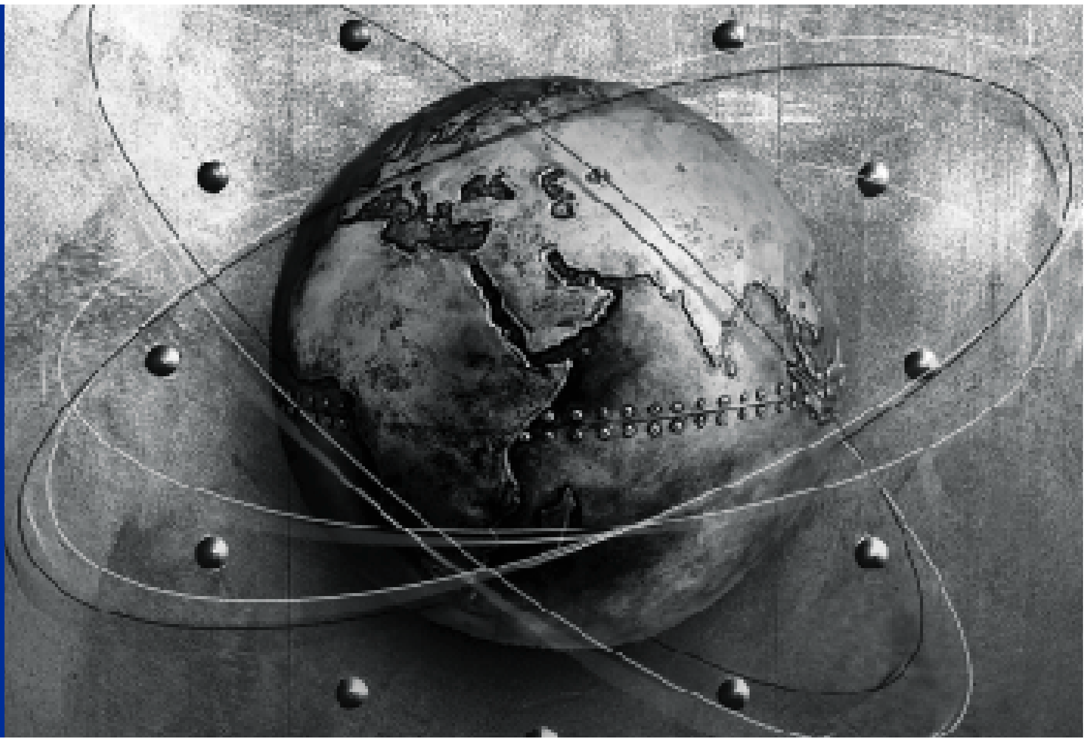
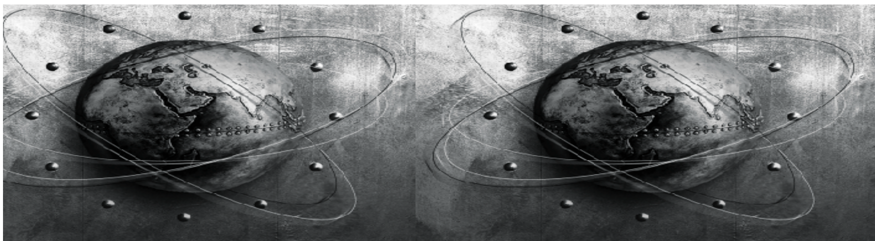
Contesting Globalisation

Airline Restructuring, Labour Flexibility and Trade Union Strategies





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Preface

Globalisation and transportation are intimately linked, presenting both opportunities and challenges for employees and enterprises. On the one hand, transportation is the essential component for integrating global markets, and transportation workers, including aviation employees have benefited from growth that has come as airlines have brought more and more communities, people and goods together. On the other hand, controlling the cost of global transport has become crucial to extracting value from the production or distribution chain, threatening working conditions and job security.

This report provides an independent academic evaluation of the impact that globalisation has had on aviation employees and on the bargaining and industrial strategies employed by ITF-affiliated trade unions in increasingly interconnected aviation markets.

Contesting Globalisation was originally published in 1998 but is being reprinted in 2003 to coincide with an International Civil Aviation Organization conference that will be looking at the progressive liberalisation of air transport services. The issues under discussion at the ICAO ATConf/5 include the removal of national ownership rules for airlines designated to fly international routes, the abandonment of reciprocal air service agreements in favour of looser deregulated rights to fly, and a review of aircraft leasing rules, code sharing and airline alliance strategies.

Changes to any of these areas are likely to encourage significant transnational consolidation and further globalisation in what is already a very weak industry whose profitability (even in the good years) has been marginal. The ITF fears that the easing of the current economic rules will bring unprecedented financial instability and bankruptcies to airlines and service providers and risks leaving States unable to support or shape their sovereign aviation infrastructure. Such liberalisation also risks reductions in safety and security standards unless common enforceable global standards are in place. The views expressed by aviation unions in this report echo these widespread concerns about the impact of economic liberalisation and globalisation.

Though it has been written with academic rigour, this report is not an academic exercise. It provides a unique insight into the impact of globalisation and deregulation on aviation employees and their unions. We hope that it will provide a timely reminder of issues that governments need to take into account when considering the future economic regulation of aviation.

This report is a companion volume to a 2002 publication Contesting the Crisis, which explores the bargaining strategies of unions following the current economic downturn. Both reports have been prepared by teams from Cardiff University, and are based on extensive surveys of aviation trade unions. I wish to express my thanks to the authors and contributors to both these landmark international surveys.

Shane Enright

ITF Aviation Secretary

Introduction

The world's civil aviation industry - and the workforce who comprise that industry - is experiencing a period of change unprecedented in its history. Three inter-linked developments are combining to transform the structure of the industry, namely the progressive liberalisation of the product market, the drive to privatise those carriers remaining under public ownership, and airline management's accelerated pursuit of 'globalisation', both in terms of their product markets (through expanded route networks) and their labour markets (through the dispersal of operations to different parts of the globe). These developments have exerted a profound effect on the industry's labour force, and will continue to do so in the next millennium.

The new operating environment which characterises the industry is providing airline management both with a *motive* for restructuring, as a result of greater competition and a desire to return increased profits for shareholders. At the same time, deregulation presents airline management with greater *opportunities* to initiate fundamental changes to the terms under which labour is hired, deployed and rewarded, and the ways in which labour performance is measured, controlled and evaluated. Throughout the world, airline management's demand is for increased labour performance at a lower cost, with workers performing their tasks ever more flexibly and more productively. In an industry where many operating costs are relatively fixed, at least in the short term, the area of labour costs - the largest single operating cost in airline companies - has become the particular focus for airline restructuring. This has occasioned a widespread assault on terms and conditions, thereby threatening the comparatively high labour standards which have been maintained in the industry in the past and in turn threatening to undermine the service quality standards (including safety standards) which are so vital in an industry which, by its nature, must maintain an extremely high degree of reliability.

The changes that workers in the airline industry are currently experiencing also raise crucial questions for those organisations representing the interests of airline workers: questions about the fairness of various changes being sought by management; questions about the varied impact of change on different groups and the ways in which some changes are creating a more fragmented workforce; questions about the role that trade unions play in negotiating change and influencing outcomes; and questions about the ways in which trade unions should be seeking to organise in an industry whose structure and operations have already altered markedly in the last decade and look set to undergo at least as much change again over the coming decade.

A first step for airline unions and their members seeking to develop effective strategies to protect and advance their interests in the workplace is to gather systematic evidence on *what* is happening in the industry. From such data it is then possible to understand *why* the various developments are unfolding in the ways that they are, and to develop a clearer picture of the *impact* of restructuring on the unions' members. Individual trade unions are not alone in terms of the issues and problems they face, and they can learn much from the experience of others. To date, however, systematic evidence pertinent to the organisation and representation of airline workers has been lacking. For example, information on:

- the nature and extent of restructuring taking place in the industry world-wide, the common patterns and important variations
- the specific experiences of different groups of airline workers and their representative organisations
- which aspects of work are being altered most, to what extent and in what ways the impact is different for various occupational groups
- the ways that trade unions are responding, the extent to which trade unions are involved in the process of restructuring and the strategies they are pursuing
- the effectiveness of different trade unions strategies and the sharing of information about mutual concerns and possible responses

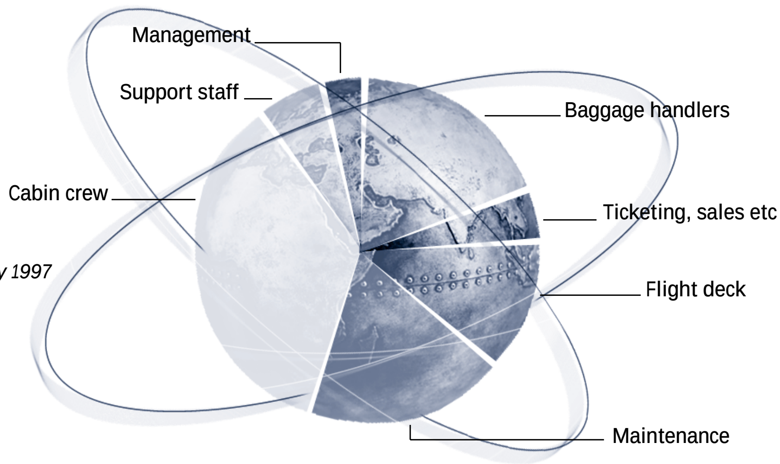
To establish such a data base, the civil aviation section of the ITF has worked in collaboration with researchers at Cardiff and Leeds Universities in the UK to undertake a survey of ITF-affiliated trade unions to examine the extent of restructuring within the airline industry and the impact of industry deregulation, globalisation strategies, and increasing privatisation and/or commercialisation of major carriers. Specifically, the survey was designed to address the implications for airline workers of the changes taking place within the industry, the restructuring strategies being pursued by different carriers, and the response of ITF affiliates to these changes and developments. This survey forms part of a broader investigation of the airline industry being undertaken by the authors of this report, funded by the Leverhulme Trust, exploring recent changes to employment relations as a result of deregulation.

In 1997, a questionnaire was distributed to all affiliated unions of the ITF's civil aviation section. The survey covered a number of themes relating to union organisation and membership; the impact of restructuring on members' terms and conditions; the particular experience with developments such as benchmarking, contracting out or out-sourcing, quality initiatives, global alliances, and cross-border employment; the extent of different forms of collective action; and attitudes towards, among other issues, the role of the state in industry regulation and protection of worker rights, and the effectiveness of different trade union strategies.

In all, responses were received from fifty-two unions, listed in Annex I, representing some half a million airline workers in twenty-nine countries. As such, this survey represents the largest of its kind ever undertaken, and is an important source of data on global restructuring in the industry. The fifty-two unions responding (36 per cent of all ITF affiliates) organise members in 150 carriers, including all the major international airlines such as British Airways, Lufthansa, United, and KLM, medium sized carriers such as TAP, Swissair, JAL and Qantas, and smaller carriers such as Air Namibia, Air Pacific, Mongolian Airlines and Estonian Air. Given the differences between carriers the sample was analysed by 'carrier type', with a distinction between 'global and 'non-global' airlines based on the scale of operations (a global carrier was defined as an airline which generated more than 20 million revenue passenger kilometres, had more than 15,000 employees and a fleet size in excess of 100 aircraft, and at least 40 per cent international traffic from the airline's major hub airport). This dichotomy between 'global' and 'non-global' carriers generated a number of important contrasts between airlines which are discussed in the report.

A further strength of the Cardiff University/ITF Survey is that it included all the major occupational groups who work in the industry. Trade unions were asked to indicate the largest occupational group they represented, and the distribution is illustrated in Figure 1.1. These occupational groups can be used to determine the differential impact of restructuring in the industry.

Figure 1.1. Largest Occupational Group

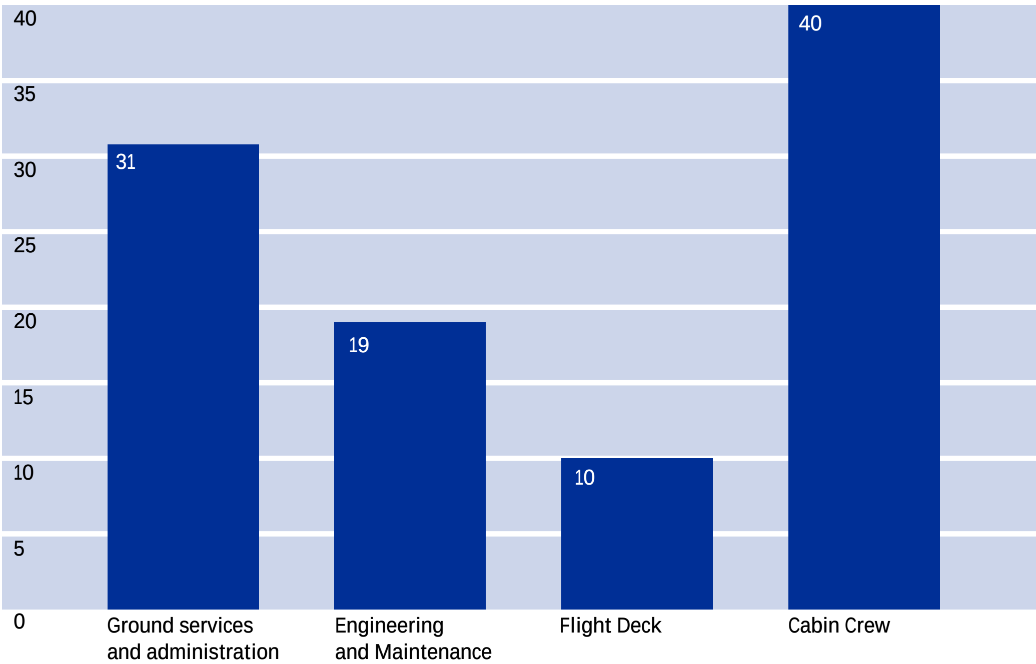


Source: Cardiff University/ITF Survey 1997

To simplify comparisons between occupations, the seven occupational groups illustrated in Figure 1.1. were reduced to just four general categories by combining various ground service activities into a single category. This led to the distribution of occupational categories displayed in Figure 1.2. Differences between occupational groups, as well as carrier types, are considered throughout the report.

Generalised Occupational Groups (percentages)

Figure 1.2.



Note: ‘Ground services’ includes baggage handlers, administrative staff, ticketing, sales and promotion staff, and support staff. ‘Flight deck’ includes pilots and flight engineers.

Source: Cardiff University/ITF Survey 1997

Section II reviews the process of industry restructuring in more detail, focusing especially on the implications of recent changes for labour. At the risk of oversimplification, the industry has shifted from one characterised by comparative stability and a high degree of ‘external’ regulation at the state level (through state ownership of national ‘flag’ carriers and inter-governmental regulation of market access in the industry) to a position characterised by rapid and more dynamic change where the industry is increasingly dominated by very large companies (or ‘mega-carriers’) and new ‘global alliances’. Although there is much talk of ‘deregulation’ in the industry, the combination of market liberalisation, privatisation, and globalisation does not imply a ‘free market’ or an end to regulation. Instead, ‘external’ regulation is being replaced by ‘internal’ regulation under the control of individual companies, which has important implications for the way the civil aviation is managed and the terms and conditions of employment of the industry’s workforce.

In Section III, details are given of the main developments in the industry and the main strategies adopted by management, as seen through the eyes of different trade unions around the world representing airline workers. This establishes a picture of the changes taking place, and how restructuring is transforming the operating structure of many airlines, through such developments as the creation of separate business units and profit centres, the franchising of some parts of the business, and the sub-contracting of other activities. As well as these structural changes, the survey also explored the main processes through which management are seeking to bring about changes in labour use. Prominent aspects of management strategy include the use of benchmarking to establish so-called 'market rates' for different activities, and the pursuit of quality programmes to increase the efficiency of different parts of the operation. Section III also examines the impact of restructuring on workers' terms and conditions of employment, as well as changes taking to management-labour relations in the industry.

In Section IV the nature and conduct of industrial relations is examined, in particular the extent to which trade unions have been able to negotiate over different aspects of restructuring and their members' terms and conditions of employment, or alternatively their ability to resist changes that have been seen as unjustified or undesirable. The different strategies favoured by trade unions to organise effectively and represent their members' interests are also examined, including the future of government and industry regulation and the key role of closer union collaboration. In Section V, the main issues highlighted in the report are briefly summarised.

Industrial Restructuring and Management Strategy

Twenty years after the 1978 US Airline Deregulation Act, civil aviation has experienced profound changes, most notably changes to ownership, market liberalisation, and the emergence of global ‘mega carriers’ and international global alliances. As these developments constitute the dynamic context in which trade unions must organise and represent their members’ interests, it is essential to outline the process of industrial restructuring and the main strategies deployed by airline management in the 1990s. A key point to emerge is the *centrality* of labour in the different strategies being pursued by management, which in most cases translates into pressure to cut labour costs and intensify labour effort via different forms of flexibility.

The intervening period since the deregulation of the US domestic airline business has seen a marked shift in the regulation of the industry world-wide, entailing a reduction in the extent of state involvement and its replacement by greater market regulation in general, and the influence of mega-carriers in particular. Historically, state regulation of the airline industry has taken two forms. First, widespread state ownership (outside the United States) was the common model for the majority of the world’s largest carriers, which as a result have enjoyed ‘flag carrier’ status and preferential access to their country’s main airports. In many countries, national airlines might not have been established without state support, given the levels of investment and scale of operations required, and many governments feared the emergence of private monopolies under a free market regime for civil aviation. Second, both domestic and international airline markets have been subject to a high degree of state control. Flag carriers, for example, have traditionally enjoyed ‘sovereignty’ over their domestic market, with governments controlling (and heavily restricting) entry into the industry. Even where individual governments allowed some entrants into the industry - such as when the Canadian government in the late 1950s allowed CP Air to provide a service on some routes also operated by the state carrier Air Canada, and similarly in the development of British Caledonian, UTA and Ansett within the British, French and Australian airline sectors - nevertheless, throughout most of the world, domestic markets have historically been subject to very low levels of inter-firm competition.

A similar picture has traditionally held for international passenger traffic, in which inter-governmental (bi-lateral) agreements specified the routes and frequency that designated airlines were allowed to fly, and the seat prices offered. Effectively, therefore, these bi-lateral agreements removed most, if not all, price competition between the flag carriers of the countries concerned. Further, like the controls over domestic markets, these bi-lateral agreements also heavily restricted entry into the industry, thereby creating a more or less ‘closed’ product market, with most routes operated either by a single carrier, or at most two carriers, with competition between any two airlines heavily circumscribed by the terms of the bi-lateral agreement. In the mid-1980s for example, less than one in ten routes into and out of the UK were contested by more than two airlines (see MMC, 1987). Elsewhere in the world, this proportion was even lower (see Doganis, 1991; and Hanlon, 1996). Widespread state ownership of many of the world’s major airports, and the preferential access to these airports bestowed on the flag carriers, further limited competition and reinforced the dominant position of national flag carriers both domestically and internationally.

One outcome of this high degree of state regulation was an industry whose product market was generally stable and predictable, with only a limited degree of change taking place. To be sure, the demand for air transport is *pro*-cyclical, such that air traffic growth generally expands (contracts) with increased (reduced) economic growth *but at a much faster rate* (see Oum and Yu, 1998: 5-9). But in a ‘closed’ and ‘protected’ market, particularly one that was expanding, there was often little incentive for management to pursue major change or innovation. In particular, regulatory restrictions often made it difficult to translate any product innovations or cost reductions into significant market advantage. Conversely, the ‘monopoly’ position of many carriers effectively meant that any increases in costs could be passed on to consumers in the form of higher prices (see Doganis, 1991; and Taneja, 1976). Widespread state ownership - and thus the absence of private shareholders - acted further to reduce pressures to cut costs and seek efficiencies that might boost profits or surpluses. Under these conditions, therefore, there was often an absence of concerted efficiency strategies. If there was an identifiable strategy among many of the flag carriers it was more towards 'total travel', with airlines seeking to control all aspects of their own business (including catering, cleaning, maintenance and ground handling activities) and to expand into related activities such as hotels, travel agencies, and car hire (see Doganis, 1991).

The stability of route networks, pricing structures and many other aspects of the airline business facilitated a high level of job security for most employees (though with some notable exceptions, such as cabin crew on fixed term contracts). Job security was coupled with generally good terms and conditions of employment, backed by extensive collective bargaining machinery and secure trade union recognition throughout much of the industry (see, for example, Windle, 1991). Though grievances and conflict were by no means absent from civil aviation, industrial relations took place within a relatively ordered environment, often supported by the state. During this time, therefore, the predominant organisational philosophy was to provide an integrated, centrally regulated service, which was mirrored by comprehensive industrial relations arrangements. This pattern has changed, however, with the recent moves towards deregulation.

With progressive relaxation of state regulation creating much more volatility in the industry, there is now much greater emphasis on making high profits and a much sharper focus on finding ways to reduce labour costs and intensify labour use. Pressure for a relaxation in state regulation has come from a variety of sources. For example, the growing political support for 'free market' capitalism which emerged after 1980 provided a stronger political will not only for reducing governmental 'restrictions' on the airline market, but also for returning (either in full or in part) state-owned carriers to the private sector or charging nationalised carriers to be more 'commercial'. The high levels of state subsidy required by many publicly-owned airlines over the last two decades has also been a significant factor encouraging governments to transfer state airline companies to the private sector. Annex II provides details of current state ownership in the industry.

Pressure for change has also come from within the industry itself. As civil aviation moves towards greater private ownership and becomes more commercial in orientation, the desire among at least some carriers to operate in a more open market has intensified. Large carriers who dominate key airports, for example, could reap considerable benefits from having greater scope to compete for other business, using 'hub-and-spoke' networks and computer reservation systems to consolidate their market position (see ITF, 1992). In other words, deregulation was perceived by many larger carriers to be in their own interests, despite opening the market up to more competition. For example, the state-regulated carriers were experiencing greater competition in the form of discounted fares offered by the expanding charter airlines from the 1970s onwards, which threatened to undermine at least part of the business of the scheduled operators (as they were prevented themselves by regulation from offering discounted fares). One of the most notable effects of product market liberalisation in recent years has been a proliferation of fares and the emergence of pricing strategies such as 'bracketing' (i.e. charging lower fares for flights departing just before and after a rival carrier) in order to drive competitors out of the market. Such tactics have been used to very good effect by major carriers in the USA (against PEOPLExpress and Pan Am amongst others), and have recently spread to Europe (see AEA, 1997: 23-4).

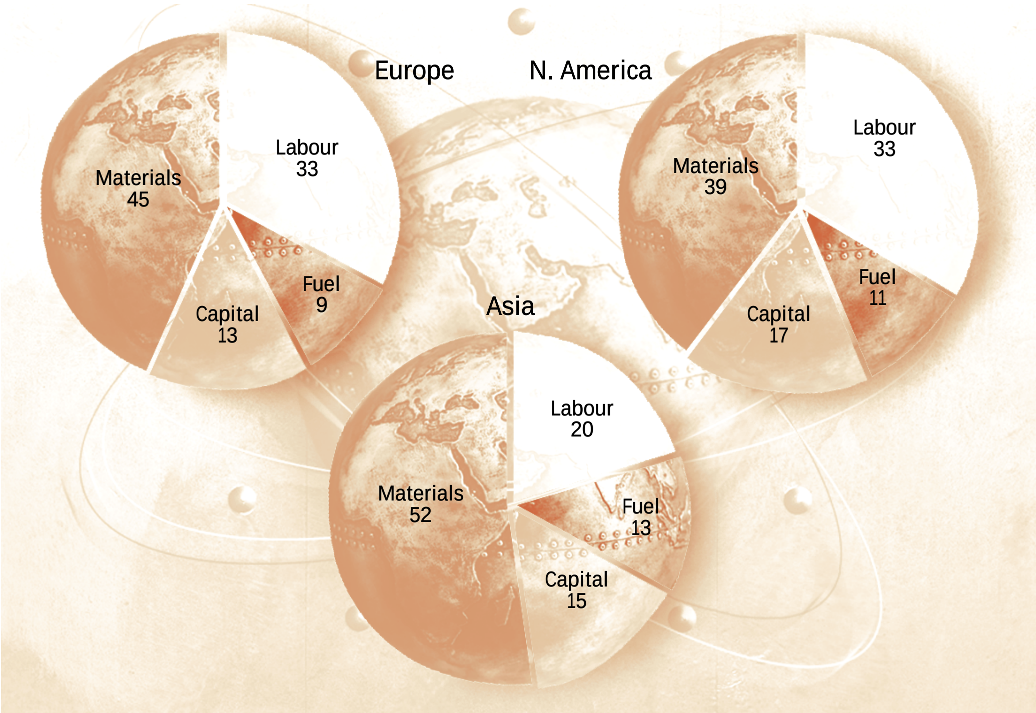
Following the deregulation of the US industry in the late 1970s, more liberal bi-laterals were negotiated between the US and several European countries (including Belgium, Germany and the Netherlands) in the 1980s. In addition, more liberal intra-European bi-laterals, such as those established between the UK and the Netherlands (1984), Germany (1984), Belgium (1985) and Ireland (1988) became more common from the mid-1980s onwards. Since then, there has been a further liberalisation of domestic and inter-country airline markets. In Asia, for example, the most significant development to date has been the progressive liberalisation of domestic markets, which has acted to increase the number of carriers operating domestic routes. This is particularly notable in those countries with very large populations and a large potential for increased domestic traffic, such as China and India. Whilst a liberalisation of bi-lateral agreements is less advanced in Asia, compared to Europe and North America, Asian countries may well follow the lead established by Singapore in developing more liberal aviation policies. By 1997 Singapore had the most liberal aviation policy in Asia, with many liberal bi-lateral agreements and links to 119 cities in fifty-three countries served by sixty-four airlines (Oum and Yu, 1997: 28-30). Further, in April 1997, Singapore became the first country in the region to sign an 'open skies' accord with the US under the latter's 'Asian Open Skies Initiative'.

In North America, the notion of open skies has advanced significantly in recent years, following a decade of failures to agree. Most notably, an open skies agreement between the US and Canada has been progressively implemented since February 1995, which removes most of the limitations of access to cross-border markets, and lifts most route and capacity restrictions. Likewise, the new generation of open skies agreements between the United States and most European countries have opened up market access, such that the principal limitation on airline traffic on these routes is capacity constraints at several major European airports (e.g. Frankfurt and Schipol). Within Europe, a single market for aviation came into being on 1 April 1997, with any EU-registered carrier gaining the right to operate services within and between any of the EU's fifteen member countries, together with Norway and Iceland. This was the culmination of three liberalisation 'packages' (introduced in 1988, 1990 and 1993), the third of which was the most far-reaching in terms of removing national restrictions on intra-EU air services including entry of new carriers, operations, pricing, capacity and cabotage. Thus, by 1997 the EU regulatory framework was similar to that prevailing in the US domestic air transport industry (see Button et al, 1998; and European Commission, 1997).

The relaxation of state regulation of airline markets has had certain immediate effects, and other more gradual ones. Probably the most visible has been the entrance into the industry of a variety of independent lower-cost carriers, such as easyJet (UK), Servivensa (Venezuela), Ryanair (Ireland), Silk Air (Singapore) and Jet Airways (India), which in turn have given rise to many of the major carriers establishing low cost domestic or regional operations (such as KLM City Hopper, Shuttle by United, Alitalia Team, Air France Europe, and British Airways Go). The new entrants have typically been able to operate a lower cost service due to lower overheads (for example, by leasing rather than purchasing aircraft), operating from second-tier and regional airports (whose charges are much less than first-tier airports, and turnaround times quicker due to lower levels of congestion), engaging in direct selling (thereby avoiding travel agents' fees), offering a very basic service (for example, no tickets or seat reservation, no baggage check-in, and/or no catering), and requiring employees to be highly flexible by performing multiple tasks (thereby operating with lower staffing levels overall).

As low cost carriers enter the market, they quickly become the 'cost target' or 'benchmark' for other carriers to aim at. This particular benchmark, however, applies mainly to domestic or short-haul operations. In a global industry the benchmarks for employee performance and acceptable costs on long-haul operations are more likely to be the higher labour productivity of US carriers and the lower labour costs of Asian carriers. The emergence of new global alliances, which allow alliance partners to secure access to a more comprehensive route network with far less risk, securing economies of scale and scope that would otherwise be beyond their reach, exposes carriers to the superior performance of their partners and obviously facilitates the process of benchmarking. It is well established, for example, that labour costs represent only a fifth of airline operating costs in Asia compared to around a third among western carriers, as illustrated in Table 2.1. There are now almost 400 alliances involving more than 170 carriers, although most of these are restricted in terms of carriers and route networks. The four major alliances, however, now account for around 46 per cent of the world market. The biggest global alliance is the Star Alliance, which brings together airlines from Europe (SAS and Lufthansa), North America (United and Air Canada), South America (Varig, the Brazilian flag carrier), and Asia (Thai Airways International). In combination, the Star Alliance has revenues in excess of $50bn, serving 578 cities in 108 countries with 1,334 aircraft and 210,000 employees. This represents around 20 per cent of total employment in the *Airline Business* top 100 airlines 'league table'. The proposed British Airlines/American Airlines alliance accounts for even more employment, whilst the KLM/NorthWest alliance accounts for 10 per cent of *Airline Business* top 100 employment and Delta/Swissair around 7 per cent.

Table 2.1. Airline Cost Structures, 1995 (percentages)



Source: adapted from Oum and Yu (1998: 201)

Although liberalisation of the airline market is having an independent effect on the operations of the world's airlines and, as a result, a significant impact on the industry's workforce, the influence of liberalisation is being intensified by the progressive privatisation of many flag carriers. In fact, liberalisation and privatisation are closely related, as the former creates pressure for airlines to operate on a more commercial basis while privatisation enables airlines to exploit the opportunities presented by a more open market (for example, freedom to establish operations outside their national base) (see ITF, 1992). In combination, these developments have major implications for how airlines operate their business and manage their employees. Most notably, product or process innovations can now be more easily translated into competitive advantage in the market place or higher profits for shareholders, creating much stronger incentives for management to restructure their operations and cut costs. In sum, not only does liberalisation and privatisation open up greater *possibilities* for airlines to pursue different strategies, it also provides the *motive* for doing so. Whatever the strategy adopted, labour plays a crucial role.

In any industry, companies can compete on the basis of lower costs, higher quality, or product innovation (see Porter, 1990). In civil aviation, the 'choice' is typically presented as one between *either* low costs *or* high quality/service innovation (see, for example, Kochan and Dyer, 1993: 576). Increasingly, however, airlines seek to compete on all three criteria, because in a deregulated environment the process of emulation becomes more rapid, such that it is difficult for individual carriers to maintain competitive advantage solely on the basis of service quality or product innovation (on many routes, for example, service quality is almost identical and virtually all airlines now have 'frequent flier programmes' or other marketing innovations). What differentiates airlines is increasingly the *delivery* of service and the *cost* of travel. On both counts, labour is central. At the points of service interaction with customers, for example, what Carlzon (1987) calls the 'moments of truth', airline staff are implored to be polite and courteous as well as efficient and resourceful. British Airways, for example, demands that cabin crew 'make the customer feel good too' (BA, 1993: 28). Research demonstrates that the performance of such 'emotional labour' can place a heavy strain on airline staff (see Hochschild, 1983; and Noon and Blyton, 1997: 121-39). As for labour costs, not only are such costs an important element in the cost structure of any airline, as Table 2.1 illustrates, they are also one of the few 'variable' costs under the direct control of management (unlike fuel costs, landing charges, aircraft costs, and the like). The result is that the industry's workforce has become the focus of *both* cost reduction and productivity/service improvement programmes.

As an illustration of how major airlines are seeking to restructure their business in order to cut costs and compete in a deregulated environment, it is instructive to review briefly the recent experience of British Airways (BA), a company widely regarded as a 'trend setter'. As the ITF (1996) has noted, 'There can hardly be an international carrier that does not look to BA for ideas on how to thrive in the new era of liberalised global air transport' (see also European Commission, 1997: 203; and Warhurst, 1995). First, in line with several other industries (see Shutt and Whittington, 1987), BA has *decentralised* many areas of its business (that is, operations are divided into smaller business units retained under company ownership). In 1992, for example, BA established British Airways Regional (BAR) which operates from Birmingham, Manchester, Glasgow and other regional airports, and the purchase of Dan Air in 1991 led to the establishment of BA's EuroGatwick (EoG) operations. BAR and EoG have very different terms and conditions of employment compared to BA employees working on short-haul routes from London Heathrow, which are different again from London Heathrow long-haul operations. In April 1998 BA launched a 'no frills' carrier called Go, a 'turn-up-and-go' service that is initially operating between Stansted and Rome, Milan and Copenhagen. The new Go subsidiary will pay wages some 20-30 per cent below BA mainline rates, frozen for three years, and a third of employees' pay will be based on performance. Unlike other BA operations in the UK the new subsidiary has announced that it will only recognise the British Airline Pilots' Association (BALPA) and one other union (the Amalgamated Engineering and Electrical Union) for all other categories of staff.

Secondly, BA has *detached* various services from the core business (that is, the company ceases to own units or provide services directly but still maintains control through franchising or licensing agreements). BA pioneered franchise agreements with several airlines - where the franchisee operates its own aircraft painted in BA colours with its staff wearing BA livery - including GB Airways, Maersk, Logan Air, Comair (South Africa's second largest carrier) and Sun-Air (the Danish regional airline). All but three of the forty new routes opened by BA between June 1992 and June 1995 were franchise or partnership operations (European Commission, 1997: 202). BA even have plans to franchise some routes from Gatwick to Tampa (USA) to Airline Management Ltd (AML), a company which has no planes and no crew - both aircraft and crew will be leased to AML by BA (ITF, 1997). This strategy allows the flag carrier to operate a service with much lower costs, minimal investment, and fewer objections from the competition authorities (in this case both domestic and European).

Finally, BA has initiated a process *disintegration* which involves the separation of 'non-core' business (that is, the company ceases to own units or operate services directly but seeks to maintain control through market or contractual power via sub-contracting). Amongst European airlines BA has taken the lead in out-sourcing non-core activities such as catering and vehicle management and maintenance (European Commission, 1997: 202-3), and has even out-sourced some ticketing services to India. Equally important, if other services such as aircraft maintenance and ground handling are to be retained in-house they must now be cost competitive against low-cost service providers such as Midland Air Services (MAS) and Servisair. If MAS or Servisair wage rates were applied to BA ground handling, for example, the total cost saving (estimated for the year 1999/2000) would be £6.7 million. The threat of out-sourcing reinforces the idea that all operations must be costed at 'market price', which BA defines as the price at which the same or better quality of service can be purchased elsewhere.

Overall, then, the impact of deregulation is to propel airlines to cut costs, especially labour costs, and to demand higher productivity and improved service quality from the industry's workforce. The principal strategies identified have important implications for trade unions and industrial relations, as decentralisation invariably creates fragmentation, detachment involves shifting responsibility for employment and industrial relations to an external supplier, and disintegration can create a 'peripheral' or dual workforce typically with inferior terms and conditions. The strategies adopted by management will obviously differ according to the scale of their operations, route networks, competitive environment, industrial relations arrangements and a host of other variables. But important differences can be expected to emerge between 'global' and 'non-global' carriers. Equally, some occupational groups are more likely to be subject to quality improvement programmes whilst others face the prospect of out-sourcing. These differences, and the overall impact of restructuring on employees terms and conditions of employment, are explored in the following Sections.

Given the regulatory changes, competitive pressures and globalisation strategies of major carriers which are shaping the civil aviation industry, it was anticipated that unions would report extensive change and at least some adverse effects on members' terms and conditions of employment. Of course, these changes might be more or less extensive and were expected to be more or less prevalent in different airlines and to affect different employee groups in different ways. But the general trend was anticipated to show a downward trend or 'race to the bottom' on airline workers' conditions, being driven by increasingly assertive airline management with the aim of intensifying labour use and reducing labour costs. Further, in a more liberal operating environment, where airlines have greater incentive to pursue higher profits as well as competitive advantage, managers were expected to show a greater willingness to break with established negotiating arrangements, assert their prerogative over new operating and working procedures, and in many cases impose change on the workforce.

Each of these developments proved to be very much in evidence. First and foremost, airline unions reported extensive change in recent years. Almost half reported the privatisation of one or more major carriers in their country and more than half the unions also reported a process of 'commercialisation' in one or more of their airlines. The latter invariably involves a relaxation of any restriction on the airline to borrow funds or invest overseas, and typically has taken the form of the state retaining a degree of ownership and/or influence over the airline whilst simultaneously releasing shares to the private sector (see Annex II). Product market liberalisation has resulted in the entry of low cost carriers, reported by almost two-thirds of the respondents, and as anticipated the survey also identified the increasing prominence of global alliances. Almost 60 per cent of the unions responding to the survey had members who work for airlines that are members of a global alliance.

Table 3.1 reports the unions' overall assessment of these developments on their membership. It is clear that the predominant response was a perceived negative (or at best neutral) effect, especially in relation to the impact of competition from low cost carriers. It is worth noting that, in supplementary questions, most unions perceived the adverse effects of industry restructuring to be worse in their own country than in the industry more generally. The results in Table 3.1 dispel this view. Industrial restructuring in now world-wide and the (adverse) effects are being felt by all.

Table 3.1. The Effect of Restructuring on Workers in the Global Airline Industry (percentage)

	POSITIVE EFFECT	NEUTRAL	NEGATIVE EFFECT
Privatisation	11	39	50
Commercialisation	16	37	47
Low cost carriers	3	23	74
Global alliances	23	34	43

Source: Cardiff University/ITF Survey 1997

Although over two-fifths (43 per cent) of unions regarded global alliances as having an overall negative effect on employees, at the same time almost one-in-four unions had a more positive view. For global carriers, commercialisation and full privatisation are key elements of their competitive strategy, enabling these airlines to invest beyond their national boundaries and build alliances. Thus, where privatisation or commercialisation are a means to an end (namely globalisation and/or international competitiveness) rather than ends in themselves (for example, cost cutting or state divestment) trade unions are more likely to view these developments as positive rather than negative. Understandably, however, unions with members in global airlines were more likely to view global out-sourcing as an unwelcome development, confirming an overwhelming concern among trade unions to maintain the integration of their national carrier. Overall, unions with members in global carriers were far less likely to have experienced declining employment levels in recent years, which may account for their slightly more positive views towards privatisation and commercialisation, but any differences between global and non-global carriers were not statistically significant.[1]

The differential effects of restructuring are also evident in relation to specific occupational groups. Over the past five years, industry employment has tended to remain stable, with just a 1 per cent increase over the last ten years, despite an average increase in combined passenger kilometres flown of 7 per cent per annum over the same ten year period. Table 3.2 below provides a breakdown of employment trends by occupational category and illustrates the diverging fortunes of airline workers in relation to their employment. As the Table demonstrates, whilst employment among certain occupational groups directly employed by the world's airlines has increased, most notably pilots and cabin crew, employment has declined or stagnated amongst other occupational groups (many of these jobs may have been out-sourced to non-airline companies which are excluded from the IATA statistics in Table 3.2).

Table 3.2. Global Trends in Airline Employment (annual percentage change)

EMPLOYEES	1992	1993	1994	1995	1996	5 yr av.	10 yr av.
Pilots	3.5	-0.4	2.3	1.6	5.1	2.4	3.2
Other flight deck	-8.2	-13.5	-15.4	-6.6	-4.8	-9.8	-7.8
Cabin crews	5.2	-1.2	0.7	3.5	4.7	2.6	3.5
Maintenance	-4.7	-4.0	-3.0	1.1	0	-2.2	-0.1
Ticketing & sales	-1.9	-2.9	-0.9	0.9	4.0	-0.2	1.1
Ground handling	0.6	-3.4	0.5	1.3	-0.4	0.5	-0.4
Other	0.6	-0.7	-1.3	-0.8	-0.4	-0.5	-0.4
TOTAL	0.1	-2.3	-0.7	1.0	2.2	0	1.1

Source: IATA

The aggregate data reported in Table 3.2, however, mask considerable variation between airlines and countries. Table 3.3 below illustrates this variation. In the Cardiff University/ITF Survey, unions representing general support services such as cleaning and catering were far more likely to report declining employment levels over the previous five years, as were unions with members in refuelling and servicing areas, baggage handling, and ticketing and sales. At the same time, whilst many of

[1] When comparisons were made between global and non-global carriers, or between different occupational groups, statistical tests were used to determine whether these differences were significant. This involved Chi-squared tests for significance at the 5 per cent level.

these jobs have been out-sourced in recent years, airlines have simultaneously sought to improve the quality of ‘customer service’ at key points of customer contact. This, combined with the growth of industry passenger traffic accounts for the increase in cabin crew employment. Put differently, airlines can cut labour costs in some areas by out-sourcing, but in others they must intensify labour use or even recruit more staff. As a result, catering and cleaning services are now sub-contracted by many airlines to specialist, large-scale operators such as GateGourmet and Skychefs, whilst specialist handling operators such as LAGS (Lufthansa), AMR (American Airlines), Ogdens and Servisair have secured a significant presence in many airports around the world. In contrast, BA’s recent service-led expansion, for example, led to the recruitment of around 2,000 cabin crew for new services.

Table 3.3.

Employment Change by Occupational Group Over the Last Five Years
(percentage of unions reporting change)

	Decreased	Stable	Increased
General support	45	29	26
Refuelling and servicing	40	47	13
Ticketing and sales	36	32	32
Baggage handling	39	22	39
Maintenance	32	26	42
Management	32	36	32
Flight deck	20	40	40
Cabin crew	14	25	61

Source: Cardiff University/ITF Survey 1997

Evidence of airlines’ quest to intensify labour use was apparent when unions were asked to evaluate the impact of restructuring on their members’ substantive terms and conditions of employment, together with their experience of work, including relationships with management. As Table 3.4 shows, more than three-quarters of all respondents noted the negative impact of restructuring on work intensity (that is, the vast majority of unions believed airline staff to be working harder). Other dimensions of employment in the industry were also seen to have deteriorated, most notably levels of job security, job satisfaction, and the quality of union-management relations. However, the deterioration in management-labour relations may be the price airline management are willing to pay to cut costs and drive up productivity.

Table 3.4. The Impact of Global Restructuring on the Experience of Work (percentages)

	Negative Impact	No Impact	Positive Impact
Work intensity	78	20	2
Job security	70	21	9
Job satisfaction	69	26	5
Management-labour relations	68	22	10
Earnings	56	31	13
Hours of work	54	39	7
Careers	44	44	12
Health and safety	37	43	20
Pensions	24	62	14

Source: Cardiff University/ITF Survey 1997

Overall, unions with members working for global airlines were more likely to report adverse effects from restructuring on all the various dimensions of work identified in Table 3.4, although these differences were not statistically significant. Likewise, cabin crew were more likely to have experienced an intensification of work, declining job security and job satisfaction, and a deterioration in management-labour relations, earnings and hours of work, but again the differences with other occupational groups were not statistically significant. The more important issue raised by the data in Table 3.4 is the ability of many airlines to continue to deliver high quality services from committed and motivated staff: work intensity and job-related stress can have a damaging effect on both quality and safety standards, whilst job insecurity and declining job satisfaction lie at the heart of poor morale, a lack of commitment and low productivity in many organisations (see Hartley et al, 1991). In contrast, high job satisfaction can have a very positive effect on overall performance.

For many airline workers, the deterioration in their pay in recent years has stemmed directly from nominal wage reductions or pay freezes (reported in the survey by 42 per cent of all unions), the withdrawal of cost of living agreements or allowances (COLAs) (experienced by 30 per cent of the sample), or the introduction of two-tier wage rates with a lower second tier rate (typically for new recruits) and much slower salary progression. Global carriers, who benchmark against other global carriers as well as low cost new entrants, were far more likely to have introduced a wage reduction/ freeze or to have withdrawn COLAs, and it was the global carriers who were most likely to have introduced two-tier wage rates. The US experience indicates that when two-tier wages are introduced some workers fare better than others. Maintenance workers in the USA, for example, with specific and transferable skills, appear to have been more successful in reclaiming the concessions inherent in two-tier wage rates, whereas other groups, most notably cabin crew, have seen their fortunes decline as a result of two-tier wages. The issue here is not simply one of skill specificity but also career patterns: higher labour turnover and shorter careers among cabin crew compared to maintenance engineers will tend to reinforce the prominence of the second (lower) wage tier among the former compared to the latter group (see Card, 1986; and Walsh, 1988). More importantly, concession bargaining arising from severe economic recession in the industry in the 1980s was characterised by specific 'claw back' provisions to restore prior terms and conditions following any improvement in the business. Current agreements, in contrast, for example two-tier contracts that establish lower entrants pay, in many countries represent *indefinite* concessions.

The negative effects of restructuring on working hours reported in **Table 3.4** were the result of longer shift duration (reported by a third of all unions), more frequent shifts and an overall increase in total working hours (both cited by 40 per cent of the respondents). Temporal flexibility has assumed greater importance in the industry in recent years as management seeks to obtain maximum efficiency from (or more precisely greater utilisation of) staff. Initiatives at regional and global levels have been pursued to enable employers to obtain these efficiencies. First, there has been a regional and supra-national relaxation of regulations on flight and cabin crew duty limitations. The Joint Aviation Authorities (JAR OPS) initiatives, with their implications for cabin and flight deck duty times, are a case in point. Secondly, carriers have increased productivity as a function of technology. Newer aircraft types allow longer stage lengths which have often necessitated longer shift periods. Thirdly, airlines have sought to introduce greater variation and frequency into shift patterns in response both to peaks and troughs in demand and to mirror different yield factors. These developments appear to have had a particular effect on cabin crew, whose unions were far more likely compared with those representing other groups to report longer shifts and, as a result, an overall increase in working hours. Increases in working hours were reported by 88 per cent of the unions representing cabin crew, compared to less than 20 per cent among ground handling and maintenance.

It would appear from these data, then, that competition and restructuring are manifest in a general assault on workers' terms and conditions of employment and in specific attempts to drive down labour costs, often through very crude means such as pay cuts or a wage freeze. As work intensity rises, invariably as a result of higher workloads or longer and more frequent hours of work, productivity is driven up. Well over half the unions reported higher productivity as a result of - or perhaps despite - the changes discussed thus far. Looking at data produced by IATA reported in **Table 3.5** demonstrates that productivity throughout the industry has risen substantially in recent years, confirming the 'dual pressures' of lowering labour costs and increasing labour use.

Table 3.5.

Cumulative Rates of Increase in Labour Productivity in the World Airline Industry (annual percentage increases)

	1992	1993	1994	1995	1996	5 year average	10 year average
Actual Tonne Kilometres Per Employee	4.3	10.5	9.7	6.6	5.7	7.3	5.7
Available Tonne Kilometres Per Employee	4.7	8.7	6.8	6.2	4.7	6.2	5.1

Source: IATA

Civil aviation unions find it particularly difficult to protect their members' terms and conditions of employment when faced with the threat that work will be contracted out. Sub-contracting of work had been introduced in three-quarters of the airlines covered by the survey. Most commonly (in seven out of every ten cases), this involved subcontracting of support services (cleaning, catering, security and computing, for example), but in almost two-fifths of cases there had also been sub-contracting in more central services, such as engineering, ground handling and check-in. In addition, 50 per cent of the unions reported that the airline management used the possibility that work could be contracted out as a threat unless costs are reduced and/or efficiency improved. Also prominent was the emergence of global out-sourcing where services are sub-contracted on an international basis (reported by more than half the sample). Examples include Swissair's maintenance centre in Shannon (Ireland), SIA's, JAL's and Cathay Pacific's TAECO maintenance operations in Xiamen (China), and data processing, ticketing and other information services provided for BA, Swissair and SIA in Mumbai (India) (see Oum and Yu, 1998: 64). Cross-border employment is also increasing, especially among flight and cabin crew working for global airlines, reported by 28 per cent of respondents.

In order to determine whether different areas of the business should be 'decentralised', 'detached' or 'disintegrated', airlines routinely 'benchmark' their operations against their competitors and/or other potential service providers. Thus, flight and cabin crew might be benchmarked against other airlines, as might ground and maintenance grades, but the latter might also be benchmarked against specialist service providers such as catering, cleaning, and security companies, cargo-handling and logistics specialists, and dedicated equipment maintenance companies. More than half (56 per cent) of the sample reported the use of benchmarking by managers in order to establish 'market rates'. Even if work is retained 'in-house', decentralisation strategies lead to the creation of strategic business units (profit centres), and unions' experience of such developments is that they tend to be associated with a deterioration in terms and conditions. Almost two-thirds (64 per cent) of respondents reported strategic business units for support functions such as catering, cleaning and information technology/data processing and over one-third (36 per cent) reported strategic business units among 'core' activities such as cabin services, ground handling and maintenance.

The 'market rate' is typically defined as the rate at which the same or better quality of services can be purchased elsewhere. In many areas of civil aviation, however, out-sourcing is simply impossible because of industry regulations, the skills required to perform particular tasks, the safety critical nature of the operations, and the absence of reliable or cost effective external service providers. Thus, in response both to competitive pressures and the need to maintain standards when staff are working harder and longer, many airlines have introduced 'quality control' policies. More than half the sample (55 per cent) reported quality control programmes to be in place in the major airlines where the union had members, and a further 13 per cent reported airlines with plans to implement such policies in the very near future. In recent years, the majority of these programmes have been focused on external 'customer care', targeting cabin crew and check-in staff to go beyond 'service with a smile'. Over half (54 per cent) of the sample reported that the airlines they dealt with had customer care programmes in place, compared to just 20 per cent five years ago. Increasingly, however, airlines utilise quality as a means of internal control, where employees treat fellow workers as customers or suppliers rather than colleagues (reported by 53 per cent of the sample). A further 28 per cent reported the use of specific internal quality targets. The notion of an 'internal customer' can create competitive relationships between employee groups and individuals and is often part-and-parcel of an attempt by airlines to create loyalties around managerially-defined teams rather than broader occupational groups which traditionally constitute the basis of trade union organisation. Such practices are often reinforced by new forms of 'performance management' based on customer surveys, peer appraisal, and even reports from managers posing as passengers (see Blyton and Turnbull, 1998: 69-79). For many airline employees, therefore, quality initiatives simply add to the pressures of the job.

The apparent inability of airline unions to prevent restructuring having deleterious effects, both on their members' terms and conditions of employment and on their broader experience of work, appears to be related to the growing trend towards the *imposition* rather than the *negotiation* of change. In many countries in the past, aviation unions have been closely involved in significant developments affecting major airlines, especially the national flag carrier. In the 1990s, most changes are still negotiated by civil aviation unions, but there is some disconcerting evidence from the present survey that airlines are now introducing far-reaching changes unilaterally via the assertion of 'managerial prerogatives', even in the face of trade union opposition, and are seeking to by-pass previously established channels of communication, consultation and negotiation.

Industrial Relations and Trade Union Strategy

IV

In order to protect airline workers' terms and conditions of employment, civil aviation unions have traditionally relied primarily on *national* collective bargaining arrangements. In the past, this system worked well, especially when the national flag carrier was publicly owned and in a dominant (monopoly) position. In a more deregulated environment, however, new management strategies call into question traditional industrial relations arrangements and trade union strategies. Overall, 80 per cent of trade unions negotiate principally with *individual* carriers on a *company* basis, and a further 10 per cent negotiate primarily at the *local* level (that is, the airport or location in which members are employed). Just 10 per cent of trade unions are involved in national-level, multi-company bargaining, and the trend is towards further decentralisation, as reported by 22 per cent of respondents (69 per cent reported no change over the previous 5 years and just 6 per cent reported greater centralisation of collective bargaining arrangements).Thus, as airlines build global alliances, collective bargaining is becoming more fragmented and localised. Of greater immediate concern for trade unions, however, is the extent to which some airlines are no longer prepared to negotiate over key dimensions of change such as working time, performance-related pay and flexibility issues (for example, re-grading and the cross-utilisation of staff).

In general, the majority of trade unions continue to be involved in the negotiation of changes to working time, as illustrated in Table 4.1. Union involvement in such negotiations, however, has not stopped the increases in hours noted earlier. In fact, in relation to both increases in hours and changes to shift patterns, the majority (around two-thirds) had resulted from negotiated changes, rather than from management imposition. There was also a significant degree of negotiation reported on changes in pay related issues (including two-tier or lower new entrant pay grades) which management find more difficult to sell without union involvement. Yet, there appears from responses to other parts of the survey that whilst trade unions are still more likely to negotiate over these and other issues, there is a growing number of areas where change is now imposed by management. For example, some of the initiatives widely regarded as central to future operational efficiency and effective customer service provision, for example the use of team-working and quality circles (reported to be in existence by a third of the sample), appear frequently to be imposed by management, rather than being subject to joint agreement. The determination of many airlines to impose change was also reflected in the fact that a fifth of trade unions reported some experience of derecognition of the union for at least some groups. Air Gabon, for example, recently dismissed its entire regular cabin crew and replaced them with casualised, non-union labour.

Negotiation and Imposition of Change (percentages)

Table 4.1.

	Negotiated	Imposed	No recent experience/ no response
Working time	62	16	22
Performance related pay	48	12	40
Pay for new entrants	40	18	42
Re-grading	26	14	56
Cross utilisation	26	18	56
Team-working	24	12	64
Personal contracts	12	10	78

Source: Cardiff University/ITF Survey 1997

Given the extent of change, the widespread effects of restructuring on airline workers' terms and conditions of employment, and evidence of management determination to push through change with or without trade union agreement, the effectiveness of union strategies in response to current developments assumes a particular significance. When asked to evaluate the effectiveness of trade union strategies, more than four out of every five unions cited the education of members as a key objective, as reported in Table 4.2. In a dynamic and rapidly changing industry, education and information are particularly important, especially when unions are presented with benchmarks and the 'inevitability' of change unless market rates are achieved. Members need to understand the basis of any benchmark calculations in order to question the propriety and financial viability of alternative service provision, and the wider ramifications of management's drive to push down costs and raise productivity.

A similar proportion of trade unions regarded industrial action as effective. Over two-thirds of the respondent unions had actually been involved in strike action during the previous five years and almost the same proportion had been involved in demonstrations and public protests. The two most common targets for taking strike action related to pay and conditions and the issue of contracting out (in both cases cited by over half of those unions that had been involved in strike action). Other significant causes of industrial action were issues relating to working hours and schedules, the introduction of new working practices, and issues relating to privatisation (in each case noted by just under one-third of the unions involved in strike action). In addition to strike action, over half the trade unions had engaged in some form of 'work-to-rule' and/or had operated a ban on overtime in the previous five years. This picture of a high incidence of industrial action in the industry in recent years confirms earlier research findings drawn from Europe that indicate an intensification of management-labour strife (Blyton and Turnbull, 1995; and Gall, 1996), and these data reinforce the findings noted earlier regarding the negative effect of restructuring on management-labour relations (see Table 3.4).

Strike action is often more effective when unions co-operate, either within nation states or internationally, either between unions recognised by global alliance-partners, or unions outside the alliance groupings. Recent examples include the solidarity campaign built by the ITF in support of BA cabin crew in 1997 and the Federation's role in co-ordinating world-wide solidarity in the UPS dispute. Wider international solidarity was regarded as effective by seven out of ten unions in the sample, but more permanent networks for information, co-operation and solidarity are needed if unions are to counter the globalisation of airline capital. With investment, out-sourcing and a host of other decisions increasingly taken at the level of global alliances, unions could be left without a voice in the future restructuring of the industry, the determination of where work will be located and the terms and conditions of those employed to perform that work. Almost as many unions (33 per cent) cited the absence of co-operation between unions across alliance partners as those citing recent experience of international co-operation (43 per cent).

The Effectiveness of Trade Union Strategies (percentages)

Table 4.2.

	Effective	Ineffective	Neither
Industrial action	82	11	7
Education of members	81	11	8
Cross-border trade union co-operation	75	10	15
Union co-operation across alliance partners	74	15	11
Inter-union co-operation at national level	70	14	16
Political campaigns	57	22	21
Management-union co-operation	46	28	26
Concession bargaining	37	41	22

Source: Cardiff University/ITF Survey 1997

Management-union co-operation, and particularly concession bargaining, were least likely to elicit trade union support as effective strategies towards restructuring. Where unions regarded concession bargaining as effective this was frequently on the basis of conceding on wages in order to protect long-term viability of employment. In general, however, the ineffectiveness of concession bargaining and management-union co-operation appears to reflect a growing awareness among trade unions that in a deregulated environment, where privatised airlines seek to maximise the returns on capital demanded by shareholders, it is profitability rather than competitiveness or efficiency that lies at the heart of company demands for wage concessions or calls for co-operation in major restructuring exercises. There are areas of work in the industry, however, where unions might profitably build co-operation with management. Health and safety is an obvious example, which in a 'high reliability industry' is not only a critical issue for employees but of paramount importance for the reputation of the airline. The majority of airlines (over 70 per cent) recognise trade union health and safety representatives, more than a quarter of respondents believed that the influence of health and safety representatives has increased over the past 5 years (compared to less than one-in-four who reported a diminished role), and health and safety is the area where most unions reported positive effects as a result of airline restructuring (see Table 3.4). A major concern for trade unions, however, is that only one-in-four new start-up airlines established within the last 5 years recognised health and safety representatives.

Yet, while unions might command the 'moral high ground' on questions of health and safety, the more important factor in determining management-union relations is typically whether unions are able to co-operate from a position of strength. Research in other industries (e.g. Cohn, 1993) demonstrates that management are more likely to recognise employee needs and co-operate with the trade union's agenda when they respect the power of organised labour. Thus, a successful demonstration of union solidarity in an adversarial context can often form the basis of 'assertive co-operation' that brings tangible benefits to rank-and-file members and consolidates the representative position and organisation of the union. One of the most difficult problems for trade unions to address when they are faced with management demands for airline restructuring and changes to employees terms and conditions of employment, however, is to distinguish the 'rhetoric for change' from the 'realities of competition'.

In a competitive industry, some change is inevitably driven by the need to secure market position or reduce costs in order to survive. Trade unions are fully aware of the need for businesses to be competitive, and it is vital for trade unions to recognise the economic realities facing management in today's deregulated, and increasingly turbulent, airline environment. Many of the changes currently sought by management, however, are not principally about organisational survival in a deregulated industry but about maximising profits for shareholders. Simply cutting costs does not necessarily equate with improved competitive performance, which also depends on increasing labour productivity, improving load factors, aircraft utilisation, service quality, and a range of other variables. To counteract any 'race to the bottom' on labour standards, unions could highlight the 'counter-benchmarks' of high service quality and reliability, multi-skilled and highly trained staff, job security and employee motivation, excellent safety records and other standards that might encourage a 'push to the top'.

The response to such counter-benchmarking, of course, is that all other carriers are cutting costs. This is where industry regulation enters the picture, because airlines are prepared to co-operate in the product market through global alliances in order to enhance their market power and increase revenue, but in the absence of regulation they compete fiercely in the labour market (both with each other and with their workforce). Individual companies will remain the key focus for trade union organisation and resource mobilisation, but industry regulators must not be forgotten. Many airlines have challenged existing regulations by seeking to reduce cabin crew complement (cited by a third of respondents), increase flight crew duty hours (cited by one-in-four unions), or violate national training and certification standards for maintenance engineers (reported by more than one-in-five unions). As the results in Table 4.3 clearly demonstrate, civil aviation unions strongly support the (upward) harmonisation of limits on flight hours and working time (which is currently an important issue for the European Commission), the enforcement of international social standards, minimum terms and conditions of employment, and stronger involvement in decision-making through representation on airline boards and protection for trade union recognition and collective bargaining.

Table 4.3. State and Regulatory Policies in the Labour Market (percentage of respondent unions)

Regulators should	Support	Neither/No opinion	Oppose
Uphold union recognition and collective bargaining	98	2	-
Harmonise minimum terms and conditions	94	4	2
Support harmonised limits on flight and duty times	90	10	-
Enforce existing social protection (e.g. Social Chapter and ILO)	88	10	2
Provide for statutory worker representation on airline boards	67	24	9
Allow workers and management to negotiate their own solutions	57	25	18
Support workers right to obtain a stake in their airline	41	37	22

Source: Cardiff University/ITF Survey 1997

The issue that gave rise to most divergent opinion was the right of workers to obtain a financial stake in their airline. Worker involvement in the management and financial performance of airline businesses raises fundamental questions about the role and independence of modern trade unions. Several respondent unions have already negotiated employee share ownership plans (ESOPs), but of these unions only a minority believed they enhanced workers' involvement in major decisions affecting the airline (reported by one-in-four respondents), resulted in concessions from management (also reported by one-in-four of the unions with ESOPs), or provided any greater motivation for airline workers (reported by one-in-seven unions). Less than one-in-five of the unions with experience of ESOPs regarded such financial participation as a vehicle to improve management-worker co-operation, and in fact 45 per cent saw ESOPs as a 'ploy' to make workers pay for past mis-management of the airline. A small number of unions, however, reported more positive experience with ESOPs. Clearly, it is important for other civil aviation unions to identify and negotiate the necessary safeguards in order to ensure that their members benefit from such programmes.

Trade unions also supported state and regulatory policy in the product market, which many unions regard as essential to maintain national sovereignty, protect jobs, and ensure services to more isolated communities. As Table 4.4 indicates, the majority of respondents support the regulation of global alliances and low cost carriers, which is an important element in the fight to protect members' terms and conditions of employment. Further, most unions still perceive a positive role for state financial support. For many commentators there is a strong argument for re-regulation of the airline industry in order to maintain standards of safety for passengers, quality of service, reliability, and competitive fares (e.g. Dempsey, 1992), and as the figures in Table 4.4 clearly indicate many unions support this argument. Trade unions should therefore address these issues at national, regional (e.g. NAFTA, EU, and ASEAN), and international levels (e.g. ILO and ICAO). Moreover, product market regulation, such as controls on low cost carriers, reinforces employee protection and employment standards in the labour market.

Table 4.4. State and Regulatory Policies in the Product Market (percentage of respondent unions)

	Agree	Neither/No opinion	Disagree
Uphold national sovereignty	73	18	9
Regulate low cost carriers to prevent cost-cutting	71	19	10
State aid to promote services to remote communities	63	27	10
Restrict global scale alliances	58	28	14
Promote genuine ‘open skies’ policies	50	33	17
State financial support whenever required	49	27	24
State aid is necessary to protect jobs	45	33	22
Government financial support only to facilitate restructuring	36	28	36
Market-based criteria for state financial support	28	35	37
Take action against anti-competitive practices	27	58	15
State financial support is anti-competitive and should cease	25	20	55
State financial support promotes inefficiency and higher fares	25	24	51

Source: Cardiff University/ITF Survey 1997

Overall, the strategies favoured by airline unions - education of members, co-ordinated industrial action, co-operation across alliance partners, and state or regulatory controls of the industry - all require international solidarity. The ITF has for many years facilitated such action in civil aviation and other transport sectors. More recently the ITF launched the trade union Star Solidarity Alliance to mirror the global alliance of United Airlines/Air Canada/Lufthansa/SAS/Thai Airways/Varig, as well as solidarity groups for Delta Airways/Swissair/Aer Lingus/Sabena, and British Airways/American Airlines/Qantas/Iberia/Aerolineas Argentinas. The ITF also represents the interests of affiliates at international meetings, conventions, and regulatory agencies. These international activities will no doubt assume greater importance in the global airline industry of the future.

Conclusions

The findings of the Cardiff University/ITF Survey indicate a number of challenges confronting trade unions in the civil aviation sector. Profound restructuring is taking place throughout the world and across all carrier types. The combined effects of liberalisation, privatisation and airline globalisation strategies are exerting a major impact on all occupational groups, albeit in different ways. For some, the experience of restructuring is an assault on costs and the threat of out-sourcing; for others, the emphasis is on flexibility and more intense work routines. Overall, however, restructuring is exerting an adverse effect on terms and conditions of employment and the experience of work.

The results of the Survey indicate that trade unions have been far from passive in recent years, contesting the new managerial agenda with some success. But in the more turbulent environment of the late 1990s there are new issues that trade unions must address on a corporate, national and increasingly international scale. In their responses to the Survey, civil aviation unions from around the world have indicated that, in the future, trade union strategy must focus on:

- organisation and representation of airline personnel among sub-contractors, low cost carriers, out-based personnel, and new entrant employees
- education of members and exchange of information between unions on a local, national and international basis
- influencing the processes of bench-marking, out-sourcing, labour flexibility and other aspects of corporate restructuring
- interaction with governments, regulators and passengers to protect and promote industry standards
- co-operation and solidarity between unions on a corporate, national, alliance and wider international basis

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Annex I. Respondent Unions and Principal Airlines

Union	Country	Airline
UPADEP	Argentina	Aerolinas
APA	Argentina	Aerolinas Argentinas
TWU	Australia	QANTAS
ASU	Australia	QANTAS
ALAEA	Australia	QANTAS
HTV	Austria	Austrian
CGSP	Belgium	Sabena
CMB	Belgium	Sabena
CUPE	Canada	Air Canada
CAW	Canada	Canadian Airlines Intl.
DMU	Denmark	SAS
SID	Denmark	SAS
TWE	Estonia	Estonian Air
FAWA	Fiji	Air Pacific
IAU	Finland	Finnair
SNPNC	France	Air France
ÖTV	Germany	Lufthansa
AIAEA	India	Air India
SIPTU	Ireland	Aer Lingus
UILTRASPORTI	Italy	Alitalia
JACAU	Japan	Japan Air Lines
ASPA	Mexico	Aeromexico
ASSA	Mexico	Aeromexico
MTCPWU	Mongolia	Mongolian Airlines
NATAU	Namibia	Air Namibia
RA	Nepal	Royal Nepal
VNC	Netherlands	KLM
NZAPME	New Zealand	Air New Zealand
FARSA	New Zealand	Air New Zealand
FENA	Pakistan	Pakistan Intl. (PIA)
PALPA	Pakistan	Pakistan Intl. (PIA)
PSEA	Pakistan	Swissair
SNPVAC	Portugal	TAP Air Portugal
SQUAC	Portugal	TAP Air Portugal
FCT-CCOO	Spain	Iberia
FCT-CCOO	Spain	Aviaco
FETT-UGT	Spain	Iberia
FETT-UGT	Spain	Aviaco
KAPERS	Switzerland	Swissair
VPOD	Switzerland	Swissair
TAISEEA	Thailand	Thai Intl.
Hava Is	Turkey	Turkish Airlines (THY)
TGWU	UK	British Airways
IBT	USA	Northwest
IAMAW	USA	United
IAMAW	USA	Northwest
TWU	USA	American Airlines
AFA	USA	United
AFA	USA	US Airways
AFA	USA	American Transair
AFA	USA	Tower Air
ALPA	USA	Various

Annex II. Current Government Ownership of Airlines

Full Government Ownership	Majority Govt Owned	Percentage Stake	Minority Govt Owned	Percentage Stake
Adria Airways	Aeroflot RIA	51.0%	Aerolinas Argentinas	5.0%
Aer Lingus	Aeropostale	95.0%	AeroPeru	20.0%
Air Algerie	Air Afrique	70.0%	Air Jamaica	25.0%
Air China	Air France	90.1%	Aviateca	25.0%
Air Niugini	Air Lanka	74.0%	BIWI Intl	33.5%
Air Zimbabwe	Air Madagascar	89.6%	Hainan Airlines	5.3%
Air India	Air Malta	96.4%	Kenya Airways	23.0%
Alliance Air	Air Mauritius	51.0%	KLM	25.0%
Aviaco	Air Pacific	73.1%	Lloyd Aero Boliviano	48.3%
Balkan Bulgarian	Alitalia	67.0%	Luxair	23.1%
Biman Bangladesh	Austrian Airlines	51.9%	Malaysia Airlines	25.0%
China United Airlines	Cameroon Airlines	96.4%	Philippines	14.0%
China Yunnan	China Eastern Airlines	61.1%	Plune	49.0%
Croatia Airlines	China Southern	68.1%	Sabena	33.8%
Egptair	CSA Czech	83.7%	Swissair	21.5%
El Al Airlines	Cyprus Airlines	80.5%	Tunisair	45.2%
Emirates	Finnair	59.8%	Varig	1.2%
Ethiopian Airlines	Iberia	92.0%	VASP	40.0%
Garuda Indonesia	Malev Hungary	63.9%		
Gulf Air	Pakistan International	56.0%		
Indian Airlines	Royal Air Maroc	92.7%		
Iran Air	SAS Group	50.0%		
JAT Yugoslav Airlines	Singapore Airlines	54.0%		
Kuwait Airways	Thai International	93.0%		
Lithuanian Airlines	Turkish Airlines	98.0%		
LOT Poland	Yemensia	51.0%		
Nigeria Airways				
Olympic Airways				
Royal Brunei				
Royal Jordanian				
Royal Nepal				
Saudi Arabian Airlines				
Sichuan Airlines				
South African Airways				
Sudan Airways				
Syrian Arab Airlines				
TAAG Angola				
TAP Air Portugal				
TAROM*				
Vietnam Airways				
Viva Air				

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