

The Limits of Enterprise Autonomy: Enterprise Bargaining in the Australian Domestic Airline Industry

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Abstract

This paper identifies a model of enterprise bargaining which has recently been advocated by some Australian employer groups. Under this 'autonomous enterprise' model, 'genuine' enterprise bargaining is supposed to produce comprehensive agreements which set terms and conditions of employment which are company-specific. The experience of enterprise bargaining in the Australian domestic airline industry is then compared with that model. It is found that, contrary to the model, the two major airlines have negotiated enterprise agreements which are remarkably similar, with wage increases and workplace reforms following strong industry-wide trends. The explanation offered for the lack of enterprise autonomy focuses on both institutional factors and structural features of the industry's product

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market, labour process and labour market. It is concluded that the airline experience casts doubt upon the credibility of the autonomous enterprise model as a basis for public policy.

Introduction

During the 1990s, the value of enterprise bargaining has become one of the sacred cows of Australian industrial relations. National employer groups, the ACTU, federal and state governments of different political persuasions and the industrial relations tribunals have either positively embraced the concept as vital to the welfare of the national economy or at least accepted enterprise bargaining as a necessary component of industrial relations reform. As a result, enterprise bargaining has been at the heart of new labour laws and wage systems in all Australian jurisdictions. This apparent national consensus, however, masks important differences between the parties over the meaning of 'enterprise bargaining' and how an industrial relations system based on enterprise bargaining should operate. The models of enterprise bargaining articulated by various groups or implicit in their statements or actions differ on a range of issues, including the role of tribunals in supervising the procedures and outcomes of bargaining, the relationship between enterprise agreements and awards, the status of non-union agreements, the structure of unions which engage in bargaining, the legitimacy of cross-enterprise coordination of bargaining, the types and timing of industrial action and the availability of legal sanctions.

This paper explores one model of enterprise bargaining which has been widely advocated by many Australian employer organizations as well as conservative politicians, commentators and bureaucrats. In general terms, this model, which might be referred to as the 'autonomous enterprise' model, suggests that each company or enterprise should negotiate an agreement comprehensively determining wages and working conditions which are specific to the employees of that company. In brief, each company should be an island unto itself within a broader ocean of legislated minimum standards. Employment conditions are moulded to suit the special circumstances of the company through negotiations between employees and management. External influences, such as tribunals and industry-wide awards, would be reduced or eliminated. If employees choose to be represented by a union, then there should be just one union and its structure would ideally be based on the company or at least give strong emphasis to the company as an organizational unit.

While all the features of this model of enterprise bargaining may not find expression in the statements of particular organizations or individuals, its

spirit has been most clearly articulated and most forcefully advanced by the Business Council of Australia (Matthews, 1994; Sheldon and Thornthwaite 1993). The BCA was formed in 1983 and its industrial relations policy position evolved during the second half of the 1980s and the early 1990s. It began with criticisms of the existing industrial relations system for excessive centralization and with suggestions for relatively moderate reform, but it developed into demands for a more wholesale abandonment of the existing system in favour of enterprise bargaining (O'Brien 1994).

A number of themes relevant to this paper run through the three reports of the BCA's Industrial Relations/Employee Relations Study Commissions (Hilmer et.al. 1989; Hilmer et.al. 1991; Hilmer et.al. 1993) and associated policy statements. First, enterprises constitute the 'engine-room' of the economy and Australia's economic prosperity depends on the competitive success of its enterprises (as opposed to its industries or governments or whatever). Second, in order to succeed in increasingly competitive markets, Australian enterprises need to develop innovative business strategies whose dominant goal is to satisfy the demands of their customers. Third, in order to deliver these strategies, enterprises need to develop unique, enterprise-specific 'employee relations'; in particular, 'bargaining structures need to be aligned with business units'. Fourth, these enterprise-specific arrangements will allow the common interests of management and employees to blossom and best serve the organization's goals. Finally, the existing industrial relations system is the main obstacle to achieving these objectives. In particular, institutional forces external to the enterprise (like occupational unions, industry awards and imposed decisions of the tribunals) prevent both the formation of enterprise-specific employee relations and divert the attention of managers and employees away from cooperation onto conflict. In this context, enterprise bargaining is fundamental because it provides the mechanism by which each company can negotiate its unique set of wages, working conditions and bargaining procedures.

Another advocate of the 'enterprise autonomy' model of enterprise bargaining, although slightly qualified in its stance, is the Australian Chamber of Commerce and Industry. The ACCI was formed in 1992 as a result of a merger between the Australian Chamber of Commerce and the Confederation of Australian Industry. The former organization had become a hostile critic of the arbitration system in the 1980s, but the latter had long been a pragmatic supporter of the compulsory arbitration system and centralized wage determination. In the period immediately before the merger, however, the CAI issued a detailed policy statement which signalled a major shift in its position towards that of the Chamber (CAI 1991). In language similar to that of the BCA, the CAI (and subsequently the

ACCI criticized the 'prevailing institutional arrangements', especially unions and compulsory arbitration, for centralization and acting as barriers to change. The argument was that a new decentralized industrial relations system with an 'enterprise emphasis' was required to allow greater cooperation between enterprise managers and employees. The only potential departure from the enterprise autonomy model in the CAI's new position was a focus on 'freedom of choice':

There is no question that enterprise level bargaining can and does bring great benefits in many circumstances and we should continue to put great emphasis on it ... But a true bargaining system must involve the possibility of other levels of bargaining and should allow the level of bargaining to be a matter of choice. (Noakes 1994: 4-5; see also CAI 1991: 27).

The practical importance of this qualification, however, is unclear. The dominant focus of ACCI policy is the enterprise. One of the 'alternative bargaining levels' was the individual employee rather than the enterprise, hardly a major concession. The ACCI's opposition to compulsion meant that employers would only enter cross-company bargaining on a voluntary basis, a condition which often undermines the integrity of such bargaining arrangements. Furthermore, the ACCI's implementation of its policies suggests little sympathy for multi-employer bargaining structures. For example, in mid-1994, the ACTU and several leading unions announced their plans to embark upon campaigns in which common wage demands would be made on all employers in nominated industries. Employers were very critical, with the Executive Director of the ACCI commenting:

Enterprise bargaining was about individual workplaces determining pay rates appropriate to their specific circumstances. It is inconsistent with the whole thrust of enterprise bargaining to have coordinated claims seeking uniform results ... (*Australian Financial Review*, 29 July 1994: 6)

In September that year, the ACCI condemned what it called 'pattern bargaining' in the glass, plumbing and electrical contracting industries (ACCI 1994a). Similar statements opposing multi-employer bargaining and demonstrating a practical commitment to the enterprise autonomy model came from employers later in 1994, when the Transport Workers' Union served a common claim for 15 per cent wages increases on all employers in the road transport industry along with threats of industrial action.¹ The Executive Director of the ACCI released a media statement saying:

We have here the spectacle of a trade union entrenched in the old discredited ways of threats to damage employment if an unrealistic claim is not granted ...

It can only be an effective system of bargaining if the focus is on the individual workplace, and how that workplace can be changed to make it more efficient, with more of a future. (ACCI 1994b)

At the same time, the Executive Director of the BCA wrote to a newspaper editor criticizing the union for returning to 'an outmoded concept of "comparative wage increase justice"' and complaining that it was 'distressing to see the old-time collectivist thinking re-emerge as soon as the economy has started to recover'. He also described his vision of the more appropriate approach:

If we had a real enterprise bargaining system, agreement on wage increases would be reached on a piecemeal basis at the enterprise level, and in accordance with productivity gains in specific enterprises. And there would be no role for industry campaigns. (*Australian Financial Review*, 22 November 1994: 21)

Thus, despite some (minor) qualifications, two of Australia's leading employer groups have demonstrated considerable commitment to the enterprise autonomy model of enterprise bargaining. The aim of this paper is to compare this model with the reality of enterprise bargaining in one industry, namely the domestic airline industry. Towards this end, the first major section of the paper provides some important background to enterprise bargaining in that industry, including analysis of selected features of its product market, labour market and bargaining history. The second section then offers a detailed account of the progress of enterprise bargaining, its wage outcomes and some of the concomitant workplace reforms. The findings reported here are part of a larger project which included over 60 interviews with over more than 70 managers, employees and union officials in the airline industry during the period from May 1993 to December 1995.

The assessment of the airline experience which emerges is that despite the ambitions of some airline managers and despite the appearance of greater enterprise autonomy, enterprise bargaining since 1991 has seen the operation of strong industry pressures which have produced similar outcomes in wages and workplace reforms in the two major companies; there is little enterprise autonomy in the process or outcome of bargaining. It is argued that this lack of enterprise autonomy can partly be explained by institutional factors, such as the newness of enterprise bargaining, occupational unionism and industry-wide awards. However, these factors are

insufficient by themselves. There are strong spatial, market and technological forces underlying the institutional factors which work against enterprise autonomy. The final section of the paper suggests that this analysis raises questions about the credibility of the enterprise autonomy model of bargaining, especially if the airline experience is found not to be exceptional.

Background to Enterprise Bargaining in the Airlines

An understanding of the processes and outcomes of enterprise bargaining in the airline industry requires some knowledge of the parties to bargaining and the history of their bargaining relationships. However, before this background is provided, it is necessary to explore the broader political economy of the industry. This account examines some of the market, technological and institutional factors which affect the attitudes and actions of managers, employees and unions within the industry.

(a) The Industry's Political Economy

The domestic airline industry is a service industry. It provides a range of freight and passenger services which vary by the distance flown, the size of the aircraft and the nature of the cargo (May 1986a, Chapter 4). By far the largest segment of the industry, and the principal focus of this paper, is the transportation of passengers on mostly inter-state 'trunk routes' between capital cities and between capital cities and larger tourist and regional centres. There are two features of this market segment which have significantly affected the operation of enterprise bargaining: the patterns of competition in the product market and the forces of comparison in the industry's labour market.²

The Product Market: Between 1952 and 1990, the 'trunk route' segment of the industry was heavily regulated by the federal government through the 'two-airline agreement' (Brogden 1968; May 1986a and 1986b). This policy regime limited entry to the industry to just two airlines: one government-owned, known until 1986 as TAA and subsequently as Australian Airlines, and one privately-owned, trading under various names the most recent of which was Ansett Australia. It also controlled the prices charged by these airlines, the importation of their aircraft and therefore their carrying capacity, and other aspects of their operations. The intent (and effect) of the two-airline agreement was to bring stability to the industry and avoid monopoly by allowing two secure airlines with broadly similar market shares to provide safe and reasonable quality services.

The end of the two-airline agreement – the ‘deregulation’ of the industry – was announced in 1987. At the beginning of November 1990, entry to the industry would be liberalized, while price, capacity and most other economic restrictions on the industry would cease (BTCE 1993, Chapter 2). The first two years of deregulation, which coincided with economic recession and significant declines in demand for airline services, saw intense competition as a third airline, Compass, entered the market. Air fares fell dramatically, while various measures of the quality and timeliness of airline services improved (BTCE 1993). However, the two established airlines suffered large losses, while Compass failed twice. This third airline only flew between December 1990 and December 1991 and between August 1992 and March 1993 (BTCE 1993, 61-73).

A complicating factor during these early years of deregulation was the plan by the federal government to privatize the government-owned Australian Airlines along with its sister international airline, Qantas (BTCE 1993). In 1990, after much controversy within the Labor Party and much debate in the community, the government announced that it would sell all of Australian Airlines and half of Qantas to the private sector, while keeping the two airlines separate. However, in June 1992, it reversed this decision, declaring that the two airlines would be merged (through the purchase of Australian by Qantas) and the new organization totally privatized. The merger transaction was effected in September 1992. While it was intended that the two airlines would be totally integrated, with the last public vestiges of Australian Airlines disappearing in October 1993 (Carman 1993), the domestic and international divisions of the new Qantas continued to operate with some autonomy. In March 1993, 25 per cent of the shares in the newly merged airline was sold to British Airways, while the remaining 75 per cent was sold in a public float in July-August 1995.

The privatization saga created considerable uncertainty within the airlines and it contributed to further competition because of the end of government controls over Australian/Qantas and because of management’s need to achieve strong financial performance in order to gain a good sale price. Still, by 1994 economic recovery and a more comfortable market brought increased demand for airline services and a return to profitability for the two established airlines. Deregulation continued to produce some significant changes: the airlines had embraced a more competitive culture and they were more able and willing to adjust fares, increase capacity and develop new marketing strategies in an effort to fill their aircraft (BCTE, 1995). Nonetheless, the second collapse of Compass in March 1993 stabilized the market and spelled a return to the duopoly of the past; indeed, some commentators began to doubt the viability of a third major airline in the

Australian industry (BTCE 1993: 59-60). Irrespective of the cause, the intensity of competition was less than it could have been had a third (or fourth) airline gained a foothold in the industry.

Just as important as the *amount* of competition was the *type* of competition. For example, throughout the deregulation period (and into the foreseeable future), Ansett and Qantas adopted essentially the same competitive strategy. They maintained national networks, flying the same routes with broadly similar aircraft and they coveted a similar mix of business and leisure passengers. This might have been a carryover from the 'two-airline' policy of the past, but it might also have been the inevitable outcome of the peculiar nature of the Australian air transport market. Furthermore, the small size, the concentration of passengers in a small number of heavily-trafficked routes and the operation of just two competitors in the Australian market meant that competition was very transparent (ie. the two airlines easily monitored marketing innovations of their competitor) and that competitive behaviour took the form of 'copy cat' actions (ie. each company quickly sought to match initiatives of the competitor which threatened market share). The history of holiday packages and discount fare schemes by one company being matched within hours by the other is legend, while another recent example was the move in 1995 by Ansett to increase its capacity in response to Qantas' decision in late 1994 to increase its number of available seats.

This pattern of product market behaviour had implications for employment relations. As long as the airlines pursued similar competitive strategies (and, as shown below, use similar aircraft) then their managements were confronted with similar operational imperatives. Operational changes which improved the attractiveness of one airline's product or which significantly reduced its cost structures were not only easily monitored by the rival airline, but there was a strong probability that similar changes produced the same advantages. In particular, sustained differences between the airlines in labour costs or operating flexibility rarely went unnoticed or unmatched.

The Labour Market: A defining feature of the airline industry's labour market is its occupational segmentation. Different occupational groups complete different stages of the production process. Among the 'ground staff', who work in the airports, are maintenance engineers, baggage handlers, oil refuellers, catering trades and clerks, while the 'flight crew' working in the aircraft includes pilots, flight engineers and flight attendants (see Table 1). Although coordination between these occupational groups is vital for the efficiency of any airline, there is little overlap in work tasks or substitution of individual workers between them.

Table 1: Major Occupational Groups in the Major Domestic Airlines, 1990

Occupational group	Ansett Australia	Australian Airlines
pilots and co-pilots	309	287
other cockpit personnel (ie. flight engineers)	82	101
cabin attendants (ie. flight attendants)	1144	1063
maintenance and overhaul personnel	1782	1757
ticketing and sales personnel (ie. clerks)	1340	1204
other	4954	5122
TOTAL	9611	9534

Note: 1990 is the last year for which systematic data was reported. Unfortunately, the figures (especially for pilots) are distorted by events surrounding the 1989 pilots dispute. The large 'other' category is also unsatisfactory. Consequently, these figures should only be taken as a broad indication of the relative size of the various occupational groups.

Source: Bureau of Transport and Communications Research (1993), pp. 37-43.

This segmentation of occupations is influenced by safety factors. The crew and passengers of aircraft are clearly in a more vulnerable position in the event of accidents than employees and customers in most other industries and the safe operation of airports and aircraft requires pilots, flight attendants, maintenance engineers (especially licensed engineers) and ground staff who work airport tarmacs (like refuellers) to know and strictly adhere to safety procedures. Many of these procedures are formalized in industry-wide regulations determined and enforced by the government authorities, such as Airservices Australia (previously the Civil Aviation Authority). The separation of job functions and safety responsibilities between occupational groups provides a series of checks and balances which enhance compliance with rules.

The industry-wide, occupational focus of the domestic airline labour market is encouraged by the similarities in technology used by the two major employers. Their core activity, of course, is the transportation of passengers from the port of departure to the port of destination. Given the regulatory environment in Australia over recent years and their similar route structures, the two airlines shared the same infrastructure (ie. airports, terminals, traffic control etc). The two airlines have also made similar decisions in non-core activities like catering, maintenance of aircraft, links with travel agencies and holiday resorts (see Bray forthcoming). Within these broad parameters, there was still room for some differences in choice of equipment, especially in aircraft, but again the similarities are compelling. As a result of the

two-airline policy during the 1970s, the two Australian domestic airlines operated the identical aircraft on their trunk routes: the Boeing 727 and the MacDonnell Douglas DC9. However, changes in policy led to some differences in the early 1980s, when both airlines sought to purchase new wide-bodied aircraft (see Table 2). Australian (or TAA as it then was) chose the Airbus 300, while Ansett went for the Boeing 767 (Sheridan 1981). In 1989, Ansett again distinguished itself by purchasing a number of Skystar A320s. However, the DC9s and Boeing 727s were gradually retired, leaving the Boeing 737 as the main workhorse in both airlines.

Table 2: Main Aircraft Types Used by Ansett and Australian, 1980–1995

Aircraft type	1980		1985		1990		1995	
	Ansett	Aust	Ansett	Aust	Ansett	Aust	Ansett	Aust
B767	–	–	5	–	5	–	6	7
A320	–	–	–	–	8	–	13	–
A300	–	–	–	4	–	4	–	4
B727	12	12	13	12	6	10	5	–
B737	–	–	12	–	15	22	21	34
DC9	12	12	–	9	–	–	–	–

Notes: The focus here is on aircraft engaged in passenger 'trunk routes', so aircraft used exclusively for freight operations are excluded.

Source: Department of Transport and Communications, *International Civil Aviation Organization – Air Transport Report Form D-1: Fleet and Personnel – Scheduled Airlines*; and *Annual Reports* of the two airlines.

Thus, in terms of both the broad organization of production and particular choices in equipment, the similarities in technology in the two airlines are more important than the differences. As a result, employees in the two airlines are required to acquire similar skills and perform similar work. Maintenance engineers, for example, have many generic metal trades or electrical trades skills, acquired from general components of their apprenticeship training usually undertaken in TAFE colleges. Their day-to-day work on aircraft is necessarily different to that in other industries and their skills are learnt in specialized TAFE courses, at classes in the airlines' own training schools or on the job. Since the two airlines use very similar aircraft and safety regulations are the same across the industry, then these skills do not differ significantly between airlines. Pilots and flight attendants clearly acquire only limited general skills, with both their training and on-the-job experience being unique to the airline industry. Again, the similar technolo-

gies used by the two major airlines and the common safety procedures and licence examinations reduce the scope for company-specific variations. Even airport clerks work on computer software and develop considerable product and customer skills which are mostly industry-specific. The two airlines have traditionally used different software and offer different approaches to developing customer-service skills, but the similarities were greater than the differences and the similarities will be accentuated after 1996 given that both airlines have purchased the same BABS software from British Airways.

An additional feature of employment in the airline industry is its spatial concentration. The bulk of airline workers work in a small number of large workplaces: either airports themselves or maintenance workshops and offices blocks located near the airports. Furthermore, the workplaces of the different airline companies are located alongside each other. In the largest cities, Ansett and Qantas airport terminals are separate buildings, but they are very close together, while in smaller regional cities the airlines often occupy the same building. Similarly, the major maintenance workshops of Ansett and Qantas near the Tullamarine airport in Melbourne occupy adjacent sites which are separated by nothing more than a wire fence. Bringing together so many people in the same locations encourages, amongst other things, communications networks within and between companies. These networks are strengthened even further by the regular travel between workplaces which is an inherent part of the airline industry. It is not only pilots and flight attendants who routinely fly between ports. Maintenance engineers, ramp workers, clerks and other employees often attend meetings or training programs in cities other than their own, while aircraft breakdowns and other emergencies see inter-port transfers.

As a result of the peculiar technical, operational and spatial circumstances of the industry, airline employees possess industry-specific skills and tend to develop strong occupational communities which identify closely with the airline industry rather than individual companies (see, for example, Williams 1986). Overnight stays away from home bring flight crew together socially and the discussion often focuses on work issues. Irregular worktime arrangements and blocks of time away from home separate flight crew from the rest of the working population and encourage them to mix with other airline employees outside of work. Maintenance engineers attend common technical training courses at TAFE, leading to friendships and social contact between maintenance engineers from the both airlines. Like flight crew, maintenance and airport employees work shiftwork, isolating them from non-airline occupational groups. The close proximity of airport terminals results in airline employees entering cross-company friendships and ro-

mances, sharing transport to and from work and eating at the canteen of the rival company.

One consequence of these occupational communities and the industry identity of employees in the airline industry is that the operation of labour markets is extremely transparent: airline employees are very well informed about employment conditions in their own company and they are easily able to make comparisons between their company and its competitor. Industry standards thus become common and discrepancies in wages and conditions across workplaces and companies lead to pressures for equalization or 'flow-ons'. The mechanism by which these labour market pressures are expressed tends to be by 'voice' rather than by 'exit'. That is, industry employment is generally stable and workers do not regularly leave the employment of one airline to seek better wages or conditions in the other.³ Rather, cross-company comparisons are made by individual employees in discussions with airline managers, by groups in meetings and by union representatives in negotiations.

Thus, there are strong social forces at work in the domestic airline industry which provide the opportunity and capacity for cross-company comparisons of wages and working conditions. These forces are undoubtedly reinforced by institutional structures, like awards and membership of occupationally-based unions. However, their origin is occupational communities which emerge from the structural bases of the industry's labour processes and labour markets.

(b) The Parties to Bargaining

Employers: It is already apparent that there are two main employers in the industry. Ansett Airlines began in 1936 as a single-aircraft company and its development until the late 1970s was dominated by its main shareholder and chief executive, Sir Reginald Ansett (Brogden 1986). As a growing company with limited capital, Ansett acquired a reputation as a lean, commercially-focused organization which depended a great deal on the personal loyalty of its employees towards its founder. Although Sir Reginald did not always enjoy close relations with unions, his company's financial vulnerability forced a pragmatic approach to industrial relations which included 'doing deals' with unions in an attempt to disadvantage its competitor. In 1979, the company was purchased by two of Australia's largest companies, TNT and News Corporation, led by two of Australia's most prominent businessmen, Sir Peter Abeles and Rupert Murdoch (*ibid.*; Carman 1986). With a stronger capital base, Ansett acquired new aircraft and adopted marketing strategies which gave it market leadership in the early to mid-1980s. While Abeles worked closely with the federal Labor

government and most union leaders, he was also more prepared than his predecessor to take on individual unions, as demonstrated by his stand in the baggage handlers' strike of 1986 (Grant 1986; Williams 1986) and the pilots' dispute of 1989. Amid some controversy Abeles resigned in 1993 to be replaced by News Corporation's Ken Cowley (Gottlieb 1992; Stannard 1993).

The publicly-owned competitor to Ansett was created under the banner of TAA by the Chifley Labor government in 1946. While consistently successful in the market during the 1950s and 1960s, it had a reputation as less commercially-oriented and more conservative and bureaucratic than Ansett. This picture began to change during the mid-1980s under a new management team led by James Strong. A new name, Australian Airlines, new aircraft and new management strategies produced a more commercial approach and an improved market position. It also saw the emergence of new human resource management strategies within the airlines, although it continued to be cautious in its approach to unions. The departure of Strong in 1989, announcements of impending privatization in 1991 and the eventual merger with Qantas in 1992, however, disrupted the organization and it did not really stabilize until late 1994, after the appointment of Strong as Managing Director of the new Qantas.

Throughout the 1980s, there was no formal employer association in the airline industry, but the two major companies closely coordinated their industrial relations activities. At a formal level, this came through meetings convened by the federal Department of Industrial Relations, but more informal processes were at work. The close personal relationship between Abeles (and several senior Ansett managers) with senior figures in the federal Labor Party ensured Ansett's participation in, and leadership of, coordination. Traditionally more cautious, and under the influence of its political masters, Australian Airlines tended to follow Ansett's lead. Irrespective of who led, Ansett and Australian managers developed close links with the counterparts in the competing airline.

The close coordination of employers continued until 1992, but it increasingly contradicted new enterprise-specific management philosophies and practices within both the major airlines. Strong's campaign in Australian Airlines, for example, sought to integrate marketing and industrial relations issues: the advertising strategy, the new equipment and the new uniforms were designed to change the airlines' image in the minds of customers, but they were also aimed at increasing the identification of employees with the company. Similarly, the cultural change program communicated directly by management and delivered through formal training programs sought to focus employees' attention on the importance of customer service as part

of the company's broader competitive strategy (Stackhouse 1986; Sandilands 1989; Dunphy and Stace, 1990: 167-8). Ansett followed suit in 1990 with a cultural change program of its own, called 'Reachout' (Sandilands 1990). The first stage, called 'Putting People First', saw all Ansett employees progressively attending a two-day seminar in Melbourne. The second stage in 1993, called 'We make the difference', used seminars, videos and booklets to demonstrate the importance of each employee to both the overall operations of the organization and its capacity to deliver service to its customers. The third, called 'Everyone's a Customer' began in 1995 (Ansett Australia 1995: 26-8).

These initiatives show that airline managers were increasingly seeking to promote the unique identity of their respective companies to customers and to focus the minds of their employees on enterprise-specific issues. As well, the 1992 merger meant that the new Qantas and Ansett became very different in size and organizational structure. The introduction of enterprise bargaining in 1991 potentially gave airline managers the opportunity to pursue further their company-specific ideas by negotiating collective agreements which encouraged an enterprise focus and more closely aligned wages and working conditions with broader business strategies.

Unions: The airline industry is heavily unionized. Table 3 suggests official union density rates for the industry as a whole at around 75 per cent, while the workforces of the two major airlines were almost completely unionized. Union membership mostly follows occupational lines and each occupational group was usually represented by a separate union, producing over 20 unions in the industry. The more important unions and the groups they represent are listed in Table 4.

Table 3 Union Density Rates, Air Transport, 1986-1994

Year	Full-time (%)	Part-time (%)	Total (%)
1986	81.9	84.9	82.9
1988	78.4	72.2	77.4
1990	63.2	35.2	61.7
1992	75.2	59.3	74.3
1993	76.4	56.7	76.0
1994	73.4	41.2	71.5

Source: ABS, *Trade Union Members, Australia*, (Cat No. 6322.0).

A number of factors (including strong occupational communities, spatial concentrations of employment and the strategic position of airline industry)

contributed to the unions listed in Table 4 being almost universally well organized and militant. For example, pilot unions emerged during the 1940s and very effectively used collective bargaining and direct action during the following decades to establish exceptional wages and working conditions (Yerbury 1983; Blain 1984), although their defeat in the 1989 dispute virtually destroyed the Australian Federation of Air Pilots (McDonald 1990; Norington 1990; Hancock 1994). Flight attendants developed a common identity and strong organization during the 1970s and 1980s, exploiting militant tactics to improve their lot (Williams 1986, 1988: 113-25). Airline baggage handlers and refuellers were amongst the 'stormtroopers' of the Transport Workers' Union (Bray and Rimmer 1987; Bowden 1993). Maintenance engineers were represented by several unions, all of which were powerful; the most important being the Australian Manufacturing Workers' Union, the Australian Workers' Union and the Electricians and Plumbers' Union. Senior maintenance engineers, who passed the appropriate examinations to become licensed engineers, broke away from these metal trades unions in the 1960s to form their own union, which very effectively advanced their industrial position over the following years (Johnston 1972; Jones 1993). Finally, white collar workers in the industry were represented by two unions: the Federated Clerks' Union covered the majority, while supervisors and low-level managers were members of the Australian Transport Officers' Association. These unions merged with several other unions in 1993 to form the Australian Services Union (ASU), although the two groups retained considerable autonomy within the new union structure. Unlike their counterparts in most other industries, the airline clerks maintained strong workplace organization and were willing and capable of undertaking strike action.

Two concurrent trends in airline unionism during the 1980s were greater inter-union coordination and declining militancy. An important element in both trends was the Australian Council of Trade Unions (ACTU). All airline unions except the pilots were affiliated with the ACTU. While it was active in the industry in earlier years, ACTU intervention strengthened after the fiasco of the 1981 flight attendants' dispute at Qantas. Throughout the rest of the 1980s and 1990s, a senior ACTU official, often backed by Secretary Kelty, routinely brought unions together to present a common front in award negotiations and to coordinate action during disputes. In line with its new industrial and political strategy focusing on cooperation with a Labor government through the Accord (Teicher 1988; Bray 1994), the ACTU contributed to a new discipline within the airline industry. At the same time, it ensured that the airline unions played a significant role in broader national union campaigns.

Table 4: Major Occupational Groups in Domestic Airlines, Their Respective Unions and Relevant Awards

Occupational Group	Union	Award
pilots and co-pilots	Australian Airlines Ltd Pilots' Association	Australian Airlines Pilots Award 1989
	Australian International Pilots' Association	Ansett Airlines of Australia (Pilots) Award 1989
	Ansett Airlines Pilots' Association	Airline Flight Engineer Officers (Domestic Operators) Agreement 1985
flight engineers	Australian Airline Flight Engineers' Association	Flight Attendants (Domestic Airlines) Award 1985
flight attendants	Flight Attendants' Association of Australia	Aircraft Industry (Domestic Airlines) Award (1980)
maintenance engineers	Australian Manufacturing Workers' Union (AMWU)	
	Australian Workers' Union (AWU) Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing & Allied Services Union of Australia (EPU) Association of Professional Engineers, Scientists & Managers of Australia (APESMA)	
licensed engineers	Australian Licensed Aircraft Engineers' Association	Licensed Aircraft Engineers (Qantas Airways Ltd) Consolidated Award 1992
clerks (ticketing, sales, admin.)	Australian Services Union (ASU)	Airline Officers (Qantas Airways Ltd) Consolidated Award 1992 Clerks (Domestic Airlines) Award
	Australian Services Union (ASU)	Airline Officers (Qantas Airways Ltd) Consolidated Award 1992 Salaried Staff (Ansett Airlines) Award
catering	Australian Services Union (ASU) Transport Workers' Union (TWU) National Union of Workers (NUW)	Airline Officers (Qantas Airways Ltd) Consolidated Award 1992 Aircraft Industry (Domestic Airlines) Award (1980)
baggage handlers	Transport Workers' Union (TWU)	Transport Workers (Airlines) Award 1988

The Industrial Relations Commission: The strategic position of the airline industry in the national economy, the immediate effect of industrial stoppages and heavily unionized nature of its workforce mean that governments and state agencies have long taken an active interest in airline industrial relations. As Table 4 shows, all of the major occupational groups in the airlines are covered by separate awards issued by the Australian Industrial Relations Commission (AIRC). The Commission was consequently an important player in its own right in the industry, although during the 1980s and 1990s the parties usually sought to resolve industrial problems through collective bargaining rather than compulsory arbitration. As a result, the Commission's role was complex, varying over time and according to the occupation and issue in question.

(c) The Pattern of Bargaining Before 1991

Collective bargaining in the airline industry has always been conducted at several levels and it has taken different forms. Formal bargaining, and sometimes compulsory arbitration, focused on legally-binding awards which were generally occupation-specific and industry-wide in coverage and paid-rate (rather than minimum-rate) in application (see Table 4).⁴ More informal bargaining took place at company and workplace levels, producing agreements which either supplemented awards by modifying the application of award standards or complemented awards by determining non-award issues. It is important, however, to remember that even in a heavily unionized industry like the airlines, many issues were determined by managerial prerogative. Sometimes unions and/or employees were consulted or management bargained over the consequences of change, but more often management claimed and implemented the right to make decisions unilaterally. The operation of managerial prerogative and informal collective bargaining meant that rules on some issues (like some work practices, employment conditions and disciplinary procedures) were always company-specific, especially in those situations where the two companies used different equipment or followed different operating procedures.

During the 1970s and early 1980s, collective bargaining in the airline industry was fragmented and conflictual, despite the apparent centralization of formal bargaining. In the context of tight labour market conditions and 'soft' product markets under the two-airline agreement, the strong unions sought to advance their industrial goals individually, with different occupational groups taking the initiative at different times and the forces of comparative justice working to flow advances onto other groups. While the major airlines were generally conservative in their response to unions, either employer was capable of negotiating pragmatic deals (formal and informal)

with unions which disadvantaged their competitor. Stoppages of work were common events and the intervention by the Commission was frequently sought by management and unions.

The early 1980s saw major changes to this pattern of bargaining. The turning point was a major dispute in 1981 concerning flight attendants at Qantas, in which the conservative Fraser government joined with management to defeat and fragment airline unions (Davis and Lansbury, 1989). In response, the ACTU assumed a stronger coordination role among the industry's unions, while the federal government intervened more forcefully to facilitate regular meetings of the airline companies. The centralization of wage systems administered by the Commission between 1982 and 1986 and the Accord between the ACTU and the Labor government after 1983 also contributed to change. The result was less fragmentation and more centralized bargaining structures. Until the 1990s, most major industrial disputes and award negotiations were addressed at an industry level and most wage increases were uniform across occupational groups. There were also far fewer stoppages of work, as shown in Table 5, and the parties actively sought to resolve disputes through bargaining rather than arbitration.

Table 5 Industrial Disputes in Progress in Australian Air Transport, 1978–1994

Year	Number of disputes	Employees involved (000s)	Working days lost (000s)
1978	20	11.5	24.3
1979	18	14.0	77.3
1980	26	11.7	18.9
1981	21	8.3	71.5
1982	7	0.8	2.0
1983	10	1.8	3.6
1984	26	4.7	7.3
1985	16	1.4	2.0
1986	12	1.8	6.1
1987	10	2.0	4.1
1988	19	4.4	6.4
1989	18	5.7	9.4
1990	4	0.4	0.3
1991	3	2.6	2.6
1992	19	3.7	2.2
1993	4	0.5	1.2
1994	na	1.4	0.2

Source: ABS, *Industrial Disputes, Australia*, (Cat No. 6322.0) and *Labour Force, May 1995* (Cat No. 6203.0).

There was some decentralization of bargaining after 1987 under the later 'two-tier' and 'award restructuring' wage systems; in particular, negotiations over restructuring of awards for flight attendants and clerks took slightly different courses in the two companies. But, generally speaking, the industry-wide coordination of unions, employers and bargaining continued through the pilots' dispute of 1989, the introduction of deregulation in 1990 and the acceptance by the Industrial Relations Commission of enterprise bargaining in 1991. As the next section shows, a greater enterprise focus in bargaining did not develop until the announcement of the merger between Qantas and Australian Airlines in mid-1992.

Enterprise Bargaining and Wage Determination in the Airlines

(a) The First Round, 1991–1994

The introduction of enterprise bargaining by the Industrial Relations Commission in its October 1991 National Wage Case decision came at a time when the two domestic airlines were in dire financial straits. The combined effects of the 1989 pilots' dispute, the competitive pressures following deregulation and weak demand due to the recession saw significant operating losses for both domestic airlines. In fact the enterprise bargaining round began at Qantas, still a purely international airline. Like its domestic counterparts, Qantas was suffering deep financial losses and had embarked on a rationalization program which included relatively small (but traumatic) retrenchments of staff (for example, Ballantyne 1991). Negotiations with unions over retrenchments and future wage increases continued from mid-1991 until March 1992, when the terms of an enterprise agreement under the new wage guidelines were announced (Hooper 1992; Isaac 1993). There were then delays in registering the agreement with the Industrial Relations Commission as the Commission insisted that separate agreements be submitted for subsidiary companies of Qantas. This produced five enterprise agreements, which were finally certified by the Commission in October 1992 and which granted Qantas staff a 10 per cent wage increase in three instalments over 26 months. Extended negotiations had identified a number of areas where productivity savings were to be achieved although, in retrospect, the main effect of the agreement was really to ensure union cooperation with the rationalization process.

Ansett and Australian managements were shocked by the size of the wage increase offered in the Qantas deal and its early timing, while they were highly suspicious about whether the promised productivity off-sets

would actually be implemented. They particularly feared the expectations it would create among their own employees and unions. In April 1992, senior industrial relations managers from the two domestic airlines jointly wrote to the federal government protesting about the Qantas agreement and prepared for their own forthcoming negotiations (Norington 1992). At this early stage, the domestic airlines planned to continue the practice established in the 1980s of presenting a common front to the unions. An important part of their plan was to seek union support for union-management study missions to examine overseas examples of 'best practice'. Such study missions would delay wage increases, but they would also provide an opportunity for employers to lay the groundwork for genuine productivity improvements. Negotiations between unions and the two major airlines over these issues were to begin in mid-1992. Given the economic situation and the spectre of retrenchments in Qantas, unions were treading cautiously, while the airlines were planning to follow their joint negotiating strategy.

This situation changed dramatically in June 1992 when the federal government announced that Australian and Qantas would be merged. Then in July, in accordance with a 'Principles of Merger' agreement between Qantas and the ACTU, Australian managers were directed to consummate an enterprise agreement similar to that already covering Qantas. These twin developments ended the close working arrangements between Ansett and Australian managers and enterprise bargaining in the two companies subsequently followed different courses.

At Australian, the first enterprise agreement was ratified by the Commission in October 1992 and operated until December 1994. Like its parent, the Qantas agreement, it granted all employees (except the pilots) a 10 per cent wage increase in three instalments: 5 per cent immediately, 2¹/₂ per cent from 1 July 1993 and 2¹/₂ per cent from 1 July 1994. It also included a long list of productivity improvements to be negotiated during the operation of the agreement and made provision for additional wage payments on a divisional basis to reward employees for these improvements once they were implemented. The company-wide issues identified for negotiation included part-time, casual and temporary employment, variable working hours, absenteeism, demarcation lines and contracting out, while more specific issues were to become part of negotiations at a divisional level. The new Qantas management, however, sought to integrate the operations of the two airlines as quickly as possible and it was the process of merger (rather than the implementation of the enterprise agreement) which consumed unions and senior management over the following months.

Table 6 Wage Increases Under Enterprise Agreements at Ansett and Australian/Qantas, 1992–1996

Ansett		Australian / Qantas	
Date	Amount	Date	Amount
Enterprise Agreement I			
December 1992	1.8%	October 1992	5.0%
December 1993	2.0%	July 1993	2.5%
May 1994	2.0%	July 1994	2.5%
September 1994 plus lump sum payments on divisional basis	4.2%		
Enterprise Agreement II			
January 1995	2%	December 1994	3%
July 1995	2%	September 1996	3%
January 1996 plus further unspecified productivity increases	2%	plus further unspecified productivity increases	

In fact, the disruption of the merger continued until 1995. Part of the problem was uncertainty in management. At first, the smaller domestic airline was virtually taken over by its larger international partner; Australian was 'Qantasized'. Company headquarters were located in Sydney rather than Melbourne, where Australian had been based; former Qantas senior management took the leading positions, with many Australian executives declining to move to Sydney; and many Qantas 'ways of doing things' were adopted (Cromie 1992; Knight 1993). But in October 1993 James Strong, former head of Australian Airlines, was appointed as General Manager of the new Qantas. The balance of power was partially reversed and the 'Australianization' of Qantas ensued! Sweeping changes to organizational structures followed, many incumbent senior managers found themselves without a job, replaced in many cases by external appointments, a number of whom were former employees of Australian or Ansett (Ballantyne 1993a and b; Thomas 1994a).

In this uncertain atmosphere, the integration of a domestic and an international airline with different organizational structures, cultures and regulatory regimes threw up many difficult industrial issues (Ballantyne 1993a). After morale-sapping delays while a management consultant made a report, there was also substantial rationalization and job losses. Some 1,835 positions out of an initial combined workforce of 26,000 were

eliminated, although this was achieved mainly through voluntary retrenchments and redeployments (Qantas 1993). Many former Australian employees were reclassified into higher-paying Qantas awards or into higher classifications in existing awards, satisfying workers but increasing labour costs. Other issues, like workers' compensation, staff travel arrangements and superannuation, were more difficult and took months, if not years, to resolve. Ultimately, the Qantas and Australian enterprise agreements and the 'Principles of Merger' agreement between Qantas and the ACTU contributed to remarkable industrial peace during these tumultuous times (Maiden 1993), but few of the productivity improvements planned in the enterprise agreement eventuated.

At Ansett, management embarked upon a 'communications campaign' directed at employees and they were able to use the difficult financial situation, deregulation and the new competitive threat posed by the Qantas and Australian merger to persuade employees and unions to accept more modest wage increases and genuine productivity improvements. The first two-year enterprise agreement, certified by the Industrial Relations Commission in December 1992, granted wage increases of 3.8 per cent in two stages: 1.8 per cent on certification and 2 per cent in December 1993. In addition, further wage rises were promised where workplace changes led to productivity improvements and reductions in costs. In contrast to the Australian enterprise agreement, the intended workplace changes were not specifically listed and the emphasis was on process. The detailed reforms were to be identified by consultative committees set up in various occupational and functional areas and by joint management-union study missions which were to visit overseas airlines and investigate 'world best practices'.

Once the enterprise agreement was signed, the reform processes were followed and genuine workplace innovations were implemented. For example, in both the clerical and engineering and maintenance areas, overseas study missions visited foreign airlines and returned with agreed plans for change. In the clerical area, these led to introduction of part-time work, limited 'team-work' arrangements (called 'zoning') in departure lounges and some multi-skilling. In engineering and maintenance, progress begun under award restructuring towards multi-skilling and cross-utilization of labour was continued. In other areas, changes included reduced flight crew operations, 'without pay time' arrangements and flexible utilization of rostered days off (Ansett Australia 1994). In early 1994, lump sum payments of between \$500 and \$600 were granted to many employees in recognition of the cost savings achieved up to that time; the exact sum varied from area to area within the organization according to the innovations

introduced. The future benefits of these improvements were rewarded through wage increases of 2 per cent across the company as a whole.

In April 1994, Ansett managers wrote to union officials seeking an early start to negotiations over the second enterprise agreement. They outlined their proposed agenda to the unions and the ACTU at a meeting in July, but the ACTU intervened and demanded an immediate wage increase of 4.2 per cent before these negotiations could continue; this was designed as a 'catch-up' to bring Ansett employees in line with their Qantas counterparts. Ansett quickly capitulated and the increase was paid in September. This brought the total wage rise under the first enterprise agreement to 10 per cent.

The reasons for this late demand and its relatively easy success deserve attention. The vastly improved financial position of Ansett undermined its appeal for special treatment; after the disaster of losing \$185 million before tax in 1992-93, Ansett recorded a profit before tax of \$236 million in 1993-94. Ansett had exploited the merger turmoil at Qantas and quickly increased its market share, while its lower labour costs and improved productivity contributed to its rapid recovery. There was growing discontent among employees and unions at Ansett. There was a perception that Ansett's employees had granted the airline concessions when times were tough and these sacrifices deserved reward when times improved. In fact, some union officials suggested Ansett managers lost some goodwill amongst their employees by having to be forced to consider such a reward. Furthermore, both the airlines and their employees were acutely aware of the wage gap between Ansett and Qantas and it offended long-held traditions of comparative wage justice and industry-wide standards. These sentiments were not confined to employees: Qantas management supplied the unions with a detailed written analysis of differences between the two companies in wage rates for all job classifications.

(b) The Second Round, 1994-1996

The first enterprise agreements at both Qantas and Ansett expired in December 1994. The two airlines developed their own strategies for negotiation of the second round, but the cross-company membership of individual unions and the coordinating role of the ACTU meant that unions were less enterprise-focused.

At Ansett, management's efforts to bring forward negotiations were motivated by a desire to achieve a break on Qantas and to complete negotiations before the expiry of major agreements in the metal industry. Individual unions at Ansett developed their own responses to Ansett's proposals, but the differences between them were substantially reduced

after input from the ACTU. Once the hurdle of the 'catch-up' wage increase was overcome, negotiations were conducted during August, September and October between the ACTU Assistant Secretary and Ansett's Director of Employee Relations. The outcome was then accepted by meetings of individual unions and certified by the Commission on 20 December 1994 (Australian Industrial Relations Commission 1994).

The agreement granted all Ansett wage employees (except the pilots) three wage increases totalling 6 per cent over 18 months: 2 per cent as of 1 January 1995, 2 per cent as of 1 July 1995 and 2 per cent as of 1 January 1996. These increases were called 'economic adjustments' by the unions. In return, unions committed their members to pursue cost savings with respect to: the introduction of standards for temporary employment, reductions in the level of sick leave taken and other efficiencies identified on a local/port/department basis. As in the first Ansett enterprise agreement, additional wage increases were available to reward productivity improvements. A figure of 2 per cent was anticipated. Further unspecified increases could be negotiated if efficiencies resulted from extensions of part-time work, variable crewing or other significant cost savings. Once the agreement came into operation, negotiations continued on a national level on temporary work and sick leave, while efficiencies were discussed in various consultative committees at national and local levels. Finally, a 7-point disputes procedure was included.

At Qantas, negotiations over the second enterprise agreement began with a meeting of all unions at the end of October. Again, the ACTU coordinated the unions, although four other union officials joined the ACTU Assistant Secretary on a negotiating committee. The new Qantas management team was still preoccupied with finalizing a number of difficult issues arising from the merger. So, while it sought an agreement which closed the labour cost gap with Ansett, this mission was not pursued with much urgency and in the end the advanced stage of enterprise bargaining at Ansett and union determination to achieve comparable outcomes at the two airlines limited Qantas' options. Despite initial disagreement between management and the union negotiating committee, agreement was reached by early December. After acceptance at meetings of individual unions, it was certified by the Commission in January 1995 (Australian Industrial Relations Commission 1995).

In contrast to its predecessor, the second Qantas agreement was a brief document which specified wage increases, broad goals and guidelines about productivity improvements. Indeed, it was almost identical in form and only slightly different in substance to its Ansett counterpart. The Qantas agreement granted wage increases of 6 per cent over 18 months, although in two

instalments of 3 per cent paid on 15 December 1994 and 15 September 1995. There was also a general commitment that the parties work towards a 'process of continuous improvement to be applied in a co-operative manner', while a specific commitment to reviewing award classifications for clerks was also made. Additional wage increases were available where significant cost savings resulted from efficiencies, such as part-time work or variable crewing. Unlike the Ansett agreement, no dispute procedure was nominated. Rather, there was supposed to be a greater commitment to those procedures contained in existing awards.

One novel feature of the second Qantas agreement was provision for employee share ownership. On the privatization of Qantas in mid-1995, all employees were to receive \$500 of free shares, while a further \$500 of shares would be issued after 1 April 1996 subject to the company 'reaching a performance target based upon an acceptable return on shareholders funds'. Employees would have preference for purchase of up to 5 per cent of all shares at market prices. While this arrangement fell short of ACTU demands for 10 per cent employee ownership and an employee representative on the board (Thomas 1994b), ACTU officials saw it as a good foundation on which future bargaining could build. Qantas management considered employee share ownership as a potentially useful mechanism in increasing employee commitment to the company.

(c) Comparing the Ansett and Qantas Experiences

The first round of enterprise bargaining spelt the end of close cooperation between the two major airlines and the beginnings of a more enterprise-focused bargaining structure. As Australian Airlines became part of the bigger Qantas, the real role of the first enterprise agreement was to facilitate employee and union cooperation with the merger process. The quantum of wage increase was largely determined by the preceding Qantas agreement and despite the long list of planned changes and the elaborate wording of the agreement, few productivity-enhancing reforms were achieved. Ansett took the opportunity to negotiate an agreement which was apparently very different in form and effect. It was a brief document which specified wage increases which were substantially less than those gained at Australian/Qantas. Expectations about productivity improvements were relatively vague in the agreement and were largely left to future negotiation. Without the distraction of major organisational change, Ansett management was subsequently able to follow the procedures laid down in the agreement and implement important (albeit incremental) workplace reforms.

The difference in wage rates between the two enterprise agreements, however, was virtually eliminated towards the end of the first round, when

Ansett first granted lump sum payments and wage increases in return for achieved productivity improvements. It was then forced to accept further wage increases before unions would enter negotiations over the second round. Ansett had enjoyed significant cost advantages during the first enterprise agreement, and continued to receive some advantage because of the upward shift of former Australian employees into higher job classifications in existing awards or into better-paid Qantas awards, but wage increases achieved through enterprise bargaining in the two companies were identical at the end of the first round and the principle of industry-wide comparability had been largely restored.

In terms of workplace reforms, management strategy and its productivity outcomes differed at the two airlines. Ansett emphasised process at the beginning rather than listing desired outcomes and it then pursued a limited number of reforms through joint study missions and negotiations with unions during the period of first enterprise agreement. This approach produced innovations like the introduction of part-time employment and some work reorganisation and multi-skilling. The management agenda at Qantas was remarkably similar, in that the long list of reforms in the first enterprise agreement included these same issues, amongst others. However, these reforms were not realised, largely because of the resolution of merger issues gained priority over productivity changes.

The second round of enterprise bargaining again saw some differences between the two companies in the bargaining process and substantive issues which reflected the respective positions and agendas of the two airlines. Ansett sought early negotiations and set the pattern. The spread of wage increases over three rather than two instalments slightly reduced Ansett's wage costs compared to Qantas. There was also room during the operation of the agreements for divergent wage outcomes as productivity issues were negotiated and implemented. The share ownership plan in the Qantas agreement was novel, but it was obviously linked to the unusual opportunity that privatization gave Qantas management and, given its very different ownership, could not easily be matched at Ansett. However, these differences should not be exaggerated because the quantum of upfront wage increases in the two companies was essentially the same. In terms of workplace reforms, Qantas changed its strategy by eschewing detailed lists of productivity outcomes and emphasising the process of change. Among the main reforms it sought were part-time employment and variable crewing, issues which had already been addressed at Ansett broadly followed its earlier approach, emphasising issues like temporary employment and sick leave. Interestingly, these issues which had been included in management's 'wish list' in the first Qantas enterprise agreement. A convergence in the

objectives in workplace reform thus becomes apparent, even if the degree to which these objectives were achieved varied between the two airlines.

Conclusions

Enterprise bargaining in the Australian domestic airline industry has not conformed to the model advocated by the BCA and ACCI; in particular, the enterprise autonomy expected or demanded by these organizations has not emerged. Two rounds of enterprise bargaining have seen some variations between the two major companies in wage outcomes and workplace reforms, but the evidence of similarities is more impressive. Despite the initially lower wage increases at Ansett, 'catch-up' increases at the end of the first round restored past industry standards and the second round saw essentially the same increases across companies. Workplace reform proceeded earlier and more effectively at Ansett, and differences continued during the second round. However, many of the differences which emerged related to peculiar circumstances which could not be replicated at the rival company. The Australian/Qantas merger diverted management and union attention away from workplace reform to the process of integration, the privatization of Qantas gave a unique opportunity to introduce employee share ownership and so on. More importantly, the main agenda items of management and unions in both companies and reform outcomes were very similar. In those areas where Ansett achieved earlier success in introducing workplace change, Qantas was not far behind.

How can the limits of enterprise autonomy be explained in the domestic airline industry? Undoubtedly the above account demonstrates the importance of *institutional factors* in any explanation. The occupational structure of the unions in the industry, the coordinating role of the ACTU, the industry-wide structure of awards and the force of 'comparative wage justice' were clearly vital ingredients in the progress of enterprise bargaining in the industry. Enterprise bargaining is a relatively new concept and historical legacies no doubt made the collective learning process slow. Even company managements exploited traditional institutional games. While their business strategies in the late 1980s and early 1990s increasingly emphasised the uniqueness of their airline's product and cultural change campaigns sought to encourage employee identification with company philosophies, management often accepted and sometimes encouraged cross-company comparisons. In particular, management at one company often used innovations at their competitor to persuade employees and unions to accept workplace reform. In the case of wages, managers were often quite prepared to accept industry standards, while Qantas management actively

lobbied unions to restore company comparability when their wage rates advanced faster than those at Ansett in the first round of enterprise bargaining. The power of 'comparative wage justice', of which employers so often complain, is not a tactic confined to employees and unions!

These tactical manoeuvres within institutional contexts are not, however, the only explanations for the airline experience. This paper devoted considerable attention to *structural factors* associated with the industry's product markets, labour processes and labour markets. In the airlines' duopolistic market, where the two companies pursue such similar competitive strategies, managers are subject to similar cost pressures and 'copy cat' market behaviour by companies is often repeated in industrial relations. Strong cross-company comparisons in the labour market were related to common technologies and the special skills and labour process characteristics of the industry, to occupational communities and to the location of airline employment in large workplaces just next door to each other. The weakness of enterprise autonomy thus flowed from the attitudes and behaviour of individual managers and employees as they responded to these structural features of the industry. In this way, the institutions discussed earlier (ie. occupational unions, industry-wide awards etc) are not independent factors which can easily be exorcized from industrial relations, but rather they are mediating variables which are intimately connected to the inherent nature of the industry and its markets.

This analysis of the airline experience raises doubts about the enterprise autonomy model of enterprise bargaining. It certainly suggests that the ideal of each company negotiating its own unique set of employment conditions may be rather more difficult to achieve than the BCA and the ACCI believe. It also suggests that the forces preventing enterprise autonomy are not, as the BCA and ACCI argue, purely institutional rigidities created by occupational unionism and the arbitration system. Instead, the 'blame' for cross-company comparisons and centralized bargaining procedures needs to be at least partly directed at deeper structural forces, like the nature of product markets, technologies and labour markets, which support the institutions. If this analysis is accurate, then reforming labour laws, withdrawing industry-wide awards, winding back occupational unions and re-educating unions on the evils of coordination will not necessarily produce enterprise autonomy. The power of cross-company comparisons may well live on in the minds and behaviour of employees and managers because the structural forces supporting these attitudes continue.

The airline experience also leads to questions as to whether enterprise autonomy is necessary to achieve the organizational and economic outcomes sought by the BCA and ACCI. It is, for example, arguable that the

limited company-specific outcomes which did emerge could have been easily accommodated under the pre-enterprise bargaining system based on formal bargaining over industry-wide awards in combination with informal local bargaining and managerial prerogative. Alternatively, there is little doubt that both of the major airlines have become more efficient, more competitive and more customer-focused in recent years without bargaining structures focused purely on the enterprise. Similarly, it could be argued that greater company-employee cooperation was also achieved in both airlines in the absence enterprise-specific bargaining arrangements. Could it be that company profitability and national economic salvation are compatible with industry-level bargaining rather than 'pure' enterprise bargaining?

The damage these doubts inflict on the broader credibility of the enterprise autonomy model depends on at least two additional questions: how unique is the experience of the Australian domestic airline industry and how far can the structural features of the industry themselves be changed? These questions ultimately go beyond the scope of this paper, but some comments are in order. First, there is considerable *a priori* evidence to suggest that the Australian airline industry is not unique when compared to airline industries in other countries. For example, deregulation of airlines in the USA and Canada has not led to the permanent entry of large numbers of new entrants into the industry. In fact, after an initial post-deregulation flurry, there has been something of a concentration of ownership in both countries, producing duopoly in Canada and oligopoly in the USA (Fisher and Kondra 1992; Peterson and Glab 1994). Furthermore, despite the greater opportunities presented to employers in those countries (especially the USA) to either crush unions or decentralize bargaining to the enterprise level, airline unions have proved remarkably resilient and bargaining retains a strong industry flavour (Dooley 1994; Cappelli 1995). This again suggests that institutional factors are rooted in the deeper structures of the airline industry and that these product market, technological and labour market structures may be difficult, if not impossible, to change.

Second, many of the structural features of product markets and labour markets identified with airlines may not be unique to that industry. For example, is it possible that manufacturing or service industries which have product markets dominated by a small number of companies (ie. duopolies or oligopolies) will see pressure on company managers to duplicate innovations in work organization, technology or skill formation introduced by their competitors, thus hindering the development of enterprise autonomy in bargaining? Is employment in these same industries concentrated in geographical locations or do they rely on tight-knit occupational groups

which allow employees to readily monitor changes in wages and working conditions across companies, again frustrating 'true' enterprise bargaining? Is Australia more likely than other countries to have industries with these structural features, making enterprise autonomy a less appropriate model of bargaining than it might be in other countries? These are important policy questions which are rarely addressed in Australia.

Notes

1. Similar arguments were again used by employers in late 1995 to condemn an industry-wide claim by building unions for a 15 per cent wage increase (see Norington 1995).
2. This is obviously a highly selective account of the industry's political economy. For more detail, see BTCE (1993) and Bray (forthcoming).
3. One recent exception was the swapping of a number of senior managers in 1994 (see Thomas 1994a).
4. Exceptions were the pilots and some supervisors, who had long worked under company awards. As well, some groups of Qantas employees (eg. clerks and licensed engineers) were transferred from previously industry-based domestic awards into company-specific awards based on the old international division. Even these company-specific awards, however, contained many industry-wide standards.

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