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# Negotiating Individual Employment Relations, Evidence from four Dutch Organizations

*Négociation des relations de travail individuelles, témoignage de quatre organisations néerlandaises*

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## Introduction

- 1 Traditionally employment relations are regulated by collective labour agreements. In the Netherlands, like in many Western countries, collective agreements are used to regulate the rights and obligations of the employer and the employee on topics such as contracts, working hours and wages. Collective labour agreements are usually the result of collective bargaining between unions and (groups of) employers and are legally binding for all employees working in a company or a specific sector. We are currently observing a fundamental change in the management of the employment relationship. In the Netherlands, as well as in other Western countries, the traditional collectively bargained employment relation is being slowly replaced by what we call *individually negotiated employment relations*. In individually negotiated employment relations, employees make, within limits, personalized agreements with their supervisors about when and how long they work, how much they will be paid, what their career prospects will be, what specific performance goals will be set, et cetera. This observation about changing employment relations is in line with several recent theories and research articles on employment relations (Blyton & Turnbull, 1994; Brown *et al.* 1998, 2001; De Leede, Looise & Van Riemsdijk, 2004, Huiskamp, 2004; Huiskamp, De Leede, & Looise 2002; Marchington & Parker, 1990; Oeij, 2006; Oeij *et al.*, 2006; Traxler, 1995).

- 2 Traxler (1995) already noticed in the mid-nineties a broad European trend towards decentralisation of industrial relations. He made a distinction between organized and disorganized decentralisation. Organized decentralization of industrial relations means that the collective agreement concluded at the national or industrial level delegates certain bargaining issues to regulation at a lower level. This is done within the binding framework set by the focal collective agreement. As the Netherlands may be seen as a typical example of organized decentralisation (De Leede, Looise & Van Riemsdijk, 2004, Huiskamp, 2004) it is useful to explore this process at company level. Which bargaining issues are 'left' to the company level, and even more importantly, to the dyadic relationship between supervisor and employee?
- 3 The UK may be seen as an example of disorganized decentralisation. Brown *et al.* (1998, 2001) examined employment relationships in 13 unionised and 13 non-unionised companies in the UK. In both types of companies, he found evidence that the bilateral determination of employment terms in a collective agreement is replaced by unilateral decision taking by the employer. Instead of collective bargaining, employees are offered individual employment contracts only. However, these are not *negotiated* on an individual, equal-power basis. On the contrary, the employee does not have much of a say. To the extent that employment relations have become more flexible (for example annual rather than weekly working hours), this flexibility is used in the interest of the employer rather than fitting employment relations to specific needs and demands of employees (cf. Gallie *et al.*, 1998).
- 4 In the Netherlands the growth of individually negotiated employment relations has been witnessed by Huiskamp, De Leede, & Looise (2002), who conducted 11 case studies in Dutch companies and signalled the emergence of so-called *third contracts* between employers and employees. The third contract exists in addition to, firstly, the individual employment contract employees sign at the start of their employment, and secondly, to collective agreements between unions and (groups of) employers. Third contracts are the result of an interaction process between supervisor and employee in which they discuss or negotiate about aspects of the employment relation and finally come to an agreement about performance goals, wage, working hours, development, et cetera. These third contracts (De Leede *et al.*, 2004) are updated according to the changing situation of the company and the preferences of individual employees. Gründemann *et al.* (2005) performed a survey among 500 Dutch employers and 1000 employees. A majority of employers (60.7%) claimed that individual negotiations about the employment relation take place. Furthermore, a majority of the employers (62.6%) find it desirable that employees will negotiate more about their employment relation in the future. Among employees (N=1000), findings are not quite the same. A minority of the employees (41.7%) say that they have the opportunity to negotiate their employment relation with their supervisor. Much more employees, 79.4%, find it desirable to negotiate their employment relation more in the near future. The overall conclusion is that employers perceive more often than employees that negotiations do take place, and that both employers and employees believe that negotiating the employment relation is a desirable development, although employees find it even more desirable than employers.
- 5 In sum, from the 1990s onwards, we can single out decentralisation and individualisation as the main components of a change to 'modern' employment relations. This development is also reflected by the change in conceptualisation of the employment relation in the international literature. The concept of the employment relationship (or

employment relations) is replacing the concept of industrial relations (see Blyton & Turnbull, 1994; Marchington & Parker, 1990, Huiskamp, 2004). Rousseau (2001, 2005) paints a similar picture of employers in many countries making more and more 'idiosyncratic deals' or 'I-deals' with their employees, in which they negotiate at an individual level about aspects such as work/family balance and the worker's stake in the company.

- 6 Our main proposition is that employees are more and more discussing and negotiating on a direct and individual level with their supervisor, which results in tailor-made agreements on additions to the *contract* (e.g. for instance a telework contract of contractual changes in annual hours), *working hours* (e.g. specific schedules, leave), *wages* (e.g. wage increase or salary structure), *development* (e.g. individual development plan) and *performance goals* (e.g. tasks and targets). Moreover, we argue that this increase of individually negotiated employment relations can be partly explained by changes taking place in higher-level rules and regulations. We propose that these rules and regulations, such as labour law, collective agreements and rules set by management systems, are becoming less and less 'strict'. Instead, they leave *scope* for actors at lower levels to negotiate the employment relationship. However, we do not suppose that the actual use equals the possible scope for negotiation. In addition, we expect several advantages and disadvantages of individualised employment relations. Sparrow & Cooper (2003) and Pfeffer (2001) point to the danger of unfairness in focusing only on the top 10 percent of the workforce, while the other 90% also are valuable for the company.
- 7 To sum up, our research questions are:
- what issues of the employment relationship can be individually negotiated in organizations (in other words: what is the possible scope for employees and their supervisor for negotiating their employment relation)?
  - what issues of the employment relationship are individually negotiated in organizations (in other words, what is the actual use of the scope for employees and supervisor)?
  - what is the degree of correspondence between scope and its actual use?
- 8 We will answer these research questions by means of four case studies in Dutch companies. In the discussion section, we will work out several propositions that explain our findings and are worth testing in future research.

## Method

- 9 In our study we focus on five topics for negotiation in the employment relationship: contracts, working hours, wages, development and performance goals. An important concept in our research is *scope*, the room to manoeuvre for individual employees and their supervisors to negotiate their employment relation. Three sources determine the scope. First, the rules contained in labour law. Second, the rules and procedures set by the collective agreements. Third, the organisational rules embedded in the company's management system. The first source, i.e. labour law, was excluded in our study, because we chose to focus on nearby-determinants of scope; in addition, labour law cannot explain differences because it is the same for each company.
- 10 To answer the first question on the possible scope, we examined the possibility individual employees and their supervisors have for negotiating the employment relationship, by

studying collective agreements as well as internal HR-rulebooks. We distinguish between three types of rules in collective bargaining:

- Standard rules: these are the classic substance of collective agreements. They are applied in a standard way across the board. The outcome is by and large predetermined.
  - Framework rules: these leave room for differentiation of rules between groups of employees, between organizational units/departments and between individuals. They are often open ended procedural rules, in the sense that the outcome is not or only partly predetermined.
  - À la carte rules: these are a particular variant of framework rules. They provide individual choice for predefined options in exchanging 'money' and 'time' within a given framework: more or less holidays, more or less working hours, flexible pension (early/part time retirement), sabbatical leave, leave for training. Employees can put together - on a voluntary and yearly basis - their own package of employment terms and conditions in terms of wages, number of working hours, number of holidays, extra (long term) leave, training and pensions (cf. Delsen et al, 2006).
- 11 The second question on the actual use has been investigated by interviewing our respondents in the cases. We asked our respondents on the extent to which employees and managers make use of the possible scope for individual negotiation.
- 12 The third question (concerning the advantages and disadvantages of negotiated employment relations as perceived by employees and managers) is answered by using our qualitative data. During the interviews we asked for the pro's and con's in a semi-structured way, leaving enough room to add specific issues by our respondents.
- 13 A total of four case studies in Dutch organizations were conducted, featuring a telecom company, a health insurance company, a metalworking factory and a consultancy group. Telecom and Insurance are large companies that allowed us to distinguish them from the small companies: Metalworking and Consultancy. Consultancy is special for a fundamental reason because the consultants are self-employed. As such for them there is no employment relation to regulate in the classic sense; they conclude self-employment contracts with the company.
- 14 We aimed at interviewing a variety of stakeholders in these organizations, ranging from higher managers to shop floor employees, including HR-managers and works council members if applicable. As the size of the four organizations differed considerably, we did not interview the same number of people in all companies. We conducted 34 interviews in the telecom company, 17 in the insurance company, 10 in the metalworking factory and 8 in the consultancy group. The length of the interviews was at least one hour each. As a part of each case study, we analysed available and relevant documents, including collective agreements, policy papers, personnel manuals, labour contracts, performance review sheets and development schemes.

## Results

- 15 In the results section, we will answer our three research questions respectively using data from the four case studies (Goudswaard et al, 2005).

## What is the scope for negotiation?

- 16 Collective bargaining and collective labour agreements are meant to regulate the employment relationship. In Telecom, Insurance and Metalworking collective labour agreements apply. Telecom has a company agreement and Insurance and Metalworking are covered by industry agreements. Consultancy has no collective labour agreement.

Table 1- Framework and a la carte rules in Telecom, Insurance and Metalworking

	Telecom	Insurance	Metalworking	Consultancy
<b>contract</b>	- output contract - telework contract	- annualised working hours in bandwidth 32-40 hours - telework contract		n.a.
<b>working hours</b>	- extra/less working hours - schedules - several long term leave arrangements (above labour law) - overtime (time for time)	- schedules - reduced working hours for seniors - annualised overtime	- schedules - overtime (time for time)	n.a.
<b>wages</b>	- pay for performance (only for sales employees) - assessment based wage increases - extra/less wages - extra pension	- assessment based wage increases	- assessment based wage increases	n.a.
<b>development</b>	- individual training plan - individual training budget - extra leave for training	- individual development plan		n.a.
<b>performance indicators</b>	none	none	none	n.a.

- 17 In Telecom there are a considerably number of framework rules for instance on negotiating supplementary output or telework contracts, schedules and individual training plans and budgets. There is an à la carte system in place, with options for more or less wages, more or less working hours, options for extra long-term leave and extra pension. Insurance has many options for working hours as employees can choose yearly their numbers of working hours within a bandwidth of an average of 32-40 hours per week, shorten their working week at a certain age or negotiate schedules (for instance

the popular schedule of four days of 8.5 hours in a 34 hours week). The à la carte system of the industry agreement for health insurance has not as yet been agreed upon in this company with the works council and is as yet not operational. In Metalworking there is only limited scope for negotiating the employment relation.

- 18 The subject of performance goals is addressed in none of the agreements, neither in a substantive nor in a procedural way. There are assessment procedures and assessment based wage systems in which performance targets play a crucial role, but the actual level of these targets is at best only subject of informal or local understandings. This is not surprising as levels of performance are subject to the age-old adage of 'the right to manage'. Hence, management has the prerogative to decide and change if necessary how their employees contribute to the organizations goals, what their tasks are like and what targets are set for them.
- 19 Telecom, Insurance and to a lesser extent Metalworking all have agreements that are fairly typical of the changes in collective bargaining, i.e. new types of framework and à la carte agreements that have been developed over the past 10 years in the Netherlands (Huiskamp, 2004). Framework and à la carte rules provide procedures for negotiated employment relations. For some subjects, agreement with the supervisor is a precondition whereas for other subjects, individuals have a free choice. This depends largely on the consequences for operational processes. For instance, if an employee expresses a preference for more working hours, the supervisor has to adequately assess the workload and staffing levels for the next period. Will there be work available or is there a danger of overstaffing? Table 2 shows some examples of these procedures.

Table 2 Examples of procedures for reaching agreements within framework rules (including a la carte rules)

Individual preferences to be discussed with supervisor	Individual preferences to be registered through HR department
more or less working hours schedules output contract telework sabbatical leave	pension extra leave ( a la carte) early retirement overtime (compensation in money or time for time)

- 20 An example of an individual choice to be registered through HR is an employee's preference to pay part of his bonus in his pension scheme. The supervisor has no role in decisions of this type, because it does not affect primary work processes. Another example is the employee's option for overtime: to be paid the overtime rate or to be compensated 'time for time'. However, if the employee chooses 'time for time', he will have to discuss with his supervisor the scheduling of the extra time off. The supervisor may press the employee not to opt for 'time for time' compensation if the department is very busy and the supervisor wants to avoid the difficulty of changing the schedule. Telework is a clear example of a matter to be discussed with the supervisor: does the employee's job content allow working at home, can they agree on performance goals for the amount of work done away from direct supervision, what are the costs for the employee's office at home? Obviously, in such matters the HR department will also be involved.

- 21 The scope for negotiation between the employee and the supervisor is to a large extent determined by bilateral regulation as expressed in the framework and a la carte rules. However, in addition the scope of the supervisor for negotiating the employment relation is also determined by the company's management system. On some issues supervisors can, within a given framework, decide autonomously. On other issues, they need authorisation from higher management and/or HR management. There can also be topics on which the supervisor has no decision-making powers. In Table 3 we present the degree of decision-making powers of supervisors as we observed them in our case studies.

Table 3 : Degree of decision-making power of supervisors in the four cases

	Telecom	Insurance	Metalworking	Consultancy
<b>Autonomous decision-making of supervisors</b>	- working hours - development	- working hours - development		
<b>Supervisor proposes but needs authorisation</b>	- contract - wages	- contract - wages	- working hours - development	
<b>Supervisor has no power</b>	- performance goals	- performance goals	- performance goals - contract - wages	- contract - working hours - wages - development - performance goals

- 22 As Table 3 shows in Telecom and Insurance supervisors may decide autonomously on working hours and development. For instance the supervisor decides on allocating the training budget among his staff, although HR acts in the role of controller of the budget and its allocation. There are also some aspects of working hours that need authorisation from HR (for instance a new variant in the scheduling of the working week). Supervisors need authorisation by HR as to whether their employees opt for an output contract or telework. Higher management was not involved in these decisions. Supervisors have no power on collectively agreed wage increases across the board, but they do play a crucial role in the assessment based wage increases. Both higher line management and HR have to authorise final proposals. Higher line management sets performance goals top down in routine production processes, while supervisors have a role in proposing performance goals in non-routine processes. In non-routine processes performance is more difficult to measure and there are (as yet) less standardized procedures. In Metalworking the supervisors have no autonomous decision-making powers on contract and wages and even though supervisors can negotiate arrangements for working hours, they need authorization by higher management. The director decides on the wage increase, predominantly basing his decision on the assessment of the supervisor. The supervisor in the metal working company does not control the development budget and needs ad hoc authorization for most development expenses. We observed again that higher line management sets performance goals top down. In Consultancy the contract of the self-employed consultants is highly standardised and the supervisor (=director) has no power to negotiate this contract (only the Board does, but this is highly exceptional). The

director has no say over the numbers of hours self-employed consultants put in. They work as many hours as they wish varying from 60 to 27 hours a week, with two working days as an implicit minimum; therefore the income of consultants is largely depended on their turnover and billable hours. The director has no say over development as it is up to the individual consultants, although there are in-company meetings for sharing experiences and gaining new knowledge. The consultants set their own performance goals.

- 23 In sum, in Telecom, Insurance and Metalworking we observed in both the collective agreement and the management system considerable scope of supervisors for working hours and limited scope for performance goals and wages. For contracts and development we observed considerable scope in Telecom and Insurance, but limited scope in Metalworking. In Consultancy with the self-employed consultants, the supervisor (the director) has little to no authority on all these issues as he has no hierarchical position towards the consultants.

### What issues are actually negotiated ?

- 24 In order to answer our second research question, the extent to which employees actually use the scope to individually negotiate the employment relationship and reach agreements on specific aspects of the employment relation, we asked our respondents in the four case companies a number of questions about these matters.

## Telecom

- 25 In this case we distinguished between sales employees and operators. We expected the first category to negotiate their employment relation to a larger degree than the second, because of differences in job autonomy and relations with clients.
- 26 With regard to working hours, both sales employees and operators state that they can determine their own working hours to a certain extent. For instance an employee was relocated to another department far from home involving a much larger commuting distance. He had been able to negotiate the length of his working day, seven instead of eight hours, with his manager. So one working hour was used as commuting time.
- 27 With regard to development, again the majority of respondents of both groups negotiate. *'There are many opportunities, particularly when employees themselves take the initiative'*, said several respondents. In general, respondents were quite positive about educational opportunities. Ample budgets for education are available to all employees. However, there are some restraints. Respondents say that much of the training and education is job-specific and obligatory rather than following from negotiations with one's supervisor. Moreover, many respondents say that recent cost cuttings have had an impact on development opportunities. They say that employees at this moment in time are only allowed to follow courses that are directly beneficiary for the organization.
- 28 Although there is ample opportunity to negotiate working hours and development, the other three topics were much less negotiated. With regard to contract, almost all respondents say that when entering the organization, they are offered a standard employment contract based on the collective agreement. However, employees above a certain pay level can opt for a so-called 'output contract'. In an output contract,



employees are paid for fulfilling their performance targets rather than for working the standard number of hours. In exchange for having fewer days off they receive 8.5 % more pay. Nevertheless, many employees do not perceive to have any choice for either the output contract or a standard contract with fixed working hours. Regardless of the contract, they feel obliged to reach their targets, whether this will take them long hours or not.

- 29 Wages are hardly negotiated. The rules laid down in collective agreements are strictly adhered to. Wage increases for employees are partly based on a general, collectively agreed pay rise and partly on the basis of an assessment of their development on selected competences (only sales employees receive pay-for-performance in a individual scheme). In today's difficult economic situation, managers follow the rules of the collective agreement even more strictly than before.
- 30 Finally, not much negotiation on performance goals is taking place, according to most respondents. Employees in higher-level jobs (requiring a college degree) negotiate more often about performance goals than employees in lower level jobs. Although employees and supervisors have opportunities for discussing performance goals – in some instances even four times a year – there is not much negotiation on this subject : *'No negotiation is possible about performance with one's supervisor'*, says a respondent. Performance goals are very often imposed top-down and expressed in quantitative indicators.
- 31 In sum, we conclude that in Telecom working hours and development are negotiated, but contract, wage and performance goals hardly at all. In contrast to our expectation, sales employees appeared to negotiate hardly more than operators with the exception of performance goals because of the greater ambiguities in and obstacles to fulfil their targets.

## Insurance

- 32 In this case we distinguished between employees and managers working at non-routine customer service departments versus employees and managers working at routine clerical departments.
- 33 Respondents at the customer service department negotiate working hours slightly more than respondents at the clerical department. They manage their own hours, as they spent a lot of time at customers as well as on the road. Therefore, their supervisors do not have much insight into their specific working hours. They reach individual agreements about schedules, overtime, leave and holidays. Some respondents for instance compensate overtime with extra leave later on. Other employees see overtime as part of the job : *'You just do your job and if you spend too many hours, you apparently should have worked more efficiently'*, says an employee at customer service. At the clerical department employees draft a schedule for their working hours and days off for the coming year in November. They discuss this schedule with their supervisor and colleagues. Issues for discussion are : the workload during peak periods, the coordination of holidays, the staffing of the 'problematic' Friday (many employees working 34 hours in a schedule 4 days of 8.5 hours like to take Friday off). Recently senior management has laid down some strict rules for both supervisors and employees concerning taking time off on Fridays and during peak periods, limiting the scope for negotiation.

- 34 Some respondents negotiate their performance targets. Customer service jobs are rather complex and performance is difficult to measure as there are no clear, specific output standards. Instead supervisors and employees together draft a plan each year in which they agree upon tasks and performance goals. This plan, based on last year performance and next year targets, can be seen as a kind of negotiating on performance goals. In clerical jobs, no negotiation takes place on performance targets at all. Operations are highly standardized in this department, which makes work highly routine without any task autonomy. Standards for performance are clearly defined and fixed by higher management, for instance the number of expense accounts that must be processed each week. So, employees in clerical jobs do not negotiate their performance goals because these goals are standardized and easy-to-measure, whereas employees in customer service have more leeway to negotiate their complex and difficult-to-measure performance goals.
- 35 On the remaining three topics we studied, i.e. contract, wages and development, most respondents say that negotiation hardly occurs. On contracts all employees have a yearly option to adapt their annual working hours depending on their salary grade within a bandwidth of either an average working week of 34-38 hours or 32-38 hours. At customer service, employees say that the workload in their jobs is at such a high level, that working less than 38 hours is not a realistic option. Therefore, they feel forced to choose the highest possible number of working hours. At the clerical department employees prefer the lowest possible number of 34 hours. This is possible because the workload is more evenly spread than in customer service.
- 36 There appears to be little scope for negotiating wages. Apart from the collectively agreed wage increase, supervisors grant their employees assessment based increases that can result in either no periodical wage increase, half a periodical, one periodical or a double periodical. Almost all employees automatically receive one standard wage increase - one periodical - each year. Wage increases are thus based on seniority rather than performance and although performance is evaluated each year, this has little consequences for their wages. An exception has to be made for junior employees at customer service. In the years after their appointment it is possible to negotiate a more senior job content and thereby proceed more quickly through the salary scales.
- 37 On the topic of development, there appears to be not much negotiation either. Although employees at customer service draft their own personal development plans each year, in practice these plans are of no great importance. *'The content of personal development plans is disappointing, questions like "what are your goals in five years time" aren't asked that much'*, says an employee. As to employees in clerical jobs we observed that supervisors stimulate only some of their employees to draft personal development plans, because they believe that many of their low-educated employees are not interested in developing themselves at work. This is confirmed by some of our respondents, but others say their supervisor refused to support their initiatives for development because their manager wanted them to continue performing the tasks that they could perform already well and fast.
- 38 In sum, we conclude that in the case Insurance, in particular working hours but also wages and performance goals to some extent are negotiated at the customer service department. We perceive substantive differences between customer service employees and clerical employees. These latter only negotiate working hours to some extent. Development is hardly negotiable for both groups of employees. With regard to contracts,

respondents in both groups did not change their options for the average working week on a frequent basis.

## Metal working

- 39 In the case of the metal working company we particularly expect - as it is a small company - to see a more dominant role of the director in the negotiations. Because of the small number of respondents in this case we have made no further departmental or functional distinctions in the presentation of the results. Both employees and managers do perceive some possibilities to negotiate about working hours, development and (to a very limited degree) wages.
- 40 By far most employees at the factory work from 7 :30 am to 4 :00 pm, including half an hour lunch break. Some employees work in two shifts with fixed schedules. Everybody is expected to work within these specific time frames. In a small number of cases exceptional working hours are negotiated between employee and supervisor only when there is a sense of urgency on the part of the employee (for instance working longer hours in the summer and shorter hours in the winter due to seasonal driving conditions) and if the resulting arrangement is mutually beneficiary (for instance a 4x9 schedule). These agreements typically require the consent of the director.
- 41 Somewhat to the frustration of the employees we interviewed, negotiation about wages by and large does not take place. The reason is the combined effect of the standardized wage structure prescribed in the collective agreement and the intricate structure of the internal performance assessment system. In addition, it is the director, not the supervisor, who decides on the wage adjustment at the yearly assessment interview. This decision normally leads to acceptance or only a short-lived discussion as the director always has the last say. As a supervisor put it : *'I'm only an operational manager, I can consult and control, but I don't decide'*. An employee commented: *'I can state my opinion, but they follow their own agenda regardless of what I have to say'*. Latitude for employees and supervisors is limited to negotiating specific ad hoc benefits such as personal loans, a mobile telephone or extra travel allowance. These agreements however also need the approval of the director.
- 42 As for the topic of development, some negotiation takes place between employee and supervisor. The supervisor usually suggests a training or education schedule for the employee, but the employee is also stimulated to make suggestions. If considerable investments are involved, the arrangements have to be presented to the director for approval. Neither supervisors nor employees perceive the agreements they make about development as actual negotiations, but there is substantial latitude to come to mutually beneficiary development schemes. On the remaining topics, performance goals and contracts, no significant negotiation occurs.
- 43 We can conclude that in the metal working company, only working hours and development are to some extent negotiated. Additions to wages are only negotiated in exceptional cases, and performance goals and contracts are not negotiated at all. The director plays an important role.

## Consultancy

- 44 The consultancy group is an uncommon case. The consultants are self-employed. They all have their own company and sign a self-employed contract with the group. This contract does not resemble an employment contract in any way. The core of the self-employed contract refers to the cooperation between the consultant and the group, in particular in two areas : the sharing of work and customers and their contribution to the exchange and development of common values and products. These common values are based on certain anthroposophist ideas of the founder of the group. The founder has written a series of successful management books and is well known in the market for his specific approach.
- 45 The present director is not a traditional supervisor, he spends only one day a week on his directors duties. There are no formal controls vis a vis the consultants but he is tuned into what is happening in the group and he regularly monitors indicators such as turnover and billable hours. The consultant is responsible for the maintenance and development of his own area of expertise, attracting his customers, his turnover and the billable hours. The consultants may also share their customers and projects and work on projects generated by the group. The group bills the customer and the consultant bills the group.
- 46 What happens to negotiations on contract, working hours, wages, development and performance targets in a situation like this ? There is neither a traditional employee nor a traditional supervisor. The self-employed contract is a standard contract and not individualized between consultant and the director (it can only be modified by the Board of priority share holders). As for working time there is only an implicit understanding that the minimum average working week is two days a week. In consequence turnover and incomes (not wages) vary greatly with the number of hours consultants put in. There are no explicit indicators for performance and performance is not regularly assessed. As to development, training and following courses is the responsibility of the self-employed, though there are joint meetings and sessions on values, products and improving training skills.
- 47 The group is what one can call a network organization. The director and consultants are experiencing the set-up as beyond the wage labour arrangement, as an emancipation of its shackles. The consultants are also shareholders but they cannot be classified as owners of the group (no priority share holders). The tax inspector in the first instance refused to recognize the self-employed status of the consultants, in his opinion they were bogus self-employed. Later he turned around and accepted their status.
- 48 As there is neither an employee nor a supervisor it is in this case better to refer to the scope and use for self-regulation instead of an individually negotiated employment relationship. Again, because of the small number of respondents in this case we have made no further functional distinctions in the presentation of the results.
- 49 The scope for individual self-regulation is potentially tremendous. There is no collective labour agreement, no other collective arrangements such as a pension scheme ; there is no hierarchical management system. The self-employed contract may be standard but it regulates very little. The actual use of the scope is also large ; mainly because consultants are free in the number of hours/days they work. Nevertheless, the group stays together because of the shared values, its philosophy and common interest in sharing customers

and projects. The lack of formal rules and management systems is thus compensated by a shared belief system, which consultants internalise during their traineeship.

## Correspondence of scope and actual negotiation

50 Up until this point, the answers to the first two research questions are treated as separate domains, whereas they are evidently linked. Our third research question turns the attention to the degree of correspondence between scope and actual negotiation. However, if one takes a closer look, scope and actual use appear not to be linked as expected beforehand. On some but not all topics of the employment relationship scope corresponds with actual negotiation. Table 4 presents an overview of the correspondence between scope and actual negotiation in our cases.

Table 4 Correspondence between scope and actual negotiation

	Telecom	Insurance	Metalworking	Consultancy
<b>high degree of correspondence</b>	1. scope and actual use considerable	-working hours -development	-working hours customer service	-working hours -development -wages
	2. scope and actual use limited	-performance goals sales employees	-performance goals customer service -wages customer service	-working hours -development
	3. no scope and no use	-wages -performance goals operators	-wages clerical department -performance goals clerical department	-contract -wages -performance goals
<b>low degree of correspondence</b>	4. scope considerable and actual use limited	-contract	-working hours clerical department -contract -development	-performance goals
	5. scope limited and actual use considerable			

51 Scope corresponds only with actual negotiation on *working hours* and *wages*. With regard to working hours there is both considerable scope and actual negotiation. Hence, in at least two case studies, because framework rules collective agreements and management systems offer scope for negotiation, these negotiations are indeed taking place. With regard to wages, there is little scope and hardly any negotiation. Again, the case studies suggest that wages are strictly regulated in the standard rules of collective agreements, employees and supervisors do not negotiate on this topic.

- 52 With regard to three other topics, there is no clear overlap between scope and actual negotiation. In all cases, there is considerable scope for negotiating *development*, but only in the telecom company actual negotiation occurs on a large scale. An explanation is that in the telecom company, training budgets are actively used, not only to develop job-specific skills but also to increase employability and stimulate people to explore career opportunities outside the company. The health insurance company has recently decided to limit budgets for training and development, and in the metal working factory most respondents followed training only after the supervisor or the director suggested it to them.
- 53 With regard to *performance goals*, it appears that although scope is limited, employees and supervisors do negotiate about targets, albeit in non-routine processes only. A possible explanation for this result is that although higher management does set clear (financial) targets, these targets must be translated into specific task-related goals by supervisors and employees. In the case of routine processes this is relative easy because output is easily measurable. Therefore, there is no need and no opportunity for negotiating performance goals. However, in non-routine processes, targets are more ambiguous and less easy to measure. Moreover, employees in non-routine processes often have high-level jobs with considerable task-autonomy. Both the ambiguity of output standards and the autonomy of the job will provide opportunities for negotiating performance goals.
- 54 Finally, with regard to contract, in the cases of the telecom and insurance company, there appears to be considerable scope, but little actual negotiation. An explanation is that contracts are only very infrequently negotiated, because employees only now and then choose to change it, depending on substantial shifts in personal circumstances. Therefore, supervisors and employees do not perceive much negotiation with regard to contract. In the case of the metal working factory, the industry agreement hardly provides any scope for negotiating contract, and no actual negotiation was taking place.

## Discussion

- 55 Our qualitative data based on four cases show that the trend towards more individual negotiations is still sketchy. Around some topics more negotiation occurs than others. In this discussion section we indicate some important issues, arising from our data. Important issues both for practice and further theory development.
- 56 The first issue is a contingency-related subject : given the variety of individualised labour relations what are the relevant factors that influence the prevalence and the effectiveness of individual negotiations ? Our data suggest that the scale and contents of negotiations can vary according to the nature of the collective agreement (standard and framework rules), the type of organization (size and nature of the company) and type of process/type of job (routine and non-routine). Beyond a certain point when the contractual wage labour relation is substituted for a self-employed status and the organisation evolves into a network organisation, negotiation seems to transform into self regulation. Therefore, more insight is needed in the conditions of the scope for negotiation or self regulation and its actual use. It might be an interesting continuum from a traditional employment contract, an output contract to a self-employed contract. This is close to Rousseau's (2005) classification of standardized, positional and idiosyncratic employment conditions. The optimal use of I-deals varies along with firm characteristics and HR practices ; egalitarian organizations will downplay status

differences that come along with individual negotiations. Our case-studies suggest an extra possibility : the self-employed contract.

- 57 The second issue is the negotiation process itself. In our study, we did not look at the way *in which* these negotiations take place. The negotiation literature (e.g. Fisher, Ury, & Patton, 1991 ; Lax & Sebenius, 1986 ; Rubin, Pruitt, & Kim, 1994) shows that people demonstrate different negotiation behaviour. Individuals can opt for integrative behaviour, in which parties try to ‘enlarge the pie’ (win-win-solutions). Another option is a distributive style of negotiation, in which one party takes a larger part of the pie than the other (win-lose solutions). More empirical data are needed to learn more about *how* employees and their supervisors negotiate their employment relation : do supervisors largely force their proposals upon employees, or do they come to win-win solutions in which both organizational interests and individual interests are served ? Also, can one speak of negotiation in the strict sense, or is it simply a process in which standard solutions are slightly adapted without realizing the potential for tailored solutions serving both organizational and individual interests ?
- 58 The third issue is on the distribution of value of individual negotiation : *cui bono* ? Quite a few authors point to the drawbacks of individualised employment relationships. For instance, Sparrow & Cooper (2003) and Pfeffer (2001) point to the danger of individualised employment relations being limited to the top 10 percent of the companies workforce. These high potentials are encouraged to develop themselves, to get better rewards based on performance, opportunities for mobility and so on. But the negative side of this ‘war for talent’, is that the other 90 percent is neglected. In addition, concentration on the individual talents de-emphasises the need to pay attention to the organisation itself, including technological, cultural and business processes that might have a bigger impact on organisational performance than the efforts of single individuals. Beck (2000) argues more fundamentally that the rebalance from collective to individual employment relations implies a shift in the balance of risk. The risks of employment become more individualised. On top of that, if organisational success is linked more and more to individual efforts, there is risk that organisational failures are also attributed to the failures of individuals. From our case studies it appears that respondents, regardless of their role in the organization, perceive not only advantages, but disadvantages as well.

**Box 1 Overview of pros and cons of negotiating the employment relationship**

Pros	Cons
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<p>More (pay) differentiation between high- and low-performing employees is seen as both fairer, more effective and more productive (management and employees)</p> <p>More possibilities to adjust work demands to family needs (employees)</p> <p>More freedom and responsibility and more autonomously-thinking and acting and an increase in work motivation (employees)</p> <p>More opportunities for the company to stimulate employees to craft their own job and manage their own career, rather than following prescribed paths (management)</p> <p>More opportunities for the company to increase output through extended and more flexible production hours (management)</p> <p>More possibilities to recruit and retain employees in a tight labour market. It stimulates loyalty and commitment to the organization (management)</p>	<p>Unfair distribution of opportunities (management and employees)</p> <p>Risk of chaos and loss of transparency when everybody can make different deals with their supervisor (management and employees)</p> <p>Discrepancies between staff levels and workload, hampering operational performance (management)</p> <p>More stress and insecurity for employees as employees have to take care for themselves instead of their manager (employees)</p> <p>Danger of quasi negotiations and agreements (employees)</p> <p>Likelihood that the employer will profit more than the employee from increased flexibility (employees)</p> <p>Danger to team performance and team spirit (management)</p> <p>Increase in time spent on negotiation and administrative fuss (management)</p>
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- 59 Advantages perceived by the different stakeholders are that negotiating employee relations is perceived as both fair and effective, leading to a better fit between organizational and individual interests, as well as to more proactive employees that show extra-role behaviour (i.e. adding more value to the organization than is strictly asked for within formal job descriptions, Schaubroeck & Fink, 1998 ; Van Dyne & LePine, 1998). Perceived disadvantages are that respondents think of it as unfair, because tough negotiators rather than high performers will take the most. Indeed, individually negotiated employment relations put weak negotiators at a disadvantage. Moreover, it may increase feelings of insecurity for some employees, putting them in employment relations with constantly evolving expectations rather than a stable contract with stable expectations which are based on the employer taking care of them. Furthermore, some managers fear administrative fuss, as well as agreements that go against organizational interests. Finally, some managers believe that individual negotiations and tailored agreements are only functional for the company in tight labour markets, because it commits (certain) employees to the organization.
- 60 What these perceptions of pros and cons of negotiating teach us, is that there may be an optimum in the scope and practice of negotiating employment relations. No doubt that several dilemmas are inherent to these kind of negotiations, for example, the 'optimum' choices for serving not only organizational and individual interests but also the interests of 'strong' and 'weak' employees alike. Up to a certain point, negotiating employment relations is perceived as fair, serves everybody's needs, is cost-effective and in line with HR-goals such as having proactive employees that show extra-role behaviour. Above this optimum point negotiations become unfair for some 'weaker' categories of employees (such as low-educated employees in low-level jobs, women, disabled and foreign employees, et cetera), serve the needs of the most powerful party only (which mostly is



the employer, but sometimes also employees with a strong labour market position and strong negotiating skills), are expensive in terms of administrative or other costs, and lead to too much insecurity for large groups of employees.

## Conclusion

- 61 This paper generates insights into (1) the possible issues for individually negotiated employment relations; (2) the actual use made by employees and supervisors of these issues ; and (3) the degree of correspondence between scope and its actual use. Below we summarize these insights and the directions for further research.
- 62 Firstly, as an answer to our first question, we found that in at least two out of four cases, considerable scope for negotiating employment relations exists. However, on some topics there is more scope than on others. In the cases of Telecom and Insurance, considerable scope for negotiating additions to the *contract* (e.g. output contract or contractual changes in annual hours), for negotiating *working hours* (e.g. specific schedules, leave) and for negotiating *development* (e.g. individual development plan) comes along with limited scope for negotiating *wages* (e.g. wage increase) and *performance goals* (e.g. task content and targets). We found in the Consultancy group that apart from contract there is scope for self-regulation, not negotiation, of working hours, wages, development and performance targets.
- 63 Secondly, we found that some topics are negotiated while other topics are not or only to a limited degree. In the case of Telecom, Insurance and to a limited degree Metalworking, we found that employees indeed negotiated *working hours* with their supervisors. Negotiation of *performance goals* was taking place only in Insurance and then only in higher-level jobs in non-routine processes. In none of the cases individual negotiation occurred on *contract* and *wages*. The cases differed with regard to *development* : this aspect was negotiated in Telecom and to some extent in Metalworking, but not in Insurance.
- 64 Thirdly, we found to a certain extent correspondence between scope and actual use of the scope for negotiation, however not in every case. Apparently, employees and supervisors did not use in every company the entire scope for individual negotiation.
- 65 Fourthly, we deduced several issues for further research. Given the diversity of individually negotiated employment relations, there is a need to know more about the contingency-factors that influence the prevalence and effectiveness of individual negotiation. Furthermore, opening the black box of the negotiation process itself is worth in understanding the dynamics of individualized employment relations. More research is also needed into the different negotiation styles and behaviours of both supervisors and employees. Especially the effects of integrative and distributive negotiation styles are expected to have significantly different outcomes. Finally, the issue of the pro's and con's of individual negotiation has been raised : who benefits from individual negotiation, and how can we prevent negative side-effects ? We propose that an additional framework for negotiation is needed in order to ensure an optimum between the different interests, serving criteria such as : fairness (justice for all kinds of employees), balance (serving both organizational and individual interests), efficiency (benefits outweigh costs) and security (job and income are to some extent guaranteed).
- 66 It seems important for organizations to develop an optimum in the dilemmas we outlined above. How much scope should collective agreements and management systems ideally

create for negotiating employment relations ? To what extent is it possible to stimulate employees and supervisors to use the scope ? On the basis of our explorative study, we do not have the answers yet. Nevertheless, our data suggest some important criteria that organizations can apply in order to assess the scope for negotiation and its use. These criteria are :

- *Fairness*. Do employees perceive the interaction process and outcomes of negotiations as fair ?
- *Fit between organizational and individual interests*. Do outcomes of negotiations serve both organizational interests and individual interests of all employees, including 'weaker' employees ?
- *Cost-effectiveness*. Do savings (for instance a better fit between working hours and work load) outweigh costs of negotiating ?
- *Extra-role behaviour*. Do negotiations stimulate extra-role behaviour of employees ?
- *Security*. Do employees feel secure enough about keeping their job and maintaining their income level ?

67 We believe that taking into account these criteria while developing the arena for individually employment relations will benefit both employers and employees.

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## ABSTRACTS

Our purpose is to assess the actual experiences of companies in the context of individualised employment relationships. We have three questions: (1) what issues of the employment relationship can be individually negotiated in organizations? (scope); (2) what issues of the employment relationship are individually negotiated in organizations? (actual use); (3) what are the advantages and disadvantages of negotiations according to employees and managers?; We

conducted four case studies in Dutch companies in different sectors (telecom, insurance, manufacturing and consultancy). The data were collected in a total of 69 semi-structured interviews with line managers, HR managers and shop floor employees. We focused on five topics of the employment relation: contract, working hours, wages, development and performance. We found that the scope for negotiation differs according to topic: there is considerable scope with regard to working hours, development and contract and little scope with regard to wages and performance goals. However, employees and supervisors use the scope for negotiating only for working hours and to a lesser extent development. On other topics negotiations hardly take place (e.g. contract) or only under specific conditions (e.g. performance goals in non-routine processes). Furthermore, we found that employees and managers perceive both advantages and disadvantages of negotiations. Considering the (dis) advantages our conclusion is that there must be an optimum in the scope and use of negotiating the employment relationship in order to serve conditions as fairness, fit, cost effectiveness and extra-role behaviour. Our paper provides empirical data on how individualised employment relations take place in practice. It offers insight in different companies on the scope for, the actual use of and the effects of individual negotiations on different aspects of the employment relationship.

## INDEX

**Mots-clés:** relations d'emploi individualisées, ententes collectives, négociation, études de cas

**Keywords:** individualised employment relationship, collective framework agreements, negotiation, multiple case study

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