Partnership under pressure: shifts between stability and fragility in decentralised bargaining in Danish and Australian manufacturing

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Introduction

The decentralisation of collective bargaining has been a major trend in many developed economies over recent decades. The institutional frameworks and legislative contexts may differ but the downward shift in agreement-making increases the pressure on the relationship between unions and employers to negotiate productive and mutually beneficial outcomes. Successful decentralisation implies that managements and unions establish and maintain stable working relationships. However, seemingly durable and productive relationships can deteriorate, even collapse while difficult relationships can be constructively reformed. Our understanding of these dynamics and the role of negotiation within them is incomplete and so this paper seeks to explore the factors that shape the trajectory of decentralized bargaining arrangements in practice, through a comparison of local union-management negotiations in Australia and Denmark.

Our theoretical departure point is Walton et al.'s (1994) work on strategic union-management negotiation processes. In particular, we draw upon the findings of research into the negotiation process to build on their ideas about the interactions and outcomes of negotiations to posit that collective bargaining relationships can be classified along a spectrum from fragility to stability. Our aim is to elaborate factors that explain differences in the dynamics and outcomes of decentralized union-management negotiations.

Our analysis is empirically grounded in case studies of local union-management negotiations in Australia and Denmark. In Australia, the shift to decentralized bargaining occurred in the 1980s and is conducted in a highly regulated environment. By contrast, decentralized bargaining in Denmark is more recent and is far more voluntarist. At the same time, we sought to control for other variables by matching our cases at the industry level. We conducted two in-depth case studies of local union-management negotiations in closely matched Danish and Australian manufacturing firms.

We identify a number of negotiation factors that impact upon the durability of decentralized bargaining relationships at local level: goal alignment; the distribution of power between the parties; and the interpersonal dynamics (including trust and information exchange). However, the voluntarist regulatory frame work in Denmark appears to leave local negotiators with a larger room for manoeuvre to develop these factors compared to the legalistic regulatory frame work in Australia. Our findings have implications for both bargaining practice and public policy. In practical terms, the stability / fragility of bargaining relationships is likely to influence the viability of mutual gains bargaining and, more generally, the pursuit of union-management 'partnerships'. At the public policy level, our findings suggest that differences between the institutional settings of national industrial relations systems may tend to push company-level bargaining towards either fragility or stability.

Background

Workplace bargaining in Australia

The management of workplace relations in Australia has been dominated by the prominent role given at the outset (in 1904) to formal arbitration as the primary means for resolving industrial disputes (FWC, 2011; Hancock, 1985). The system developed into a complex structure of enforceable industry and occupational awards that specified, in some detail, the employment conditions in a particular industry or for an occupational group. Unionisation was over 50%. The system was centralised in that key decisions on specific issues, such as the standard working week, would be decided in a ‘test case’ often involving the Metal Trades industry and then ‘flow on’ to other occupations and industry sectors. Collective bargaining over wages and conditions was a secondary process during this period (Gahan and Pekarek, 2012).

The 1980s saw a major change as part of a broader package of economic reforms to improve Australia’s international competitiveness (Woden, 2000). The focus shifted to direct management-union negotiations at the enterprise level but the content of these enterprise agreements was still subject to approval by the tribunal to ensure that minimum standards were being maintained. A safety net is maintained through around 120 basic industry or occupational awards, the parties then building upon the appropriate one when negotiating their enterprise agreements (see Bray et al 2005 ch 8 for a more detailed description). Enterprise agreements are normally for two or three years (the maximum terms is 4 years) with specified wage improvements during the term of the agreement. The negotiation process is typically driven by a union official, supported by local delegates. Enterprise bargaining is now the primary mechanism for settling wages and conditions (ABS, 2014a).

Another important feature of the Australian system has been the frequency of legislative change, particularly since 1996. Public policy, reflected in new legislation with each change of government, has shifted between giving primacy to collective bargaining or to employment arrangements individually negotiated between employer and employee. The conduct of enterprise bargaining is highly regulated, imposing both procedural (e.g. good faith bargaining, right to strike) and substantive (e.g. agreement content restricted, some content mandatory) requirements on the parties. Unions don’t enjoy exclusive bargaining rights, so that companies can make agreements directly with employees, individually or collectively but without union involvement. There has been a concurrent decline in unionisation with just 17% of employees being union members (ABS, 2014b).

The Australian Manufacturing Workers' Union is the main union representing manufacturing workers and has over 100,00 members). There is an underpinning industry award (Manufacturing and Associated Industries and Occupations Award, 2010) and the Fair Work Commission lists 780 enterprise agreements that relate specifically to the manufacturing industry.

Workplace bargaining in Denmark

The Danish labour market is mainly regulated via collective agreements negotiated between unions and employers´ organizations; legislation plays a very role on labour market issues. Decentralization of collective bargaining in Denmark has been a process of *organized decentralization*, where bargaining competencies have been delegated to the workplace level within the frame work of sector-level agreements and without significant drops in union densities (Traxler 1995). Today, union density in Denmark is close to a level where seven in 10 wage earners are organized, and seven in ten are covered by collective agreements (Due et al. 2010).

Manufacturing is the trend-setting sector with regards to decentralization and has the longest history of decentralization within the Danish collective bargaining system (Due et al. 1994; Jensen 2007). As early as 1902, pay became a matter of company-level bargaining within the metal industry, and over the past century, this tradition of local wage setting spread to the rest of Danish manufacturing. At present, only minimum wage levels (which make up approximately half of the wages paid) are negotiated at sector level in manufacturing, whereas the actual wage increases are concluded between local bargaining parties. During the 1990s, possibilities for company-level bargaining were expanded to include working hours, and from 2000, the local agenda could be further expanded, provided that there is local consent (Navrbjerg et al. 2001). Currently, more than eight in ten companies covered by the *Industrial Agreement* in manufacturing have negotiated company level agreements on both wages and working hours (Ilsøe 2012).

However, it is important to underline that this decentralization process from the very beginning took place within the framework of the general sector-level agreement, which secures each local bargaining party the right to terminate any local agreement with two months' notice and fall back on the regulations of the sector-level agreement (*Industrial Agreement* 2014: chapter II). This de facto right of veto has been an important precondition for unions when accepting the delegation of bargaining competencies from the sector level to the company level. Furthermore, the Danish system of shop stewards has been an important precondition. Danish shop stewards (tillidsrepræsentanter) are elected among union members at the workplace and usually possess extensive bargaining experience; it is they, not union officials who conduct the negotiations at the company level. Surveys among manufacturing companies covered by the Industrial Agreement indicate that more than seven in ten companies have at least one shop steward present (Ilsøe 2012). Three out of four managers and three out of four shop stewards in companies with shop stewards present reported high levels of trust in relation to the other bargaining party (Ilsøe, 2012) which means that many managers and shop stewards in Danish manufacturing has the potential to develop bargaining relations with a partnership character.

Negotiations in the workplace context

Negotiating strategically for collaborative outcomes

The nature of management –union relations has long been a matter of academic interest as well as practical concern. In their seminal work Walton and McKersie (1965) recognised that these relationships could range fromconflict to collusion. In the UK, similar patterns of relationships were being identified(for example, Purcell, 1981), reflecting a growing public policy concern about workplace relations and its contribution to economic prosperity. Walton and McKersie recognised that the nature of a management-union relationship would be a factor influencing how the parties then negotiated their agreements. This more dynamic consideration was developed in their later work (Walton, Cutcher-Gershenfeld & McKersie, 1994) which analysed a number of workplace case studies to develop a framework for analysing the strategic dynamics of negotiations in the workplace context. The framework recognised that managements could *force* a change in the social contract (the term they use to cover management-union and employer-employee relationships), they could *foster* a change, or attempt to *escape* from a management-union relationship altogether (Walton, Cutcher-Gershenfeld & McKersie, 1994, p.58).

The research and theory development by Walton, Cutcher-Gershenfeld and McKersie is still relevant because it was conducted in the context of managements seeking to reshape workplace relations in the face of competitive pressures. It is these same competitive pressures that have been the context for policies that focus on developing collective bargaining at the workplace rather than industry or national levels. However, the focus of their analysis was strategic change whereas to be successful the practice of workplace bargaining requires stability of relationships (as well as generating mutually beneficial outcomes). To this end, focus has shifted to how this might be achieved, with the development of mutual gains (more recently termed interest-based) bargaining, primarily in the US (Cohen-Rosenthal & Burton, 1993; Kochan & Osterman, 1994) and the notion of partnership in the UK (Kelly, 2004; Martinez-Lucio & Stewart, 2004). Both developments were similar in their realisation that collaborative and constructive bargaining in an enterprise can normally only occur in the context of a broader commitment to mutuality between management and union. In this respect the mutual gains enterprise and the partnership model are both building on the strategic negotiation framework. However the evidence in support of sustained genuine mutual gain or partnership is patchy (see Fells and Prowse, 2013, for a review) suggesting the need for further analysis of the dynamics of negotiation in the workplace context for factors that might contribute to (or undermine) the stability of workplace bargaining structures and processes.

Competitive or collaborative negotiation?

Each negotiation is different and case studies of workplace negotiations attest to their complexity (see, for example, Bacon & Blyton, 2006, Cutcher Gershenfeld, 2011; Fells, 2000). The strategic negotiation framework identifies that negotiation involves three separate processes. The parties will bargain with each other, either competitively or cooperatively. Second, each side may take actions to build a particular type of relationship with the other party ('shaping intergroup attitudes') – the development of a mutual gains or partnership approach, referred to above, would be examples of this. The third process occurs within each side as the negotiators manage the differences of opinion within their respective constituencies ('managing internal differences').

Whether a negotiation is competitive or cooperative depends upon a wide range of factors but research into negotiation (which is extensive) suggests that four are significant – the goal alignment, the extent of information exchange, the level of trust and the exercise of power.

Walton and McKersie (1965) recognised that if the parties enter a negotiation thinking they have a range of issues to resolve they are likely to negotiate more competitively than if they approach the negotiation with an agenda of problems to solve. Most negotiators perceive approach their negotiations expecting them to be zero sum and so strategize accordingly (Bazerman & Neale, 1992). The competitiveness associated with this win-lose expectation is typically reinforced when there are constituencies, as in the case of management-union negotiations (Friedman, 1994; Klimoski, 1972). In contrast, where negotiators have concern for the other party's outcome then they are more likely to adopt a collaborative approach (Pruitt & Carnevale, 1993; De Dreu, Weingart and Kwon, 2000). For this reason models of mutual gains/interest-based bargaining and of partnership both emphasise the need for management and union to have a common understanding of the negotiation's context so as to encourage mutuality in goal setting.

The second factor that will influence the level of competitiveness or cooperation in the negotiation is the extent to which the parties exchange information (Thompson, 1991). A reluctance to share information or a willingness o use it to undermine the other party both develop a competitive dynamic whereas sharing information, particularly one's core interests and priorities, increases the likelihood of finding value adding solutions.

The third factor is the level of trust between the negotiators (Butler, 1999; Lewicki & Wiethoff, 2000). When the consequences of not trusting seem risky then trust can be calculative; alternatively trust can be built though an identification of common interests or goals (Lewicki & Stevenson, 1997) leading to the negotiators being open to mutual rather than to only self-serving solutions (Olekalns, Lau & Smith, 2007). The trust dimension is one aspect of negotiation that can have its roots in the broader attitudes the parties hold towards each other. Where, over time, the parties have taken time to interact and understand each other, there is likely to be a greater level of trust when they sit down to negotiate than in situations where there hasn't been this prior interaction.

The final key factor that shapes the conduct of a negotiation is the way the parties assess and exercise power. Negotiating power has to do with alternatives – how else might a negotiating party achieve its goal if agreement cannot be reached with the party across the table? (Bacharach & Lawler, 1981; Fisher, Ury & Patton, 1991). In the industrial relations context the alternatives to bargaining are the strike or lockout. This bargaining power derives from the ability to impose economic costs (Chamberlain and Kuhn, 1965) and for this reason national industrial relations systems have been established to create, and in come cases, mandate the alternative processes of mediation and arbitration rather than industrial action. Even when such institutional processes exist the exercise of power still occurs at the bargaining table. The parties' perceptions of the strength of their position is often based on their assessment of the prevailing economic context; a tight labour market will encourage the union and its members to press for a higher wage increase.

This contextual source of power is particularly salient in the third of the processes mentioned above, namely the management of differences of opinion within a constituency. Whatever the state of the labour market, or of the company's order book, some constituents will want their negotiators to accept the other party's position, others will want to hold out for more. These differences will be occurring both within the union membership and within the management team, though the former are often more difficult to manage. Constituents who give their negotiators a clear strong mandate are likely to get a better outcome though they do also increase the risk of their being a deadlock (Friedland, 1983; Klimoski & Ash, 1974).

One common feature of workplace negotiations is the process whereby the union negotiators put their negotiated settlement to the membership for approval. A rejection of a proposed settlement completely changes the dynamic of the negotiation. Even a credible threat of an adverse vote is a way of exercising of power at the bargaining table. In view of this some legislative frameworks prescribe how these votes are to occur and in doing so can impact upon the dynamics of the negotiation process.

This brief examination of the established research into how negotiation ‘works’ reveals the complexity of the process of reaching agreement. Closer examination of the way negotiations occur shows even more complexity. Negotiations typically involve a mix of competitive and cooperative behaviour (Putnam, 1990), and the success of a negotiation is contingent upon the negotiators’ ability to properly manage these complex interactions across the table (Fells, 2012; Olekalns and Weingart, 2008). Indeed, during the course of a negotiation there may critical incidents that can change the dynamics of the negotiations (Putnam 2004; Druckman and Olekalns, 2013). These critical incidents may be sparked by external events, including the way the media handle the reporting of a dispute (Putnam and Fuller, 2014). The way that any such critical incidents are handled can impact not only the current negotiation but the ongoing relationship between the parties.

Fragility and stability in negotiation relationships

The focus of this paper is the nature of nature of bargaining in the workplace and in particular the impact of the negotiation process on the durability of workplace bargaining relationships and structures. As indicated above, the strategic negotiation framework of Walton et al (1994) provides a starting point through their identification of the parties' strategic motivations, the processes and structures. Within this framework we can introduce some of the more behavioural findings from the negotiation research literature that have been presented above. We suggest a framework (Table 1) that proposes how strategic, behavioural and structural elements of negotiation might characterise fragile and stable workplace relationships. In doing so we add the dimension of durability to Walton et al's (1994) notion of the social contract. The six elements of negotiation that are presented in Table 1 provide a framework for the analysis of the two negotiation case studies. In particular we will explore the two research questions. First, where do negotiation processes in the Australian and the Danish case converge/divert? Second, how do the processes of (i) goal attainment, (ii) power distribution and (iii) interpersonal dynamics contribute to the reproduction of local partnerships?

Characteristics of fragility	Elements of negotiation	Characteristics of stability
Incompatible goals Perceive own goals can only be achieved through the other party making concessions	Goal alignment	Some congruent goals Perceive that own goals can be achieved through the other party achieving its goals
Strategies based on the (implied or actual) use of power	Power distribution	Power may shape the parties' outcome expectations but is not exercised during the negotiation
Infrequent and formal interactions Calculus based trust	Interpersonal dynamics: trust	Frequent interaction resulting in some occasions of identification based trust
Limited Used strategically	Interpersonal dynamics: information exchange	Open
Formal Negotiators as delegates	Negotiation structures	Formal and informal Negotiators with bargaining authority
Exploited by one or both parties	Critical incidents	Treated as an opportunity to build mutuality

Table 1: Fragility and stability in negotiation settings

Methods

Our analysis is based on two in-depth case studies on local negotiation processes of pay in a Danish and an Australian manufacturing company, respectively. The design of our empirical study is inspired by the process tracing methodology, which combines with-in case analysis and controlled comparison (George & Bennett 2005). Process tracing (PT) is a method that focuses on the causal sequences linking preconditions (X) with outcomes (Y) and seeks to draw attention to the events in between (Tansey 2007; Collier 2011). It is often applied to situations, where a correlation between X and Y has been identified, but knowledge is limited on the potential causal mechanisms linking the two (Beach & Pedersen 2013). In our case, we seek to explore the processes that reproduce partnership bargaining relations during negotiations in Danish and Australian companies. What contributes to a reproduction? Which differences and similarities can be observed?

It has been argued that bargaining relations varies according to the different institutional set-up of labour market regulation in different countries. To isolate the potential effect of this difference on the reproduction of bargaining relations we will conduct a controlled comparison of two similar companies in two countries with very different systems of labor market regulation. Wage setting in Danish manufacturing mainly takes place at company level under the framework of a sector-level agreement, whereas wage setting in Australian manufacturing mostly is subject to so-called enterprise bargaining regulated by legislation. Do we despite these differences observe similarities in the causal sequences across the case companies? Or do we mostly observe differences? The comparison allows us to discuss variations in elements and strategies. The main selection criteria for the case companies are high levels of trust between the local bargaining parties and long records of mutual gains bargaining outcomes. Furthermore, cases are selected among medium-sized manufacturing companies with a skilled workforce and a high union density to keep the set up at local level as similar as possible.

Each case study includes investigations before, during and after the negotiation process. Information was gathered in three ways: 1. Through document studies on the region, the company, the union, the employees and agreements. This was used as background information. 2. Through company visits and observation of negotiation meetings and 3. Through interviews with the chief negotiator on the management side and on the union side (Tansey 2007). A total of 8 and 6 interviews were conducted in the Danish and the Australian case, respectively. Interview guides included questions on the number of contacts with the other bargaining party, pauses, the quality of the contacts (formal/informal), trust, information sharing, topics discussed, events, contacts to constituencies, current audiences (top management, workers, unions, community, public sphere etc.) and the quality of negotiations (integrative/distributive). All interviews were transcribed, coded and analysed according to the following strategy of analysis. First we drew a timeline and identified phases in the bargaining process of each company. Second, we identified events that affected the relations between the bargaining parties (causes, strategies, results). Third, we compared citations from the chief negotiator on the manager and the union side, respectively, to verify findings and wrote a case description for each case. Finally, we compared findings across the Danish and the Australian case.

Case studies in Denmark and Australia

The Oz Manufacturing Company (Ozco) 2014 Enterprise Bargaining negotiations

Ozco is an Australian-based producer of high-end industrial machinery with subsidiaries in Asia, Europe, the US, and South America. Most of the company's products are made in Australia for export markets. Globally, Ozco has about 800 employees, with about 110 shopfloor workers at its Australian headquarters. The first enterprise agreement between the union and the company was negotiated in 2003 with the union on strike for two days to secure its key claims. All subsequent agreements were negotiated without recourse to industrial action. The core of the union's negotiating team has remained unchanged, principally comprising the union official who first organised the company, and a long-standing delegate. According to the delegate, union density amongst the approximately 110 shop floor workers was relatively high at between 75 % and 80%. There have been several changes in key management personnel; the current HR manager has been in the role since early 2013 and was therefore not involved in the negotiations for the last enterprise agreement (2011). He has extensive experience in industrial relations, including enterprise bargaining, across different unionised companies. For the 2014 bargaining round, the company was represented by the production manager (also part of the negotiation team for the 2011 agreement) and the Assistant HR manager, a novice to enterprise bargaining.

Preparation for the negotiations

The union's expectations for the 2014 negotiations were, broadly, to secure incremental improvements to the existing agreement [Delegate Interview 1, p.28]. This was consistent with previous negotiations, where the union and the company would essentially 'roll over' the last agreement with a schedule of new wage levels, making only minor changes and additions to existing terms and conditions. However, the HR manager indicated that the company would not simply be rolling over the last agreement and that the union might be surprised by this [HR, Interview 1, p.32]. Instead, the negotiations were an opportunity to address perceived strategic challenges, particularly 'the ability to adapt and be flexible to the needs of the business' [HR, Interview 1, p.18].

Both parties recognized that negotiations would be occurring against the backdrop of a difficult environment for Australian manufacturing. In particular, a number of multi-national corporations (e.g. Toyota) had recently announced the closure of their Australian operations, resulting in significant job losses in the industry. While the company manufactured the vast majority of its products in Australia, it also operated a manufacturing facility in Thailand. The delegate did not expect the company's Thai operation to be a factor in the negotiations, but the HR manager was more equivocal in his assessment, in that the ability to build in Thailand was "certainly a sort of elephant in the room" [HR, Interview 1, p.36].

While the union had high membership density at the company, unions don't enjoy exclusive representation rights under Australian law. As in 2011, a number of non-union employees also participated in the negotiations. The delegate suggested that management had encouraged this in an attempt to destabilize the union [Delegate, Interview 1, p.7].

The negotiations

From the outset it looked like the negotiations would be difficult. When the union presented its log of claims to the company at the first meeting, it was told by the management negotiators that the two parties were "far apart" [Delegate interview 1, p.16]. Just how different the parties' positions were became evident when the company issued its claims at the subsequent meeting. The company's fundamental demand was for the new agreement to be 'cost-neutral', meaning that any wage increases would need to be offset by savings from changes to other conditions in the current agreement. Far from being willing to 'roll over' the existing agreement, the company was effectively seeking cuts to existing employee conditions through the reduction or removal of entitlements such as redundancy payments and income protection insurance. Further, greater flexibility was to be attained through the introduction of hours banking and greater scope to use casual and fixed-term labour.

Given the gulf between the parties' positions, there was very little progress through meetings in June on reconciling competing demands. The union official also attributed this lack of progress to the relatively 'junior' status of the management team [Union interview 1, p.2]. Indeed, the HR manager explained that he had actively discouraged the direct involvement of the owners as well as senior management in the negotiations to prevent sudden and / or unilateral changes to the company's bargaining strategy [HR Manager, Interview 3, p.11].

Meanwhile, the company made presentations directly to its employees, outlining its demands and reporting aspects of the company's recent performance. A prominent theme was that the union's current demands threatened the financial viability of the Australian operation. Similarly, the union kept members informed about the state of negotiations in mass meetings.

In early July, the company held further presentations to outline different 'EBA options' for employees to consider. Each of the six options represented a different combination of the key conditions under negotiation, each designed to meet the company's goal of a 'cost-neutral' agreement. For example, 'option one' offered a wage increase of 3.75 %, but removed or reduced some major existing entitlements. By contrast, 'option two' retained these entitlements, but offered no wage increase. Interestingly, during earlier negotiation meetings the union had been presented with only four EBA options.

With the parties effectively deadlocked, the union held meetings of members on July 8th to recommend there be a formal ballot on industrial action. The result being a vote in favour, the dispute looked likely to escalate. However when the parties met again briefly the following day the company's position was unchanged. According to the HR manager, the company had developed contingency plans to deal with the possibility of industrial action including briefing non-union employees about their right to keep working during a strike, liaising with security firms to ensure the continuity of operations, asking supervisors to refresh their hands-on manufacturing skills, and further training for employees at its Thailand plant.

Indeed, management responded to the prospect of industrial action by raising the stakes, informing the workforce that some of the work performed in Australia would now be shifted to Thailand. In these meetings, held while the delegate was off work on sick leave, the company advised workers that a vote in favour of industrial action in the upcoming formal ballot would result in work being sent offshore: "…while I was away they thought they'd get into the workers and put the fear of God into them. Well, and it basically worked." [Delegate interview 2, p.2]

By the time of the formal ballot on July 23rd, only about 60 % of union members voted in favour industrial action. This relatively low level of support meant the union was unlikely to proceed with a strike or similar tactics, leaving it in a significantly weakened bargaining position: "…the main thing was, and we explained it to them [the members], was that the stronger we are the more bargaining power we've got when we go up to management. So if they see that we're weakening, well they'll come and jump on us. And that's what happened." [Delegate interview 2, p.8].

The union then held mass meetings to discuss whether to take industrial action or keep negotiating. In a significant tactical and symbolic move, the company did not allow these meeting to be held during working hours or on company premises. With only limited support for industrial action, it was decided to continue negotiations on the basis of a reworked version of one of the company's EBA options. However, at the next negotiation meeting the company adopted a very firm position, advising the union that it would be moving offshore within 6 months unless its key demands were met. When the union held mass meetings on August 6th to discuss its options there was still little appetite to escalate the dispute through industrial action, and members decided to accept the company's basic offer. In subsequent negotiation sessions the exact details of the agreement based on the company's key demands were worked out, with the workers ultimately voting to accept the proposed agreement on August 25th.

Wage negotiations 2014 at DK Productions

DK Productions is a high-tech manufacturing company with a stable demand. It is owned by a foreign company, which own several production companies in Denmark. The company is divided into a number of independent production units at the same address and employs approximately 700 employees - of which about 150 are production workers paid by the hour. The production workers are fully organized and represented by shop stewards (on-site union representatives) and a local union club at the company. They are also represented in the local works council, the health and safety committee, the European works council and on the company board. The company is covered by the sector-level agreement in Danish industry negotiated by The Confederation of Danish Industry and The Central Organisation of Industrial Employees in Denmark.

Management and shop stewards have negotiated many local agreements on everything from flextime to fringe benefits. Negotiations on wages for the productions workers are conducted once a year during spring. The production manager for the largest production unit and the HR-managers represent the management side in negotiations. The production manager has been with the company for two years, but has 25 years of management experience and 20 years of negotiating experience from other companies.

The shop steward representing the largest group of workers in production leads negotiations on the side of the workers with assistance from other shop stewards. He has worked at the company for many years and has been a shop steward for 2 years. During the last two years, managers and shop stewards have conducted two wage bargaining rounds and negotiated two layoffs. Both wage bargaining rounds were long processes characterized by a confrontational bargaining relationship.

Wage bargaining last year ended with a wildcat strike and zero wage increases. Management and shop stewards could not agree on wage increases for the minority of workers on site who are unskilled. Management perceived wage levels for this group of workers as too high, which should be reflected in the wage increases. They would rather increase wages for skilled workers more to make it easier to recruit and retain specialists in the company. Five negotiators representing management and three negotiators representing workers discussed this during six formal negotiation sessions without results.

Since the zero result last year management and shops stewards have taken several initiatives to improve relations between industry and labour at the company. They have introduced a monthly meeting between production managers, HR-managers and shop stewards to coordinate across production units. Shop stewards meet every two weeks with local production managers in each workshop, and the board of the local union club meets every week.

Preparations for the negotiations

As a preparation for the next negotiation process management and shop stewards made an informal agreement on a three-day stay at a hotel in January to discuss the form and content of next year's wage bargaining. Shop stewards also presented management with an idea for a principle of wage distributions between skilled and unskilled workers that they had agreed on in the local union club. In January, however, cut backs in DK Productions forced management and shop stewards to negotiate a reduction in the number of workers. They managed to find a solution that avoided actual layoffs. Hence, the situation made both sides of the table replace the planned three-day stay at a hotel with a one-day meeting at the local union.

At this meeting they continued their talk about a principle of wage distributions between skilled and unskilled workers. Later in January, the HR-manager contacts the leading shop steward to discuss an idea for a structure for the upcoming wage negotiations (a 48 hour session). The shop stewards begin to prepare for the upcoming wage negotiations and collect data on wages via shop steward networks and colleagues in other production units of the company in Denmark. In mid-March, the local union club organizes an extraordinary meeting on wage negotiations, where about 80 percent of the production workers attend. Two days later, management and shop stewards hold a formal meeting, where the structure and focus for the upcoming negotiations is finalized. They agree to do a concentrated 2-day negotiation session at a hotel in early April with an exclusive focus on wage increases. The bargaining team on the management side is reduced to three participants (1 production manager, 1 HR manager, 1 rapporteur from HR) – on the shop steward side three negotiators will participate like last year. In mid-March management participate at a conference in DI on wage bargaining 2014 and they collect wage information from other companies in manager networks. Afterwards, management analyzes the background data and builds up their arguments. In the week just before the negotiations management finalizes their strategy for the negotiations. Just before the wage negotiations the chief negotiator among the shop stewards addresses the production manager for an informal talk about an idea to reserve a smaller wage sum for events in the local union club.

The negotiations

Wage negotiations are conducted and completed as scheduled over two days in April. In the beginning of the negotiations the bargaining parties write down an agreement that the summaries of negotiations are not legally binding. This agreement is made to ensure an open dialogue at the bargaining table. Then the bargaining parties agree on an outline of the negotiations process. First, they will reach agreement on wages for skilled workers, and second, they will negotiate wages for unskilled workers. The first morning begins with preliminary discussions. In the afternoon they present and discuss general and specific figures and the lack of wage increases last year. During the afternoon they agree on making the wage agreement a two-year agreement, which means they do not need to negotiate next year. In the evening, about 10 PM, they are able to write the first concrete figures on wages for the skilled workers to record. The next morning they reach agreement on the wage increases for the skilled workers. Drawing on the idea of a principle of wage distribution between skilled and unskilled workers, the bargaining parties quickly get the wages for the unskilled workers in place after lunch. In the afternoon they include a number of small adjustments to the agreement - including reserving a small part of the wage sum for events in the local union club - before it is concluded. During the negotiation process management take a number of time-outs to calculate on the proposals and discuss them internally on the management side, while shop stewards take the initiative to one timeout to discuss figures internally. The production manager is also in contact with the CEO to discuss the bargaining mandate and in contact with DI to get a legal advice during the negotiations.

A week after the negotiation session there is an informal meeting between the leading shop steward and the production manager and two HR managers on how to calculate the agreed wage increase (as a percentage of the individual wages or of the total wage sum). Two other shop stewards and the CEO participate in the meeting over the phone. They agree to calculate percentages of the individual wages. The next day the workers vote yes to the agreement and the day after the agreement is signed by management and shop stewards.

Comparative analysis: The impact of negotiation processes on the durability of workplace bargaining relationships

The two negotiation processes followed very different paths to reach agreement, one a formal competitive negotiation (Ozco), the other a collaborative and focused process (DK Productions). Despite these differences, the framework that was presented earlier in the paper (Table 1) proved sufficient for a robust comparative analysis to be undertaken. The main findings are presented in Table 2 and a number of significant conclusions can be reached.

First there always will be differences between the substantive goals of the parties. The notion of goal alignment relates instead relates to the parties' expectations as to how their differences will be resolved. At DK Productions the parties gave considerable thought to how they might negotiate more effectively than before; in contrast the negotiators at Ozco did not discuss their forthcoming negotiations in any depth. A related feature of DK Productions negotiations is that the major issue in dispute (wage differentials) had been well known for some time giving the parties opportunity to separately address the problem in anticipation the negotiations. At Ozco, the management approach and negotiation goals were new to the table and took the union negotiators by surprise.

The Ozco negotiations followed a typical competitive format through claim and offer, management not appearing to give support to the representational bargaining process and both parties using threats or other power tactics. The intensive format of the DK Productions negotiations, held at a separate location, both enabled and required the negotiators to engage fully with the task of finding solutions. It is not possible to draw any conclusions about what would have happened at DK Productions if management's agenda had been similar to Ozco's, to achieve organisational change efficiencies. It is possible that management having a broader change agenda might have put too much strain on the collaborative intent of the parties, but less so had the agenda been foreshadowed to give the parties opportunity to work on the issues, as occurred at DK Productions.

The experience of the two case studies suggest that the foundation for genuine collaborative negotiation is laid (or not) well before the negotiations start. In this respect, the frequent occurrence of negotiation in the Danish system appears more conducive, as an enabling context, to the emergence of collaborative negotiation than the episodic pattern of enterprise negotiation that occurs in the Australian system. Frequent interaction between the negotiators builds working relationships and trust that carry over into major negotiations where the tensions might otherwise be higher. This is consistent with the comparison under another negotiation heading, namely the structures of negotiations. The potential advantages of there being a single union at the negotiating table may not be realised if the parties don't maintaining working relationships between their major negotiations.

Embedded throughout the two negotiations were the parties' attitudes to how information can be used. Without any insightful information on the negotiation table, the parties are left only with competitive strategies, as at Ozco; information is then used as a weapon, reinforcing the competitive dynamic.

The two cases provided instructive insights into the impact of critical incidents on the negotiation. In the Ozco negotiations the union negotiators' gradual realisation that management was taking an unexpected hard line was one turning point;

management's subsequent actions simply reinforced the union negotiators' new perspective. DK Productions' management also had to deal with a critical incident, namely the need to reduce employee numbers. Such a situation could easily 'set the tone' for the ensuing negotiations but it did not; rather the way it was handled reinforced the collaborative commitment of the parties.

Elements of negotiation	**Oz Manufacturing Co**	**DK Productions**
Goals - for the negotiation - for the relationship	Negotiation goals Union – incremental improvement in terms & conditions Company – organisational change efficiencies Relationship goals Union – maintain collaboration with company Company – to contain or reduce union influence	Negotiation goals Union – to maintain existing skilled-unskilled differentials Company – to increase the skill differential The implied goal for both was 'resolve the wages issue without disputation' Relationship goals The approach taken in this negotiation was consistent with both parties wanting to maintain a longer term collaborative relationship
Power distribution - indicators	Traditional claim-based approach - union's initial claim - membership mandate - management's counter offer Limited process support from management - no time off for union meetings etc - delegated lower ranked HR to negotiate Management utilised threat to relocate Union invoked strike ballot process (but low response)	No obvious exercise of power-based strategies though the fact that they took two full days to negotiate would suggest robust bargaining over the wage issue
Interpersonal dynamics - trust	Regular EB negotiations since 2003; a short dispute then but not since Company recognised as innovative, collaborative Stable union team; perceived a good ongoing relationship with the owners New HR manager Company communicated directly with employees; undermining union negotiators' position No obvious indications of mutual trust; (reliance on formal meetings; management's reluctance to share information) The company made multiple offers, which is a recommended integrative approach but did so in a competitive context eg more to the workforce than at the negotiation table	Informal talks about future round of negotiations (bargaining over how to bargain) Agreed format of 2 days intensive negotiations Single issue - wages During the negotiations, negotiators maintain contact with respective constituents High level of informal contact between management and union negotiators Subsequent informal negotiations to resolve consequential issues
Interpersonal dynamics - Information exchange	Company reluctant to provide union with information that was previously provided directly to employees; delayed in giving financial information that was part of the agreement	Both parties engage in extensive research (wage data etc). Information exchanged at the bargaining table in the beginning of negotiations.
Negotiation structures	Relatively high union density Single union A consultative committee but not relied upon Unorganised workers participate in negotiations Management organizes mass meetings without union presence	High union density but historical divisions between skilled and unskilled Two unions, one chief negotiator (local shop steward) High level of informal contact between management and union negotiators
Critical incidents - internal or external	Change in management Management's unanticipated hard line approach Announcement of major job losses in Victoria	Change in management Previous round of negotiations that involved industrial action and no wage outcome Potential lay off at local site

Table 2: Elements of the negotiation processes in the two case studies

The strategic negotiation framework (Walton et al, 1994) suggests three management strategies: forcing, fostering or escape (from a union relationship altogether). From the way they approached the task of negotiating a new enterprise agreement management at Ozco look to be 'forcing' rather than 'fostering change. While not overtly seeking to 'escape' from a negotiation relationship with the union the indications are that management would go down that route if the union allowed it. The stability of the relationship is dependent to a large part on the union's ability to mobilise membership strength and draw upon whatever support it can from the legislative framework to force management to the negotiating table. Even then, from the evidence of this negotiation, there is no indication that management would adopt a fostering approach in anticipation of setting up an interest-based bargaining process for the next round of enterprise negotiations

At DK Productions, management's approach appears to be 'fostering' and this approach is reciprocated by the union. Given this congruence, we would expect the bargaining relationship to be stable. However, this does not imply that they will necessarily negotiate in this intensive format next time. The key lesson appears to be an ongoing level of investment by the parties – frequent interaction between the negotiators leading to an increase in trust and to a more open use of information. The stability of this ongoing mutuality is evidenced by the strike that occurred in the previous negotiation round not becoming a critical incident that underpinned the current round of negotiations.

Conclusion and discussion

The reproduction of local partnerships includes elements of integrative bargaining, distributive bargaining and conflict at both the Danish and the Australian case company. In this perspective, both cases indicate that stability does not mean lack of change but rather the ability to reproduce partnerships over time, whereas fragility is related to a lack of that ability. This is a dynamic perception of stability. However, significant differences in the negotiation processes between the Danish and the Australian case suggest that reproduction can follow different paths in the two countries.

In the Danish case the goal alignment process is spread out over the entire year, whereas this mainly takes place at negotiation meetings in the Australian case. Perhaps this is enabled by the fact that the local shop steward (who are on-site always) conducts the bargaining in the Danish case, whereas it is conducted by the representative from the local union office in the Australian case. The longer goal alignment process in the Danish case makes it possible to use the goal alignment to reproduce (or repair!) trust-based bargaining relations.

Despite high union densities in both cases, significant differences in the power distribution can be observed. Australian legislation enables unorganised workers to participate in negotiation meetings in the Australian case. Furthermore, management can arrange mass meetings with workers without union presence. This potentially undermines union power in a way that is not observed in the Danish case.

In both cases change on the management side potentially threatens the bargaining relations. However, it seems possible to build trust with new managers, especially since the union representatives have a high (long?) tenure. Perhaps this process of trust creation is somewhat easier for the Danish shop steward, who is always on-site and meets management on a daily informal basis, than the Australian union official, who works from the local union office and less frequently meets up with new managers.

Stable partnerships in both cases seem to be a dynamic phenomenon that rely heavily on the ability to reproduce partnerships. However, Danish labour market regulation with regards to decentralized bargaining and the local institutional set-up seem to offer better support for local reproduction processes than the Australian framework. In particular, the capacity for workers to veto decentralized agreements and revert back to the industry agreement would appear to provide a safeguard against managerial attempts at ‘forcing’. By contrast, aspects of Australia’s bargaining framework (e.g. scope for non-union bargaining representatives, elaborate procedural requirements around industrial action) would appear to strengthen management’s capacity to influence employee sentiment in line with corporate interests. This can be observed in processes of goal alignment, power distribution and interpersonal dynamics. However, both the Australian and the Danish framework for decentralised bargaining face similar challenging developments of dropping union densities and/or fewer shop stewards. This means that the reproduction of partnerships in an increasing number of companies take place under fragile rather than stable conditions.

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