

Globalisation and labour relations in Australian airlines industry: A case study of pilot experience

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ABSTRACT

The 1989 pilots' dispute fundamentally altered the nature of pilot labour relations in Australia. The once powerful pilot union was convincingly defeated by airline management with the assistance of the Government. Since the dispute ended in 1989, globalisation has become an increasingly important factors influencing the reform agenda for both state and airlines companies. This paper aims to research the impact that globalisation has had on the pilot labour relations in Australia through the investigation of the initiatives and response of key players such as airline management, pilot unions, and pilots themselves. The results show that the influence of management over the pilot labour relations process has increased substantially. The conditions of employment and their ability to collectivise through trade unions have been systematically suppressed by a series of 'reform agenda' with the neo-liberal ideological orientation. Important challenges for the future of pilot labour relations in Australia are also considered.

Introduction

In 1989, the Australian Federation of Airline Pilots embarked upon an industrial campaign in support of a 29 percent pay rise for domestic airline pilots (Norrington, 1990). The outcome of this campaign was the spectacular defeat of the pilots and their union after the Federal Government supported the re-establishment of domestic airlines following the mass resignation of pilots.

Several studies have assessed the 1989 dispute, and its implications for pilot labour relations. However, few studies have considered how changes since the dispute have impacted upon the key players in the employment relationship. Over the past fifteen years, globalisation has gained importance as a factor that governments and firms must negotiate in order to remain competitive. The aim of this thesis is to draw a link between globalisation, and the changing role of the state and airline management in pilot labour relations. Key research questions include: 1.) To what extent has globalisation impacted on the role of the state and airline management in the pilot labour relations process? 2.) How has airline management responded to the changes caused by globalisation, and what initiatives have been introduced since the 1989 dispute? 3.) How has the role of pilot unions changed, and what is their response to the new form of labour-management relations that has emerged since the 1989 dispute? 4.) What impact have the changes had on domestic pilots' labour relations experiences since the 1989 dispute, and what is their response to these changes?

Globalisation and deregulation of airlines industry and labour market

Globalisation has had a profound impact on Australian domestic airlines since the 1989 pilots' dispute. Over the past fifteen years, the airline industry and the labour market have been deregulated, and management has adopted a more strategic approach towards the employment relationship. Globalisation can be defined in three ways; (i) the reduction of barriers to trade and globalisation of markets; (ii) the globalisation of production whereby little or no regard is paid to national borders; and (iii) the redesign of political structures and labour laws to "maximise exports, reduce state social spending and end state economic regulation" (Giles, 1996, p.3).

THE DEREGULATION IN AIRLINES INDUSTRY: To increase international competitiveness and respond to globalisation, the Australian Government has deregulated the airline industry and the labour market. Prior to 1990, the Australian airline industry was characterised by a two airline agreement that aimed to prevent monopolies and promote growth between the two major carriers – privately owned Ansett and publicly owned TAA/Australian Airlines (Bray, 1996). Legislative separation between international and domestic carriers further ensured the industry was closely controlled by government until its deregulation in 1990 (Bray, 1997). However, the process of deregulation actually began in the 1970s when parallel flight and fare restrictions were abandoned and regulations regarding the use of discount fares began to be eased (Quiggin, 1997).

THE DEREGULATION IN LABOUR MARKET: During the 1980s and 1990s Australia's industrial relations (IR) system underwent significant changes influenced primarily by the popular neo-liberal philosophy. In 1988, the Structural Efficiency Principle was introduced into the existing Accord to ensure that wage increases accounted for market efficiency, and in 1993 the Industrial Relations Reform Act began the move towards decentralisation by reducing the role of the Australian Industrial Relations Commission (AIRC) in dispute resolution (Deery, Plowman, Walsh and Brown, 2001). After its election in 1996, the Howard Government pursued full labour market deregulation in the form of the Workplace Relations Act (WRA), which drastically changed the course of Australian labour law (Pyman, 2001).

The WRA gave employers and employees the opportunity to bargain directly, without union involvement, and allowed employees freedom of association, thus abolishing closed shops. New methods of enterprise bargaining were introduced in the form of individual contracts, or Australian Workplace Agreements (AWAs), and certified agreements, which further reduce the need for unions (Deery et al., 2001).

Although one may argue that the Australian Government attempted to adopt an IPE approach through the WRA, trade unions remain an important aspect of Australian IR and a high number of union-certified employment contracts still remain (Lansbury and Wailes, 2004). This indicates that either the process failed, or the Federal Government has recognised Australia's entrenched collective system and dared not push the boundaries of their agenda too far. Regardless, Giles' (2000) approach of "rethinking and reshaping national institutions and actors" (p.182) parallels that taken by the Howard Government in 1996.

AIRLINE MANAGEMENT: Worldwide competition as a result of globalisation in the airline industry has placed enormous pressure on operating costs. According to the International Transport Workers' Federation (1992) (ITF), particularly heavy pressure on labour costs has resulted in poorer working conditions and increased workloads. This is because labour constitutes around 30 percent of an airline's costs, and unlike fuel and landing charges, labour is under direct management control.

More recently, Qantas has implemented CM strategies including the retrenchment of 1000 employees, the use of annual leave to reduce staffing, a freeze on the hiring of new staff and the conversion of 300 full-time jobs to part-time status (Easdown and O'Brien, 2003). The airline indicates that these measures are a response to the pressures of September 11, SARS and the global economic downturn (Qantas, 2003), which supports Gialloredo's (1988) hypothesis that during economic depressions, airlines will use short-term, tactical initiatives to reduce costs.

In addition, Qantas's moves confirm the view held by the ITF (1992) that globalisation has changed management attitudes towards employees, and HRM's unitarist approach has made workers more dispensable and interchangeable than ever before. Nesbit (1998) indicates, however, that redundancies and cut-backs are a concerning aspect of HRM policies for Australian firms because they reduce employees' organisational commitment and trust in management.

Case studies

Three 'stakeholders' in the pilot labour relations process have been identified in the literature review. These are pilots, pilot unions and airline management. Each group is treated separately in the case studies and the respondent profiles are presented in Table 1.

TABLE 1

Respondent profiles
(*Respondent names have been changed by giving a code to protect anonymity)

Name*	Position	Work experience
M1	Management (HR) representative from Ansett	Experience of post-dispute changes at Ansett and Australian Airlines
M2	Management (HR) representative from Qantas	10 years work experience as HR manager in Qantas
U1	Union (AFAP) representative	20 years work experience with AFAP
P1	Domestic Pilot (Qantas)	15 years work experience (experienced the dispute)
P2	Domestic Pilot (Qantas)	15 years work experience (experienced the dispute)
P3	Domestic Pilot (Virgin Blue)	Experienced the dispute as Ansett pilot
P4	Domestic Pilot (Jetstar)	9 years work experience (not experienced the dispute)

Case study findings

AIRLINE MANAGEMENT RESPONSES: The analysis of M1 and M2's responses is divided into three sections. First, changes since the dispute are examined, followed by management's initiatives and responses to industry and labour market deregulation, and union activity. Finally, their views on the challenges and implications posed by globalisation are examined.

Changes since the dispute. As a result of the dispute, Ansett brought pilots' wage increases, status and conditions of employment in line with the rest of the workforce. Pilot management functions were relocated from the airport to corporate headquarters and their employment contracts were simplified from several hundred pages to only twenty, which facilitated uniform pay increases and reduced the need for dispute resolution in the AIRC. These changes were part of a wider culture change program called "the communications campaign" (Bray, 1996, p. 153), which focused on productivity and profitability. In fact, M1 believes that in many respects, airline management pre-empted the WRA by shifting the focus of dispute resolution for pilots away from the AIRC, six years before the WRA was introduced.

Ansett and Australian established in-house unions after the dispute and refused to negotiate with the AFAP. According to M1, in-house unions increase efficiency because "you are dealing with your own people". Further efficiencies were realised through the abolition of seniority-based promotions and the introduction of productivity based pay. Pilot recruitment became more focused on personality and overall fit with the airline, which helped prevent future industrial disputation, and productivity based pay advantaged many pilots because they were able increase their earnings if they worked more.

Furthermore, scope clauses, which require an airline to allocate first rights to flying in subsidiary airlines to the parent airline's own pilots, were also abolished after the dispute. These management changes, summarised in Table 2, amount to a restructuring of pilot labour relations and a focus on efficiency in the face of deregulation and globalisation.

TABLE 2

Summary of management changes at Ansett and Australian Airlines

<i>PRE-DISPUTE</i>	<i>POST-DISPUTE</i>
Fixed wage for pilots	Productivity based pay
Complex employment contract	Simplified, 20-page contract
Promotions based on seniority	Promotions based on suitability
Pilots seen and treated as unique employees	Pilots integrated with the rest of the workforce
External unions	In-house unions
Personnel management approach	HRM-style approach
Dispersed organisational structure	Centralised and interactive structure
Scope clauses	Management prerogative for allocation of flying

The changes initiated after the dispute reflect the strategic, efficiency-based approach of HRM. In particular, the initiatives identified by M1 and M2 can be summarised in terms of 'hard' and 'soft' HRM (Table 3). 'Hard' HRM views employees as factors of production, and structures policies and systems around business objectives. In contrast, 'soft' HRM sees employees as trusted and valued assets whose commitment must be harnessed to achieve business objectives (Legge, 1995).

TABLE 3

Summary of 'hard' and 'soft' HRM strategies implemented at Ansett and Australian Airlines after the dispute

<i>Hard HRM</i>	<i>Soft HRM</i>
Productivity based pay	Company information sessions
Simplified employment contracts	Mentoring programs
Flexible rostering	Interactive culture
Abolition of seniority based promotions	Salary sacrificing cars/laptops
In-house unions	

Responses to deregulation and unions. M1 acknowledged that the WRA allowed airlines to "water down the influence of unions" so that they could put the interests of the firm first in a more difficult environment. He emphasised that Ansett always recognised and respected the role of unions, however reserved the right to bargain with employees directly. Conversely, M2 explained that unions have not lost power but have adopted a more consultative approach in response to the needs of members because the nature of competition is such that people realise that their future, job security, promotional opportunities and increases in money are driven by the organisation's profitability. He explained that unions do not have the time or money to resolve minor disputes, and as such need HRM to function effectively. In response, Qantas has introduced mentoring programs and corporate information sessions that ensure pilots understand the challenges facing the business. Qantas also provides the option of salary sacrificing motor vehicles and laptops to give pilots another option of where to spend their income.

Challenges and implications for the future. M1 believes that globalisation, through the use of foreign pilot labour, facilitated the re-establishment of airlines after the dispute. Pilots realised that "there is an unchartered workforce sitting offshore that is willing to come to Australia and is able to be tapped". Both M1 and M2 emphasised that, in terms of globalisation, Australia is still catching up with other international airlines like Malaysian or Singapore, who use foreign contract pilots to top up their own workforce.

M2 believed that globalisation has put pressure on the cost base of the airline. He saw air travel as a commodity and a price based purchasing decision, and the fact that carriers like Virgin Blue might be able to offer pilot salaries approximately \$80,000 less than Qantas creates significant pressures. Both M1 and M2 felt that the most pressing challenge is to address the desire for pilots to be considered part of the senior management team on the basis of their income. M2 went on to explain that in the future, there will be further growth of lower pilot pay rates, and entitlements will be more focused on reaching objectives to improve productivity.

UNION RESPONSES: The Post-Dispute Experience. Traditionally, the AFAP had been averse to arbitration. However, after the dispute domestic airlines would only negotiate with their in-house unions, so arbitration became the only method the AFAP could use to effect change. U1 commented that it became very hard for AFAP members to identify with the union if they returned to domestic flying. Ansett and Australian Airlines heavily promoted their in-house unions, and with very low membership fees, they successfully attracted most pilots. In addition, the AFAP and its members were portrayed in a negative light by the media, and the continuing umbrage between those pilots who defected and those who remained loyal, made rebuilding the union a difficult task.

U1 believes that the WRA afforded airline management a lot more power whilst excluding the AFAP from a lot of negotiations. Qantas's market power is such that when it announces an enterprise agreement with a certain set of pay increases, these increases filter down to the smaller

carriers and form somewhat of an industry standard. U1 therefore described Qantas's behaviour as "pattern bargaining in reverse". The industrial might of Qantas, he explained, restricts the ability of unions to strike, so achieving pay rises of only one or two percent is very hard work.

New Union Initiatives. After the dispute, the AFAP pursued a reorganisation strategy. Separate enterprise unions were established within the AFAP to represent the regional pilots who were still members. The AFAP had traditionally been organised around geographic boundaries, however the dispute forced the union to consolidate and reorganise around employers. This is a significant change that illustrates the power lost by the union because after the dispute, pilots could no longer be represented as a universal body of employees. Another aspect of the union's consolidation involved focussing attention on areas of expertise, like individual pilot grievances and loss of licence insurance.

Challenges and Implications. Like M1 and M2, U1 did not see labour mobility as a problem for Australian pilots. Rather, the most pressing issue caused by globalisation is the proposed single aviation market between Australia and New Zealand. U1 believed that globalisation has influenced our domestic aviation market in profound ways. The industry is very brittle, and major events like September 11 and SARS have a significant impact on domestic passenger numbers, which flows down to pilots and their unions. He explained that fifteen years ago, the interdependencies that exist today would never have been imagined.

PILOT RESPONSES: Pilot responses are analysed in three sections based on three different airlines. First, the experiences of P1 and P2 at Qantas are examined, followed by P3 from Virgin Blue and finally P4 from Jetstar. This approach is used to evaluate differing attitudes towards management and to establish an overview of pilot attitudes regarding the reform in airlines industry.

Qantas – Experiences with Management. Both P1 and P2 agreed that since the dispute, productivity based pay has increased their workloads substantially, however job security has remained strong. Job satisfaction has not changed because they both love doing their job, although they feel this may be used against them. Both pilots are dissatisfied with their labour relations experiences, emphasising that nothing is ever gained from Qantas management without some concession from pilots in return. They described the relationship between Qantas, the AIPA and pilots as adversarial, and neither P1 nor P2 believed they would ever gain a concession from management. In fact, P2 explained that management will not let him take annual leave when he would like. Rather, it will be allocated to him when it is convenient for the company. P2 illustrated that he worked "exceptionally hard" after Ansett collapsed to help Qantas gain market share. Qantas frequently blames cost pressures for decisions like this, however both pilots have become very cynical, especially in the wake of Qantas's record \$650 million profit earlier this year. Pilot rostering is one area that has provided substantial cost reductions for Qantas. The rostering function was centralised to Sydney and rosters have become very flexible agreements in management's eyes. Both P1 and P2 reported high levels of fatigue as a result of shorter lay-overs. Superannuation is another area that P1 and P2 were dissatisfied with. At Qantas, pilots receive only 55 hours worth of superannuation per month, regardless of how much flying they do. Like most Qantas pilots, P1 and P2 had average between 80 and 100 hours flying per month, while superannuation was only paid for just over half their salary. Furthermore, P2 explained that Qantas pilots will be unable to take advantage of the proposed 'freedom of choice' legislation for superannuation. Qantas has an arrangement with the government whereby pilots must invest in the Qantas fund. He attributes this to the fact that pilots own in excess of 70 percent of the fund, and if they were to exit, the system would probably collapse.

Qantas – Experiences with the AIPA. Neither pilot believes that the AIPA plays a legitimate role in the labour relations process because the union has always focused on international pilots. Domestic pilots were incorporated into the AIPA when Qantas merged with Australian Airlines, and since then international pilots have always been favoured. Another aspect of the union that frustrates pilots is the close ties it holds with Qantas management. Both P1 and P2 explained that union officials often transfer to Qantas management, which they feel undermines the union's autonomy. Many pilots believe that collusion between union and management is commonplace. Both pilots believe that the AIPA does not provide worthwhile benefits, and as such they are reconsidering their membership.

Qantas – Challenges and Implications. Agreeing that their overall position has substantially deteriorated since the dispute, both pilots felt that more adequate union representation is required. They pointed out about long hours, poor rostering and an inability to decide when they can take holidays as factors contributing to fatigue and stress, which in turn jeopardise safety.

Virgin Blue – Experiences with Management. Perceived job security, according to P3, has fallen dramatically since the dispute. The ‘job for life’ attitude that once existed has been destroyed. P3 started with Virgin Blue two years ago, and since then he has witnessed a more collaborative approach emerge with management regularly updating the pilot body on the company’s performance. Describing employee relations as “pretty harmonious”, he explained that there is nothing about Virgin Blue’s approach that impedes his ability to establish fair terms of employment. He did point to several negative experiences whilst working in general aviation and for smaller carriers. The HR initiatives used by his previous employer, National Jet, made it difficult to negotiate fair terms of employment. AWAs were introduced and the pilot managers who had previously negotiated contracts were replaced with HR managers who had little knowledge of the piloting profession. P3 described his belief that this change was made to exclude the AFAP from any negotiations occurring at National Jet after the dispute.

Virgin Blue – Experiences with the AFAP. P3 believed that the AFAP did a very good job of bettering his terms of employment at Virgin Blue. The AFAP has evolved over the past fifteen years from a near-bankrupt position, to currently exercising significant input into the Virgin Blue enterprise agreement. The AFAP now covers 80 percent of Virgin Blue pilots, and is also making progress with Pacific Blue contracts. Accordingly, P3 sees the future of the union as very positive, and does not believe that globalisation has decreased the need for unions.

Virgin Blue – Challenges and Implications. According to P3, the proposed Australia and New Zealand mutual airspace agreement is the most pressing issue facing pilots and their unions. P3 also criticised recent airspace management changes in Australia. These changes introduced a new class of airspace, through which commercial jets must descend, and the expectation was that commercial jet pilots would look out of their cockpits for other smaller aircraft.

Jetstar – Experiences with Management. Although P4 began flying after the dispute, he explained that pilots no longer have a ‘job for life’. The industry has fundamentally changed and as such, a pilot may expect to fly for several airlines during their career. P4 has not always had positive labour relations experiences. Prior to Jetstar he worked for Impulse as a contractor and as such did not enjoy any of the benefits of permanent work. After Impulse was sold to Qantas, he became a Qantas employee, which entailed a permanent contract and other full-time benefits. Thus, P4 explained that his pay and conditions of employment “improved by a great amount”, and he is very content with his current situation at Jetstar. There are no problems with rostering and he is able to take time off when he wants it.

Jetstar – Experiences with the AFAP. P4 has recently joined the AFAP after several years without representation. His primary reason for joining was to take advantage of litigation protection and loss of licence insurance. He explained that around half of the Jetstar pilots would be unionised, however he does not feel that the AFAP contributes to bettering his terms of employment because the nature of the pilot-management relationship at Jetstar delivers favourable results.

Jetstar – Challenges and Implications. Unlike the other three pilots, P4 did not foresee any downward pressure on wages. He believed that as long as the pilot body maintains good relationships with management, their terms of employment will remain positive. Because general aviation is the training ground for commercial pilots, P4 explained that the domestic carriers may not always have a well trained pool of pilots to recruit from. General aviation lacks funding, and is operating on very old technology. Low-cost carriers are taking a lot of business from regional airlines and, as such, many aspiring pilots may not find it as easy as P4 did to build their skills in general aviation.

Concluding remarks

The 1989 pilots’ dispute permanently reshaped labour relations in the airline industry and altered the balance of power between pilot unions and airline management. Since 1989, globalisation

has become an increasingly important issue for governments and firms. The case studies have demonstrated that the Australian Government has responded to the pressure for competitiveness by deregulating the labour market and the airline industry. On the other hand, management has responded by adopting an increasingly unitarist approach towards the employment relationship, especially through strategic HRM in both 'hard' and 'soft' forms.

These changes have impacted on pilots and pilot unions significantly. It appears that the power once held by the AFAP has been all but transferred to management, especially at Qantas. In turn, unions have been pressured to collaborate with management in order to retain relevance. The end result of these changes is a severe deterioration in pilots' conditions of employment. The once powerful pilot body has been methodically suppressed by the Federal Government and airline management.

As a result, low-cost carriers can offer pilot wages approximately half those of Qantas for exactly the same job. Qantas has responded by establishing its own low-cost carrier, Jetstar, and by engaging in a series of ruthless cost cutting initiatives within the firm. As a result, Qantas pilots have lost trust in management and are experiencing stress and fatigue due to work intensification.

Globalisation has pressured management to reduce costs, and pilots must understand that the AFAP days of old are long dead. However, management must also recognise that ruthless cost cutting has an adverse impact on pilots, and reduces the safety of their passengers. The results of this study indicate that unions need to work towards mutually beneficial outcomes with management, whilst retaining a certain degree of autonomy. Qantas and the AIPA represent by far the majority of domestic pilots, however the case studies have indicated that AIPA members believe their union is not independent. As such, this union may benefit from a restructuring aimed at increasing autonomy so that the union can begin to provide its members with the benefits they truly deserve.

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