

Types of Bargaining



1. Distributive Bargaining

The parties try to maximize their respective gains. They try to settle economic issues through a zero-sum game (where one's gain is other's loss and other's gain is one's loss) Unions negotiate for maximum wages, and management wants to yield as little as possible, while getting things done through workers.

For Example, Unions negotiate for maximum wages & the management wants to yield as little as possible –while getting things done through workers.

2. Co-Operative Bargaining

In this type of bargaining both parties may gain which means win-win type of bargaining. Productivity aspects are considered and by mutual problem solving approach the sum total of the gains can be increased. When the question of survival arises in front of both parties, then this type of bargaining will give fruitful results.

For Example, when companies are hit by recession, they cannot offer the kind of wages and benefits demanded by workers. At the same time they cannot survive without the latter's support. Both parties realize the importance of surviving in such difficult times and are willing to negotiate the terms of employment in a flexible way.

3. Productivity Bargaining

In the method, workers' wages and benefits are linked to productivity. A standard productivity index is finalized through negotiations initially. Workers do not have to perform at exceptionally high levels, to beat the index. Without such production bargaining agreement, workers may not realize the importance of raising productivity for organizational survival and growth. Backed up by powerful unions, they may fail to read the danger signals from the market, and respond quickly.

4. Composite Bargaining

It is sometime alleged, by employees that productivity bargaining agreements have increased their workload. Under composite method, labour bargains for wages as usual but given step further demanding equity in matters relating to work norms / employment levels / measuring standard / environment hazards / sub-contracting clauses etc. This works in the favor of the workers, e.g. when unions negotiate standards they ensure the workload of workers don't exceed.

5. Concessionary Bargaining

Quite opposite to the other forms of bargaining, where the unions demanded from the employers, in concessionary bargaining, the objective is to giving back to management some of what it has gained in previous bargaining. In some cases, despite a financial crisis, the union may not be willing to concede. This may be because the union doesn't view management's arguments as credible. Thus, the degree of trust and credibility between the management and the union may influence the extent to which concessionary bargaining occurs.

For example, agreement between General Motors & the International Union of Electric Workers that granted GM around the- clock operations, wages and benefits concessions for the new hires, and a two-week mass vacation. The concessions were made to save over 3,000 jobs.

Bargaining Process



1. Preparing for Negotiations

Preparing for negotiations involves preparation before negotiation with the other parties to reach to an agreement. Both the parties involved in collective bargaining should prepare before going for negotiation so that there can be proper negotiation at the time of discussion. The preparation would include the issue, parties involved, causes, costs and impacts. This would bring confidence in the participating parties and would result in effective negotiation. This is the first step of the process.

2. Identifying Bargaining Issues

Before going for negotiation, the issue and possible related areas for discussion are to be identified. The knowledge regarding these issues must be collected. All detailed information should be with the negotiator. During discussion, the confusions can be avoided. The negotiator on the basis of thorough knowledge of the issue for discussion would proper and effective discussion and the problem solution would become very easy.

3. Negotiations Procedure

The negotiation procedure means how the negotiation would take place. Negotiation procedure is the method of negotiation. It would show that the activities are to be performed, who would perform and sequence and timing of the activities. This would clear the position in mind of negotiator and would bring confidence in his mind.

4. Bargaining Strategy

There is no any specific strategy for negotiating the issues. It depends upon situation, time, strength and other market conditions. But the main point is to keep attention on the entire package and its ultimate results rather than on immediate gains or losses.

5. Reaching the Agreement

The negotiation process begins when the concerned parties meet and submit their demand on the table to the other parties. It starts with submission of the demands of the trade union to the management. The negotiation starts with the submission and bargaining takes place. Through discussion they reach to an agreement. Negotiation completes with a mutually acceptable agreement.

6. Ratifying the Agreement

During discussion whatever they have discussed and reach to an agreement that is to be ratified by both the parties. Once the agreement is ratified, the issue of difference or conflict is over and negotiation comes to an aid. Without acceptance of the agreement the negotiation cannot be completed.

7. Administration of the Agreement

Once the agreement is accepted and signed, the agreement will be administered as per the terms and conditions of the agreement. In future, the work would be performed according to the ratified agreement. If doubt is there then the agreement in written would be referred.

If the process completes the above mentioned steps it can be said the collective bargaining process has been completed. If not or some steps not followed, then it can be said the bargaining process was not effective or a failure. So these steps are important in this process.