
- horizontal co-ordination
- monitoring/learning

Type of benchmarking

- 1) **Performance:** comparative quantitative measures
- 2) **Process:** evaluate efficiency of business
- 3) **Strategic:** compare the successful organisations

2 Moments

- 1) Since 1990s benchmarking as a tool for EU policy makers to improve competitiveness in companies. Bargaining coordination initiatives.
- 2) A central plank of national policy developments, becoming a regulatory mechanisms for EU. It was a new communication tool, that helps to coordinate goal of the counties.



Thank you...