ABSTRACT: Since the pilots’ dispute ended in 1989, globalisation has fundamentally altered the environment in which pilots establish their terms of employment. This paper argues that pilot labour relations have been affected by globalisation in three ways. First, the Australian airline industry was deregulated in 1990. Second, the introduction of the Workplace Relations Act (1996) deregulated the Australian labour market and third, airline management has been heavily influenced by a neo-liberal ideology that focuses on the principles of strategic Human Resource Management in response to increased competition.

Empirical research will investigate the impact that these changes have had on pilots themselves, the attitudes they hold towards the changing involvement of unions and airline management in the process, and their perspective on the impact that globalisation has had on their terms of employment since the 1989 dispute. Research will also consider the point of view held by pilot unions and airline management regarding the implications of globalisation for pilot labour relations in Australia.
The 1989 Australian pilots’ dispute reshaped labour relations for Australian pilots at a time when globalisation began changing the nature of the industry through deregulation, more laissez-faire labour laws and management’s increasingly unitarist approach towards the employment relationship. Globalisation is defined by Giles (1996) 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 in response to the state’s pressure to “maximise exports, reduce state social spending and end state economic regulation” (Friedmann, 1991: 35 in Giles, 1996: 3).

Alliances form the most notable and obvious example of globalisation in the airline industry. In 1999 there were over 500 international airline alliances, and the biggest four of these accounted for over 51 percent of the world market (Blyton, Martinez, McGurk and Turnbull, 2001). This indicates that “in many respects, the civil aviation industry appears to epitomize the era of globalization as major airlines consolidate their economic resources and increasingly source labour on an international basis” (2001: 446). A global approach is important for airlines as they struggle to deal with the pressures of events like September 11 and SARS. In fact since 2000, airlines have lost more money globally than they have ever made (Urry, 2003).

This project’s first aim is to draw a link between globalisation and changes to the nature of pilot labour relations over fifteen years since the pilots’ dispute. The forces of globalisation have created commercial pressures on management through competition, and legislative pressures on the Federal Government through deregulation. Consistent with analyses like those of Graham (1999), Gahan and Harcourt (1999), Kasper (1988), Eaton (2001) and Doganis (2001), globalisation will be considered as manifest primarily in three ways:

i) Industry deregulation;

ii) Labour market deregulation; and

iii) Management initiatives like HRM.

Figure 1 provides an overview of the main forces I will argue have fundamentally changed the context in which Australian domestic pilots establish their terms of employment.

Globalisation and the Australian IR landscape

![Figure 1](image-url)
Second, this project will draw on data from interviews with Australian pilots to investigate how these changes have impacted upon the attitudes they hold towards the involvement of the state, airline management and their unions in the employment relations (ER) process. Data from interviews with management representatives and union officials will also be used to gain an understanding of the current role that these parties play in the process, and the attitudes they hold towards the effects of globalisation in their industry.

**INDUSTRY DEREGULATION**

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 (Bray, 1996). Further state control was present in the form of legislative separation between international and domestic carriers which ensured that the industry was closely controlled by government until its deregulation in 1990 (Bray, 1997). The process of deregulation however, 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 most notable instance of airline deregulation is that of North America, which was deregulated in 1978 (Brown-Johnson, 1991). Since then countries including Canada, New Zealand, Britain, Japan, China and much of Europe have significantly reduced government intervention in the market. Kasper (1988) describes this move as being influenced by the belief that liberalisation is essential to the viability of national airlines in an increasingly global market. Similarly, Giles (1996) indicates the pressures globalisation creates for nation-states to reduce market barriers and redesign structures in the name of international competitiveness.

Literature concerning the impact of deregulation for pilots focuses mainly on the North American experience. Brown-Johnson (1991) found limited support for the hypothesis that airline workers’ pay decreases with deregulation, although she did note that deregulation had the greatest negative effect on pilots’ wages due to their high job switching costs and steep seniority structures, rendering them most likely to grant pay concessions.

Cremieux (1996) also suggests that pilot wages fall under deregulation, although he found a more significant and noticeable decrease of 12% and 22% below levels that would be expected to be reached in 1985 and 1992 respectively, had markets remained regulated. Cremieux’s study is more convincing than Brown-Johnson’s because it relies on a wider data source of 34 years and controls for the U.S. recession of the early 1980s. It is widely accepted however, that the cost pressures of deregulation do put downward pressure on employees’ wage levels (Hendricks, 1994).

Regarding unionisation rates under deregulation, results are mixed. Some authors argue that non-union or Greenfield start ups result in decreased unionisation (Brown-Johnson, 1995) whilst others argue that high levels of unionisation are unlikely to change under deregulation (Hendricks, Feuille and Szerszen, 1980).

Northrup (1983) examined the extent to which deregulation had resulted in a “new era” of labour relations for airlines, brought about by competitive pressures forcing unions and management to adopt a more proactive approach towards collective bargaining. The entrance of non-union, low cost carriers has compelled these traditional rivals to focus their attention on the maintenance of amicable relationships rather than costly conflictual ones. In particular, Northrup cites the case of pilots, who had traditionally pursued pay claims without regarding the consequences they may have on the industry that employs them. He argues that the immobile nature of pilot labour results in an increased concern for harmonious relations under deregulation because with intense competition, pay claims are rarely successful and place extreme strain on an already stretched budget.
Nay (1991) investigates the impact of economic, institutional and strategic choice factors on concession bargaining in the airlines. She found that deregulation created a drastically changed environment where unions have little power to protect their members. Nay disagrees with Northrup’s “new era” theory of enterprise bargaining, arguing that institutional forces dictate the nature of labour relations in adverse times and concessions are won purely because deregulation has reduced union power.

The concept of airline-union relations is taken one step further by Gittell, Von Nordenflycht and Kochan (2004). Their recent study investigates whether a reduction in union representation and enhanced union-management relations result in positive performance outcomes for American airlines, although whether these two concepts could ever complement each other is questionable. Gittell et al found that lower levels of union-management conflict result in increased performance outcomes, but a lower unionisation rate does not necessarily achieve the same outcome. Decreased unionisation was found to improve financial outcomes only for airlines that introduced proactive ER strategies that focused on employee-management relationships and the quick resolution of disputes.

Their findings compliment those of Kochan, Von Nordenflycht, McKersie and Gittell (2003) on labour relations in the global airline industry. Amongst several recommendations, their paper suggests that airlines should create a workplace culture focusing on rapid resolution of collective negotiations and government should create a forum to support mutual learning and continuous improvement between employees and airline management. In contrast, Blyton, Martinez-Lucio, McGurk and Turnbull (1998) investigated the effect of airline deregulation on labour relations in Europe. This market, led by the European Union, underwent significant liberalisation and privatisation through the implementation of an “open skies” policy in the 1990s. Blyton et al found that whilst deregulation had increased perceptions of job security and career progression, it had also increased work hours and intensity. Interestingly, they found these results to be most obvious amongst pilots, whose unionisation rates and propensity to strike had increased post-deregulation. Although Blyton et al do not attempt to explain this behaviour, we may infer that pilots are the first to experience labour intensification when times are hard because their labour is the most expensive in the airline.

Blyton et al (2001) expand upon their earlier findings in a subsequent article that analyses the impact of globalisation on union strategies and HRM. Contrary to Northrup’s (1983) findings, Blyton et al (2001) indicate that deregulation has deteriorated airline-union relations worldwide and this is a price that airlines are willing to pay for reduced costs and increased productivity.

Few studies have analysed the impact of deregulation on labour relations for Australian pilots. In fact, the two most prevalent analyses are by the same author. Bray’s (1996) first analysis uses the “autonomous enterprise” model of bargaining that was widely advocated by employer groups soon after deregulation. This model suggests that under deregulation firms should negotiate enterprise agreements that are specifically tailored to the particular needs of the staff and the firm (Bray, 1996). His findings however, suggest that enterprise bargaining was nearly identical between Ansett and Qantas, which he believes is due to persistent “copycat” behaviour in the Australian industry. This may suggest that mimetic isomorphism is a large driver of ER for Australian airlines.

In his other analysis, Bray (1997) takes a largely descriptive approach by explaining the impact of deregulation on ER at the enterprise level. His study describes the product market, production processes and labour markets pre and post-deregulation in Australia. Similar to Blyton et al’s (1998) study of the European market, Bray found that deregulation had increased Australian pilots’ working hours and intensified their work load, although contrary
to Blyton et al.’s findings Bray cites the introduction of incentive schemes after the 1989 dispute for this trend.

On the other hand, Quiggin (1997) describes the effects of airline deregulation in Australia by means of the standard theory of oligopoly. He asserts that deregulation can be analysed in terms of its effect on consumers, airline profits and employees. Whilst consumers will benefit from increased competition, employees will be worse off because increased competition under deregulation creates cost pressures that deteriorate wages and working conditions, however statistical evidence of this occurring to Australian pilots is limited.

**LABOUR MARKET DEREGULATION**

During the 1980’s and ‘90s Australia’s IR system underwent significant changes influenced primarily by the popular neo-liberal philosophy. In 1988 the Structural Efficiency Principal ensured that wage increases accounted for market efficiency, and in 1993 the Industrial Relations Reform Act began the move towards a more decentralised system which emphasised a reduced role for the Australian Industrial Relations Commission (AIRC) (Deery, Plowman, Walsh and Brown, 2001). Further deregulation ensued with the election of a Coalition Government and the introduction of the Workplace Relations Act 1996 (WRA). The WRA gave employers and employees the opportunity to bargain directly without union involvement and allowed freedom of association. New methods of enterprise bargaining were introduced in the form of individual contracts or Australian Workplace Agreements (AWAs) and Certified Agreements, which gave employers the right to establish group contracts without union involvement (Deery et al, 2001). Thus, the WRA drastically changed the course of labour law in Australia (Pyman, 2001).

A framework for analysing the impact of globalisation on IR is provided by Lee and Lee (2003):

**Globalisation and Labour Relations**

<table>
<thead>
<tr>
<th>Globalising Context</th>
<th>Transformation of Industrial Relations</th>
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<tbody>
<tr>
<td>• Global standards and institutions</td>
<td>• Labour Law Reforms: neo-liberal influence.</td>
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<tr>
<td>• Increasing mobility of capital and labour</td>
<td>• Labour Markets: issues of unemployment, foreign labour and non-standard employment.</td>
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<td>• Labour Relations: enterprise-level resolution and decreased union membership.</td>
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<td>• Human Resource Management: performance and productivity-based schemes.</td>
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Source: Adapted from Lee and Lee (2003): 517

Their diagram provides a conceptual framework through which we can analyse the impact of globalisation on labour law in industrialised countries. On the left, we see the pressures exerted on governments to restructure economic policies and remain competitive. This results in a changed industrial policy on the right, and Australia’s move towards a more laissez-faire system reflects the predictions of this diagram exactly. The WRA aimed to promote our international competitiveness in the context of globalisation, soaring levels of trade and increased foreign direct investment (FDI). Forms of non-standard employment like casual and part-time jobs increased and enterprise-level bargaining became commonplace (Lansbury and...
Labour Relations for Australian Domestic Airline Pilots Since the 1989 Dispute

Wailes, 2004). Concurrently, management’s use of HRM strategies that encourage culture change and a shared workplace mindset have expanded significantly.

Vallée and Charest (2001) found that governmental action geared towards the removal of protective IR frameworks in Quebec stimulated the economy and made its labour more competitive in the world market. Similarly, the Australian Government has attempted to decentralise our own system in order to remain competitive in an environment where capital is increasingly mobile and firms are ever more wary of the need to maximise returns to labour.

While Lee and Lee’s (2003) framework allows for the successful combination of globalisation with IR theory, Giles (2000) proposes that existing IR theory fails to treat globalisation with the respect it deserves. He believes that it externalises the phenomenon, treating it as detached and of little importance to the labour market. In this respect, IR theory should go further than just promoting international factors, but should rethink the entire system, the nature of work regulation and the normative underpinnings of IR theory. He terms this the “international political economy approach” (IPE) (2000: 185).

Although one may argue that the Australian Government attempted to adopt an IPE approach through the WRA, the persistent involvement of trade unions in Australian IR and the high proportion of union-certified employment contracts that remain (Lansbury and Wailes, 2004) indicates that either this process has failed or the government had 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” (2000: 182) parallels that taken by the Coalition in 1996.

Deery and Mitchell (1999) describe the worldwide move towards individualisation in the workplace as being rooted in the influence of HRM over individual performance appraisals, performance related pay and individual contracts that often cater to the growing market of highly trained and specialised workers. They compare the experiences of Britain, New Zealand, Japan and more recently Australia, where governments have instituted laws that promote the use of individual contracts. According to Deery and Mitchell, these contracts reduce union involvement in the labour market, give management increased autonomy over pay and work conditions and hence attract global firms by increasing the international competitiveness of the labour force. In this vein, Coulthard (1997) argues that the WRA attempts to fundamentally shift the onus of dispute resolution from a process involving the AIRC and unions onto the individual and the employer.

Similarly, Wailes (1997) argues that the introduction of individual contracts in Australia is a response to increased demands for economic efficiency in the face of globalisation. He points out that in a break from tradition, the WRA drastically reduces the importance of equity and fairness even though it was precisely these issues that the previous legislation had aimed to address. Wailes indicates that implicit in the WRA is the theme that equity and fairness are impediments to economic performance and international competitiveness. This is especially evident as the AIRC no longer has to consider the public interest when making certified agreements (Coulthard, 1997).

Like Wailes, McCallum (1997) describes the WRA as continuing the “decollectivisation of federal labour law…that represents only the beginning of the free market onslaught” (1997: 3). This free market approach epitomises the neo-liberalist project, and McCallum believes that it will work only to reduce the rights of employees through decreased union representation and increased management prerogative.

An analysis of the Government’s involvement in the 1989 Pilots’ Dispute may indicate that its role as an industrial mediator began deteriorating long before the WRA was implemented. Unambiguous support for airline management and vehement opposition to the pilots’ 29%
pay claim was demonstrated through the government’s deployment of the Australian Air Force as strike breakers during the dispute. Furthermore, in facilitating the employment of foreign pilots who filled the positions left by Australian pilots involved in the dispute (Norington, 1990), the Australian Government indicated the beginning of its change in ideology that focussed on the need for industrial harmony in order to remain competitive.

The New Zealand Government also set about decentralising their own IR system in the early 1990s (Cappelli, 1995). Changes to employment contracts ensured that wage increases were tied with productivity, resulting in many Air New Zealand workers experiencing a reduction in take-home wages after the changes although the company enjoyed productivity increases of over thirty percent (Cappelli, 1995). Similarly, when Ansett and Australian Airlines renegotiated employment contracts after the 1989 dispute the focus was on productivity (Bray, 1996). Pilots thus had the potential to earn more if they were willing to work longer hours.

**MANAGEMENT INITIATIVES**

Worldwide liberalisation of the airline industry has placed enormous pressure on operating costs. According to the International Transport Workers’ Federation (1992) (ITF), there have been particularly heavy pressures on labour costs, resulting 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.

Even though airlines have largely fuelled globalisation by developing more commercial orientations and pushing for privatisation and open markets, the associated cost pressures have resulted in workers becoming the focus of both cost reduction and productivity improvement programmes at the same time. In turn, unions have had to realise that cooperation is the key to survival in a global environment (Blyton et al, 2001).

Lay offs, wage cuts, compulsory retirement, the creation of Greenfield subsidiaries and exporting jobs overseas are just some of the strategies airlines use to minimise their labour expenditures. Accordingly, the IFT (1992) believes that airline workers have endured a devastating and sustained onslaught on their jobs, their working conditions and their collective bargaining rights over the past twenty years.

On the other hand, Eaton (2001) describes the cost pressures on airlines as creating a transformation in leadership that focuses on strategic human resource management (HRM) and aims to increase performance and profitability through changing corporate cultures.

Similarly, Kramar (1998) describes the significant conceptual and ideological changes that occurred during the 1980s and ‘90s concerning the way that Australian firms approach people management. Central to this change has been a shift away from the acceptance of a traditionally conflictual union-management relationship towards a typology that “places people management as a central strategic management issue” (1998: 155).

Allan, Brosnan and Walsh (1999) explain that there are three strategies management may use to improve performance and reduce costs:

i) Performance Enhancement (PE) strategies: are long term strategies primarily directed at reforming the technical and social systems of production to improve efficiency and reduce costs.

ii) Cost Minimisation (CM) strategies: are short term strategies that seek to directly lower labour costs through methods like cutting wages.

iii) Work Intensification (WI) strategies: are short term strategies that aim to increase effort levels by intensifying work.

The use of a particular strategy is explained by Mitchell and Fetter (2002) in terms of the “new institutional economics” approach. This approach emphasises efficiency, and the
subsequent choice of a particular legal form for the employment relationship as being central to the strategy decision. Thus, the use of a WI strategy could be explained in terms of a need for efficiency quickly in order to reduce costs and compete with a new entrant.

Regarding the strategic approach taken by management towards the employment relationship, Gialloreto (1988) posits that planning initiatives have a cyclical nature that is related to economic cycles. According to Gialloreto, airlines will strategically plan further into the future when times are prosperous. Thus, “the low ebb of a carrier’s financial health tends to parallel the tactical phase of their management cycle” (1988: 189). Figure 3 describes the relationship between an airline’s level of strategic planning and the GDP growth in the economy where that airline operates.

Airline Strategic Management Phases

Gialloreto’s rationale is that financially difficult times usually call for tactical, short-term solutions like retrenching employees or rationalising services whilst during prosperous times management teams are more able to devote time to strategic planning for the future. Whilst his strategic cycles make a lot of sense and provide an interesting insight into the forces driving strategic planning, the fact that he does not provide any quantifiable examples of his model at work detracts its theoretical influence.

In a study of airline management strategies in Europe, Warhurst (1995) found “marked uniformity” (1995: 272) between responses to the pressures of deregulation and globalisation. Interestingly, although similar HRM techniques were widely used to change the nature of the employment relationship, country specific IR processes had remained heterogeneous, indicating what he believes is an attempt by governments to protect and maintain the national identities of their airlines.

One of the most widely cited examples of neo-liberal management strategy being used in airlines is that of British Airways (BA) in late 1980s. BA instituted a Total Quality Management (TQM) program that aimed to improve flexibility and competitiveness (Eaton, 2001), epitomising the PE strategy described by Allen et al (1999). Called “managing people first”, BA’s program promoted all the values of traditional HRM like empowerment and customer focus to reduce variation and encourage quality. This attitude was taken one step further in the 1990s when BA’s chairman indicated that the next step was to “design our people and their service attitude just as we design an aircraft seat” (Barsoux and Manzoni, 1997: 14). In the ‘90s BA also began running its business in a “virtual” form, delivering its
service through a series of globally operating franchised or outsourced airlines. In fact BA itself became three separate airlines that operated from different locations using different ER systems (Whitelegg, 2003).

Whether BA’s ER strategies have been successful however, is debatable. As Whitelegg explains, its application of TQM emphasised a reduced role for unions, and when the airline attempted to de-unionise their flight crew in 1997 the response was swift and devastating. Workers found solidarity under the ITF, and ran a large media campaign that targeted BA’s share price by directly exploiting the well known brand. Employees defeated BA management in spectacular fashion. The strike cost an estimated £125 million and reduced BA’s share price from 750p in 1997 to 300p in early 2000 (Whitelegg, 2003).

Whilst Australian airlines have not endured such a devastating strike since 1989, there have certainly been concerted efforts to reduce labour costs and improve efficiency. Directly after the dispute, both major airlines introduced enterprise agreements that tied pay with productivity and set up “in-house” unions for their pilots (Bray, 1997). These measures resulted in significant increases in productivity while wage expenditure decreased below pre-dispute levels (Bray, 1996).

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 in response to the pressures of September 11, SARS and the global economic downturn (Qantas, 2003), which supports Gialloreto’s (1988) hypothesis that during economic depressions airlines will use short-term, tactical initiatives to reduce costs.

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

CURRENT RESULTS
Whilst I am still in the process of gathering data, the interviews that have been completed so far provide some very interesting findings.

Two Qantas pilots have been interviewed, and their responses indicate a declining trust in and commitment to their union. In fact, both pilots had recently resigned from their union after deliberating over the costs and benefits of their membership.

The Qantas pilots’ union, the Australian and International Pilots’ Association (AIPA), is perceived by pilots as being “in bed” with Qantas management. Pilots have cited several cases of AIPA officials being given jobs in Qantas management, making them feel that the agenda of AIPA officials is not to further the welfare of Qantas pilots but to further their own careers within the airline’s management team.

The pilots I have interviewed both indicated that AIPA has not achieved any solid improvements in their terms of employment for many years. Instead, management only grants improvements in the pilots’ conditions when the pilots also grant management concessions in return. Furthermore, the pilots are dissatisfied with what they feel is a continuing deterioration of their terms of employment relative to other workers. One example an interviewee provided is that Qantas pilots are not allowed to take advantage of the recent change to superannuation laws that allow for self-managed super funds. Both pilots therefore believe that over the past
fifteen years their level of influence in the enterprise bargaining process has decreased significantly.

Results indicate that the WRA had a minimal impact on pilots, with both interviewees unable to provide any examples of its implementation having any effect on their terms of employment. The reason for this however, is probably because right after the dispute, both domestic carriers instituted agreements that were very similar to the Certified Agreements introduced under the WRA. This was verified during an interview with a management representative, who indicated that the industry had in many ways pre-empted the Federal Government’s moves in 1996 with the employment contracts they wrote directly after the dispute.

The management representative also indicated that whilst airline management has always promoted freedom of association, industry and labour market deregulation have allowed airlines to “manage” the process with their employees more freely than ever before. In turn, management has implemented several culture change initiatives that aim to increase productivity. These initiatives were heavily influenced by strategic HRM theory and the concept of a unitarist approach towards the employment relationship. Furthermore, these changes have been most effective, according to the representative, in their ability to bring pilots back in line with the other airline workers, especially regarding incremental wage increases which have traditionally been higher for pilots than other workers.

I am still to interview pilots from airlines other than Qantas, so their responses may indicate that the situation with the other major union, the Australian Federation of Airline Pilots (AFAP) is different to that of AIPA. At the time of writing, I am also waiting on responses from officials of both these unions. I hope that these responses will allow me to contrast the opinion of pilots with the point of view given by their union and airline management. Hopefully I will then be able to arrive at some workable solutions for the issues pilots currently face regarding the impact of globalisation on their terms of employment.
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