

How Pervasive is the “Going Rate”? Some Behavioural Insights into the Process of Enterprise Bargaining

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Abstract

This paper examines the significance of information about “going rates” in the resolution of issues by negotiation. In addition to the strategic factors which negotiators must consider this paper identifies a behavioural factor, the mutually prominent alternative, which also has the effect of drawing negotiators towards the going rate as a settlement for their own negotiations. The results of research based on an experimental negotiation confirm the importance of going rate information on negotiation outcomes. This finding, and its explanation in terms of the going rate adopting the characteristics of a mutually prominent alternative, has significance in the context of enterprise bargaining; it would suggest that outcomes negotiated at the enterprise level may not be as egocentric as some advocates of a deregulated labour market might suggest.

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1. Introduction

Much of the debate about the nature of enterprise bargaining has focused on the structural aspects of how the new arrangements might fit within the existing industrial relations system and what form the negotiated agreements might take (for example, BCA, 1989; Callus, 1991, Niland, 1989, 1990; Quinlan and Rimmer, 1990). This institutional focus would be anticipated in the Australian context where the formal industrial relations machinery has been so dominant. This paper presents an additional perspective to the nature of enterprise bargaining and its likely effects. It has been suggested that the social psychology discipline can contribute to an understanding of the dynamics of industrial relations processes (Bain and Clegg, 1974; Strauss, 1979) and this paper draws upon this discipline to examine the process through which negotiating parties reach agreement. The process of resolving differences may have an effect on the outcome and this outcome effect is particularly significant in the context of enterprise bargaining.

A fundamental thrust of the argument for enterprise bargaining and for labour market deregulation is that the parties to negotiation at the enterprise level will be forced to craft a settlement which suits their own particular circumstances. Able to negotiate with an enterprise focus, the parties would be free from the constraints imposed by external wage fixing mechanisms such as industry wide bargaining or centralised wage determination through the tribunal. The trend towards a more enterprise based system of industrial relations appears to be well established in Australia and so it is pertinent to examine the process of negotiation and whether any elements of that process will have an effect on the outputs which the parties reach.

2. The Influence of Externalities on the Strategic Choices of Negotiators

Notwithstanding the proposition that employer, unions and workers will be able to negotiate individually tailored agreements, the parties to an enterprise negotiation will not be negotiating in a vacuum. The egocentric perspective which focuses on the distinctiveness of the enterprise bargain, understates the power of the labour market in providing strong signals to the parties. Obtaining comparative information is regarded as good preparation for bargaining (Herman, Kuhn and Seeber, 1981, pp.173-177) and where there is no union, the union rate is typically the benchmark for the company's own pay and conditions schedule (Freedman and Medhoff, 1984, pp.152-153). Companies subscribe to salary surveys for just this

reason and unions will also access such data in order to match the power of the information held by the employer. Unions operating in the North American context, where negotiations are typically enterprise based, employ teams of full time economists to support their negotiators. (This provides an indication of needs to the future direction which Australian unions might have to adopt.) The U.S. and Canadian governments provide monthly reviews (including the U.S. *Monthly Bulletin of Labor* and the *Canadian Wage Settlements Bulletin*); university research centres also provide analyses of bargaining priorities and outcomes (for example, Courchene and Coats, 1991).

The actual process of negotiation in the Australian context is an under-researched subject. Howard (1985) and Fells (1986) provide examples of the process through which managements and unions reach agreements. In relation to the impact of external factors on a negotiation, which is the focus of this study, Niland (1978) noted the power of the anticipated tribunal decision in his categorisation of administrative negotiation whereby parties reach the outcome through negotiation which they would have obtained through arbitration. Dufty and Fells (1989) explain the phenomenon in terms of strategic choice. Extensive research in U.S. also confirms the effect of an externality namely an anticipated compulsory reference to arbitration in event of a deadlock; these effects being termed the "narcotic" and "chill" effects (Feuille, 1975; Kochan 1980, pp. 295-297; Wheeler, 1975).

Similarly, labour market information impacts upon the negotiators. Dufty (1979) found that negotiators believe hard data and research including information based a movement in other awards and agreements were factors taken into account while Sutcliffe and Gardiner (1978) showed how union policy secured the translation of a general standard into the specific pay negotiation by members. Data from U.S. indicates the strength of pattern bargaining through which a wage settlement reached within a major bargaining unit by a particular management and union becomes a key bargain, serving as a guide for settlements in other negotiations. The pattern, may be followed in the given industry and also in related industries (Chamberlain & Kuhn, 1965; Kochan, 1980, pp. 112-121; Levinson 1960; Seltzer 1951).

Walton and McKenzie (1965, p. 44) put forward the proposition that unions view the pattern settlement (or the established going rate) as a floor from which to bargain upward, and the company views it as a ceiling from which to bargain downward. In other words, they both interpret the pattern in a way most favourable to themselves and then regard it as their own resistance point or limit. However, these initial bargaining strategies become subject to a process of accommodation. The process of reaching

agreement involves the incorporation of labour market information which becomes compelling upon negotiators. The key element is the adherence to a going rate for labour for once a pattern of wage settlements becomes established it influences the labour market, wage rates, product prices and inter-union rivalries with the effect of putting other unions and managements under pressure as they enter their negotiations to settle for more or less confirming settlements. (Chamberlain and Kuhn, 1965, p. 261). Hence, the negotiators find that their outcome alternatives are reduced and their strategic choices become constrained.

Evidence of pattern bargaining in Australian industries has been found in the iron ore industry and W.A. (Dufty 1984) and in the airlines (Blain 1984). The process of comparison has been formalised in the Australian system through the establishment of primary and secondary awards (Deery and Plowman, 1991, pp. 374-5; Portus, 1969) and through the notion of comparative wage justice (Isaac, 1986; Provis, 1986). The nexus between awards and the 'flow on' of changes from one award to another are the mechanisms which give the system its dynamic but also its stability. These central features of the operation of the centralised wage fixing system are, in effect, institutionalised equivalent of 'orbits of coercive comparison', the practice of negotiators to look to certain points of reference for guidance as to how to settle their own particular negotiation. It is these features of wage determination which, it is alleged, a deregulated labour market will free the parties from. The emergence of contingent factors such as company profits, productivity or labour costs would be an indication of increasing competition in the labour market (Kochan, Katz and McKersie, 1989, p. 134).

It is rare for the conditions necessary to establish an unstructured labour market to be fulfilled wherein employers and employees might be able to negotiate distinctive agreements (Norris, 1989, p. 68). One aspect of wage negotiations which gives the parties the opportunity to accommodate labour market information which might not be consistent with the outcome of negotiation if they were totally egocentric is the distinctive nature of the commodity being negotiated over, namely labour. While the pure neoclassic model might suggest a precise determination of a price for labour the interactive and ongoing nature of the employment relationship (Deaton, 1989, pp. 23-26; Fells & Dufty, 1989, pp. 5-7) requires a more pragmatic accommodation in the resolution of the price to be paid for the work to be done.

3. A Behavioural Contribution

A social psychological approach to the process of negotiation can give an insight into how the external information may be internalised into the settlement process. In particular the use of laboratory experimental process, enables specific negotiation effects to be analysed, notwithstanding the constraints of the methodology (Farr, 1979; Gordon, Schmitt and Schneider, 1984). This approach focuses on behavioural rather than institutional aspects of negotiation.

A central element in reaching a settlement is the development and utilisation of alternatives (Bacharach and Lawler, 1981; Fisher and Ury, 1983; Lax and Sebenius, 1986). In essence, negotiation is a process through which parties come to the negotiation table with their respective preferred outcomes, but also facing a third alternative, that of not reaching agreement at all. If one side can not fully convince the other, then in order to reach agreement a new alternative outcome must be found either through some form of integrative bargaining. While the idealised problem solving "win-win" approaches to negotiation suggest the achievement of a mutually satisfying alternative research appears to suggest a more pragmatic approach to the identification of an outcome which the parties feel able to accept (Fells, 1986; Pruitt and Lewis, 1977). In this regard it is suggested that the parties to a negotiation tend to gravitate towards what is termed a mutually prominent alternative (Schelling, 1960), a possible outcome which eventually becomes the focus of discussion as the means of resolving the issue. This is similar to the process observed in diplomatic negotiation whereby the two contending nations argue their respective positions until they identify a principle around which they can formulate a detailed settlement (Zartman and Berman, 1982).

As an example, in a wage negotiation the employer might focus his offer on the profitability of the organisation and its need to maintain competitiveness; the union for its part might argue for rises based on more general economic indicators such as the profitability of the industry and rises in the cost of living. Assuming that each position is well researched and presented it could well be that the parties find no common ground around which to construct a settlement. The parties might start to make linear concessions, (ie raise the offer or reduce the demands) but even the granting of concessions needs a logic in order for the negotiators to save face. Alternatively, the parties, through their negotiation might identify alternative rationales upon which to build a case, perhaps an industry survey which projects future growth rates, or the fact that an the company's labour productivity has improved by a certain amount. On the one hand the parties maintain their committed positions (for example, based on profit or on the cost of living)

yet at the same time will be tentatively canvassing other ways of resolving the issue (see Douglas, 1957). In time, one of these ideas gains a degree of acceptance; the company may accept the logic of paying for past productivity while the union might accept the unless there is productivity there is no basis for a pay rise, irrespective of price increases. Once such a line of argument begins to be accepted it becomes a "mutually prominent alternative" and its prominence is then enhanced by the tendency of negotiators to drop other alternatives from consideration.

There are a number of factors that can allow a particular alternative to gain prominence, including principles of fairness, the middle ground, historical precedent or the suggestion of a third party (Pruitt, 1981). Fisher (1983) suggests that the mere elegance of a particular suggestion may enhance its attractiveness as a means of resolving the issue. Prominent alternatives are adopted by negotiators because of their intrinsic attractiveness and because they are defensible (Magenau & Pruitt, 1979, p.185). Defensiveness is particularly important in the industrial relations context where negotiators have to secure constituency agreement for the outcome which they have negotiated (Fells, 1986, pp. 65-68). Having a sound rationale for the outcome, such that it does not look like a straight concession, will assist in avoiding an image loss deadlock in the closing phase of the negotiation.

When an alternative has become prominent then both negotiators have a common understanding of where the negotiations are likely to lead to and this tends to structure subsequent interaction. Each negotiator knows that he will not be able to pull the other party past that point; similarly he will not be willing to move past it himself. The presence of a prominent alternative therefore puts a limit on how far a party can expect to go in the concession making process. As a consequence, negotiation go faster and reach more agreements when there is a mutually prominent alternative (Magenau and Pruitt, 1979, p. 188; Pruitt, 1981, pp. 58-60). This suggests that, other things being equal, if the parties are faced with incompatible positions and the prospect of deadlock, the creation of a mutually prominent alternative will serve to overcome the negotiators' dilemma and form the basis for the establishment of a pattern of concession making which would lead to an agreement. The negotiators will understand where they are heading, even if they know it is going to take some time to react a point of explicit agreement.

The going rate as a mutually prominent alternative

The notion of a mutual prominent alternative and the attractiveness of such an alternative to negotiators heading into a deadlock provide a behavioural

explanation of the strength of pattern bargaining and reinforces the strategic choice considerations of externalities which also direct negotiators' attention toward the going rate. In order to demonstrate the power of the going rate on negotiation outcomes an experiment was conducted which examined the impact of the negotiators' knowledge of a going rate on outcome. It was found that knowledge of such a rate was sufficient to "weight" the outcomes in favour of that rate and so override other structural factors (reflecting the externalities) in the negotiating situation.

The implication which can be drawn is that even though the negotiators' situation at the enterprise may well be unique and, other things being equal, call for a distinctive egocentrically determined settlement, the presence of a going rate will impact upon the outcome. As a result of the presence of a going rate, negotiators by their own strategic and behavioural reactions would incline towards the establishment of a market regulation even in a deregulated market which is free from institutional constraint.

4. Hypotheses and Outcomes

The foregoing discussion suggests the following hypotheses:

"Negotiation outcomes will be affected by the knowledge of a going rate" (Hypothesis 1). When the going rate is below the median price, it will lead to a lower negotiated price than when there is no knowledge of a going rate. Similarly, when the going rate is above the median price, it will lead to a higher negotiated price than when there is no knowledge of a going rate. As a corollary to Hypothesis 1, there will be no difference between negotiation outcomes when there is no going rate information.

Secondly, "in the absence of knowledge of a going rate, the negotiators settlement price will approximate the mid point value, compared to the settlement prices with a high or low going rate" (Hypothesis 2). Support for this hypothesis would reflect the importance of 'splitting the difference' as a mutually prominent alternative.

In addition to the prediction that the settlement prices will differ between negotiations with and without going rate information, this study also suggests that the dispersion will also vary such that "when there is a going rate, there will be less variation in the negotiated outcomes, compared to when there is no going rate" (Hypothesis 3).

The negotiation experiment showed that without a going rate the subjects arrived at their own equilibrium level whereas the introduction of information about a going rate resulted in different outcomes. If a high going rate was introduced, the settlement prices were greater than the equilibrium;

where there was a corresponding low going rate, the settlement prices fell well short of the equilibrium level. The fact that the going rate could influence either up or down, coupled with the fact that there was less variation in the outcomes of the going rate negotiations, indicate a discipline in the adherence to the going rate. The apparent ability of a going rate to "pull" outcomes in its direction and to reduce outcome variation are both indicative of the power such information has on negotiations.

Part of the explanation for the adherence to a going rate lies in the strategic considerations of the parties, that in the context of ongoing negotiations it may be in the parties' interests to establish pattern bargaining, or in the Australian case, work through linkages established in the award system. Where the parties are attempting to establish distinctive, egocentric settlements, tailored to meet the needs of the enterprise, then there will be fewer of those strategic pressures which would lead to pattern bargaining.

However, in the experiment, the participants did not have to consider any such strategic considerations, there was no expectation of any ongoing negotiation. Nevertheless, the going rate information still had an effect on outcomes and was perceived by negotiators to be an important factor in determining the outcome. The earlier discussion in this paper suggested that there was a behavioural explanation of this in terms of the going rate serving as a mutually prominent alternative through which the parties resolve the issue. The results of this study are consistent with the assertion that a going rate qualified as a mutually prominent alternative, as it encompasses the principles of fairness and perceptual salience, and so it seems intrinsically attractive and especially defensible. It is therefore used by negotiators as an outcome which they can both identify and work towards as a means of resolving their differences.

5. Policy

One of the characteristics of negotiation is that it is a process of joint decision making in a situation of imperfect information. The research in this paper suggests that, other things being equal, the parties will tend to look to the market for information and to the extent that there is a going rate they will rely on it rather than other information to overcome differences in positions in the negotiations. In identifying a behavioural rather than a strategic explanation of the importance of the going rate in determining negotiation outcomes this paper suggests that reliance on going rates would continue in a deregulated enterprise bargaining environment. We would venture to suggest that the same remark could be made on behalf of comparative wage justice and "going rates" in the labour market, that was quipped by Mark

Twain while in the prime of his life: "Reports of my death are greatly exaggerated".

In a decentralised bargaining system, pattern bargaining can become established to take the competition out of the labour market and this was a concern of the tribunal. In making its decision in the National Wage Case in October, 1991, the Industrial Relations Commission commented "The risks inherent in further devolution are ... that the familiar forces of comparative wage justice and flow on will assert themselves giving rise to "community standards" ..." (Print K0300 p. 4). While the forces of product market competition would compel the parties to arrive at distinctive agreements it is the proposition of this paper that even where the parties are disposed towards a decentralised wage fixing system there are factors within the negotiation process which will have the effect of giving a going rate some power in the settlement of the issue and override the egocentricity of the potential settlement.

In the present context of enterprise bargaining the Commission has set parameters within which the parties may settle. If the path of reform was to lead to the Commission being confined to a dispute resolution role, allowing the parties to find their own settlements, we would still nevertheless expect going rates to be established and perpetuated rather than see evidence of wide variation. If the Commission becomes involved in either a conciliation or arbitral role then the persuasive power of the going rate still remains. A similar line of reasoning can be applied to the parties' decisions with respect to opting out in any dual system should reform take that direction. The outcome of the parties' negotiations would be drawn back to the going rate, making the economic rationale to opt out less compelling.

As a result of the pervasiveness of the going rate, there will be less flexibility in the labour market than some market deregulators hope for. There will be less flexibility to give employers the room to manoeuvre in the search for a competitive edge. The importance of the two sided nature of the employment relationship becomes apparent and it will be factors such as the quality of labour utilisation and capital investment rather than simply the level of wages or other conditions which provide the necessary improvements in labour competitiveness. It is this factor which requires more emphasis in labour market policy formulation.

One of the current debates in industrial relations and labour market reform is over the place for individual rather than collective bargaining. To the extent that an employer presents a *fait accompli* individual contract to an employee, there will be no genuine negotiation and so our finding that the parties to a negotiation look to a mutually prominent solution will have

no relevance. We can however hypothesise that the employee (particularly a prospective employee) would use his/her knowledge, however imperfect, of the going rate to in making the decision whether to take it or leave it. If knowledge of a going rate has the potential to increase the wage settlement then employees will make every endeavour to find it out for reasons of economics and bargaining strategy.

This consideration gives rise to the question of whether there should be a government provided "user friendly" information service, in lieu of present award information services. As indicated above, such services are provided by both government and academic institutions in north America. If such information were provided, it would give the information a greater seal of approval and therefore become even more compelling in the market. given time lags in compiling information it would tend to moderate swings in rates the "free" market might have settled upon.

In developing their wage and salary strategies, many employers already rely on wage and salary surveys. In this context, there is one other factor which has not surfaced in the enterprise bargaining debate but which is in need of consideration, namely the role of the employer in the provision of information to employees. Should the employer be required to convey to the employees the wage and salary survey information prior to the negotiation rather than present it as part of the employer's case during the negotiation? Should the employer be obligated to provide company specific information in a form which employees could use in preparing their own bargaining position? Should the employer give time and opportunity for the information to be independently verified and analysed? The provision of information specifically for the purposes of negotiation is not normally part of any discussion of information sharing where the focus is generally on employee participation rather than preparation for negotiation. (See, for example, the NLCC Guidelines on Information Sharing, NLCC, 1988.) Similarly, proposals such as that of the BCA (Hilmer *et al*, 1991) which seek to provide a constrained framework within which parties are free to negotiate do not incorporate any information exchange obligations on the parties. Propositions such those suggested above would be consistent with but would also test the extent of moves towards more cooperative employer-employee relationships. A case can be made that in any reform proposal, requirements relating to the provision of information for negotiations should receive as much weight as any proposals which seek to restructure the parties' negotiating framework.

In any event there would appear to be a significant role for unions in providing their members and on site negotiators with pertinent information. This will require unions to devote more resources to research and intra-union communication.

6. Conclusion

The purpose of this study was to examine the effects of a going rate on the outcomes of negotiations. It is only an initial study with a focus on identifying the strength of behavioural aspects of the negotiation process under experimental conditions. Further research is needed in several areas to further examine the negotiation process in the context of increasing relaxation of tribunal control over outcomes. For example, further experimental research could take the form of trials under 'market' conditions to identify how a going rate may be established in the first place. Practiced industrial relations negotiators could be invited to take part using wage negotiations as the exercise. Research into the process of reaching a negotiated outcome could then be integrated into the more institutional considerations of enterprise bargaining in Australia.

Appendix

(a) The experiment

This study was based on the experimental manipulation of the going rates available to subjects who participated in two negotiation exercises in a classroom setting. In one exercise, subjects were given a going rate price for the negotiated object; in the other exercise there was no going rate information. Subjects were randomly assigned to either the buyer or seller role.

The exercises related to the sale and purchase of a car and of a bicycle. This raises the question of external validity. There are two main difficulties with choosing an industrial relations negotiation. Firstly the exercise would have to be complex to have any degree of realism and this would then make it difficult to isolate the particular effects being examined. Secondly, inexperienced negotiators may adopt expected roles as management or union negotiators which might contaminate the data. Consequently, the items used in the exchange were objects with which the subjects would be familiar.

The structure of the negotiation scenario used in the car and bike exercises were the same. Both items were to be sold to potential buyers who wished to purchase them. With the two items having a similar place in their respective markets, being of a similar level of quality and having the same degree of attraction to the potential purchaser. In addition, the dollar values

for the bike exercise were indexed to the values used in the car exercise. The prices used for the car were multiplied by 0.05 to produce the prices used for the bike. The two negotiations can be represented schematically (Figure 1). The seller's opening offer and the buyer's initial bid were set so that there was a sizable range between these figures forcing the subjects to negotiate and use the information provided to them, to advance their own position. The going rate levels were established at price levels which would differentiate them from the midpoint, but not to the point where it would exceed either the buyer's or seller's limit or resistance point. In the car negotiation exercise the going rate was set above the median price, while in the bicycle negotiation exercise the going rate was below the median.

car price		bike price	
\$2,500	seller's opening offer	\$125	seller's opening offer
\$2,250	going rate		
\$2,100	mid-point	\$105	mid-point
		\$ 95	going rate
\$1,700	buyer's opening bid	\$ 85	buyer's opening bid

Figure 1. Diagrammatic presentation of the negotiation structures

The participants were given a package of role information (such as the advertised price and general condition of the item, the reason for wanting to purchase or sell the item and the designated opening position), a page to record the settlement price and a post-experiment questionnaire.

(b) Subjects

A total of 60 undergraduate students participated in the experiment. Of the subjects, 65% (N=39) were male and 35% (N=21) were female. The average age was 21.5 years with a standard deviation of 2.78 years. Twenty three percent of the subjects had some experience or training in negotiation.

(c) Manipulation check

Analysis of the post-experiment questionnaire showed that all the subjects knew of the existence of the going rate while 90% of the subjects (N=54) correctly identified what the going rate price was.

(d) Negotiation outcomes

The settlement prices for the car without a going rate ranged from \$1900 to \$2250 (N=15, M=2058.3, SD=100.3) while the prices for the car with a going rate ranged from \$1925 to \$2312.5 (N=15, M=\$2164.2, SD=98.1) (see Table 1). The settlement prices for the bike without a going rate ranged from 95 to 115 (N=15, M=102.67, SD=5.5); the negotiation for the bike with a going rate had settlement prices ranging from 92.5 to 100 (N=15, M=96.2, SD=2.604) (see Table 2).

Table 1. Negotiation outcomes: car negotiation

	N	Min	Max	Q1	Q3	M	SD
No going rate	15	1900	2250	2000	2125	2058.3	100.3
Going rate (=\$2250)	15	1925	2312	2100	2250	2164.2	98.1

Table 2. Negotiation outcomes: bike negotiation

	N	Min	Max	Q1	Q3	M	SD
No going rate	15	95	115	100	105	102.67	5.5
Going rate (=\$95)	15	92.5	100	95	100	96.2	2.604

(e) No going rate negotiations

Half of the car negotiations and half of the bike negotiations had no going rate information. Since the two exercises had the same scenario and structure except in the value of the object, the outcomes of both sets of negotiations can be used on a comparable basis to form control group results. These results are presented in Table 3.

The corollary to Hypothesis 1 suggests that there should be no significant difference between these two sets of data, given that there was no going rate

Table 3. Negotiation outcomes: both negotiations, no going rate.

	N	Min	Max	Q1	Q3	M	SD
Bike converted to car price	15	1900	2300	2000	2100	2053.3	110.3
Car	15	1900	2250	2000	2125	2058.3	100.3
Aggregate data	30	1900	2300	2000	2100	2055.8	38.44

information. The data (Table 3) was analysed by a two sample t test for differences in means (p.05). There was no statistically significant difference in the means of these no going rate negotiations (2058.3 compared with 2053.3; $t=0.13$, p. 90), thus supporting the corollary to Hypothesis 1.

Hypothesis 2 predicts that without the going rate, the negotiator's agreement price would settle around the mid point between the starting price values (\$2100 in actual [car] or converted [bike] values). The aggregate data (Table 3) has $N=30$, $M=2055.8$, $SD=38.44$. The data suggest that then negotiators have not settled around the midpoint value, thus hypothesis 2 was not supported. However, the exercise in both its forms (car and bike) did have the same inherent equilibria as is reflected in the insignificant difference between the means of the two negotiations ($M=2058.3$ and $M=2053.3$).

(f) *Going rate negotiations*

An analysis examining the effect of a going rate on the settlement price for the car indicated a significant effect. The data was analysed by a t test for differences in means between two samples. The average settlement price for the car with a going rate ($M=2164.2$) was higher than the average price for the car without a going rate ($M=2058.3$) and this difference was of statistical significance ($t= -2.92$, p .005).

An analysis examining the effect of a going rate on the settlement price for the bike also indicates a significant effect. As with the car, the bike data was analysed by a two sample t test for differences in means. The average settlement price for the bike with the going rate ($M=96.2$) was lower than the average price for the bike without going rate information ($M=102.67$), and this difference was of statistical significance ($t= -4.12$, p .005). It should be noted that the direction of this effect was the reverse of the findings for the car, as was expected. The significant differences between the negotiations with and without a going rate provide strong support for Hypothesis 1.

(g) Dispersion effect

Hypothesis 3 predicts that there will be less variation in the settlement prices for the negotiations with a going rate. The negotiated prices for the car support this, in that with the going rate the SD = 98.1 and without the going rate the SD = 100.3. A test of homogeneity of independent variances showed that the difference between the two variances was not significant. The bike negotiations has SD = 2.604 when there is a going rate and SD = 5.5 in the absence of going rate information, thereby allowing one to conclude that the variances were not homogeneous $F(14, 14) = 4.461, p .01$. As expected, there was less variance in the settlement prices of the negotiations with a going rate, compared to those with no going rate information. Although only the bike negotiation is of statistical significance, the results give some support to Hypothesis 3.

(h) Perceptions of the importance of the going rate

The subjects were asked to respond on a seven point scale to indicate the degree of importance they placed on the going rate in their negotiations. The results are presented in Table 4 (1 = not important; 7 = very important).

According to the results of the post-experiment questionnaire; in regards to the car negotiation with a going rate, the buyer ($M=6.357, SD=0.842$) viewed going rate information as more important than the seller ($M=5.333, SD=1.175$). This was reversed in the bike negotiation where the buyer ($M=5.733, SD=0.884$) viewed the going rate information as less important than the seller ($M=6.333, SD=0.976$). The differences in means in each of these negotiations was not significant ($t=0.3776$ and $t=0.34$ respectively; $p .05$) but the overall result indicated that both parties viewed the importance of the going rate on their negotiation as overwhelmingly high.

Table 4. Negotiators' perception of importance of going rate (a scale of 1- 7)

	N	Min	Max	Q1	Q3	M	SD
Car buyer	14	4	7	6	7	6.357	0.842
Car seller	15	3	7	4	6	5.333	1.175
Bike buyer	15	4	7	5	6	5.733	0.884
Bike seller	15	4	7	6	7	6.333	0.976

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