

# Negotiating Employment Contracts: An Experimental Study

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**Abstract.** Contracts are important for employment in any organization. In order to reach a common point of agreement, both employer and employees' negotiate important aspects of the contract. Objective of this study are: to find out sources of conflict during employment contracts and to eradicate or minimize the conflict by means of negotiations. In current study, negotiating contracts of employment is investigated through experimental research methodology. Data about negotiating employment contracts are collected through structured observations from Pre-test and Post-test experimental groups. Analysis of the collected data is done through one-sample T-test the results of which and the P-value showed that important concepts are included in structured observations about negotiating employment contracts. It is concluded that pay is an important factor in negotiating employment contracts. It is recommended that such negotiations may be used in other types of contracts like business contracts, and other methods can be used in such studies.

**Key words:** Negotiation, Contracts, Experimental study, Employment Contracts, Structured observation.

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## 1 Introduction

This research study is about negotiating employment contracts. Objectives of this study are to find sources of conflict in deliberating contracts of employment and remove or at least minimize the conflict by means of negotiations. Based on the mentioned objectives, this study significantly contributes to the body of knowledge. Using experimental method in negotiating contracts of employment brings novelty to the subject matter. In negotiation, conflicting parties try to resolve the issues by means of exploring available options and to reach a common point of agreement (Fells and Sheer, 2019). By means of negotiations, parties resolve their disagreements. Fisher et al. (2011) has defined negotiation as "back-and-forth communication designed to reach an agreement between two or more parties with some interests that are shared and others that may conflict or simply be different". During negotiating employment contracts, negotiators follow either of the two dimensions of negotiation i.e. distributive or integrative. Distributive negotiations take place in situations where negotiators divide a fixed set of resources while in integrative negotiations, conflicting parties seek to find an arrangement which is in the best interest of both sides (Singh and Singh, 2014). There are five styles of negotiation, all or some of

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them take place while negotiating a contract, and these styles are integrating, obliging, dominating, obliging and compromising (Dévényi, 2016).

When employees join an organization they make contract of employment with employer. According to Wilkinson et al. (2020), “an employment contract or contract of employment is a type of contract that is used in labour laws in order to attribute the rights, duties and responsibilities between parties in order to reach a mutual point of agreement”. The Contract is an agreement that sets conditions, rights, obligations, duties and responsibilities of an employee. Such contract is of service and becomes operational when both parties agree upon the terms and conditions. According to Adair and Brett (2004), during negotiating an employment contract, both parties i.e., employer and employees pass through four stages which are relational positioning, identifying the problem, generating solutions and reaching an agreement.

Experimental research starts with causal hypothesis, modify a specific aspect of a situation that is closely connected to the cause, and finally compares the outcomes (Campbell and Stanley, 2015). Experimental research offers the strongest tests of causal relationships. Experiments can powerfully test hypotheses and focus evidence about causal relationships. An experiment’s purpose is to satisfy the three conditions for causality: first, the sequence in which the independent variable precedes the dependent variable, second to identify the evidence of an association, and finally ruling out alternative causes (Webster and Sell, 2012).

Artificial experiments are beneficial and researchers may condemn those observations in such situations which they have developed rather than ones that occur naturally (Saunders et al., 2009). According to Creswell (2020), experiments can be used in the disciplines which are closely related to business and management. An experiment will consist of the definition of theoretical hypothesis, sample selection, random allocation of selected samples to experimental conditions, the experimental and the control group, introduction of planned intervention or treatment, measurement on a small number of dependent variables and controlling other variables.

## 2 Materials and Methods

### 2.1 Experimental Group and Control Group

In experimental research, researchers divide respondents or participants into two groups for the purpose of comparison. In case of a simple experiment, there are only two groups in which one group’s members receive the specified intervention while members of the other group do not receive intervention. In this case, the former group is called experimental group while the later is termed a control group. In complex experimental design, there are two or more than two independent variables in which one independent variable is allowed to determine overall the effect of each independent variable. In this study control and experimental groups are designed to negotiate contracts of employment.

### 2.2 Random Assignment

Random assignment is the process of assigning individuals at random to different groups in an experiment (Webster and Sell, 2012). Experiments that involve random assignments are considered to provide the most rigorous evidence that a specific intervention produces a certain outcome. Webster and Sell (2012) argues that providing random assignment of participants

of various groups is the quality that differentiates true experiments from less rigorous quasi-experiments. The main purpose of random assignments is to make sure that different assignments provided to different groups in experimental research are similar to the extent that it may impact the outcome of the experiment (Slavin, 2007).

Random assignment is the selection of individuals so that each participant has an equal chance of being selected by the experimenter (Slavin, 2007). Random selection has a different purpose in experimental research: it is infrequently used during experimental research as it is not always logically possible (Slavin, 2007). In this study, participants were assigned to groups on random basis and were included in experimental or control group.

## **2.3 Groups Formation**

Basically the subjects of this experimental study were divided into two groups. One group comprised of employees and other one was of employers. Individual experiment was carried out for each employer and employee in separate groups. On the basis of this segregation between employees and employer, total nine experiments were conducted. These experiments were conducted on students of different levels including PhD, MS and MBA students. Two out of nine experiments were carried out on PhD students, three on MS students and four on MBA students. This diversity among groups was kept intentionally so as to create conflict between each group members and to get diversified answers and comments. Instructions were given to different groups according to the design of experiment which are comprehensively discussed in section 2.1 and 2.2. During instructions, attractive offers like pay, leaves and consents of both parties were fixed so as to make the negotiation process interesting and attractive. All groups' members were briefed about the purpose and processes of this activity. Total 9 groups were formed who participated in this activity separately.

### **2.3.1 Group 1**

In this group instructions about negotiating employment contract were given to employers who participated in this activity about experimentation but not to employees. Group no. 1 and group no. 5 were scheduled according to this pattern. In this case the employers were very aware how to negotiate about specific terms and conditions while employees were not so familiar. Instructions sheets were provided to employers while employee were not provided with such information as discussed above in section 2. Group 1 was contrast to group 2.

### **2.3.2 Group 2**

In this case instructions about negotiating employment contract were provided to participants who took part in this experiment as employees but not to employers. Participants of such groups were included in group no. 2 and group no. 6. In this case the employees knew how to negotiate about employment contract and how to persuade employer to agree upon their terms and conditions. In group no.2 and group no.6, instructions were given to employees while employers were not aware of such instructions.

### **2.3.3 Group 3**

In this case of experimentation, information about negotiating employment contract were not provided to any group i.e., neither to participants who acted as employers nor to those participants who were involved as employees. Group 3 and group 7 were of such type. These

groups acted and were treated as controlled groups. They were just told to carry out negotiations about employment contracts for the post of management trainee. Neither of the participants knew about the comprehensive terms and conditions of the contracts, therefore participants of this group discussed different aspects of employment contracts randomly.

### 2.3.4 Group 4

This group included three sub-groups i.e. group 4, 8 and 9. In this case of the experimental research design conducted detailed information about negotiating employment contracts was given to both parties. These groups were formed as experimental groups. Participants as employer and those who acted as employees' were provided with detail information about the activity. Since both parties had complete information about negotiation process of employment contracts for the post of management trainee, therefore they discussed the contract in very detail and argumentatively. Irrespective of the previous three groups, another group i.e., group 9 was added to this group, the purpose was to create more discussions and to reach a final conclusion about achieving employment contract. Both parties in these groups discussed different points of employment contract comprehensively.

Table 2.1: Groups on the basis of information provision

Group	Sub Group	Information Provision
1	1 and 5	Employers
2	2 and 6	Employees
3	3 and 7	Both employers and employees
4	4, 8 and 9	Neither employers nor employees

## 2.4 Instructions to Participants

Detailed instructions were provided to participants of this experimental research study. Instructions about pay, working hours, leaves, benefits, probation period, overtime working and overtime payment, tenure of job etc. were given to concerned parties before starting the negotiation process for the contractual post of management trainee. On the basis of these instructions, various participants discussed the process comprehensively and took keen interest in this debate about employment contracts. Participants were instructed about negotiating contracts of employment, for example particular instructions were delivered about using negotiation processes, strategies and styles. Also they were instructed to carry out the experiments of negotiating employment contracts for different levels. The purpose was to manipulate diversity of the participants' views so as to reach a common point of agreement regarding employment by means of negotiation.

## **2.5 Structured Observations**

On the basis of nature of the contractual post and instructions, researcher prepared a detailed checklist of structured observations. These structured observations comprised of twenty four statements and these were rated according to Likert scale starting from 1 which stood for highly disagree to 5 for highly agree. During the negotiation process, researcher by himself and other data collectors acted as observers and used to mark the relevant box opposite to each statement according to negotiation of the participants. At the end of each structured observation checklist, researcher added a not for comments of observer. After conducting the twenty minutes negotiation process, observers used to add their comments about the negotiation process in the space given. There were different types of comments in all these 9 structured observations checklists which are discussed in section 3.1 of this research study.

## **3 Results and Discussion**

### **3.1 Structured Observation Checklist and Observations of All Nine Groups**

Researcher developed a checklist of structured observations which included statements about employment contracts. In checklist for structured observations, researcher has entered comments about a specific statement given by respondents during the negotiation process about employment contracts. Numbers of similar comments by negotiation groups are added against same statement. Similar comments are added according to majority rules. This checklist consisted of twenty four statements about observing the negotiation process in a group between the participants one of whom acted as employer and other one as employee.

### **3.2 Statistical Tests Used**

For the purpose of analysis of the collected data, one sample T-test is used. T-test test is used in order to compare and find out the importance of different statements and concepts used during structured observations between the two groups under consideration. Same test is carried out for other pairs of groups in the study. The relative output test and its interpretation is given in the sections 4.3 and 4.4.

### **3.3 One Sample Statistics**

In the table 2 given below all nine groups are given, while the number of statements in structured observations was 24 which is represented by N. Mean of each respondent group is represented against N. Standard deviation in the table given above shows that how much each group member differs from the mean value for the group. This value for each group is represented horizontally opposite to each group. Standard error mean represents the accuracy of a sample that represents population.

Table 3.1: One sample Statistics

G1	24	2.9167	1.17646	.24014
G2	24	3.0833	1.05981	.21633
G3	24	2.5417	1.74404	.35600
G4	24	2.7500	1.29380	.26410
G5	24	3.1667	1.12932	.23052
G6	24	3.2500	1.07339	.21911
G7	24	3.2917	.99909	.20394
G8	24	2.8750	1.19100	.24311
G9	24	3.1667	1.09014	.22252

### 3.4 One Sample Test

In the table 3 provided below, the P-value or significance value is less than .05, it means that the statements or concepts included in the structured observations are important for negotiating employment contracts. In the table P-value of all 9 groups is less than .05, therefore it can be concluded that elements included in the structured observations checklist are important in the process of negotiation for employment contracts. All of them are significant. The value of t is hypothesized value of the given mean in the population. In this case, t-value is provided against each group.

In table 3, main concern is with P-value, because it shows that either the contents included in structured observations are important or not. In this case, since significance value or P-value value of each group is .000, therefore it can be inferred that concepts or statements included in the structured observations for employment contracts of each group are important.

From the results of the data, it is concluded that employers and employees agreed upon majority things about the employment contracts expect monetary terms. The statistical tests results showed that all factors included in the structured observations checklists are important as suggested by P-value. But the most important factors in this scenario for both employers and employees during a negotiation a contract are monetary terms and conditions. During negotiating employment contracts, both parties agreed on majority terms and conditions but as far as monetary terms were concerned, both of them strictly stacked to their stances. Although both negotiating parties showed some flexibility in this aspect as well but they did not agree to the pay packages offered or demanded by the opponent. Main reason due to which both employers and employees' did not reach an employment contract was money. They did not

agree on pay packages and thus no contracts were achieved.

Table 3.2: One sample test

Test Value = 0						
Group	t	df.	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
G1	12.145	23	.000	2.91667	2.4199	3.4134
G2	14.253	23	.000	3.08333	2.6358	3.5309
G3	7.140	23	.000	2.54167	1.8052	3.2781
G4	10.413	23	.000	2.75000	2.2037	3.2963
G5	13.737	23	.000	3.16667	2.6898	3.6435
G6	14.833	23	.000	3.25000	2.7967	3.7033
G7	16.140	23	.000	3.29167	2.8698	3.7135
G8	11.826	23	.000	2.87500	2.3721	3.3779
G9	14.231	23	.000	3.16667	2.7063	3.6270

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