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Air transport deregulation and its implications for flight attendants

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The spread of privatisation and deregulation policies, the shift of growth markets to the Pacific Rim, and the considerable technological advances in avionics, in aircraft and engine construction, and in marketing and yield management systems have all combined to create far-reaching structural changes in the air transport industry which present new opportunities and challenges to airlines and their personnel.[1]

This article reviews major aspects of the changes in air transport policies, especially deregulation, and summarises some implications for a particular category of airline workers: the flight attendants (i.e. stewards and stewardesses). The first part reviews the impact of deregulation policies on the United States airline industry and argues that the political and economic differences between the United States and Europe make it unlikely that deregulation will have exactly the same initial effect on the European airline industry. The second part explains what implications those changes have had for flight attendants in the United States and why in this respect – paradoxically, perhaps – similar effects can be expected in Europe.

1. The US airline deregulation process

In the United States airline expansion started with the relaxation of charter rules in 1976-77, well before the passage of the Airline Deregulation Act in October 1978 and the subsequent removal of the control exercised by the Civil Aeronautics Board (CAB) over prices and routes. The formal process of deregulation ended with the abolition in 1985 of the CAB as an autonomous body and its incorporation in the Department of Transport.

Five phases have characterised US airline competition under deregulation since 1978.[2] The first phase was one of intense expansion and

* International Labour Office.

[1] A. Gil: *Social and labour consequences of economic and technological change in civil aviation*, SAP working paper (Geneva, ILO, 1989).

[2] The division into phases is taken from F. A. Spencer and F. H. Cassel: *Eight years of US airline deregulation: Management and labor adaptations; re-emergence of oligopoly* (Evanston, Illinois, Northwestern University Transportation Center, 1987), pp. 2-3. It should be added that phases 1-3 were largely concurrent and can be said to have ended around 1985; the last two phases started in 1985-86, and will probably continue into the 1990s.

competition. The large number of new airlines entering the industry enjoyed lower system costs and offered significantly lower fares than established ones. They concentrated initially on a limited but profitable market segment, usually one that had been abandoned by a larger airline. They quickly expanded into what they believed to be the most commercially promising routes, where they met fierce competition from established airlines, suffered lower revenues and higher costs, and more often than not ended up in bankruptcy. At the same time the established airlines, themselves no longer fettered by regulatory controls, started expanding their networks into new markets.

During the second phase, as established airlines encountered new competition and suffered deficits they began to fight back. Operations were rationalised through the hub-and-spoke system of networks.[3] Management and marketing operations increasingly used computers, most importantly the computerised reservations systems (CRSs). Existing cash reserves were exploited to beat the new airlines at their own game by offering lower fares and innovative "frequent-flier" programmes that encouraged passengers to stay with the same airline. Reinforcing these efforts, vigorous measures to enhance labour productivity and cut costs allowed them to regain lost ground.

Mergers, takeovers and bankruptcies followed in the third phase. Of the 234 airlines operating in 1978 only 75 survived. Today fewer than ten large carriers (the so-called mega-airlines) dominate 90 per cent of the industry thanks to the use of CRSs and the control of airport gates and take-off slots through hub-and-spoke operations. They protect their market bases by signing feeder and code-sharing agreements with local and commuter airlines. Each operates out of one or several hubs, and effectively blocks the entry of potential competitors. This situation signals the fourth phase, the return to mega-airline domination: a period in which most of the lower fares attributable to deregulation have been nullified by successive price rises, and fare wars have abated.

The fifth phase is characterised by calls for partial re-regulation. By late 1987, as a result of several accidents and incidents, and some public disenchantment with the levels of safety and service offered by the airlines, the Federal Aviation Administration (FAA) had imposed extremely high fines on some airlines found to have contravened maintenance regulations. The US Congress passed an Act obliging airlines to publish their on-time performance and, in mid-1987, several Bills in Congress were calling for the printing on ticket folders of information on non-weather delays and lost

[3] Hub-and-spoke networks look like a bicycle wheel, in which the "hub" is the major airport and the "spokes" radiate to secondary airports. In this way the number of cities served by each flight increases exponentially. Each airline may have several hubs, and control of the hubs by single airlines results in market domination, since services along the spokes are provided only by the same airline, or by its subsidiaries, and passengers are thus kept within the same airline system throughout their journey.

luggage records, and for the disclosure of how many discount fares were available on each flight.[4]

Following the failure of the United Airlines leveraged buy-out deal, concern mounted at the excessive concentration of the airline industry and its strong exposure to stock market manipulations and long-term indebtedness.[5] By early 1990, three Bills were making their way through Congress designed to force the airlines to divest themselves of their CRSs; to secure the partial privatisation of the FAA with a view to increasing its efficiency; to re-establish the CAB; and to empower the Department of Transport (DOT) to restrain leveraged take-overs and mergers in air transport.[6] Of these, the major Bill is the proposed Airline Competition Enhancement Act, which contains inter alia a requirement that airlines should give up their CRSs and renounce code-sharing; that all airlines having more than 40 per cent of passenger emplanements on any flight route, or any two airlines which together have more than 60 per cent of the emplanements, should be required to prove that there has been no resort to unfair practices; and that the DOT should favour new entrants in its auctioning of time slots at concentrated hubs.

The main consequences of deregulation for the US airline industry can be summarised as follows:

(a) the replacement of government regulation by private regulation;
(b) a more highly concentrated industry, effectively barring potential competitors from entering the market, contrary to the original aims of the deregulators;
(c) a profound modification of the airline ticket price structure: prices have become increasingly based on costing techniques, and are more sensitive to market considerations;
(d) a global realignment of airline routes: linear routes have been consolidated into hub-and-spoke networks with a corresponding shift of airport traffic levels and importance. This consolidation, which started before deregulation but was greatly accelerated by it, accommodated passengers' preference for travelling on the same carrier at lower prices rather than having to change airlines in mid-journey and pay more;[7]

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[4] See for example M. Dunne: "Airlines fly into Senate flak", in *Financial Times* (London), 28 Apr. 1987; "Airlines in US ordered to tell public of delays", in *International Herald Tribune* (Zurich), 4 Sep. 1987, p. 2; "US delays made public", in *Airports International* (Sutton, England), Oct. 1987, p. 4; and L. McGinley: "A turbulent year for airline industry sparks debate on improving service", in *Wall Street Journal* (New York), 10 Nov. 1987, reporting intensified public fears about safety.

[5] F. A. Spencer and F. H. Cassel: "Wounded by debt", in *Airline Business* (Sutton, England), Feb. 1990, pp. 40-48.

[6] For a review of the conflict between Congress and the White House on re-regulating the airline industry and the opposition of the airlines see "King Congress", ibid., Jan. 1990, pp. 18-22. See also M. Mecham: "Congress pushes White House to boost airline competition", in *Aviation Week and Space Technology* (New York), 25 Sep. 1989, pp. 106-107, and "Regulation bills prompt carriers to counterattack", ibid., 13 Nov. 1989, p. 70.

[7] S. Morrison and C. Winston: *The economic effects of airline deregulation* (Washington, DC, Brookings Institution, 1986), p. 8. It should be added that price and route modifications have also had the unfortunate effect of putting the future of interline services in doubt, as airlines are no longer prepared to honour each other's discount tickets.

(e) initially, at least, a very competitive environment, which forces managements to channel profits into financing unproductive fare wars rather than into productive reinvestment. The risk of fare wars recedes as industry concentration increases and low-cost airlines are squeezed out, but even a market dominated by a few mega-airlines can still exert pressure to reduce costs and fares;

(f) the transformation of a hitherto largely non-labour-sensitive industry into a highly labour-sensitive one with important implications for labour-management relations.

The special role of CRSs and yield management systems in deregulation

The development of computerised reservations systems proved a determining factor in deregulatory competition in the United States. By introducing into the computer displays a bias in favour of their own flights, and by distributing CRS terminals to travel agents, airlines owning CRSs were able to capture and dominate markets more effectively than through mergers, which are expensive, unpopular and cause difficulties of integration. It is possible that stricter application of anti-trust regulations to the use of CRSs (and mergers) might have prevented today's high industry concentration in the United States.

CRSs play an even more important role in forging international alliances among different flagship airlines, through the use or development of common international CRSs (e.g. Galileo and Amadeus). These enable several international airlines to pool their resources and link up their networks, while retaining their separate identities and even their prestigious national flagship status. European, indeed international aviation will become concentrated through CRS-based marketing alliances and collaboration pacts. In future, it is more than likely that international competition will be fought not among mega-airlines, but among mega-CRS networks.

Airlines have also developed formidable weapons of yield management, giving them real-time data on passenger demand for every flight, sometimes incorporating the functions of aircraft and crew assignment, even computing crew costs: managements are able to calculate and adjust capacity, fares, level of service and cabin crew complement to maximise revenues according to the demand for each flight. Yield management systems are less likely to attract the attention of anti-trust legislators because they are primarily directed at enhancing an airline's internal efficiency, unlike the biased displays of CRSs.

2. Prospects of deregulation in Europe

Air transport deregulation policies did indeed originate in the United States, but have now spread to other parts of the world. The European

Community's decision to achieve a single market by the end of 1992 has prompted many questions in the air transport community. The most prominent is whether there will be a repetition in Europe of the United States deregulatory experience, with all its consequences for the industry, airline personnel and passengers.

The essential difference between Europe and the United States is the latter's position as a single country with uniform, co-ordinated regulations. All its airlines are privately owned and none has the status of national flagship. It was therefore possible to introduce full-scale deregulation and competition at a single stroke, and apply the principle of the survival of the fittest. Europe, even as a single market, will remain a collection of sovereign States, each with its own legal system and regulations, which are unlikely to be co-ordinated in the near future. Existing laws will continue to affect airline cost structures and competition.

Not all European airlines are in total private ownership, and in most States one major airline has the status of national flagship, making it unlikely that it would be allowed to go bankrupt were it threatened by intense competition. The probability is therefore that 1992 will bring so-called "controlled deregulation" or liberalisation, rather than the all-out competition that prevailed in the United States.

Further differences can be found in the economic context. Soon after the United States deregulated its airlines, declining economic growth and air passenger traffic in 1980-82, following the five-fold rise of fuel prices in 1979-80, caused the world's airlines, which over-react to economic fluctuations, to suffer record deficits. This was exacerbated in the United States by deregulatory competition and the ensuing struggle to capture a stagnant market.

Since then, the world economic scene has changed. Industry and International Civil Aviation Organisation (ICAO) forecasts for the year 2000 indicate *(a)* that global GNP will be growing at around 3 per cent a year; *(b)* that airlines will be carrying nearly 2 billion passengers (double the 1986 figure); *(c)* that the total number of aircraft will increase to 10,000.

The strongest economic growth, and therefore the highest airline traffic growth, is expected to take place around the Pacific Rim. All airlines, including European ones, are aiming at routes in that region, and a global corridor of air routes across the United States, Europe, south-east Asia and the entire Pacific Rim has been created as a result. Airlines are striving to operate along that corridor by entering into marketing alliances with other airlines – British Airways, SAS and Swissair, for example, with various US, Asian and South American airlines – because the investment and risks involved are too great to be borne by any single airline.

Provided that economic growth lives up to the forecasts, traffic growth will mitigate the impact of competition in Europe, but not eliminate it. If the Commission of the European Community (EC) succeeds in restraining industry concentration and in preventing the low-cost airlines going under, competition will inevitably bring down fares and operating costs. Until now, the cheaper fares on Far Eastern and North Atlantic routes have largely been financed by the higher fares in Europe. Competition in Europe may eliminate this practice. European airlines with their relatively high labour costs (25-35 per cent of operating costs) will also have to compete against Far Eastern airlines with considerably lower labour costs (18-25 per cent of operating costs). Thus airline fares and costs in Europe will be under a twofold downward pressure.

However, in early 1990 there is growing evidence that the world's economy may be slowing down and that oil prices may be rising again. US airline traffic growth is beginning to stagnate once more. At best, this highlights the fragility of the current economic recovery and the associated uncertainty about the airlines' financial health. At worst, it indicates that an economic recession is not far off and that the airline industry may be flying into the red again. A combination of recession and deregulatory competition in Europe is more than likely to result in a repetition of the American experience.

Among the European countries, so far only the Netherlands and the United Kingdom have completely privatised their airlines and deregulated the industry. Other countries, such as Belgium, the Federal Republic of Germany and Italy, have only partly privatised their national airlines, and other privatisations are still in the planning stage. But a common EC deregulatory policy was adopted in December 1987, and European airlines are jockeying for position in an effort to secure a solid market base by 1992.

ICAO figures [8] show that about 100 new airlines have been created in Europe since 1985, particularly in those countries which have begun to liberalise or deregulate their air transport systems. Yet the signs are that, faced with the prospect of the single market, the European airline industry is opting for immediate concentration rather than open competition and a further increase in the number of airlines. Dominant national airlines, just like their US counterparts, are either taking over or buying into other smaller national airlines (e.g. British Airways' take-over of British Caledonian, Swissair's 40 per cent stake in Crossair, Air France's 30 per cent stake in TAT, its recent take-over of UTA, and its attempts to secure a stake in the regional carrier Air Littoral) with a view to controlling growth and blocking an invasion of their airports through similar moves by foreign airlines.

European airlines are also concentrating regionally in order to achieve economies of scale and a size which will enable them to compete with other large airlines from other continents, and to nip in the bud any competition from European low-cost carriers. As a result, three major airline groupings have emerged in Europe: the Air France-Lufthansa partnership, the British Airways-Sabena-KLM triangle, and the foursome of SAS, Swissair, Finnair

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[8] ICAO: *The economic situation of air transport. Review and outlook: 1978 to the year 2000* (Montreal, 1989), p. 6, table 2-2.

and Austrian Airways, Iberia, Alitalia, TAP and other airlines are each expected to join one of these groups. As in the United States, the European charter market is expected to suffer heavily in the forthcoming competition, and some airlines (e.g. Lufthansa) are curtailing their charter activities or closing down their charter subsidiaries. In contrast to the attitude of the US Government in the past, however, the European Commission has declared its intention carefully to examine each alliance or merger for potential anti-competitive bias, and to veto such moves if necessary. Yet it might find itself overtaken by the fast pace of events.

European airlines will also face growing competition in the medium to long term from a source that has not threatened US airlines: the high-speed train. Europe's relatively lucrative short- and medium-range air routes are particularly vulnerable to the challenge of up to two and perhaps three hours of high-speed train travel between major city centres, covering 500-800 kilometres at today's speeds. The French high-speed train (TGV) has successfully competed with airlines on the Paris-Lyons and Paris-Geneva routes, siphoning traffic away from them and forcing them to reduce fares. High-speed trains will have a clear advantage over airlines unless delays to airline traffic caused by saturated airports and airspace are eliminated.[9]

It is important to note that, while US airlines reacted to deregulation after the passage of legislation, European airlines are anticipating the European Community's liberalisation process. Therefore the process of adjustment, including the shake-out of labour costs and working conditions, might well be over before the single market is inaugurated on 1 January 1993.

3. Implications for flight attendants in the United States and Europe

How did deregulation affect flight attendants in the United States and what can Europe learn from their experience? First, under deregulation and liberalisation – at least in the early stages – airline competition is based on cheaper fares, rather than better service. Airlines try to increase the productivity of equipment, capital and personnel and to cut all costs, including labour costs. The relative importance of service quality therefore declines, particularly on short- and medium-range routes. Flight attendants' arguments for maintaining the traditionally high quality of service are no longer as acceptable to airline managements.

Second, deregulatory competition transforms labour costs into a high-priority factor determining the airlines' competitiveness and even survival. Most operating costs are outside the control of airline managements (e.g. fuel prices, aircraft prices, landing and air traffic control fees, insurance premiums). Practically the only item that remains under their direct control and can be adjusted quickly is personnel costs. Because of this, European

[9] "High-speed travel in Europe", in *The Economist* (London), 3 Feb. 1990, pp. 21-24.

liberalisation may be expected to have virtually the same impact on flight attendants and some other airline employees as did US deregulation.

In the United States deregulation meant that managements, to improve the airlines' competitive position, approached airline unions for concessions on terms of employment and conditions of work. The concessions granted brought about changes in terms of employment, such as reduced job security and increased resort to part-time personnel. They affected the structure of remuneration, reducing the fixed component on which pensions and social charges are based and increasing the variable component which is based on productivity and profitability, and also through employee stock ownership plans (ESOPs), profit-sharing schemes, wage-increase freezes, two-tier wage scales (with the lower scale for new employees), and outright wage cuts in critical cases. Concessions also relaxed or eliminated work rules and restrictive practices, giving management greater flexibility in manpower utilisation and resulting in a rearrangement of working times and in multi-tasking, where one person does two or more jobs hitherto done by two or more employees.

Deregulation and employment levels

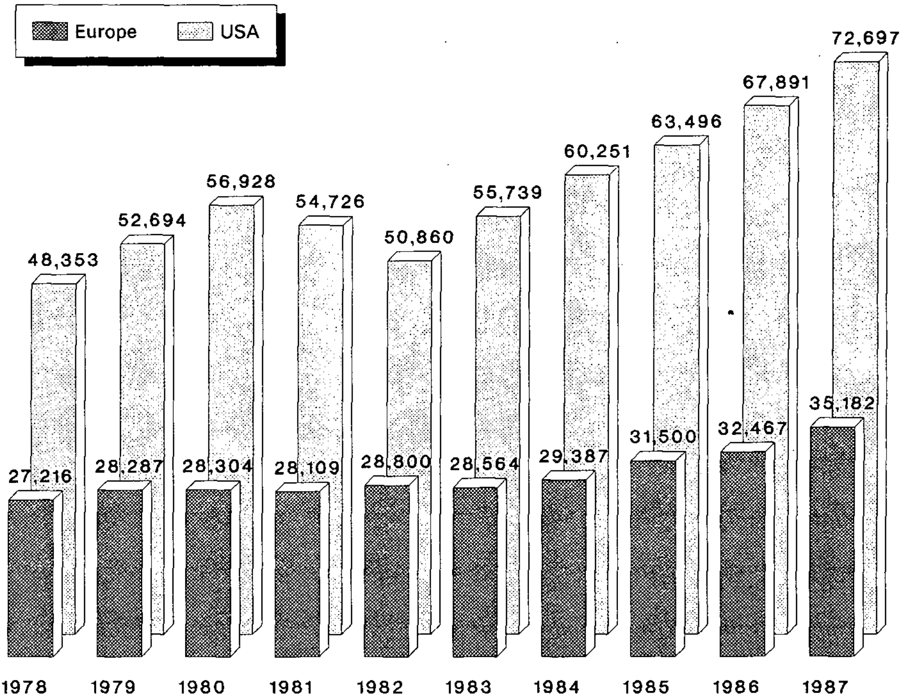
General economic factors influence the impact of deregulation on employment levels. Although flight attendant employment in the United States rose by 25 per cent from 48,353 to 60,251 between 1978 and 1984, faster than that of other categories, it nevertheless declined during the 1981-82 recession (chart 1). World-wide, the number of flight attendants employed by IATA airlines rose steadily by 26 per cent from 101,653 in 1979 to 128,000 in 1986, with no decline in 1981-82. This suggests that, in the United States, deregulation has intensified the impact of economic fluctuations on employment. World-wide future employment prospects are good in view of the increase expected in the total aircraft fleet – 10,000 jets by the year 2005, 13,000 by 2008.[10] However, employment growth may be irregular, especially in periods of economic deceleration such as that which may be imminent.

Structurally, US deregulation caused job losses in established airlines and job gains in smaller ones. It also led to more part-time employment, which in fact accounts for most of the flight attendants' new jobs.

In Europe employment levels have been more or less stable in the non-deregulated countries, and have depended on the growth of individual airlines and the economic situation. Flight attendant numbers have risen steadily, albeit slowly, throughout the 1980s (chart 1). However, airlines preparing for privatisation (e.g. British Airways) had to cut jobs, and the new private airlines had to keep a strict check on employment growth. Increased resort to part-time employment is already prevalent in all

[10] R. G. O'Lone: "Boeing increases long-range market estimate by $110 billion", in *Aviation Week and Space Technology*, 5 Mar. 1990, p. 31; "Airbus says world jet fleet will double over 20 years", in *Wall Street Journal*, 9-10 Mar. 1990.

Chart 1. Number of flight attendants employed in the United States and Europe, 1978-87



Note: *Data for Europe cover the following 12 airlines*: Air France, Alitalia, British Airways, British Caledonian, Iberia, KLM, Lufthansa, Sabena, SAS, Swissair, TAP, UTA.

Sources: ICAO: *Fleet and personnel statistics, 1978-87* (Montreal); and Air Transport Association of America: *Annual reports,* 1978-89 (Washington, DC).

European airlines, well in advance of 1992. Part-time employees currently account for between 12 and 20 per cent of their workforce and most of them are flight attendants. Another structural change can be expected in Europe: cross-border recruitment of flight attendants after 1992. As there are no national or international licensing requirements to be co-ordinated before that date, there is very little to prevent airlines from recruiting non-national flight attendants from anywhere within the European Community. Recognising the need for conformity, the professional associations of flight attendants are lobbying intensively for the introduction of a uniform Community licence for flight attendants, based on EC-wide standards.

European flight attendants may expect terms of employment to change as airlines increasingly employ part-time staff, and in extreme cases convert part or all of their flight attendant workforce to non-renewable five-, eight- or ten-year contracts in order to keep the workforce young and so reduce long-term liabilities in the form of high seniority pay, pension costs and medical expenses. Outside Europe, some airlines have made known their intention to keep only a small permanent contingent of flight attendants for training and supervision tasks. Others appear to aim at employing about 50 per cent of their flight attendants on part-time contracts. In some airlines, the flight attendants may be divided between short- and long-range flights, with specialised training for the two groups and relatively little movement between them.

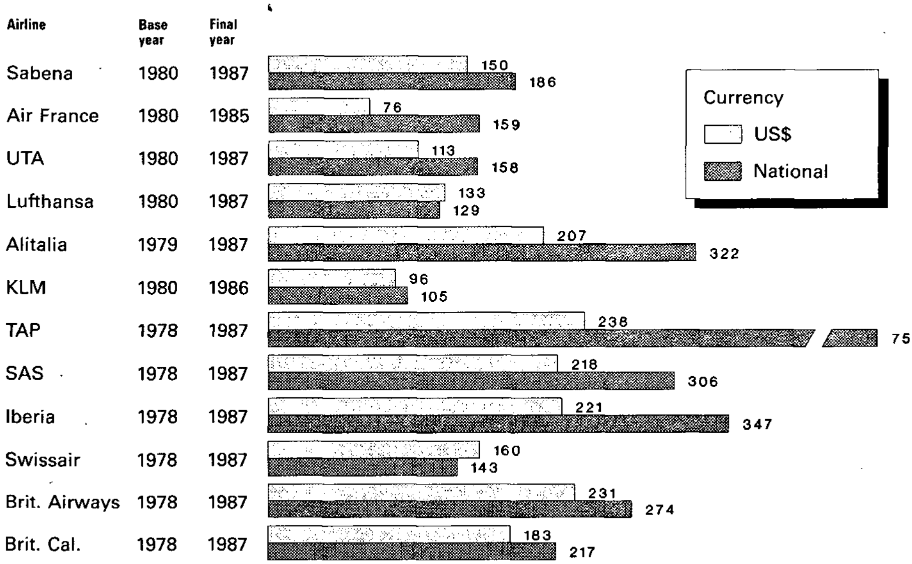
Governments tend to gloss over the effects that deregulation and liberalisation have on the employment of airline personnel. It was only at the unions' insistence that labour protection provisions against layoffs were added to the US Airline Deregulation Act of 1978; and they were not implemented until 1982-83. Even then the burden of proving that layoffs were caused by deregulation was placed on the workers: this was usually impossible to do conclusively. US airline unions unsuccessfully advocated the establishment of a national hiring pool for unemployed airline personnel who were to be re-recruited on the basis of seniority; the complexity of administering such a scheme would have been far beyond the resources of the airlines. As in the United States, the European Community's liberalisation proposals make no mention of their possible social impact. The EC Economic and Social Committee has called for a global solution to any social problems, but so far member States have preferred that any layoffs should be dealt with by each country separately, rather than by a common solution at the EC level. A social charter was adopted and signed by 11 of the 12 member countries in December 1989 but, since it is not legally binding, European unions consider it insufficient.

Deregulation and remuneration

Deregulatory competition in the United States changed the structure of remuneration: basic wages were cut and payments to employees related to productivity or performance were increased in an effort to cut pension and social security costs and achieve long-term financial relief for the airlines. In fact, actual income per employee increased each year owing to productivity bonuses, lump-sum payments and profit-sharing schemes, which can be excluded from the calculation of pensions and benefits. Wage cuts were either across the board or took the form of two-tier wage scales introduced by established airlines in response to the lower wages paid by the new airlines. Two-tier scales may be expected to continue as long as there is an abundance of suitable manpower. On average, flight attendants can be trained in two months, and vacancies are quickly filled. Therefore flight attendants have more difficulty than pilots in phasing out two-tier wage scales.

In view of the relatively high rise in employee compensation over the past ten years (chart 2), European flight attendants may expect the performance-related components of their wages to grow, but not the basic

Chart 2. Index of average compensation (remuneration and all benefits) per flight attendant in Europe (base year = 100)



Sources: As for chart 1.

wage on which social benefits and pensions are calculated. The introduction of actual wage cuts or two-tier wage scales will depend on how each airline perceives its competitive position.

A further modification of the wage structure in Europe may follow from the possible reduction in the hitherto attractive per diem (or flight) allowances paid on long or short flights involving lay-overs. Some airlines may prefer to compensate for this by a special "long-sector" supplement, to be part of the basic pay and to be paid in local currency, rather than in the more expensive foreign currency. For flight attendants from developing countries the per diem allowance on long-range routes at times doubles or triples their salary.

Profit-sharing, ESOPs and other participatory schemes will be expanded in order to reduce the overall expenditure on basic wages and to stimulate productivity. If used judiciously, such plans may constitute an effective defence for airlines threatened by hostile take-overs, and become a source of power for airline employees in labour-management relations and in influencing board decisions.

Deregulation and staff productivity

The search for higher labour productivity under the pressure of competition leads to changes or reductions in restrictive practices.

Computerised schedules improve the utilisation of the workforce, and result in stricter application of minimum rest periods, especially on short-haul flights, during which crews may spend as much time on the ground as in the air. Actual daily and monthly flight and duty times have already been increased in some airlines. In general, considerable changes in work specifications should be expected in Europe, particularly the more flexible use of flight attendants.

On long-haul routes, advances in engine technology enable aircraft today to fly 14-16 hours, and very soon even 18 hours non-stop (the planned Boeing 747-500 should be able to fly non-stop from London to Perth). Airlines will inevitably fly more non-stop, long-haul routes, requiring longer flight times and special on-board sleeping arrangements for reinforced cabin crews. Managements may try to include the on-board rest periods in the calculation of the rest periods at outstations in order to reduce the cost of time spent away from base. On short-haul routes, for example in Europe, deregulation may increase the number of high-frequency, low-capacity, short- and medium-range flights. For flight attendants this will mean increased short-haul work, more hectic service, yet longer daily flight and duty times, and consequently a longer and denser work day, compensated by extra pay or extra days off. Lay-overs at outstations will be cut to a minimum.

Claimed advances in galley technology are supposed to lighten the workload of flight attendants, so crew complements on long-distance and short-haul flights will not necessarily increase in direct proportion to the distance flown or the number of passengers. Managements may also insist on lower cabin crew complements as a result of a relative decline in the importance of on-board service standards (wherever first-class service is eliminated on European routes, for example). On all-business-class flights there might be a relaxation of the quality of business-class service offered on mixed-class flights. The emphasis on service quality will shift to the reservation and check-in operations, where it is cheaper to maintain and may have a greater impact, especially in crowded airports.

Flight attendants will be required to perform additional tasks. This is already seen in the integration of the purser or senior attendant into cabin service whenever first class is eliminated. Furthermore, the separation of service in business class and economy class may become blurred as flight attendants will be required to serve in both.

Deregulation and labour-management relations

Competition alters labour-management relations because it turns the airlines into a highly labour-sensitive industry. In the United States deregulation led to the emergence of a new breed of manager: the entrepreneur, who knew little about airlines, but had experience in rehabilitating companies and restoring their profitability, and was also prepared to confront the unions.

The tactics employed by management included *(a)* subcontracting and out-contracting activities traditionally carried out by airline personnel; *(b)* creating affiliated, but legally separate companies for that purpose, where personnel worked longer hours for less pay with none of the fringe benefits of the parent airline; *(c)* setting up separate non-union airlines (e.g. shuttles); *(d)* using bankruptcy provisions to renegotiate labour contracts.

Union responses varied by occupation, although the prevailing high unemployment meant that job security was given top priority. Pilots and flight attendants were initially inclined to agree to concessions. However, repeated demands for concessions have changed the attitude of the unions and have awakened a dormant militancy. Since US deregulation, strikes have been fewer but have lasted longer than before. Airline managements, on the other hand, have come to depend on labour concessions for the airlines' survival, and that has resulted in the growing involvement of unions, especially the pilots' unions, in take-over and buy-out attempts. Although this response seems tempting, most employee buy-outs do not end happily. They may also pit one union against another, for example pilots against machinists. The failure of the United Airlines buy-out, which triggered the mini-crash of Wall Street in October 1989, demonstrated this. Its subsequent success illustrates the need for inter-union solidarity and strong financial support in such ventures.

4. Challenges facing unions and airlines

Managements and unions share many of the same problems in their efforts to survive under deregulation and intensive competition. Both need to realise that it is not enough simply to demand or concede higher wages. Managements must understand, for instance, that in a labour-sensitive industry the loyalty of employees to the company is a vital weapon in an airline's resistance to hostile take-overs.

Flight attendants' unions and associations need to deal systematically with many problems. They may have to decide the basic question of whether to co-operate with management and how far to go in accepting changes in terms of employment and working conditions. Another challenge is how to deal with the increasing number of temporary personnel who may not readily join, or be willingly accepted by, the union: either way, the representative status of the union will be eroded. Perhaps unions should create a new category of part-time members and cater for the problems of seasonal/part-time flight attendants. They may also have to decide their attitude to a situation in which flight attendants will be working for other than their own national airlines. In Europe recent collaboration pacts may herald this reality, for cross-border recruitments in the Community will be possible if licensing requirements are harmonised.

Many flight attendants and their unions have not yet formulated any policy on these issues, and may be hard-pressed to do so under deregulation, because they may also be required to reconsider their traditional ideology, attitude and role. However, in the new context of co-operation and the sharing of responsibilities, unions can acquire very real power by, for instance, turning ESOPs, profit-sharing or other participatory schemes to their advantage. They can negotiate either ESOPs or direct union representation on the board in return for any wage or other concessions resulting in cash savings to the airline. ESOPs enable employees to own part of the airline at especially attractive prices. Unions should advise their members not to sell those shares on the open market for short-term gains, as the airline itself will buy them. Frank Lorenzo, manoeuvring to take over Texas Air, bought all the shares sold by its employees, who thereby lost even the small advantage they might have had. If necessary, the union should buy the shares and negotiate with management or members the right of first refusal on any shares sold by employees. Unions have to revise their old values and re-educate themselves to play the game by the new rules, to acquire a holding in the company and negotiate with management on that basis.

Unions can also consolidate their power by unionising the employees of smaller airlines, even at relatively high cost: many small airlines in the United States have grown into large ones. They could also increase their membership by accepting part-time members and, looking forward a little, by unionising the national flight attendants employed by foreign airlines established in the country and the foreign flight attendants who may be recruited by the national airlines. Unions may have to be international in scope, and cater for members with a variety of employment contracts.

In a competitive environment, industrial action may damage an airline fatally, since other airlines will capture the market, perhaps permanently: an airline whose employees have been on strike can regain passengers only through potentially crippling discounts. But flight attendants are at a comparative disadvantage in the case of industrial action, and should avoid it unless they can secure the assistance of the pilots. This is because flight attendants can be trained and replaced rather quickly and deregulation may relax any social regulations which presently prohibit this. Safety training requires one week at the most, and the job remains attractive to young persons, ensuring an abundant supply of potential recruits. In the event of prolonged industrial action, the power of flight attendants could quickly be eroded. Pilots on the other hand are in short supply world-wide, and take up to three years to train. They cannot rapidly be replaced by the airlines and this gives them greater leverage in industrial relations. Should it come to bankruptcy and lay-offs, flight attendants would have a harder time than pilots in finding new jobs with other airlines, which might prefer to train their own cabin crews. A final but important observation: the imperatives of airline competition under deregulation are so strong that management may be forced to resist strikes to the end. Thus strikes have become a double-edged sword: even if the unions win, it may be but a Pyrrhic victory.

This article has tried to show that the recent experience of the US air transport industry holds lessons for airlines in other parts of the world (especially Europe). These lessons may of course also have some relevance, *mutatis mutandis*, for other industries in the throes of privatisation and deregulation.