Effects of airline deregulation on the labor management

Business, Management

The airline deregulation Act of 1978 has had significant impact on the airline industry. Before the act, the airline labor market structure is examined in the light of historical events including regulatory practice and legislative intervention.

The Act shows how deregulation has sparked short term upheaval in the airline labor market. It’s argued that in the long run, deregulation will enhance labor’s position by increasing employment due to its expansion and the abolition of the industry insurance scheme.

But since deregulation of US airlines in 1978, there has been pressure on the government to reduce their involvement in the economics of airline competition and the US’s experience with deregulation is perceived to be a success by other countries, as the overall benefits to travelers has been demonstrated.

Average real fares have declined since deregulation and today, the fares remain at less than half of 1978 levels. Despite worries of reduced maintenance standards, no statistical evidence has been recorded.

Despite the many benefits of deregulation, there are some negative impacts. The pressure to cut costs, mergers and bankruptcies of several airlines led to job losses, reduced wages and also, the deregulation benefits were not enjoyed equally by all travelers.

Another negative impact was that, though the fares were low, disparity between the lowest and highest fares increased, and this forced business travelers to pay higher fares.

Though fares have been perceived to be low, a chart accompanying the March 20 article indicates that in 1987, more than 90% of the tickets were sold at a discount. This means that, there were widespread bargains from the passengers indicating that prices were actually high. For the past 6 years, more problems have emerged by the fact that new entrants have emerged creating competition and also, existing carriers have expanded their routes.

Some of the new entrants have successfully operated on a nonunion basis, enjoying significant cost advantages because of lower wages, lower benefit costs, and less stringent work rules. This has forced carriers with unionized operations to seek concessions from unions in order to compete with nonunion entrants.

The future

Recently, there has been a significant development in airline labor relations that may indicate a trend towards stabilization and a better future for the industry. In 1984, congress amended the bankruptcy code by adding section 1113, which regulated the rejection of collective bargaining agreements. This means that, if an employer must engage in a collective bargain with the union, first he must make a proposal to the union, and then provide the union with information to evaluate the proposal and finally, engage in good faith negotiations prior to rejection.

Another development in the bargaining show that airline unions may be regaining a measure of there former vigor and it may be difficult for carriers to exact cost saving concessions. As an example, there has been a transformation since late 1984 of the Airline pilot association. During a recent strike at the United Airlines, the association kept a series of " teleconferences" to keep pilots informed about the latest developments.

Professor John Dulop predicted that the significant disruptions in the labor relations caused by deregulation and concessionary bargaining would be concentrated in a transitional period. Foregoing discussions show that the airline industry may be approaching the end of the transitional period and entering a new stage of relative stability.

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