The Changing Structure of Labour Regulation:
The Australian Domestic Airline Industry,
1990–2006

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A thesis submitted in fulfilment of the requirements of the degree of
Doctor of Philosophy

Newcastle Business School
Faculty of Business and Law
University of Newcastle

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Statement of Originality

The thesis contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. I give consent to this copy of my thesis, when deposited in the University Library**, being made available for loan and photocopying subject to the provisions of the Copyright Act 1968.

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<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ABC</td>
<td>Australian Broadcasting Corporation</td>
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<tr>
<td>ABS</td>
<td>Australian Bureau of Statistics</td>
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<tr>
<td>ACIRRT</td>
<td>Australian Centre for Industrial Relations Research and Training</td>
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<tr>
<td>ACTU</td>
<td>Australian Council of Trade Unions</td>
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<td>AFAP</td>
<td>Australian Federation of Air Pilots</td>
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<td>AIRC</td>
<td>Australian Industrial Relations Commission</td>
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<td>ALAEA</td>
<td>Australian Licenced Aircraft Engineers Association</td>
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<td>ALP</td>
<td>Australian Labor Party</td>
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<tr>
<td>APESMA</td>
<td>Association of Professional Engineers, Scientists and Managers of Australia</td>
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<tr>
<td>ASK</td>
<td>Available Seat Kilometres</td>
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<td>ASM</td>
<td>Available Seat Miles</td>
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<td>ASU</td>
<td>Australian Services Union</td>
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<td>ASX</td>
<td>Australian Stock Exchange</td>
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<td>ATAG</td>
<td>Air Transport Action Group</td>
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<td>ATC</td>
<td>Air Traffic Control</td>
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<td>AWA</td>
<td>Australian Workplace Agreement</td>
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<td>BA</td>
<td>British Airways</td>
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<td>BCA</td>
<td>Business Council of Australia</td>
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<td>BTCE</td>
<td>Bureau of Transport and Communications Economics</td>
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<td>BTRE</td>
<td>Bureau of Transport and Regional Economics</td>
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<tr>
<td>CA</td>
<td>Certified Agreement</td>
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<td>CASA</td>
<td>Civil Aviation Safety Authority</td>
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<td>CC</td>
<td>Consultative Committees</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CEPU</td>
<td>Communications, Electrical and Plumbing Union</td>
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<td>CIO</td>
<td>Chief Information Officer</td>
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<td>CFO</td>
<td>Chief Financial Officer</td>
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<td>CME</td>
<td>Coordinated Market Economy</td>
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<td>CPI</td>
<td>Consumer Price Index</td>
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<td>CR</td>
<td>Critical Realism</td>
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<tr>
<td>DOTARS</td>
<td>Department of Transport and Regional Services</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>EBA</td>
<td>Enterprise Bargaining Agreement</td>
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<td>EGH</td>
<td>Express Ground Handling</td>
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<td>EGM</td>
<td>Executive General Manager</td>
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<td>ER</td>
<td>Employment Relations</td>
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<td>ESOP</td>
<td>Employee Share Ownership Plan</td>
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<td>ETOMS</td>
<td>Engineering Technical Operations and Maintenance Services</td>
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<td>FAAA</td>
<td>Flight Attendants Association of Australia</td>
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<td>FSC</td>
<td>Full-service carrier</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GM</td>
<td>General Manager</td>
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<td>HRM</td>
<td>Human Resource Management</td>
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<tr>
<td>IATA</td>
<td>International Air Transport Association</td>
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<td>ICAO</td>
<td>International Civil Aviation Organisation</td>
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<tr>
<td>IFALPA</td>
<td>International Federation of Air Line Pilots Associations</td>
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<td>IFSAM</td>
<td>International Federation of Scholarly Associations of Management</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>IME</td>
<td>Industrialised Market Economies</td>
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<td>IR</td>
<td>Industrial Relations</td>
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<td>IRRA</td>
<td>Industrial Relations Reform Act</td>
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<td>IRS</td>
<td>Industrial Relations Systems</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
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<td>ITF</td>
<td>International Transport Workers’ Federation</td>
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<td>KKM</td>
<td>Kochan, Katz and McKersie</td>
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<td>LCC</td>
<td>Low-cost carrier</td>
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<td>LERA</td>
<td>Labor and Employment Relations Association Series</td>
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<td>LME</td>
<td>Liberal Market Economy</td>
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<tr>
<td>MEWU</td>
<td>Metal and Engineering Workers Union</td>
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<tr>
<td>MIT</td>
<td>Massachusetts Institute of Technology</td>
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<tr>
<td>MNC</td>
<td>Multinational corporations</td>
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<tr>
<td>NADC</td>
<td>National Airlines Division Council</td>
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<td>NDT</td>
<td>No Disadvantage Test</td>
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<tr>
<td>NUW</td>
<td>National Union of Workers</td>
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<td>NZ</td>
<td>New Zealand</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>OEA</td>
<td>The Office of the Employment Advocate</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<tr>
<td>PWRC</td>
<td>The Pilot Workplace Relations Committee</td>
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<tr>
<td>QSS</td>
<td>Qantas Shared Services</td>
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<td>RLA</td>
<td>Railway Labor Act</td>
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<td>RPK</td>
<td>Revenue Per Kilometre</td>
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<td>SARS</td>
<td>Sudden Acute Respiratory Syndrome</td>
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<td>SBU</td>
<td>Single Bargaining Unit</td>
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<td>SCT</td>
<td>Strategic Choice Theory</td>
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<td>SFP</td>
<td>Sustainable Futures Package</td>
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<td>TAA</td>
<td>Trans-Australia Airways</td>
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<td>TSR</td>
<td>Total Shareholder Return</td>
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<td>TWU</td>
<td>Transport Workers Union</td>
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<td>UK</td>
<td>United Kingdom</td>
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<td>US</td>
<td>United States</td>
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<td>VFR</td>
<td>Visiting Friends and Relatives</td>
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<td>VoC</td>
<td>Varieties of Capitalism</td>
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<tr>
<td>WRA</td>
<td>Workplace Relations Act of 1996 (Commonwealth)</td>
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Abstract

This thesis contributes to the continuing, unresolved debates — in both theory and policy — over the structure of labour regulation within Australia and overseas. This contribution comes through an extended critique of the existing literature, as well as providing a description and explanation of the changing structure of labour regulation in one industry: the Australian domestic airlines.

Conceptually, the thesis is based on an exchange with the ‘bargaining structures’ literature. It is argued that, despite its many strengths, this literature has delivered only a partial description. The full picture of labour regulation change remains obscured. Part of the problem can easily be seen in the term ‘bargaining structure’ since many significant regulatory processes do not involve ‘bargaining’. The traditional preoccupation in the existing literature with ‘collective’ forms of regulation also privileges a process that no longer dominates the making of the rules of the employment relationship. This thesis replaces ‘bargaining structure’ with the broader concept of ‘labour regulation’. Secondly, explanations in the existing literature of bargaining structures are excessively narrow and lack holism. The thesis therefore develops and applies a broader and more systematic framework for the analysis of ‘labour regulation’, bringing together both context and agency.

The empirical investigation was conducted across three companies and several unions within the Australian airline industry between 1990 and 2006. The descriptive account confirms that the structure of labour regulation shifted significantly: the parties changed, the level of regulation decentralised, the scope of regulation declined and complexity increased. The highly unionised nature of the industry meant that collective regulation continued, but it was under pressure and its character changed. Non-bargained and individualistic forms of regulation were on the increase. The explanation for these changes lies in a complex interplay between a series of mostly state-induced contextual factors. These altered the product market and changed the regulatory options available to the parties, together with the agency of both management and unions.
CHAPTER ONE
INTRODUCTION

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1.1 The research objective

Labour regulation is a source of major policy debate around the world and nowhere more so than in Australia. Indeed, both sides of Australian politics have fought long and vociferously to alter the structure of regulation, although the precise structure remains contested. The result of this continuing and unresolved policy has been a rapid and significant change in labour laws and industrial relations practices. Ostensibly, the underlying rationale for this shift has been to ‘deregulate’ the system to enable greater flexibility and responsiveness in workplace employment relations in the face of increasing competition in a global economy (Marshall and Mitchell 2006; Mitchell et al. 2010). Put in simple terms, various governments have perceived the need to shift the system away from equity towards efficiency.

Largely successful in their endeavours, the structure of labour regulation in the new millennium is one barely recognisable, even from twenty years ago. The centralised system based on arbitrated awards has given way to enterprise-based bargaining between employers, employees and unions (Marshall and Mitchell 2006). The subsequent reforms not only transferred the focus of regulation to the enterprise, but also its source. The parties themselves became responsible for regulation (Buchanan and Callus 1993; Marshall and Mitchell 2006). This shift from a system based on a mix of external and internal regulations to one based on self-regulation has had a profound effect on Australian industrial relations. Much of the public debate, both policy and academic, has centred on whether the aims of these reforms have been achieved and whether the balance has tipped too far in favour of efficiency (see Baird and Lansbury 2004; Bamber et al. 1998; Bray and Waring 2005; Creighton and Stewart 2000; Lansbury and Kitay 1997; Marshall and Mitchell 2006; Mitchell et al. 2010). Developing concepts to describe and explain these changes has been a major scholarly project and a project that is far from complete.

This thesis seeks to contribute to these often impassioned theoretical and policy debates surrounding the framework of labour regulation by analysing the changing structure in one industry: domestic airlines. The general research questions for this thesis are:
1. How did the structure of labour regulation change in the Australian airline industry during the 1990s and 2000s?
2. How can these changes be explained?

In answering these research questions, this thesis seeks to make a threefold contribution to the industrial relations literature: empirically, theoretically and policy-orientated.

The Australian domestic airline industry was selected for this thesis because it is identified as an empirically, theoretically and methodologically ‘critical’ industry. Empirically, it is important in terms of both its size and economic contribution to Australia: it provides a service that is indispensable to business and the public. It is also an industry that has seen profound changes to its policies and operating environment. Once relatively stable, it is now better known for its volatility and turbulence. Adversarial and contentious employment relations have also been a feature. Specific industry features (such as its service-intensive nature, the high ratio of labour to total costs, and high levels of union representation) have meant that the nature of employment relations is particularly important (Gittell et al. 2004, p. 164). Recent radical changes to the industry, including the multiple entrants and exits, indicate that conditions are still highly volatile. These characteristics make the airline industry an important unit of analysis with which to empirically trace the changing nature of labour regulation in Australia.

More than the empirical benefits, the industry is also theoretically critical. Changes to the structure of labour regulation in the airline industry have been significant, and contrast starkly to the stable patterns that typified the industry before 1990. This research will contribute to understanding the forces, processes and outcomes of labour regulatory change, not only specifically in the airlines, but also in Australia generally. Thus, this industry provides an especially valuable window into broadening our understanding of the theoretical issues surrounding labour regulation. In other words, this is an industry that provides an unusually valuable ‘test tube’ in which to analyse the theoretical propositions presented by this thesis (Bray and Waring 2009).
Finally, the airline industry is methodologically important because, as will be discussed below, it contributes to the public policy debate that has thus far lacked clarity and empirical evidence.

1.2 The importance of the research questions

The importance of the research questions and the contribution this thesis seeks to make can be identified in the theoretical and empirical weaknesses in the ‘bargaining structures’ literature (descriptive and explanatory) and the policy debates.

The main theoretical contribution is achieved through an exchange with the ‘bargaining structures’ literature. Specifically, this thesis seeks to extend the traditional boundaries of analysis beyond the narrow focus that typifies so much of the modern literature. This extended theoretical analysis is facilitated by replacing the notion of bargaining structures in favour of the broader concept of labour regulation.

In terms of description, the literature reflects two theoretical (and subsequently, empirical) flaws. The first of these is that, theoretically, the literature on bargaining structures has many strengths, but it has been dominated by collective bargaining. This is insufficient; it no longer accurately represents the dominant process by which the rules of the employment relationship are made. More specifically, the notion of bargaining structure has failed to extend beyond categories outside of ‘collective’ and ‘bargaining’ constructs. Other rule-making processes that fall outside of ‘collective’ and (arguably with little) ‘bargaining’, such as managerial prerogative and individual contracting, have been largely overlooked. It is well documented in the broader industrial relations literature (see Heery et al. 2008) that collective bargaining has become empirically less important in recent years. The bargaining structure literature has thereby ignored an ever-increasing proportion of workers who fall outside the reach of joint regulation and ‘bargained’ arrangements (Ackers and Wilkinson 2008; Bray et al. 2009; Deery and Mitchell 1999; Macdonald et al. 2001). The bargaining structures literature is particularly sparse when it comes to the most crucial and pervasive form of labour regulation — managerial prerogative (Ackers and Wilkinson 2008; Bray et al. 2009). Even within the broader literature, according to Ackers and Wilkinson (2008, p.
59), reference to management behaviour has been confined to collective bargaining, and that any activity outside this was:

viewed through the normative prism of joint regulation and accorded marginal status.

Similarly, as Kaufman (cited in Ackers and Wilkinson 2008, p. 59) notes, industrial relations:

regarded non-union employers and unitarist employment systems with varying degrees of aversion, suspicion and opprobrium.

The second theoretical weakness of this descriptive literature is that it has failed to capture the complexity surrounding bargaining structures. On the one hand, despite the value of the five dimensions of collective bargaining emerging from the traditional literature, the literature has failed to satisfactorily recognise the linkages between the dimensions, which are intimately and inextricably intertwined. While there are a few notable exceptions, much of the descriptive literature (and corresponding policy debates) has had an overt focus on describing the degree of centralisation (or level) within the institution of collective bargaining (Flanagan 2008; Frenkel and Peetz 1990; Katz 1993; Lansbury and Niland 1995; Thörnqvist 1999; Traxler 2003a; Zagelmeyer 2005). This narrow focus is understandable given the recent trend for bargaining structures to become more decentralised; however, it reduces the completeness of our understanding of bargaining structures. Not only does it ignore those who fall outside the realm of collective bargaining, but it has also led to an analytical neglect of the other regulatory dimensions.

On the other hand, although acknowledged by some scholars (see Fetter and Mitchell 2004; Plowman 2002; Plowman and Rimmer 1992; Rimmer 1989, 1998), the literature has generally failed to incorporate other ‘complexities’ as articulated by Bray and Waring (2005, p. 1). The authors posit that ‘the analysis offered so far is incomplete; indeed, it misses some very important dimensions of recent changes in Australian labour regulation’. Bray and Waring see complexity in the layering of regulation, parallel regulation and the congruity of regulation. They also suggest that empirical changes to the employment relationship have meant that these additional dimensions assume a greater importance and deserve greater theoretical attention.
A consequence of this predilection of viewing bargaining structures through a narrow analytical lens is that the full picture of bargaining structure change is obscured. Our understanding is, at best, partial. This thesis argues that the most complete understanding can only be achieved when analysis moves beyond these elements. This can be done in two ways: (1) the other traditional dimensions of bargaining structure must be taken into account; but (2) the theoretical matrix used to describe bargaining structures must be extended to incorporate both those rule-making processes outside of collective bargaining and also the newly articulated ‘complexity’ of regulation. Germane to these criticisms, this thesis will argue that the notion of bargaining structures is partly responsible for generating these flaws identified in the literature. It will be contended that the traditional concept is no longer valid and indeed, misleading. To overcome this inherent narrow association, the notion of ‘bargaining structure’ is replaced with the more encompassing and holistic concept of ‘labour regulation’.

In terms of explanation, three main weaknesses have been identified in the bargaining structures literature. The most obvious of these, given that theoretically-informed description is the first level of explanation (see Section 1.3.1 below), is that the criticisms identified in the descriptive literature are generally replicated within the higher-level explanatory literature. At the risk of repetition, the most of important of these is that, theoretically, the literature has had a tendency to focus on explaining one particular aspect of collective bargaining structure — chiefly the ‘level’ of ‘collective bargaining’. Explanations of changing scope, status and coverage of bargaining have received far less attention.

Secondly, and linked to the above criticism, it will be argued that while explanations of bargaining structure have correctly (if often implicitly) been embedded in the notions of context and agency, rarely has the literature achieved the right balance. Chapter 3 will demonstrate that the early literature tended to privilege contextual factors, particularly the product market, thus constructing explanations that were overly deterministic. The agency of the key actors (especially management) has hitherto been under-researched and their importance in shaping bargaining structures underestimated. In recognition of this flaw, scholars (most notably Kochan et al. 1986; Purcell and Sisson 1983) sought to inject a more dynamic and agency-based approach into explanations. While this shift was valuable, it led to studies placing too much emphasis on agency, in particular...
management agency. Incongruously, the role of the institutions, most notably the state in terms of shaping labour law and markets, has been largely overlooked in the modern literature. Finally, not only have explanations paid too much attention to either context or agency, they have failed to acknowledge the dialectical relationship between the two. The concepts of context and agency cannot be viewed in isolation; they are inextricably linked in a complex web of reflexive feedback.

Thirdly, explanations of bargaining structures have been too narrow. On the one hand, within the context-based literature, the admirable recognition of product markets as a key explanatory variable has coincided with the neglect of other markets, such as financial markets and the market for corporate control. As well, analysis within the product market literature has been too simplistic with explanations often couched only in terms of the vague notion of ‘increased competition’. Finally, as noted above, the recent literature has neglected the role of the state, particularly in terms of its role as a context setter through the prism of labour law. On the other hand, a narrow focus is also noted within the agency-based literature. For example, while employers have — and rightly so — been elevated to central figures in bargaining structure explanations, the ability of the unions to shape bargaining structures in almost any way has been overlooked. Unions have been incorrectly relegated to ‘bit player’ status, often portrayed as only defensive and reactive. While their power has certainly decreased in recent years, this thesis will demonstrate that unions are – at least in this industry - not the spent force they are so often portrayed to be.

Finally, the third way this thesis contributes is through its potential to inform public policy. In broadest terms, the public debate over the structure of labour regulation in Australia has largely been conducted at the macro political-economic level, and often through the prism of poorly defined, elusive and indiscriminately deployed concepts such as ‘enterprise bargaining’ and ‘deregulation’ (Bray 1996; Bray and Waring 1998; Macdonald et al. 2001). This debate has not been supported by actual empirical industry-level (or workplace-level, for that matter) data surrounding the effectiveness of the reforms in terms of outcomes (Bray and Waring 1998 and 2006c; Briggs and Buchanan 2000; Mitchell et al. 2010). Thus, this thesis seeks to contribute to the debate by providing an in-depth, conceptually clear, theoretically-informed analysis of a single industry case.
The policy contribution of this thesis will also be demonstrated in the most vociferously contested aspect of this debate, the level of regulation. Contrary to the claims (and the core rationale and talisman of the government’s reforms that enterprise bargaining allows employers and employees to tailor their employment arrangements to suit their specific circumstances), research is suggesting that enterprises are, in fact, not acting autonomously. This had led some commentators to question the desirability, let alone the necessity, of decentralised arrangements, the most ardently pursued reform by advocates (see Bray 1996; Briggs et al. 2006). This study will provide further insight into this debate. In addition to labour market reforms, this industry has also been subjected to significant operating and structural reforms. The effects of deregulation and privatisation have been significant. While the travelling public emerges as the clear winner, it has come at a significant cost to its workers. Thus, this research also draws attention to broader policy debates surrounding the operation of markets, particularly the product market.

1.3 Theoretical assumptions and definitions

Employment relations is a complex, interdisciplinary field of study. Theoretical pluralism abounds and the range of analytical tools available to researchers is broad. One criticism often levelled at employment relations research is that it fails to explicitly identify the frame of reference, theoretical perspective or approach used; thus, this leaves the reader to deduce the underlying theories (Bray et al. 2009). The following subsections outline the broader theoretical position underpinning this research and then present some central definitions.

1.3.1 Description and explanation

This thesis draws a distinction between description and explanation as separate, albeit linked, analytical processes. This approach has a long heritage. Hempel (cited in Bacharach 1989, p. 496), for example, points out that science has two basic functions: to adequately describe the objects and events being investigated; and to establish theories by which events and objects can be explained and predicted. This thesis uses both these analytical processes, in that it seeks to describe and explain labour regulation (and changes therein) within an industry. It is, however, also necessary to define the concepts of description and explanation because, according to Punch (1998, p. 15), they
represent two different levels of understanding. Correspondingly, they have different implications for this research.

The dictionary definition of ‘to describe’ is to ‘state the characteristics, appearance etc. of, in spoken or written form’ (Australian Oxford Dictionary, Moore 2005). Similarly, from a social research perspective, to ‘describe’ is to ‘draw a picture of what happened or what things are like’ (Punch 1998, p. 15). Lewins (1992, pp. 19–27) offers a deeper understanding when he identifies five different ‘levels’ or degrees of explanation. The most powerful is causal theory ranging downwards through models, laws, taxonomies and, finally, description. Description, which he thus sees as the lowest level of explanation, provides an ‘account of events which adopt a particular standpoint, either consciously or unconsciously’ (p. 26). Importantly, though, Lewins points out that description and explanation are not mutually exclusive in that explanations are ‘classified’ in accordance with their explanatory power.

Broadly agreeing with Lewins, Bacharach (1989, p. 496) rightly states that:

Description, the “features or qualities of individual things, acts or events”, must be distinguished from theory.

While this thesis concurs with this sentiment, in that description and theory (causal) should be differentiated, Bacharach goes further, contending that description has no explanatory power:

While some forms of descriptive analysis are often confused with theory, all researchers agree that categorisation of data — whether qualitative or quantitative — is not theory (p. 497).

More specifically, Bacharach states:

Other descriptions — specifically, those based upon typologies — have been more abstract in organising observations.... Yet even these abstractions should not be viewed as theory (p. 497).

Therefore, Bacharach not only also rejects Lewins’ first level of explanation (description), but also his second level (the taxonomy), an analytical tool widely used in employment relations (and indeed, within this research), and one based on sound theoretical knowledge. For Bacharach, there is only one level of theory.
This thesis rejects Bacharach’s insular position. Contrary to Bacharach, and in agreement with Lewins, ‘description’, although limited, does possess some explanatory power. To clarify this position, the process of description — when informed by theory — involves the ‘reduction’ of facts; that is, distinguishing between those facts considered important and those that are not. In this way, description enhances our understanding because the complexity surrounding a situation is reduced. Thus, as scholars that are perhaps more broad-minded have argued, theoretically-informed description is valid because it constitutes the first step towards explanation (Bray et al. 2009, p. 24; Lewins 1992). Indeed, this thesis will draw on well-established categories or ‘dimensions’ to describe patterns of labour regulation within the airline industry (Chapter 2). In doing so, an element of explanation, albeit limited, is delivered, chiefly because the range of relevant facts is reduced, and commonalities are more readily identified and complexity diminished (Bray et al. 2009, p. 28). As Lewins (1992) and Bray et al. (2009, p. 28) argue, this use of taxonomies, while still largely descriptive, in fact goes beyond mere ‘description’. Finally, classifying and narrowing the range of facts also helps to clarify the observer’s discipline or standpoint (Lewins 1992) — a particularly salient fact given the theoretical pluralism that prevails in the field of industrial relations. Thus, the position of this thesis is that theoretically-informed description constitutes a valid, but limited, form of research in its own right.

The dictionary definition of ‘explanation’, on the other hand, is ‘something that explains; a statement made to clarify something and make it understandable’ (Australian Oxford Dictionary, Moore 2005). Going beyond description, to explain is ‘to account for what happened, or for how things are proceeding, or for what something or someone is’ (Punch 1998, p. 15). Thus, explanations go further than description. While there have been many attempts, due to the ‘sociological’ nature of employment relations, no causal theories or laws have yet been developed. Indeed, the highest level of explanation offered in the employment relations literature is models, the middle of Lewins’ levels of explanations. Models simplify and provide a clearer picture of the world and represent the processes said to be operating in the social world. Models do not show how or why, and of course have less explanatory power than causal theories (Lewins 1992). However, despite the limitations, the importance of this level of explanation should not be discounted. As will be established in more detail in Chapter
3, explaining patterns of labour regulation means drawing on ‘models’ already advanced by academics in the field.

1.3.2 Epistemological and theoretical perspective
When it comes to the overarching epistemological assumptions, this thesis is underpinned by the concepts imbued in the constructionist paradigm. Contrary to its counter, positivism, the essence of constructionism is that meaning is not discovered but constructed. Meaning does not exist without a mind. Truth or meaning only exists ‘in and out of our engagement with the realities in our world’ (Crotty 1998, p. 8). Therefore, importantly, researchers are not distinct entities from their subject matter (O’Dowd 2003, p. 41). To quote Crotty (1998, p. 9), ‘different people may construct meaning in different ways, even in relation to the same phenomenon’. Constructionism, and thus this thesis, rejects the positivist perspective (and therefore objectivism), which asserts that objects are independent; that is, they have their own meaning independent of human consciousness. Rather, this thesis adopts the position that knowledge emerges from social processes and interaction. Humans, indeed, construct their own reality (O’Dowd 2003, p. 41). In this way, constructionism provides the epistemological assumptions guiding this thesis and the resultant research strategy.

The theoretical perspective (that is, the philosophical position behind the methodology of this research) draws on the critical theory paradigm to ground its logic and to provide the setting (Crotty 1998, p. 7). Embedded in the concepts of context and agency, critical theory is concerned with how people think and act, and the influence of social circumstances on those thoughts and actions. The appellation ‘critical’ is drawn from the philosopher Kant, who posited that knowledge should not be taken for granted; understanding can only be achieved when we engage critically with the conditions that make the knowledge possible (Porter 2003, p. 57). Therefore, in a position similar to constructionism, critical theorists reject positivism (May 2001, p. 39). Critical theorists argue that it is an erroneous assumption to study society in ways analogous to how nature is studied (Porter 2003, p. 59). Structures, they contend, were historically assigned too much causal power; hence, the influence of social action was undervalued. The true value of social research emerges when an explanation of behaviour is seen in terms of socio-economic and cultural context (Porter 2003).
Critical theory is also relevant because it delves beneath the surface of apparent
knowledge and reason, ‘in order to see how they are distorted in an exploitative society,
and thus show the possibility of less distorted forms’ (Porter 2003, p. 58). To
paraphrase May (2001, p. 39), a critical researcher is not concerned exclusively with
fact gathering or neutrality; the notions of power and reality are paramount. It is
uncovering power and its source, argues Porter (2003, p. 60), which helps to explain the
dynamics of day-to-day life.

The relevance of critical theory to this research is immediately apparent. This study
aims to describe and explain the structure of labour regulation utilising the concepts of
context and agency and their dialectical relationship. However, as a qualitative study,
this research is inherently bound to seek ‘reality’ — put simplistically, to discover the
often-untidy truth (see Chapter 4). The notion of power, which will be identified as
crucial to this dialectical relationship, constitutes an essential part to understanding this
reality. It is often undervalued in employment relations research. Therefore, not only
does critical theory employ both context and agency, but it also reminds the researcher
to move beyond fact gathering to uncover the truth. The values and beliefs embodied
within critical theory therefore supply both the setting and the logic behind the
methodology chosen for this thesis.

1.3.3 Neo-institutionalism

The analysis of labour regulation in the Australian airline industry falls within a broad
theoretical paradigm, which can be called neo-institutionalist employment relations
(Bray et al. 2005; Bray et al. 2009; Godard 2004; Kaufman 1997). Neo-institutionalism
draws on the normative orientation of pluralism. It has evolved over time from what
was often referred to as ‘old’ institutionalism, associated with the writings of scholars
like John Commons, and Sidney and Beatrice Webb (Bray et al. 2005; Godard 2004, p.
229; Kaufman 1997). This ‘old’ institutionalist perspective, however, has been widely
criticised for being overly descriptive, ‘atheoretical’ and (more recently) of
having an overt preoccupation with formal institutions (Bray et al. 2005; Godard 2004).
‘Neo-institutionalism’ developed out of a need to address these shortcomings. Neo-
institutionalism extends the study of industrial relations to incorporate the ‘broader’
notion of the employment relationship; in particular, one that incorporates the wider
analysis of production and capitalist social relations (Bray et al. 2009, p. 53). Neo-
institutionalism, with its focus on rules and rule-making processes, forms the set of analytical tools used in this thesis.

1.3.4 Context, agency and social science research

In drawing on the analytical tools of neo-institutionalism, this thesis exploits the notions of agency, context, and their dialectical relationship. Agency refers to the ability of actors to make choices, their capacity to act independently or to make choices free of restraint (Giddens 1984). The choices these actors make are based, among other things, on their values, perceived objectives, resources and expectations (Bray et al. 2009, p. 42). Giddens (cited in Bellemare 2000, p. 385) was among the first to advance the notion of human beings as competent actors. For Giddens (1984, p. 9), agency is:

not to the intentions people have in doing things but to their capability of doing things in the first place...Whatever happened would not have happened if that individual had not intervened.

Context, on the other hand, is rather elusive and often poorly defined (Bamberger 2008; Mowday and Sutton 1993). However, several definitions are illuminative. Johns (2006, p. 386) defines context as those:

situational opportunities and constraints that affect the occurrence and meaning of organizational behavior as well as functional relationships between variables.

Mowday and Sutton (1993, p. 198) see context as:

stimuli and phenomena that surround and thus exist in the environment external to the individual most often at a different level of analysis.

Put another way, context needs to be seen as providing both constraints and opportunities for behaviour. Context exists external to, and surrounding, the organisation and individual. It occurs mostly at different levels (more on this below). It influences the behaviour and functional relationships of organisations and individuals.

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1Some clarification is needed here. It may become apparent that there is a similarity between ‘context’ and the social science term ‘structure’. ‘Structure’, as defined by Giddens (1984, p. 16), exists ‘external to human action, as a source of constraint on the free initiative of the independently constituted subject’. The similarities between ‘context’ and ‘structure’ make a clear and precise distinction between them difficult. Perhaps one difference stems from the etymology of the words, in that structure has a rich history in classical sociology, whereas context appears to be favoured in the more recent organisational behaviour and management literature (Bamberger 2008; Johns 2006; Mowday and Sutton 1993). For the purposes of this thesis, both structure and context will be considered basically the same. However, to avoid possible ambiguity given the frequent use of the term structure throughout this thesis, ‘context’ will prevail over ‘structure’.
Importantly, context influences — but does not determine — the behaviour and relationships of organisations and individuals.

For this thesis, balancing and incorporating the notions of context and agency are crucial. Context and agency are not mutually exclusive, nor are they necessarily conflicting or contradictory. Rather, the relationship between the two could be described as one operating with a mutual, dynamic interdependency; in other words, in a dialectical relationship. To quote Sewell (1992, p. 4):

Structures shape people’s practices, but it is also people’s practices that constitute (and reproduce) structures. In this view of things, human agency and structure, far from being opposed, in fact presuppose each other.

1.3.5 The level of analysis

Employment relations scholars have long been aware of the importance of the level of analysis (see Heery et al. 2008). Dunlop (1958, p. 385), for example, says:

The concept of an industrial-relations system is deliberately variable in scope: it may be used to characterize an immediate work place, an enterprise, a sector, or a country as a whole. The grouping cannot be arbitrary or capricious; the work places and the actors, at varying levels, that are grouped together must reflect a considerable degree of cohesiveness and formal or informal interdependence.

Similarly, Heneman (1969), notes:

The reason for differentiating these levels is that industrial relations variables may operate differently or have different importance at various levels.

These early writers, however, have failed to adequately deal with levels of analysis in a theoretical sense (Bray et al. 2009, p. 38). In particular, levels of analysis are important in distinguishing between what is being described (that is, the level of labour regulation under investigation) and what is therefore context (hence part of the explanation). In this way, contexts vary depending on the level under investigation. Moreover, more than just being poorly articulated, Johns (2006, p. 388) draws on work by Cappelli and Sherer (1991) and Mowday and Sutton (1993, see above) to posit that contexts operate at what he terms a ‘cross-level’ effect. By this, Johns means that ‘variables at one level of analysis affect variables at another level’ (p. 388). While not excluding upward effects, he also adds that most cross-level conceptions of context are top-down — incorporating the impact of ‘higher level’ factors on a ‘lower level’ (2006, p. 388). In the words of Cappelli and Sherer (1991, p. 56), relevant contexts are those:
surroundings associated with phenomena which help to illuminate that phenomena [sic], typically factors associated with units of analysis above those expressly under investigation.

To summarise Johns (2006, p. 388), higher-level contexts often have a direct effect on the level under investigation.

Industry is the level of labour regulation under investigation in this thesis. This means that due recognition will be given to those contexts operating at this level and at the level above. Thus, for this research, contexts will incorporate industry level factors such as product markets; technology and the production process; and higher, national level factors such as labour laws, the economy and politics.

1.3.6 An industry: a definition and why industry studies are important

Before embarking on the description and explanation of labour regulation in an industry, it is important to define an industry. The *Australian Oxford Dictionary* (Moore 2005) defines industry as:

> a branch of manufacture or trade; large commercial enterprise (mining industry; tourist industry).

Similarly, the Australian Bureau of Statistics assigns an individual business to an industry in accordance with its predominant activity. The ABS uses the term ‘business’ in its widest sense, to include ‘any organisation undertaking productive activities, including companies, non-profit organisations, government departments and enterprises’. Classifying businesses in this way provides ‘a standard framework under which business units carrying out similar productive activities can be grouped together, with each resultant group referred to as an industry’ (ABS 2006).

Employment relations research has, of late, tended to focus on extremes; that is, at either the national level, or at the level of the individual enterprise, or even below (Bray et al. 2009; Heery et al. 2008). Although valuable research has recently been produced (as Australian examples, see Kitay and Lansbury 1997; Waring and Bray 2006a), studies at the level of the industry appear to have fallen out of favour with scholars. Some commentators have cautioned against this neglect, arguing that industry studies continue to be important and constitute, in their own right, a valuable and unique source of research. Bray and Waring (2009, p. 618), for instance, argue that analysis at the site
of the industry is important in three ways. The first way is that, not surprisingly, industry-level studies, both within and between industries, are necessary to understand the empirical reality of industrial relations practices at this level. More specifically, they point out that while there is some degree of convergence between enterprises within industries, empirical diversity exists between industries. This empirical diversity, they assert, must be acknowledged and explained. The second way is in terms of public policy, where they contend that despite the current trend to enterprise-level policy solutions, industry level regulation continues to be significant. Industry studies should be an important source of information in policy debates, a fact that has been lacking in the recent discourse. The third way is that the level of the industry continues to be (as has long been recognised) an important site for research into the development of theory. Indeed, for this thesis, the airline industry represents a unique and valuable ‘test tube’ in which to analyse the theoretical propositions presented (see Chapter 4). The three contributions this industry-level thesis makes (empirically, theoretically and public policy-orientated) have all been noted above. These points, articulating the importance of industry studies, will become more evident as this thesis unfolds.

1.4 Arrangement of this thesis

To provide the setting for the empirical research conducted by this thesis, Chapter 2 reviews the literature that seeks to describe bargaining structures. To begin, this chapter reveals the various and sometimes conflicting definitions surrounding the topic. The next section discusses the theoretical literature associated with the traditional ‘dimensions’ of bargaining, including the parties, level, scope, status and coverage. The following section identifies the shortfalls of this literature. In particular, it is posited that while the extant literature is valuable, it is deficient because: first, it is increasingly irrelevant in the modern employment relationship; and secondly, it is incomplete in that it fails to acknowledge the complexity of bargaining structures. The subsequent section introduces the broader notion of ‘labour regulation’ as a way to overcome these deficiencies.

Chapter 3 has a similar aim but is more complicated. This chapter moves beyond description to review the complex literature that seeks to explain bargaining structures. To simplify this process, the chapter is split into two broad categories. The first
category examines the literature that identifies some key contexts that shape bargaining structures. Conversely, the second category considers the agency-based literature associated with bargaining structures. In both cases, an in-depth exploration of the criticisms surrounding this literature is presented. The penultimate section draws on these deficiencies to offer a modified framework, one that seeks to overcome these deficiencies and better explain patterns of ‘labour regulation’.

Chapter 4 details the research methodology used for this research. More specifically, it systematically describes and justifies the processes of investigation utilised to answer the research questions. To this end, the chapter falls into three main sections. The first discusses the principles surrounding good research design and strategy. Included is a particular focus on the case study strategy, the strategy selected as the most appropriate for this research. Subsequently, there is a review of the criticisms and limitations surrounding this approach, before moving on to discuss specific details surrounding the particular case study strategy utilised for this research. The second section discusses data gathering techniques, and, as with the first section, it begins with a general discussion before turning to the specific types of data gathering applied. The third section is concerned with data analysis and follows the same structure as the first two sections. This chapter concludes with a summary of the research methodology used within this thesis.

Chapter 5 has the important objective of providing the necessary background information to support the following two empirical chapters. This is achieved in two ways. The first way is to provide the relevant information to locate the Australian industry in the broader global aviation industry. Unsurprisingly, this section will reveal that there are many commonalities between the Australian industry and its international counterparts. These commonalities are derived from features that are inherent to the technological or economic nature of the industry, or that follow from different national aviation industries confronting similar imperatives and responding comparably over recent years. The second way is to provide more specific background information on the Australian industry. This section will cover historical events and more general features of the industry, such as the product market, regulatory regimes and performance indicators. The other aim of this chapter is to validate the claims in the previous chapter that this case is both empirically and theoretically critical.
Chapter 6 is the first of two empirical case studies. This chapter draws on the extended theoretical framework developed in Chapter 2 to describe changes to the structure of labour regulation in the domestic airline industry.

Chapter 7 is the second empirical chapter. This chapter seeks to answer the second research question; that is, it seeks to best explain patterns of labour regulation in the domestic airline industry.

Chapter 8 is the final chapter of this thesis. As such, the aims of this chapter are to prove that the research questions posed by this chapter have been answered and that the empirical, theoretical and policy-orientated claims made by this research have been achieved.
CHAPTER TWO
FROM BARGAINING STRUCTURES TO LABOUR REGULATION: DESCRIBING COMPLEX PATTERNS OF RULE MAKING

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2.1 Introduction

This is the first of two chapters seeking to explore the extant literature on bargaining structures, and to develop the alternative ‘labour regulation’ approach that will be used in the empirical chapters of this thesis. Specifically, this chapter will examine the body of literature that attempts to ‘describe’ bargaining structures. Such literature is important for three reasons. First, theoretically informed description is often considered the first step towards explanation (see Bray et al. 2009 and Lewins 1992). Therefore, descriptive accounts of bargaining structures lay the foundations for higher-level explanations. Secondly, bargaining structures are complex. The intention of the descriptive literature is to bring some degree of order and analysis to this complicated world of rule making. Over time, scholars have developed a series of taxonomies. These have reduced the complexity associated with real-world practices by identifying and classifying the most important variables that comprise the real world of bargaining structures (Bray et al. 2009, p. 302; Lewins 1992). Thirdly, while the existing literature is valuable in providing a critique, a foundation is established for building the broader approach adopted in this thesis.

The central argument in this chapter is twofold. Firstly, it will be shown that changes to the way the employment relationship is structured and managed have meant that the concept of bargaining structures is no longer adequate. More specifically, the traditional emphasis on collective bargaining in the ‘bargaining structure’ literature has failed to incorporate categories outside the ‘collective’ and ‘bargaining’ constructs. Secondly, this chapter will contend that the traditional approach needs supplementation that recognises the complexity of bargaining structures. Together, these two arguments lead to the development of a more holistic approach, focussing on the description of ‘labour regulation’ rather than ‘bargaining structures’.

In this chapter, Section 2.2 reviews existing definitions of bargaining structures by exploring their strengths and weaknesses. Section 2.3 examines the taxonomies developed to ‘describe’ bargaining structures. These include the generally recognised five dimensions: the parties to the employment relationship; the level; the scope; the status; and the coverage of bargaining. Section 2.4 will then explore the issues surrounding complexity. Having reviewed the existing literature, Section 2.5 will
present the alternative ‘labour regulation’ framework that will guide the empirical analysis in later chapters.

2.2 Bargaining structure: a definition

The rules that regulate the employment relationship are central to any industrial relations system, but the processes by which they are made and enforced are complex. ‘Bargaining structure’ is a construct created to help describe (and ultimately explain) these multifaceted processes. Due to the complicated nature of the subject, an exact definition is elusive; some variation is noted over time and between scholars. One of the earlier definitions is from the US scholar Weber (1967, p. 14), who defines bargaining structure in terms of the ‘informal work group’, the ‘election district’, the ‘negotiation unit’, and the ‘unit of direct impact’. UK scholar Ogden (1982, p. 170) suggests bargaining structures could be understood as a ‘framework or structure through which negotiations are conducted’. Similarly, Bean, also from the UK, articulates bargaining structures as ‘the regularised patterns of union-management interaction, or the network of institutionalised bargained relationships’ (1994, p. 79). Within Australia, Thornthwaite and Sheldon (1996, p. 173) describe bargaining structures as ‘institutional arrangements for processing conflicting demands arising out of the employment relationship’. Finally, Bray et al. (2005, p. 267) define bargaining structure as a ‘concept used to describe the specific institutional arrangements by which employers and employees determine the terms and conditions of the employment relationship’.

While there are many similarities between these definitions, there are also two important differences. Both are linked to broader issues concerning how to analyse trends in bargaining structures, and both arise from the origins of the bargaining structures literature in the analysis of collective bargaining.

First, the more traditional definitions of bargaining structure (some of which are cited above) tend to focus on ‘collective’ forms of rule making, which necessarily exclude other forms (most obviously individual bargaining). There is the embedded assumption that negotiations focus on relationships between employers (and/or their associations) and unions (see Flanagan 2008), or between employers, unions and the state (Zagelmeyer 2005). This approach, however, became increasingly problematic as the
institutions associated with collectivism declined and were replaced by individualism. This conceptual inertia is surprising given that many scholars have acknowledged that collective forms of regulation have become increasingly absent or considerably weakened for a substantial sector of the workforce. For example, in 1987, Windmuller (cited in Bean 1994, p. 74) claims:

there has also occurred a subtle weakening in the position of collective bargaining as a decision making process.

Likewise, Cooper and Ellem (2008) argue that as neo-liberal governments have emerged around the world, union power has decreased. The individualisation of the employment relationship has proliferated in its place. That is, as collective bargaining continues to shrink, the growing void is increasingly being filled by non-collective methods of rule making.

The most pervasive of these non-collectivist methods for determining the procedural and substantive rules in the employment relationship is managerial prerogative. Managerial prerogative, given that IR is widely conceived as ‘the study of all aspects of job regulation — the making and administering of rules’ (Bain and Clegg, cited in Storey 1976), is of course a central rule-making process in employment relations. Certainly, managerial prerogative has become more important in the bargaining structures literature in recent times; for example, Sisson (1987, p. 12) argues that it was the need to maintain managerial prerogative that led to the employer decision to recognise unions for collective bargaining purposes. More recently, Marshall and Mitchell (2006) argue that the most important impact of decentralised bargaining has been the restoration of managerial prerogative. Bray and Waring (2006a) similarly acknowledge the significance of the rise of managerial prerogative under the Howard Government. While collective rule-making processes are clearly still relevant, non-collective rule-making processes — an area of growing significance — have been overlooked in the literature (for a notable exception, see Bray et al. 2009, Chapter 10).

More recent definitions of ‘bargaining structure’ (for example, those of Thornthwaite and Sheldon and Bray et al.) utilise the broader notions such as the ‘processes for resolving conflicting demands’ and the ‘institutional arrangements’ for determining the

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2 Storey (1976), however, lamented on the curious lack of research on this topic within the British literature.
rules of the ‘employment relationship’. In this way, more recent definitions have attempted to go beyond the ‘collective’ and to expand the boundaries to include non-collective forms of rule making.

Secondly, conventional definitions of bargaining structure have emphasised ‘bargained’ forms of rule making to the exclusion of ‘non-bargained’ forms, especially those associated with unilateral forms of rule making, such as managerial prerogative and state regulation. Moreover, the notion of ‘bargaining’ is often misleading. For example, a number of studies found that ‘bargaining’ in state-sanctioned processes such as individual contracting is largely fiction (although this is contested) (Bray and Waring 2006a; Macdonald et al. 2001; Peetz 2006). For instance, studies by Waring (2000), Brown et al. (1998), and van Barneveld (2004) all found that most employees were on identical agreements rather than highly differentiated agreements that would be expected in individually bargained arrangements. As van Barneveld (cited in Bray and Waring 2006a, p. 56) concludes, there is not much that is ‘individual’ about ‘individual’ contracts because the contracts are largely standardised documents. Nor are they ‘bargained’ because they are often developed unilaterally by management and presented to employees on a ‘take-it-or-leave-it’ basis.

Similarly, more recent definitions (again, from such as Thornthwaite and Sheldon and Bray et al.) have tried to expand the analytic boundary to non-bargained forms by eliminating any reference to ‘bargaining’ and ‘bargained’ arrangements in their terminology. In doing so, any inherent association with ‘bargained’ arrangements has been removed, ensuring that non-bargained forms of rule-making processes are no longer excluded. Despite this important redefinition, however, they have retained the nomenclature.

The definitional approach adopted in this thesis draws on these later and broader contributions. Indeed, as anticipated in Chapter 1, a central argument of this thesis is that changes to the employment relationship over recent years have been such that the term ‘bargaining structures’ and the traditional focus on collective bargaining are increasingly inadequate. It will be further argued that ‘labour regulation’ (as defined and developed in Section 2.5) is a broader concept that more appropriately recognises the centrality of non-collective and non-bargained rule-making processes.
2.3 Describing bargaining structures: the traditional categories of bargaining

To ‘describe’ (as noted in Chapter 1), means to ‘state the characteristics, appearance etc. of, in spoken or written form’ (Australian Oxford Dictionary, Moore, 2005). To help describe situations, scholars over the years have developed various methods that ‘reduce’ the complex nature of social reality to make them more understandable. One useful method to simplify complex issues is by using concepts or taxonomies. Taxonomies, according to Lewins (1992, p. 24), are classification schemes useful in simplifying and ordering facts. Importantly, not only do taxonomies help to simplify a complex reality, they also indicate the theoretical assumptions of the author (Bray et al. 2009). Explicitly detailing these theoretical assumptions with taxonomies thereby builds on the descriptive value of the extant research.

Taxonomies have long been useful in helping to ‘describe’ bargaining structures and reduce their complexity. Scholars have, for example, segregated ‘bargaining structure’ into a series of categories or taxonomies, commonly labelled ‘dimensions’. These dimensions, while not intended to be applied in a formalistic way, enable the types of collective bargaining to be differentiated — and thus simplified — so as to aid understanding of how labour is regulated (Bray and Waring 2006b). Clegg, in his seminal book Trade Unionism Under Collective Bargaining (1976), was one of the first scholars to articulate the complex rule-making process through these dimensions. He argued that national systems of collective bargaining varied in terms of the extent of bargaining (coverage); the level of bargaining; the scope of bargaining; and the degree of employer support for trade unions. Clegg’s equivalent of status was the ‘degree of control’ of collective agreements.

The analysis of bargaining structures has most often been used in comparative studies that contrast national structures between countries. Typically, this has followed countries of similar economic development, such as member countries of the OECD or industrialised market economies (see Bamber and Lansbury 1998; Bray 1992; Clegg 1976; Katz 1993; Sisson 1987; Traxler et al. 2001). However, bargaining structure analysis has also been useful in tracing historical changes in national bargaining arrangements within one country, as well as contributing to the analysis at a micro level;
for example, within one region or even one industry (see Arthur 1992; Bray et al. 2005; Bray and Waring 1998; Eaton and Kriesky 1998; Sheldon and Thornthwaite 1996; White and Bray 2003).

While variations exist between the various writers, it is generally accepted that there are five dimensions of bargaining structure: the parties (or agents), level, scope, status and coverage (Bray et al. 2005; Heery et al. 2008). The aim throughout the following sections is to explore how these dimensions have enhanced our understanding of bargaining structures, and to draw attention to some deficiencies that have emerged in the descriptive literature when using these taxonomies.

2.3.1 The parties to the employment relationship

The parties to the employment relationship have long been central to scholarly research in employment relations. Dunlop famously assigned the term ‘actors’ to these parties in analysis (Heery et al. 2008). He identified three traditional actors: a hierarchy of managers and their representation in supervision; a hierarchy of workers (non-managerial) and any agents; and specialised governmental agencies (and specialised private agencies created by the first two actors) concerned with workers, enterprises and their relationships (Dunlop 1993, p. 47). Although Dunlop posits that an IR system consists of three actors, he fails to define what it means to be an ‘actor’ in an industrial relations system. Indeed, Bellemare (2000, p. 384) argues that the definition of an actor is often assumed and rarely articulated. Furthermore, Bellemare adds that despite the seemingly broad scope of potential actors offered in Dunlop’s definition, scholarly research tended to focus exclusively on the collective actors — such as trade unions, their management equivalents, and the processes involved with collective bargaining (see also Heery and Frege 2006, p. 601). In recent times, there has been a concerted effort by scholars to extend this traditional classification of actors to more accurately reflect the modern employment relationship (see the British Journal of Industrial Relations 2006; see also Bellemare 2000; Michelson 2006). This extension has been in response to the decline of collective agents in many countries and the emergence of other ‘new actors’ (Bellemare 2000; Heery et al. 2008, p. 2). Bellemare attempts to remedy this deficiency by defining an actor in an industrial relations environment as:

an individual, a group or an institution that has the capability, through its action, to directly influence the industrial relations process, including the capability to
influence the causal powers deployed by other actors in the IR environment (indirect action). ...To be a genuine actor, one must not only take action, but also have the capacity to allow other actors to take one's actions into consideration and to respond favourably to some of one's expectations or demands (2000, p. 384).

This more holistic definition will be deployed throughout this thesis in order to identify those relevant actors or parties to the rule-making processes. It should be noted, though, that the word ‘institution’ in the context of Bellemare’s quote will not be used. Institutions cannot act; thus, to minimise confusion, ‘organisation’ will be used instead.

With this discussion as background, it is worth more deeply exploring the three main parties to the rule-making process. The first party involved in the employment relationship is employees. Employees can be categorised according to whether they participate directly or indirectly in the rule-making process. Direct participation in the rule-making process, whereby the employee liaises directly with the employer, infers highly individualistic arrangements. While such arrangements are increasing in incidence (Mitchell and Fetter 2003; Waring and Bray 2003), it is still common for individual employees to participate indirectly by engaging a range of agents to act on their behalf (Bray et al. 2009, p. 26). Often collective in nature, this representation can be categorised into trade unions and other non-union forms. While union representation is still highly featured in scholarly research, non-union forms have received growing recognition in recent times (Bellemare 2004; Kaufman and Taras 2000; Markey 2007). Specifically, more attention is being paid to work councils and joint consultative committees (see Frege 2002 and Markey 2007), and identity groups and social movement organisations that operate on behalf of particular employee categories such as women, minorities, homosexuals, migrants, disabled and older workers (Heery et al. 2008, p. 2; Bellemare 2004). Other forms of non-union representation include employee professional associations, lobbying, advocacy and civil rights groups, and welfare agencies (Kaufman 2004, p. 57).

Whether they are union or non-union, describing the agents acting on behalf of employees invariably centres on the ‘organisations’ themselves, their size and shape, internal governance structures and processes, and internal structure and functioning. Consideration also extends to factors such as the ideology, values, collective goals,
strategies and tactics employed by those organisations. It is important to understand the character of the organisation’s membership and to identify any membership trends. Also relevant are the organisation’s external affiliations and alliances, such as the relationship and position the union has with the national trade unions, and the impact of this on the strength of the individual union (Bray et al. 2009; Heery et al. 2008, p. 3; Kaufman 2004).

The second main party is employers. While seemingly straightforward, identifying the agents acting on behalf of employers, and how they contribute to the rules of the employment relationship, can be a difficult task (Bray et al. 2009, p. 26). Some areas requiring consideration in the individual enterprise include the degree of centralisation or decentralisation of the management hierarchy, its composition, and whether specialist managers, incorporated within HR/IR departments, exist.

Employers, like unions, have many incentives to combine by forming employer associations, allowing them to pursue their own interests and to increase mutual protection. Examples of why employers combine include: to influence collective bargaining; to influence demand, supply or wage determination in labour markets; to regulate and restrict competition in product markets; to provide training and recruitment; and to promote employment related interests in the political process (Kaufman 2004, p. 58). Interestingly, the role of employer associations was neglected in bargaining structure research until the 1970s. The latest scholarly endeavours, however, have at last paid due recognition to employer associations for their role in representing management collectively and for their importance in shaping labour regulation (for example, Barry 1995; Clegg 1976; Plowman 1988; Sheldon and Thornthwaite 1999a; Sisson 1987; Thornthwaite and Sheldon 1996). As with non-union representation, there has also been increased attention towards other organisations that shape and convey the collective interests of employers. These other agencies include management consultants, employment agencies, other labour market intermediaries, and organisations setting standards in corporate social responsibility (Heery et al. 2008, p. 3). As with employee representation, description must include analysis of the characteristics of the individual enterprise and the employer associations.
The third main party, the state, is of course a significant party that contributes to the employment relationship. The state is both a collection of institutions and a set of decision-making processes and practices (Gardner and Palmer 1997, p. 151). These complexities are not easily unravelled. Bray et al. (2009, Chapter 5) strike the distinction between these perspectives by referring to the composition and functional tasks of the state as comprising three separate arms: the legislative, the executive and the judiciary. The legislative arm produces laws, the judiciary interprets this legislation, while the executive is charged with the support of the legislature and the implementation of state policy. The legislature can make substantive rules, such as legislated minimum employment conditions, or procedural rules that affect the process by which employees and employers determine employment conditions. Other state agencies (usually seen as part of the executive) include industry and occupational regulatory bodies, and occupational licensing authorities.

As scholarly analysis of the parties to rule making continues, the list of contributors continues to grow. However, for the purposes of simplicity, and because of the empirical features of the airline industry, this thesis confines its attention mostly to the three major parties discussed above.

After consideration is given to identifying the parties involved in the rule-making process, another crucial part of describing the parties to the employment relationship is to distinguish their respective roles. The main way of classifying these regulatory processes is in terms of their authorship; that is, which actor or combination of actors is the creator of the rules (Flanders 1968). Again, scholars have classified these processes into taxonomies to aid understanding. While labelling differences exist, three predominant categories of rule making emerge: unilateral, bilateral and multilateral (see Clegg 1976 and Flanders 1968).

*Unilateral rule making* is when the rules are created and imposed independently by one party on another, by employers, unions or the state. As Heery and Noon (2008) report, unilateral regulation of the employment relationship by trade unions is now uncommon. Historically, however, it was an important feature of craft labour markets, where unions unilaterally controlled labour supply, wages and working practices (see Clegg 1976; Rimmer and Sheldon 1989). In contrast, today’s unilateral rule setting by the employer
is ubiquitous (Bray et al. 2009; Heery and Noon 2008). The decline in trade unions and the contraction of collective bargaining have been causal factors indicated in the increased ability of employers to create and impose rules onto their employees without consultation (Heery and Noon 2008). Unilateral rule making by the state occurs through the creation of laws, which directly determine the employment relationship (for example, through establishing legal minimum standards) or regulate employer and trade union behaviour through employment laws (Heery and Noon 2008).

*Bilateral rule making* is when two parties make the rules jointly. The most widely researched form of bilateral rule making is collective bargaining between employees (usually represented by a trade union) and employers (represented by an employer association or independent negotiation). However, as Bray et al. (2009, p. 27) note, bilateral rule making can incorporate individual bargaining where an employee genuinely negotiates with their employer. Nonetheless, as discussed above, this is rare.

*Multilateral rule making* is when three or more parties are involved in the process. One example, common in Europe, is where government, employers and unions cooperate to formulate ‘social pacts’ that govern the economy (Heery et al. 2008, p. 3). In Australia, multilateral rule making has also historically been a common feature through the system of conciliation and arbitration, whereby employer and employee representatives worked with the tribunal representatives to resolve disputes (Bray et al. 2009, p. 27). For some, the role of federal arbitration tribunals in Australia is considered a subset of collective bargaining (Clegg 1976, p. 7, and Sheldon and Thornthwaite, 1993, p. 38); a logical contortion made necessary by the preoccupation with collective bargaining and the failure to develop broader concepts such as ‘labour regulation’.

Analysing the authorship of rules is important in two ways. First, authorship is indicative of power relationships. For example, when management is able to unilaterally impose rules at the workplace free of state regulation and worker resistance, as is the case in managerial prerogative, the power balance could reasonably be said to favour management (Bray et al. 2009, p. 27). This is not to say, however, that unilateral rule making always rests solely with management. While more an historical rather than contemporary feature, unions have also been able — when they were sufficiently
powerful — to unilaterally impose conditions upon management (Heery and Noon 2008).

Secondly, the authorship of rules can affect the ultimate success or otherwise of the rules. Unilateral rule making, with its distinct power imbalance, can lead to greater conflict and low-trust relationships within organisations. Conversely, there is research to suggest that jointly authored rules are more easily accepted by the workforce, and thus may foster more positive and cooperative work relationships (Bacon and Blyton 2006; Beaumont and Harris 1996; Bray et al. 2009; Flanders 1968; Gittell et al. 2004; Sisson 1987; Walton and McKersie 1965; Zagelmeyer 2005). Organisations arguably perform more effectively when the goals and behaviours of all the participants are aligned. Jointly negotiating the rules provides a means to creating a more balanced distribution of power between the parties (Kaufman 2004, p. 54).

2.3.2 The level of bargaining

In broadest terms, Parker et al. (1971, p. 3) define the level of bargaining as the ‘points within a system at which collective bargaining is conducted’. More commonly, the ‘level’ of bargaining distinguishes between multi-employer and single-employer bargaining. Multi-employer bargaining consists of bargaining with more than one employer and infers a more centralised level. Multi-employer bargaining can encompass four main levels: national multi-industry, national single-industry, regional multi-industry or regional single-industry. Single-employer bargaining, in contrast, advances the concept of decentralised, and perhaps more fragmented, arrangements. Here, bargaining takes place between employees (or their representative) and a single employer (or their representative). Single-employer bargaining also has a range of options: by the employer with the employees of the enterprise as a whole; in each separate establishment; in each individual workplace; or even with individual employees (Bray and Waring 1998; Bray et al. 2005; Macklin et al. 1992).

The level of bargaining is the dimension that has been most discussed in both public policy debates and academic research on bargaining structures. Indeed, Traxler (2003a, p. 1) notes that few issues have proved to be so contested in scholarly debates as those surrounding the level of collective bargaining. This preoccupation with the level of bargaining to the exclusion of the other dimensions is a significant weakness in the
literature. Indeed, some scholars have noted this fixation and have cautioned about analyses based solely on level. Thomson and Hunter (1975, p. 25), for example, in their study of bargaining level in a multi-plant company, report the difficulties associated with this narrow analysis. They argue that (emphasis added) ‘much will depend on the issue being decided’; that is, different issues are often bargained over different levels. Similarly, Bray and Waring (2005, p. 3) discuss the layering of regulation where ‘different aspects of (or issues in) the employment relationship can be determined by different regulatory instruments’. These instruments are often determined at different levels. Thomson and Hunter (1975, p. 25) also note that it can be misleading to classify the level, as is often the case, in terms of either centralised or decentralised arrangements. They argue there are ‘several options lying between the extremes of complete centralisation and outright plant autonomy’.

Thus, as Kinnie (1980, p. 37) notes, the question becomes: ‘With a variety of levels to choose from, which is the most important?’ More recent studies, particularly the debates surrounding articulated bargaining in Europe, provide an excellent example of the complexities, or indeed, incorrectness of basing analysis solely on the level(s) of bargaining (see Traxler 2003a and also Buchanan et al. 2002). These studies have shown that the level itself is not the most important factor. More important is the relationship between the negotiating units and the degree to which they are linked or ‘coordinated’. Consequently, it is but a short step to suggest that, for a number of reasons, analysis based solely on the level of bargaining is at best incomplete and at worst misleading.

2.3.3 The scope of bargaining
Parker et al. (1971, p. 4) define the scope of bargaining as ‘the range of subjects covered by collective agreements’. Subjects most commonly negotiated between unions and management and, therefore, most commonly included in collective agreements are wages, working hours and conditions. However, other procedural and substantive issues (such as union security and superannuation) may also be included (Clegg 1976; Kinnie 1980; Macklin et al. 1992, p. 11; Parker et al. 1971; Sisson 1987). Generally, the scope of bargaining is considered a litmus test of trade union power — the broader the scope (i.e., the greater the number of issues included in collective agreements), the stronger
the union. Conversely, a narrow bargaining agenda corresponds with strong employers who have been able to exclude unions from influence on as many issues as possible.

In this context, the key issue when analysing the scope of bargaining — and a point that reveals an important weakness in the bargaining structures literature — is the question of managerial prerogative. Managerial prerogative is defined as ‘those areas of decision-making within an organisation over which managers claim to have an unfettered right to decide as they see fit’ (Sutcliffe and Callus 1994, p. 114). In other words, where the scope of collective bargaining ends, ‘managerial prerogative’ begins (Parker et al. 1971, p. 4).

Several of the best accounts of bargaining structures have included managerial prerogative in their analysis. Sisson (1987), for example, argues that managerial prerogative lay at the heart of differences between Britain and European countries in the development of collective bargaining arrangements. In Europe, employers generally accepted a role for trade unions in regulating wages and conditions at an industry level through collective bargaining, but only on an explicit understanding that unions did not recruit members and challenge managerial prerogative at a workplace level. In contrast, British employers moved away dramatically from multi-employer bargaining because at this level they were unable to ‘neutralise the workplace’. Sisson attributed this inability to neutralise the workplace to the unusual British ‘common law’ model, in which multi-employer agreements lacked sufficient substantive detail and legal support (unlike Western Europe) to keep union involvement at the workplace at a superficial level. Thus, paradoxically, for British employers, ‘the sparse coverage of substantive issues [in collective agreements] allows the individual employer in Britain to settle most issues in the workplace unilaterally’ (1987, p. 14).

The problem with this type of analysis, despite the quality of the research, is that the preoccupation with collective bargaining (rather than a more broadly-defined concept, like labour regulation) leads to managerial prerogative being considered external to the theoretical framework — it is a residual factor that only comes to bear because

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3 For this thesis, a distinction is drawn between managerial prerogative and managerial unilateralism (notions often conflated in the literature). Managerial prerogative is the claim to make decisions as they see fit, whereas managerial unilateralism is the process of implementing decisions unilaterally.
collective bargaining does not regulate it. The gravity of this omission is underscored by Schnabel et al. (2006, p. 168), who, drawing on work by Zagelmeyer, detail the substantial changes to bargaining in Britain between 1979 and 1997 in establishments with 25 or more employees. The incidence of single and multi-employer bargaining declined precipitously; while conversely, individual regulation — that is, no collective bargaining — grew from 33 to 68 percent of all establishments. Hence, under the narrow concept of bargaining structure, the majority of employees are excluded in the explanatory framework.

2.3.4 The status of bargaining
The status of bargaining is most commonly considered in terms of the formality or informality of the rules and the rule-making processes, which most often leads to analysis of the legal framework within which bargaining takes place (Bray et al. 2009, p. 304).

Despite broad agreement about the concept of status, there are notable variations in the terminology, meaning and importance of this dimension between countries and scholars. Clegg (1976), for example, referred to the status of bargaining as the ‘degree of control’. According to Clegg, a high degree of control is where an agreement ‘sets out to establish obligatory standards and erects effective machinery to see that the standards are observed’ (p. 9). On the other hand, and although Clegg neglects to explicitly define it, a low degree of control refers to whether agreements are ‘weakly prescriptive and unenforced’ (Brown 1993, p. 193).

Brown (1993) and Parker et al. (1971) prefer a broader definition of status, in which they refer to the term bargaining ‘form’. This definition distinguishes between the various forms that an agreement can take, and it acknowledges custom and practice. To them, a rule or agreement can be:

- written or unwritten, formally signed or accepted by mutual understanding. Even where they are written they may be specific and precise, or they may leave a great deal of room for interpretation by means of “informal” custom and practice (Parker et al. 1971, p. 4).
Bargaining ‘form’ has become standard terminology across the UK and Europe. Australian scholars too, generally prefer this broader definition (see Macklin et al. 1992).

In contrast, within the US, bargaining status or any equivalent terminology is less common. 4 Kochan (1980, pp. 84–85) is a notable exception in that he refers to formal and informal bargaining structure. He defines formal bargaining structure as the negotiating unit that comprises those employees and employers legally bound by an agreement. Informal bargaining structure refers to those employees and employers that are affected by pattern bargaining, or some other nonbinding process. 5

The formality/informality of bargaining arrangements was a key issue, for example, in the debate in British industrial relations during the 1960s and 1970s. Flanders (1968), among others, argued that ‘fragmented, informal and uncontrolled’ collective bargaining at a workplace level had undermined the more formal industry-level institutions, and had led to the breakdown in the larger national system of industrial relations (see also Brown 1993; Fox and Flanders 1969). In Clegg’s terminology, the problem was that multi-employer bargaining had a ‘low degree of control’, while Brown considered it had an unrealistically narrow scope (Brown 1993, p. 193). Sisson (1987) agreed. He argued that that along with the unusual ‘common law’ bargaining traditions (noted above), the existence of ‘gentlemen’s agreements’ meant that agreements were not legally binding. This was not the case in Europe, where contracts were legally binding. This inability to enforce contracts encouraged British employers to move away from multi-employer to single-employer bargaining in order to increase managerial control. In doing so, studies report that the ‘degree of control’, hence the level of formality, increased in both pay and non-pay issues (Brown 1993, p. 197). Additionally, the scope of bargaining narrowed and the coverage of collective bargaining precipitously declined (Brown 1993, p. 191). Indeed, the benefits to employers in terms of increased control were significant.

4 US scholars place most emphasis on bargaining ‘level’ and bargaining ‘unit’.
5 Pattern bargaining is a difficult term to define and its exact meaning varies between scholars and the context in which it is used. Most commonly, it refers to two main forms: inter-industry and intra-industry pattern bargaining. Intra-industry pattern bargaining, the concern of this thesis, ‘occurs where bargaining is decentralized to company level and lead firms in each sector negotiate pattern settlements with a trade union, which then seeks to spread the agreement to the other firms with which it bargains’ (Heery and Noon 2008).
Traxler (2003a) has extended the analysis of status. In his study (comparing the level of bargaining with performance and control over the employment relationship in 20 OECD countries), he notes the importance of the status of bargaining, where ‘the legal framework of industrial relations has proved to be the decisive determinant of a country’s bargaining structure’ (2003a, p. 20). He argues convincingly that the forces for decentralisation are so great that it is very difficult to maintain multi-employer bargaining without appropriate legal support. In particular, he cites UK and New Zealand examples, two countries that experienced a decisive shift from multi-employer to single-employer bargaining. In the case of the UK (as discussed above), this shift was the result of the lack of any statutory support for multi-employer bargaining. In New Zealand, it was the deregulation and removal of this support.

Australia too has been subject to significant changes to the status of bargaining. While discussed in more depth in the following chapter, legislative changes have been significant. The Howard Government’s two-pronged strategy saw, on the one hand, new legal forms of individual bargaining, and a new legal status given to non-union collective bargaining. On the other hand, significant restrictions were placed on unions and their ability to negotiate in union-management collective bargaining (Bray and Waring 1998).

Given these definitions, it is easy to see how the legal provisions surrounding the various processes and outcomes of collective bargaining are instrumental in shaping the status of bargaining. The legal framework within which bargaining occurs varies greatly between countries and is generally defined by the government and the courts (Bray et al. 2005). This framework is embedded within the context of the particular legal and political systems in question: legal because it is the law that defines and enforces the rules; and political because there are a variety of industrial relations approaches that political parties can adopt. Political differences are reflected directly through legislation and indirectly through ideological positions on issues like income policies or state intervention in industrial disputes (Edwards 1995).

The importance of the status of bargaining is best demonstrated by Traxler’s (and others’) work. It is, therefore, somewhat surprising that the bargaining structures
literature, particularly in more recent times, has not afforded this dimension its appropriate worth.

2.3.5 The coverage of bargaining

The ‘coverage’ of bargaining usually concerns the number and/or proportion of workers whose terms and conditions of employment are determined through collective bargaining. The coverage of bargaining has long been identified as a salient dimension of bargaining structure but, as with the other dimensions, definitions vary between scholars and countries. Clegg (1976, p. 8), defines coverage in terms of the ‘extent’ of bargaining — ‘the proportion of employees in a plant or an industry or a country covered by collective bargaining’. Chamberlain and Kuhn (1965, p. 233), from the US, use the notion of ‘bargaining unit’: ‘[a bargaining unit] identifies those employees and employers to whom the negotiated terms of a collective agreement apply’. However, as Windmuller (1987, p. 116) notes, this definition of bargaining unit is only applicable within the US. For those outside the US, this definition is too restrictive because it does not take into account those countries, particularly in Europe, where the terms of a collective agreement can be ‘extended’ to parties not represented in negotiations. Over time, the ‘coverage’ of bargaining has become the accepted terminology across Australia and Europe.

Scholars note that the coverage of collective bargaining is often positively correlated with union density. In countries with high union density (such as the Scandinavian countries), coverage of collective bargaining is generally high. Conversely, low union density often means low coverage (as in the US). However, this correlation is far from complete, largely because some countries allow collective agreements to be ‘extended’ to cover more workers beyond those directly covered, taking coverage well above existing levels of unionisation (Bray et al. 2009, p. 269; Scheuer 1997a; Traxler et al. 2001). Not surprisingly, a high correlation exists between extension mechanisms and coverage. Traxler et al.’s (2001) comparative analysis, for example, discovered that coverage increases significantly with the use of extension practices. Perhaps more relevant, Traxler’s (2003a) study also found positive correlations between the coverage and the level of bargaining: coverage is positively associated with centralisation. In contrast, countries where bargaining is predominantly single-employer, coverage rates
are lower and have generally declined with decentralisation (Traxler and Behrens 2002; Traxler 2003a).

These studies have indicated the importance of the coverage of bargaining. As Traxler (2003a, p. 10) points out: ‘The coverage rate of collective bargaining is the most basic and essential parameter of control, since it indicates the unions’ ability to take part in employment regulation’. Indeed, with coverage rates falling precipitously in some countries, there has been some increase in scholarly interest surrounding the topic (Bray and Waring 1998; Scheuer 1997a/b; Tijdens and van Klaveren 2007; Traxler 1994; Traxler 2003a; Traxler et al. 2001; Traxler and Behrens 2002). However, research continues to be limited and, as demonstrated, most of our understanding of coverage stems from Traxler’s work. Often, bargaining coverage receives no more than a cursory acknowledgment in research focused on the level of bargaining.

One reason for this paucity of empirical research is that coverage is difficult to measure systematically. For example, the variation between national bargaining systems is such that rarely is the data comparable, making cross-country comparisons practically impossible. Moreover, collection rates and the type of data collected within countries on this topic are often poor, if not absent all together (Tijdens and van Klaveren 2007, p. 5; Traxler and Behrens 2002). Similarly, determining which employees are included or have a legal right to collectively bargain is difficult. Bray and Waring (1998, p. 75), in their assessment of coverage changes in Australia, similarly note this difficulty:

The data available on the success of these ambitions (i.e., on the coverage of different types of bargaining since 1996) are less than comprehensive.

Aside from this difficulty, two final points are noted. First, to the extent that coverage is addressed in the literature, it focuses solely on collective bargaining. This preoccupation leaves unaddressed the coverage of other forms of regulation, like individual contracting and managerial prerogative. As a result, the employees not covered by collective agreements are presumed to be covered by some undifferentiated from of ‘deregulation’. Second, much of the existing coverage data focuses solely on wage determination, leaving the regulation of non-wage issues unaddressed.
2.4 Bargaining structures and complexity

There are two further ways in which the existing literature on bargaining structures is flawed: (1) it fails to satisfactorily recognise the linkages between the dimensions of bargaining discussed in the previous section, thereby producing analysis which lacks holism; and (2) it neglects the complexities of regulation. Both these flaws and the reasons for this assessment will be discussed below.

2.4.1 The linkages between dimensions of bargaining

One point to be drawn from the above discussion is that bargaining structures are complex and the dimensions inextricably intertwined. More importantly, it has demonstrated the significance of all the dimensions of bargaining. Unfortunately, the literature is predominantly concerned with the level of bargaining — mostly from an economic perspective. There is no doubt that the (highly-contested) scholarly debates over the changing level of bargaining have advanced our understanding of bargaining structure (see Booth 1989; Bray and Waring 1998; Katz 1993; Kinnie 1987; Traxler 1995, 2003a; Zagelmeyer 2005). Indeed, this research focus is understandable, and of course invaluable, given the identification of the trend towards decentralised bargaining, both in Australia and overseas. However, while the links between the level and the other dimensions are often noted in this literature, the level dominates the discussion. The other dimensions often receive only cursory mention. Research that focuses only on one aspect — whatever that may be — is at best incomplete and at worst misleading.

There are, however, some exceptions. These are scholars, although relatively few of them, who have acknowledged the links between the various dimensions of bargaining. Clegg (1976) is one early example. He argues that while variations in the level of collective bargaining help to explain the diversity of union behaviour, the level of bargaining alone is not enough. To understand union behaviour, he says, the level must be considered along with the ‘degree of control’ (status) and the related scope of agreements (p. 9).

Some scholars have even argued that the dimensions of bargaining are so inextricably linked that it is impossible to consider one without the other. As Kinnie (1980, pp. 82–83) states:
It [i.e., analysis based largely upon the formal level of bargaining] is unrealistic because the level of bargaining cannot be isolated from the other dimensions of bargaining structure. It cannot be singled out for study on its own since it is often dependent upon the bargaining issue, unit and form. …It is not possible to gain an accurate and comprehensive picture of Industrial Relations in each case by relying on the level of bargaining alone. The analysis must be expanded to include other dimensions of bargaining structure.

Few subsequent studies have heeded Kinnie’s advice and developed a more holistic analysis. One exception is Sisson’s (1987) comparative analysis of collective bargaining. He argues that the key to understanding the structure of collective bargaining lies in management’s desire to regain control over the production process. Moreover, he argues that it is only through considering the status and scope of bargaining, and importantly their interaction, that changes to the level of bargaining can best be understood.

Another important contribution comes from Traxler’s (2003a) study. Based on data from 20 OECD countries, he analyses the effect of bargaining centralisation on performance and control over the employment relationship. Traxler examines changes to the level of bargaining and coverage rates. His research finds that as bargaining structures decentralise, coverage rates decline. Traxler argues that employers, when pursuing decentralisation (for whatever reason), invariably increase their control over the employment relationship. They are therefore more able to extend managerial prerogative — an area closely associated with the scope of bargaining. Traxler, unlike most accounts, goes beyond the level. By relating the level to coverage and scope, he demonstrates how managerial prerogative increases, and he highlights the often-overlooked contested nature of bargaining structures. Moreover, he emphasises the importance of the status of bargaining through the presence or absence of legal support mechanisms as a key determinant of the level of bargaining.

This small number of more holistic accounts of bargaining structures offers lessons about how to ensure that any broader analysis of labour regulation takes into consideration the important links between the dimensions of bargaining/regulation.
2.4.2 Horizontal complexity, vertical complexity and congruence

The second theoretical weakness is that descriptive analysis often fails to account for the regulatory complexity surrounding the subject. While regulatory complexity has long been acknowledged by Australian employment relations and labour law scholars, recent changes to the way the employment relationship is managed have seen this issue come into sharper focus (see Bray and Waring 2005; Fetter and Mitchell 2004; Knox 2009; Rimmer 1989). Bray and Waring (2005) posit that the nature of this complexity — while always present, and often included as part of comparative descriptive accounts of bargaining arrangements — has failed to be identified as having analytical value in its own right.

To overcome these problems, the authors go beyond the traditional bargaining structures framework and identify three additional concepts that have been neglected in scholarly endeavours. The first is called the ‘horizontal complexity’ of regulation, which is seen in the ‘layering’ of regulation. This is when rules about the same issue emanate from different sources, thus producing layers of regulation. In other words, rather than acting as substitutes for each other, the various regulatory mechanisms often act as supplements. Layering is a common feature of the Australian system. The authors cite the example of over-award wage payments. Here, awards determine a minimum value with managerial prerogative, common law contracts or collective bargaining, allocating additional payments above that minimum (see Lansbury and Saulwick’s 2006 investigation in the Australian automotive industry as an excellent example of horizontal complexity).

The second complexity, which the authors call ‘vertical complexity’, is the result of parallel regulation. This occurs when different processes determine rules for different categories of employees within the same enterprise or industry. An example of parallel regulation is when the conditions of employment for managers are regulated by individual contracting, while other workers are regulated by separate awards (see Bray et al. 2009, p. 336, Table 10.9). This paralleling of regulation is again a common feature in the Australian employment relations landscape.

Bray and Waring take their analysis further and go on to stress a third point, about the ‘congruence’ of regulation. This refers to how the different regulatory instruments ‘fit’
together (2005, p. 8). The success of a system in meeting national equity and efficiency objectives, they argue, lies not in the degree of simplicity or complexity of the system, but in how the ‘rules emanating from different sources are “congruent”; they “fit together” effectively’ (Bray et al. 2009, p. 337). In other words, the effects of the complexity involved with layering or parallel regulation are not necessarily either good or bad, but are rather determined by the synergy they possess as a whole. ‘Problems’ emerge, they argue, not when regulation is complex, but when the different regulatory instruments fail to mesh. The evidence of ‘congruence’ emerges in the existing debates surrounding articulated or coordinated bargaining.

This welcome recognition of complexity, rarely seen in the bargaining structures literature, suggests lessons for any attempt to develop a more comprehensive description of labour regulation.

2.5 An alternative approach: labour regulation

The existing literature on bargaining structures provides a valuable point of departure for this thesis in which many of the concepts used to describe the structure of bargaining in different settings will be used. However, as the previous sections of this chapter have argued, research within the bargaining structures literature has weaknesses. These derive mostly from its traditional emphasis on collective bargaining and its consequent failure to incorporate within its definition and its descriptive taxonomies forms of regulation (processes of rule making) beyond collective bargaining and the complexities of modern employment relations.

The alternative to the bargaining structures approach advanced in this thesis focuses on the concept of ‘labour regulation’. This is a concept embraced by a small number of scholars, who have sought to expand the boundaries of traditional ‘industrial relations’ towards a more comprehensive analysis of ‘the rules of the employment relationship’ (Murray et al. 2000, p. 234; see also Bray and Murray 2000; Bray and Waring 2009; Giles 2000; Kaufman 2004; Schnabel et al. 2006).

Murray et al. (2000, p. 246) define labour regulation as:

the totality of processes and norms by which actors and institutions, at different levels, contribute to the determination of the conditions of work and
employment. Labour regulation encompasses simultaneously both the process of regulation and its results, that is, the rules and norms about work.

This definition lays the foundation for a more comprehensive description of the patterns of labour regulation that emerge in different empirical settings. Those dimensions of labour regulation that are key concepts in describing empirical patterns are similar to, but broader than, those in the bargaining structures literature.

**Parties to labour regulation or the regulatory agents.** Drawing on work by Bellemare (2000, Section 2.3.1), analysis of the parties to regulation will incorporate the traditional collective actors, but will be extended to include potential ‘new actors’. An actor can be an individual, a group or an organisation. As such, central to the analysis will be, of course, employees and their representatives. Individual employees, who liaise directly with employers, trade unions and other non-union forms of representation (such as works councils and joint consultative committees), are considered. Analysis of employers, the second party, will also encompass the role of employer associations and other market intermediaries (such as management consultants and employment agencies). The third main party, the state, considers the traditional institutions that determine the rules and processes, as well as other agencies (such as occupational regulatory bodies and occupations licensing authorities). Moreover, analysis will also involve an examination of the characteristics of each party, such as ownership and internal structures — and importantly, their relationships.

**Level of labour regulation.** For this thesis, the descriptive analysis of the level of labour regulation parallels those concepts identified in the traditional bargaining structures literature; that is, the distinction between multi-employer and single-employer bargaining (Section 2.3.2). However, as stressed in Section 2.3.2, to overcome the weaknesses identified, and to expand beyond the level itself, an exploration of the linkages between the level of labour regulation and the other dimensions will be incorporated because, as noted, the best understanding emerges when the level is not viewed in isolation. Hence, while the level of labour regulation is important, it will not be the central focus of this descriptive analysis.
**Scope of labour regulation.** The scope of labour regulation will not only be concerned with the range of issues covered in collective agreements, but rather be extended beyond the ‘collective’ to consider the role and extent of managerial prerogative. In this way, the growing number of workers not covered by collective agreements will be included in the theoretical framework.

**Status of labour regulation.** As with the status of bargaining, this dimension is concerned with the formality or informality of the rules and rule-making processes that lead to the analysis of the legal framework within which negotiations takes place. Changes to the legal framework in Australia, whereby new legal forms of individual bargaining and non-union collective bargaining were introduced, have (as noted) been extensive. The literature review stressed the importance of this dimension. As such, the status of labour regulation will be given due consideration.

**Coverage of labour regulation.** The coverage of labour regulation for this research will incorporate the coverage of collective bargaining, but will also seek to investigate the coverage of other forms of regulation, such as individual contracting and managerial prerogative.

**The complexity of labour regulation.** Two aspects of ‘complexity’ complete this notion. First, all the dimensions of labour regulation are considered important, making a preoccupation with the ‘levels’ of labour regulation inappropriate. Central to this approach is a systematic interest and acknowledgement in the links or interconnections between these dimensions. Secondly, ‘labour regulation’ for this thesis encompasses the recognition of the extra dimension articulated by Bray and Waring (2005) and recognition of the complexities of labour regulation. In this way, ‘labour regulation’ utilises but also transcends ‘bargaining structures’. It is a broader, more complete concept; one that better reflects the modern employment relationship.

To summarise: first, any direct association with ‘collective’ and ‘bargaining’ is eliminated. As a concept, it does not implicitly exclude other rule-making processes that fall outside the narrow association with trade unions and collective processes. Unilateral rule-making processes by one or many agents, as well as individual bargaining between employees and employers, become forms of regulation as important as collective
bargaining. Secondly, labour regulation, which considers ‘the totality of the processes’, generally encourages a more holistic approach. Not only does it inspire analysis beyond a single dimension of regulation, such as the ‘level’, but also in considering ‘processes’, and in promoting acknowledgement of relationships and interdependencies between variables.

While this framework is not intended to be used mechanistically, it helps to provide a checklist. It potentially offers a ‘roadmap’ facilitating a more balanced analysis when describing labour regulation. Ultimately, it is anticipated that this extended approach can, to some extent, overcome the deficiencies identified in the literature. This modified framework will be utilised to ‘describe’ the structure of labour regulation in the airline industry regulation in Chapter 6.

2.6 Conclusion

This chapter has sought to demonstrate that changes to the way that the employment relationship is structured and managed are such that the notion of bargaining structures is useful but insufficient. First, the bargaining structures literature has ignored those categories that are neither ‘collective’ nor ‘bargained’. Secondly, and linked to the first, the notion is incomplete because most descriptive accounts fail to adequately articulate the complexity of the process. This has been demonstrated in two ways. On the one hand, the overt focus on the level of bargaining has led to an under-appreciation of the interconnectedness and importance of the other dimensions. On the other hand, the literature has failed to incorporate other complexities as articulated by Bray and Waring (2005).

Together, these flaws have led to an incomplete assessment of bargaining structures. These inadequacies mean that the concept of bargaining structure, as currently articulated in the literature, is no longer sufficient to describe how the rules of work are determined. This point is important because the descriptive literature forms the basis upon which the higher-level explanations are built — invariably, faults or inadequacies at this level are replicated in subsequent deeper analysis (see Lewins 1992). This will be demonstrated in the following chapter. These insufficiencies have led this thesis to espouse the need for a modified and extended framework, one that is more holistic; and
importantly, one that replaces the notion of bargaining structures in favour of a more complete notion: labour regulation.
### CHAPTER THREE

**EXPLAINING LABOUR REGULATION IN AN INDUSTRY**

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3.1 Introduction

This is the second of two chapters investigating the ‘bargaining structure’ literature. While Chapter 2 examined the ‘descriptive’ literature, this chapter is more complex in that it explores the literature that seeks to ‘explain’ bargaining structures. Although Chapter 2 concluded by advocating the notion of labour regulation over bargaining structure, unfortunately the newness of this concept has meant that relatively few studies explicitly try to explain patterns of labour regulation. Hence, this chapter, by necessity, will draw on existing studies that develop explanations of ‘bargaining structures’. Moreover, where this literature is weak and where attempts to adequately explain bargaining structures have fallen short, this chapter will draw on the IR literature more generally. Occasionally, when required, it will go outside the IR literature.

As this chapter will demonstrate, explaining bargaining structures is difficult. Of course, unlike the natural sciences, explanations in social sciences are never ‘black and white’. Explanations are mostly qualified and ‘grey’ as they attempt to explain social phenomena within the boundaries of available evidence (Lewins 1992, p. 5). Indeed, scholarly endeavours to explain bargaining structures provide an outstanding example of the difficulties associated with sociological research. This chapter is exclusively concerned with explanations surrounding bargaining structures. However, this critique of the literature, and the alternative framework offered, are ‘informed by’ the larger debates in the social sciences.

Explanations in the traditional bargaining structures literature, despite the difficulty, have provided us with a rich understanding of the topic. The explanatory literature is diverse. Scholarly undertakings have largely been concerned with discovering what key factors determine bargaining structures, and how change therein can be explained. As will be explained, most of the literature investigating the determinants of bargaining structures uses case study methods (Eaton and Kriesky 1998; Katz 1993; Kitay and Lansbury 1997; Voos 1994). There are a lesser number of quantitative, econometric analyses (Deaton and Beaumont 1980; Greenberg 1966; Hendricks and Kahn 1982; Zagelmeyer 2007).
The extant literature is important because bargaining structures constitute a central issue in policy debates. Understanding how bargaining structure processes operate — or more precisely, how they are determined and why they vary — is crucial to this debate. Their importance rests in the fact that, as the OECD notes, they exert a significant influence over the behaviour of employers and trade unions, which in turn shapes the pattern and degree of industrial conflict (OECD 2004). Hence, their profound implications and policy makers will — or should — take a keen interest in understanding the explanations surrounding them. Nevertheless, despite a substantial wealth of knowledge, the debate as to what constitutes the ‘ultimate’ structure continues to be highly contested.

Fortunately, the literature continues to evolve and inform our knowledge of how bargaining structures are formed and subsequently reshaped. While certain aspects continue to be highly contested, there now exists a consensus that bargaining structures are not the result of accidents or coincidences (see Windmuller 1987, p. 83). Rather, bargaining structures are the result of a combination of certain common variables, the contexts, coupled with the decisions of the key actors. Put in sociological terms, the literature has evolved to recognise that explanations are an inextricable combination of context and agency. As Greenberg (1966, p. 353) concisely articulates in an early study: …an industry’s bargaining structure is not arbitrary or accidental, but is shaped by attempts by the participants in collective bargaining to adjust as best they can to their environment.

However, while Greenberg’s position is correct and widely accepted, it belies the complexity surrounding bargaining structures. Over subsequent years, studies have become more nuanced, drawing out the finer subtleties associated with bargaining structure explanations. One example is from Zagelmeyer (2005), who asserts that the parties’ preference for a particular structure is not self-determining but shaped and constrained by:

the need to match the bargaining structure to the environmental (economic, social, political, technological, demographic, public policy) and organisational conditions in order to best meet their goals (p. 1626).

Greenberg’s point that the parties ‘adjust as best they can to their environment’, while correct, suggests that the parties are merely reactive. Zagelmeyer’s definition, which draws attention to the goals of the parties, is more agency orientated, suggestive of
some degree of proactivity on behalf of the parties. What Zagelmeyer intimates is that the structure of bargaining is of vital interest to the key parties — namely unions and employers themselves. Underpinning this self-interest is the crucial fact that different structures have different consequences in terms of bargaining power. It is but a short step to suggest that each party will therefore always seek a bargaining structure that will maximise their own power (Adams 1981; Sisson 1987; Traxler 2003a). It is this innate desire for power and control by the parties that inextricably links context and agency. In any given context, the parties will seek a bargaining structure that gives them the greatest bargaining power.

By logical derivation, bargaining structure explanations must therefore incorporate some account of the key contexts, the agency of the parties, and consideration of the dialectic relationship between the two. Not surprisingly, this has resulted in a complex and diverse body of literature. However, while insightful, the literature has not always been as complete or holistic as it should be. Three points are noteworthy.

First, from the introduction above, and in broadest terms, scholarly endeavours have not always got the context/agency balance right. At the risk of over-simplification, early scholarship tended to privilege contextual factors over agency, and while the more recent literature has rightly sought to correct this error, it has tended to overcompensate by overemphasising the role of agency. Thus, while acknowledging the impossibility of finding the perfect balance, the literature has a propensity to be unbalanced and one-sided. Likewise, this imbalance has meant that the dialectic relationship between the two (that is, the existence of a two-way causality) often goes unrecognised. External contexts are often only portrayed as shaping the behaviour of the parties. The fact that agents can, and do, shape their environment is rarely noted.

Secondly, while the above-mentioned criticism concerns the mission, there are also other more precise deficiencies identified within this literature, which has a predilection for a narrow focus, privileging some factors while ignoring others. For example, within the context-based literature, while the product market has long been identified as a key

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6 This, of course, is not to discount governments. As patently evident in Australia, governments — whether their motives are to produce a stable industrial relations system or a profitable economy — are also particularly interested in bargaining structures (Windmuller 1987).
variable, analyses have often been too simplistic, often couched only in vague terms such as ‘increased competition’. A more nuanced approach to how the product market functions and how it is structured is advocated, particularly for industry level studies. Similarly, ‘other’ markets outside the product market, such as financial markets and the market for corporate control, have received scant attention. As will be identified in Section 3.2.1.2, the few studies that have incorporated these other markets are particularly illuminating. Most accounts also neglect the role of the state, particularly the impact of labour law on bargaining structures. This neglect is surprising given the obvious direct bearing that labour law has on bargaining structures. A narrow focus is also noted within the agency-based literature. For example, since the 1980s, employers have been elevated to key status. While they are undoubtedly central in any explanation, the ability of the unions to shape bargaining structures in any way has been neglected. Unions have been incorrectly relegated to ‘bit player’ status, often portrayed as only defensive and reactive.

Thirdly, as discussed in the previous chapter, the literature has chiefly sought to explain the ‘level’ of ‘collective bargaining’. Explanations focused on the changing scope, status and coverage of bargaining have received far less attention. Relatedly, our understanding of those rule-making processes that are not collective and not bargained is incomplete.

These shortcomings have not gone unnoticed. Some scholars have been critical of the often long, sometimes confusing, list of diverse and frequently static factors thought to explain not only IR more generally, but bargaining structures as well (see Cappelli 1985c; Ogden 1982; Weber 1967). As Bain and Clegg (1974, p. 106) note:

A good deal of industrial relations research explains too little with too much. In explaining a given dependent variable, every conceivable determinant is very often listed without any indication of its relative importance. There is a need to seek out the critical and significant relationships, to concentrate on the strategic variables, and to assign weights to them.

This inequity and lack of structure reflects, at least to some extent, the lack of a specific bargaining structure ‘theory’. Those scholars seeking to explain bargaining structures have been compelled to draw on the predominant general IR explanatory tool current at the time. Again, at the risk of generalisation, early criticisms of the explanatory
literature often mirrored those associated with Dunlop’s IRS, chiefly that of being overly structuralist. By contrast, the popularity of Kochan et al.’s SCT, an attempt to correct this overt structuralism, has seen the more recent literature being criticised for neglecting contexts.

Together, these flaws have meant that the bargaining structure literature, while valuable, is often list-like, relatively unstructured, lacking in holism and dynamically deficient. Our understanding of bargaining structures is not as complete as it could be. These deficiencies have led this thesis to propose a modified and extended framework that hopes to better explain bargaining structures.

The structure of this chapter is as follows. Section 3.2 will review the literature surrounding some of the key contexts that determine bargaining structures. This section reveals the importance and persistence of markets (particularly the product market); technology and the production process; and the state, chiefly through the importance of the impact of labour law on bargaining structures. Section 3.3 will discuss the criticisms within this context-based literature. Section 3.4 moves on to consider the agency-based literature. This section identifies the key theme concerned with the discourse over which agent — employer or union — is more powerful in determining bargaining structure outcomes. As with Section 3.3, Section 3.5 explores some of the criticisms identified within this literature. Section 3.6 adopts a broader perspective, noting the previous imbalance between the context/agency literature, and the lack of acknowledgment of the dialectic relationship. The following section, Section 3.7, draws this chapter together by offering a modified framework based on this literature, which hopes to better explain patterns of ‘labour regulation’. Section 3.8 closes this chapter with concluding comments.

3.2 Contexts and bargaining structure explanations

Contexts are crucial influences on bargaining structures. What employers and unions do depends upon what they can do, and this is shaped by the contexts. The relevance of contexts is that they provide the agents with opportunities and constraints; in other words, they assert a direct influence over their behaviour. Contexts are also, by their
very nature, often considered external to and beyond the control of the actors (Bray et al. 2009).

The literature generally agrees that bargaining structures are affected by, and evolve in response to, certain common contextual variables (Windmuller 1987). Although the theoretical recognition of these contexts has endured many decades, the list of contexts considered important has been extended as the topic has evolved (for example, see Black 2005 and Flanagan 2008 on the importance of culture; see Gospel and Pendleton 2003 on capital markets). While it is beyond the scope of this thesis — nor, as Bain and Clegg noted above, is it desirable to consider every context — the contexts most often cited as important in explaining bargaining structures in industries (and therefore of most interest here) include markets, and technology or the production process. These contexts operate at the ‘same level’ as bargaining because the industry’s product market, or the nature of technology in the industry, are used to explain industry bargaining structures. However, as anticipated in Chapter 1, this thesis expressly acknowledges the importance of ‘higher-level’ contexts. Therefore, analysis will include national-level factors such as the role of the state, and including both the impact of labour law and broader state policy decisions (like deregulation and privatisation) in explaining bargaining structures.

3.2.1 The markets
It is widely accepted that markets are a key factor in explaining bargaining structures, where the influence of the product market, in particular, has long been considered central. There are, however, other markets. Two such markets include the financial market and the market for corporate control; these will be considered. Another market, the labour market, is of course an important variable, but it will be discussed throughout the ensuing chapters, particularly Chapters 5 and 7.

3.2.1.1 The product market
Within the broad topic of markets, the product market has long been recognised as the most salient context when it comes to explaining bargaining structures (Bray 1997; Brown 2008; Cappelli 1985a; Commons 1909; Dunlop 1958; Hendricks and Kahn 1982; Kitay and Lansbury 1997; Marchington 1990; Oxenbridge et al. 2010; Sisson and
Marginson 2002; Waring and Bray 2006b; Weber 1967). As Sisson and Marginson (2002, p. 197) note:

In a subject not noted for its “laws”, one of the propositions coming pretty close to a law, first enunciated by Commons (1909), is that the industrial relations system follows developments in the market.

Indeed, Brown (2008, p. 113), in a rare and much welcomed theoretical account of the product market, argues that collective bargaining structures are largely the result of having to manage the competitive pressures of the product market. Therefore, as Windmuller (1987, p. 87) states, it is only natural to assume that the nature of the product market has a direct bearing on the bargaining structure policies of both unions and employers. The literature reflects this axiom and is historically rich.

The product market, however, is multi-faceted. Different studies have brought our attention to the importance of different aspects of its operation. Much of our understanding of the product market and industry behaviour has been enhanced by the work of industrial economist scholars such as Michael Porter, who drew attention to competitive strategy (1980; 1985). Also consistently identified in the literature is how the operation of the product market has been affected by deregulation and internationalisation, which have changed the level of competition. Other aspects — such as the level of demand, and more nuanced dimensions such as the distribution of power and the type of product — have also emerged in the literature. The following will examine the literature from these perspectives. Again, in keeping with the goals of this thesis, it will focus on that literature most closely associated with explaining changes to bargaining structures at the level of the industry.

From the historical perspective, the early literature demonstrated how, as markets expanded, unions have sought a bargaining structure, either formal or informal, that corresponded with the market encompassed by their jurisdiction. Commons’ (1909) seminal study tracing the development of the shoe industry in the US is one of the best-known studies to demonstrate this fact. Within the UK, the Webbs (1902) similarly explained how the coverage (or extent) of collective bargaining would expand with the rise of trade unions ‘from the workshop to the whole town, and from the town to the whole industry’ (p. 179).
The aim of the unions in establishing such a structure, these scholars argued, was to achieve what became recognised as the traditional union goal of ‘taking the wages out of competition’ by ensuring wage rates were uniform among producers in the same market (Weber 1967, p. 15). As Kochan (1980, p. 97) states:

…unions will always seek to take wages out of competition by organising as much of the product market as possible and ensuring that equal wages are paid to workers performing the same work within the relevant market. One of the major mechanisms for ensuring that wages are taken out of competition is to expand the formal or informal bargaining structure to correspond with the scope of the market.

This was of benefit to unions. In doing so, they gained employer recognition and generally established favourable and stable terms of employment for their members (Brown 2008).

This early literature was invaluable in developing our understanding of the links between product markets, bargaining structures and union behaviour. However, the unions were not the only beneficiaries from such an arrangement — employers potentially benefitted as well. Interestingly, this early literature privileged unions over employers, who were initially seen as subservient and reactive to union demands. It was not until sometime later that the literature recognised and investigated employers as key actors in shaping labour regulation.

Zagelmeyer (2005) provides a succinct summary of the literature’s account of employer motives. He states that to maximise profits it is fundamental for employers to control the product market. This means that employers, excluding situations of an incontestable monopoly position, must take their competitors into account. Greenberg (cited in Zagelmeyer 2005, p. 1633) argues that since tacit agreement on prices and other factors such as output is usually difficult — and often illegal — the only area where employers can secure a high degree of stability is in the cost of labour. He argues that while market standardisation may be obtained informally in oligopolistic markets, in highly competitive markets a high degree of formalisation of employers’ associations is required. The influence or control over competitors is assumed to be highest under centralised multi-employer collective bargaining. Indeed, Kochan and Katz (1988, p. 125) argue that unionised firms operating in highly competitive industries (in this case
the apparel industry) would prefer multi-employer collective bargaining as a means of stabilising product market competition.

Similarly, US based studies by Greenberg (1966), Hendricks and Kahn (1982), and UK research by Deaton and Beaumont (1980), all found centralised structures were more prevalent in industries with lower concentration ratios. In the absence of competition based on labour cost, employers were free to concentrate on achieving a competitive advantage through other methods. Thus, for employers, neutralising the cost of labour by taking the wages out of competition through centralised bargaining structures was an effective means to managing competitive pressures in the product market (Zagelmeyer 2005, p. 1633).

During the twentieth century, highly centralised bargaining structures (either formal or informal) became a feature across the developed world (the US and Japan were notable exceptions, discussed below). As Brown (2008, p. 117) states, for most of the twentieth century, the standard was for firms ‘to confront unions with employers’ associations and to negotiate product market based, and hence industry based, collective agreements’. However, this situation did not persist. Bargaining structures based on the product market began to break down, beginning in Britain in the 1960s and subsequently followed by other countries (Brown 2008, p. 117; Hyman 2001; Katz 1993; Traxler 1995). A significant body of literature emerged to explain this phenomenon; the transformation in the operation and dynamics of the product market featured strongly as a key variable. Three themes emerged in the literature.

The first stream argues that employers broke away from multi-employer bargaining when faced with difficult economic circumstances, such as tight labour markets and falling demand. Under these conditions, competition in the product market between employers increased, removing the incentive to collude. In essence, multi-employer bargaining no longer provided employers with the same level of benefits (Forrest 1989; Sisson 1987). Under circumstances of intense competition, employers would gain more by controlling their own industrial relations strategy chiefly through setting their own pay rates (Brown 2008, p. 117). Sisson (1987, p. 14) drew attention to employers when he argued that (and this is discussed in the following section) under these circumstances, multi-employer bargaining no longer protected management’s right to
manage, and therefore no longer ‘neutralised the workplace’. Typically, he argued, this occurred in countries where legislative support for industry-wide collective bargaining was minimal or where a small number of firms dominated most industries — such as in the US and Japan (Brown 2008; Sisson 1987).

From a different perspective, a second, albeit smaller, stream of literature attributes decentralisation, at least in part, to the fact that unions have been weakened to such a point that they are no longer strong enough to cover the product market. The trend of union decline across developed market economies (although it varied between countries and industries) and the reasons behind it have been well documented (see Chaykowski and Verma 1992; Katz and Darbishire 2000). More specifically, Windmuller (1987, p. 87), for example, cites that employers in the US airline industry, in the face of severe competitive pressures, successfully implemented compensation systems under which new employees were paid significantly less than their counterparts in the same job categories. His point is that employers successfully broke the ‘standard rate’ across the product market. Windmuller attributes these changes to the weakening of the unions to the point of being unable to resist employer pressures. Voos (1994, p. 14), in a study of 12 industries across the US, found that where union power had declined the most (chiefly auto supply, meatpacking and trucking) the outcomes for workers were the most deleterious. She also stresses that decreased unionisation is a cause of decentralisation, not — as others have postulated — a consequence of decentralisation (for example, Katz 1993). In other words, management had an interest in centralised structures only when product markets were highly unionised. Unions were tolerated because they helped to regulate the product market (Forrest 1989). Similar conclusions were drawn by Brown et al. (1998). 7

Relatedly, the third, and perhaps largest, body of literature cites the extension of product markets — in particular the growing internationalisation of product markets — as the primary cause of this breakdown of centralised arrangements (Brown 2008; Kochan et al. 1986; Locke 1992; Zagelmeyer 2007). Central to this literature is that market control

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7These two streams of literature were important, not just because of their valuable contribution to understanding the breakdown of product market based bargaining structures, but because they also drew attention — although not always explicitly — to agency. In both streams, it was management’s choice to move away from multi-employer bargaining. This point is discussed in more detail in Section 3.3.
may be increasingly difficult to organise and maintain for employers (as well as unions) as the geographical scope of markets extends (Zagelmeyer 2005, p. 1633). Multiple studies have found that employers find it increasingly difficult, when product markets expand, to manage labour or to take the wages out of competition through multi-employer bargaining. The 1982 study by Hendricks and Kahn, examining the determinants of bargaining structure in US manufacturing industries, found that as product markets expanded, management preference for a decentralised bargaining structure increased. Deaton and Beaumont (1980) argue that when product markets extended from regional into national or international operations, then bargaining structures decentralised, reflecting increasing costs to one or both parties as markets broadened. Similarly, in a more recent study, Zagelmeyer’s (2007, p. 241) UK study of the determinants of collective bargaining, at the establishment level, found that international product markets were significantly negatively associated with multi-employer collective bargaining. Thus, as Brown (2008) contends, those industries whose markets remain contained within a national context are more likely to be associated with more stable, centralised employment relations patterns. He also asserts that the difficulty in extending coverage beyond national borders is an area of deep significance for trade unions.

Within Australia, Waring and Bray’s (2006a) collection of industry studies similarly identified the extent of the product market as a significant variable affecting bargaining structure; in particular, whether it was contained within national borders or extended beyond. For example, Stanton (2006) found that the health care industry, whose markets remained contained within national borders, had bargaining structures that remained relatively stable and centralised, despite the national trend towards enterprise bargaining. Similar results were found in Waterhouse and Brown’s (2006) study of the Australian Public Service. In contrast, industries where the product market extended internationally reported significant pressures on employment relations. Gillan and Lambert (2006, p. 138) discovered that, while collectivism remained high in the whitegoods industry, employment relations witnessed a significant shift in the balance of power towards management and away from workers and trade unions. This shift, they argue, is chiefly attributed to the fact that:

the global integration of the industry has transformed power relations between labour and management as workers confront a wave of downsizing, factory
closures and the benchmarking of local production unions against “lower cost” production facilities within the global corporate network.

Likewise, both Lansbury and Saulwick’s (2006) study of the automotive industry and Barry and Waring’s (2006) review of the black coal industry reported pressure on bargaining structures stemming from their globalised markets.

In this context, the international trend to deregulate industries (such as airlines, telecommunications and banking) provided scholars with a unique and unprecedented opportunity to explore the impact of product market liberalisation on bargaining structures. Mostly, these studies demonstrated that deregulation led to intensified competition, which subsequently affected bargaining structures. The airline industry in particular offers a rich source of information on the impact of deregulation. One such study was Cappelli’s (1985a) seminal exploration into the diversity that emerged in the US airline industry following deregulation. Cappelli argues that it was not market competition caused by deregulation as such that changed bargaining structures. It was, rather, the pressure for change stemming from the interaction between competitive market pressures and the existing structure of collective bargaining — one that was designed for a different economic environment. Cappelli goes on to explain that, prior to deregulation, pattern bargaining provided a commonality to contracts across the industry, but despite this commonality, uniform contracts were never enforced across competitors. Nevertheless, while the unions never effectively took the wages out of competition, he argues that strong industry regulation did. When this regulation was removed, despite high levels of unionisation, the lack of an industry wide bargaining structure meant that labour was afforded no protection from competitive market pressures. Collective bargaining became ‘extremely sensitive to the varying situations at individual carriers’ (1985a, p. 318).

Cappelli’s study thus acknowledged the impact of broader contextual factors (such as product market forces and the specific regulation governing the industry), but unlike other studies, he did not stop there (see Turner 1991 and Warhurst 1995). In particular, Cappelli drew attention to the interaction of the business strategies of management and the product market — in other words, the agency of the parties. Cappelli argued that the diversity noticed across the industry was primarily driven by the individual business
strategies adopted by the carriers as they reacted to their new competitive environment. Thus, he traced how, in the absence of industry wide bargaining structures and with the removal of industry specific regulations, the product market now allowed each individual carrier to implement their chosen strategies in response to their own peculiar circumstances.

Bray’s (1997) study of the Australian domestic airline industry also noted significant changes to employment relations due, in part, to deregulation. Bray, like Cappelli, based his study on the assumption that changes in the product market affect the business strategies of companies, which in turn affect their employment relations strategies. However, while stressing the importance of the product market, his approach was more holistic than Cappelli’s, in that it more openly acknowledged that the capacity of companies to implement their strategies depends heavily on other institutional factors, such as labour laws and wage systems (1997, p. 45). This approach was similar to the more recent study by Harvey (2009) on ER in airlines in LMEs, which also stressed the importance of the broader institutional context of the firm, arguing that it will have a considerable influence on the choice and success of the ER strategies. Bray identified significant but incremental change in the industry, and a marked trend towards decentralised collective bargaining. With findings similar to other studies, he noted a push by employers to increase numerical flexibility to lower labour costs. Explaining these changes, Bray cited the combination of the industry’s product market and production processes together with employer and union strategies and the influence of broader institutional factors. Scholars in the UK have noted similar findings. Harvey and Turnbull (2003, p. 6), for example, demonstrated that both domestic and international competition has intensified markedly because of deregulation, along with liberalisation and the privatisation of many airlines. The outcomes for labour have been detrimental.

Importantly, these studies demonstrated a link between product market competition and the re-orientation of traditional business strategy. Stimulated by the development of Kochan, Katz and McKersie’s (1986) strategic choice theory, attention deviated decisively away from the interaction between the product market and the unions, and towards employers and their strategies. Studies centred on the product market (which dominated the literature until the 1980s) became empirically less fashionable. Notably,
with this shift, attention moved from the level of the industry to the enterprise. Specifically, in light of increasing competition, the literature has recorded the rise of cost minimisation strategies as a way for businesses to manage the competitive product market. Often these strategies are aggressive. They involve reductions in investment in training and skills formation and the usurping of collective arrangements in favour of individual approaches (Kochan et al. 1986). Kochan et al. (1986, p. 65) conclude that in highly competitive markets, firms are forced away from maintaining industrial peace into controlling costs, streamlining work rules and improving productivity.

3.2.1.1.1 The level of demand

Within the ‘context’ of product market competition, many studies have explored, although often tacitly, fluctuating levels of demand as a key variable in shaping labour regulation. These studies have noted that the causes of demand fluctuations are numerous. Exposure to international competition, such as the case in most automotive industries, is frequently cited, as well as broader social shifts and trends. In a rare analysis, Marchington (1990) identified the importance of the level of demand when he developed a comparative framework for analysing product market pressures and employment relations. He found that certain market conditions, generally associated with stable markets and product demand, often facilitated higher quality (resource-based) relationships between employers and employees. To the contrary, he argues, severe market competition and less stable patterns of demand combined to place management under pressure to adopt more aggressive strategies (Marchington 1990).

Forrest (1989), in a Canadian study, demonstrated the link between the level of demand and the level of competition in the product market. In her study, which examined the breakdown of bargaining structures within the meat packing industry, she cited a fall in the level of demand for meat as a key trigger for decentralisation and subsequent detrimental changes to employment relations outcomes. Rather than the long established oligopoly, market concentration decreased. Decreased demand saw competition in the product market become fierce. The industry was transformed into one that was highly competitive and unstable (1989, p. 403). Management adopted more aggressive strategies, unions were splintered, plants closed and workers retrenched. The long-standing centralised bargaining structures were obliterated.
Barry and Waring’s (2006) study of the coal industry also identified the business cycle and fluctuating demand as key factors in explaining changes to the structure of labour regulation. Similarly, Cappelli (1985d) found significant plant level concession bargaining occurred in the US tyre and meat packing industries in the face of declining markets and decentralised bargaining. Arthur and Konzelmann Smith (1994, p. 135) also identified declining levels of demand in the US steel industry as a key factor in explaining extensive change in bargaining structures. Their study reported the disappearance of multi-employer bargaining, massive employment losses (up to half of the industry), plant closures and bankruptcies. The airline industry is another industry where the level of demand for the product has implications for bargaining structures. Directly related to this thesis, Harvey and Turnbull (2003) described the demand for the product as ‘pro-cyclical’ (discussed in Chapter 5), in that, while air traffic expands and contracts in line with economic growth, it does so at a rate much faster than other industries. The implications of this pro-cyclical demand are that expectations between labour and management get ‘out of step’ with respect to current and future market conditions, resulting in elevated tensions between the two parties (Harvey and Turnbull 2003, p. 10).

Cappelli’s (1987a) study, which sought to explain changes to the bargaining structure in the coal industry in the UK, offered a different perspective on the importance of the level of demand. His study, which moved away from employer behaviour, examined the hitherto unstudied relationship between union power and changing market conditions. He discovered that a centralised bargaining structure led to an increase in the union’s bargaining power. Importantly, he noted that under a centralised bargaining structure, power and wage outcomes were relatively insensitive to market conditions. In other words, union power and outcomes remained static even in situations of declining demand. By contrast, his study found that in circumstances where decentralised bargaining was present, union power (and therefore outcomes) became sensitive to market conditions. Thus, in times of low demand and declining conditions, decentralised bargaining works against union power and wage outcomes. Critically, Cappelli portended that as bargaining structures continued to decentralise around the world, the power and wage outcomes for unions would, on average, decline (p. 143).
3.2.1.1.2 The type of product

A more nuanced dimension within the ‘product market’ to have an impact on labour regulation is the type of goods or service produced by the industry. Homogeneous products often mean that employers compete on price, while heterogeneous products provide management with the opportunity to compete on non-price features under a differentiation strategy (Besanko et al. 2000; Porter 1985; Waring and Bray 2006b). Homogeneous goods or services are often mass-produced or standardised and usually require less highly skilled labour. Management strategies are primarily concerned with ‘cost minimisation’ across all areas. By contrast, competition based on non-price products often entails the need for more highly skilled labour, and enterprises need to attract and retain these staff. Thus, a management approach based on productivity enhancement is often more common in these industries. Stanton’s (2006) study of the public health care sector, for example, found that the presence of highly skilled staff ameliorated management’s demands to cut costs. Thus, the significance of the type of product lies in the fact that it influences management’s competitive strategy, which in turn puts pressure on management to shape the bargaining structure, particularly the scope of bargaining. Accordingly, understanding the type of product can be useful in explaining changes in the other dimensions, not just the level of regulation.

Interestingly, distinguishing between product types is not always clear. For example, although the airlines appear to sell a homogeneous product, there are a number of sources of differentiation among them (Besanko et al. 2000). Business customers prefer carriers that offer frequent service, higher levels of service and frequent flyer benefits. A major international study by Blyton et al. (2001) found that airlines were increasingly forced to compete on both strategies — the delivery of service and the cost of travel (2001 p. 450). They argued that this dual strategy has seen the workforce become the focus of both cost reduction and service improvement strategies. This places labour under considerable pressure in that:

On the one hand airline executives will be asking their employees to work harder, to be much more flexible in the way they work and to face up to the disruptions and uncertainty created by merges and new alliances, while at the same time accepting minimal increases or even a freeze in their salaries and more performance-related pay. Yet on the other hand, they will expect those same employees in contact with customers to be open, friendly, helpful and very conscious of each customer’s individual needs. Both in cost and marketing terms, labour is the key. (Doganis 2001, p. 124).
Doganis (2001, p. 174) also argued that continued technological improvements, mainly in the form of extensions of electronic commerce, are further ‘commoditising’ the airline product. Increasingly, a carrier’s attempt to differentiate the airline’s product in order to charge a premium price will become more difficult. Similarly, Spiess and Bray (2006) found a commoditisation of the product as low-cost carriers entered the Australian domestic market. Value added features at the legacy carriers were scaled back. Cost minimisation strategies were more prevalent across the industry. Invariably, regardless of the cause, as product features standardise (certainly within the airline industry), labour will be elevated in importance in providing the competitive advantage.

3.2.1.2 Other markets
The importance of product markets in explaining bargaining structures has been demonstrated. More recently, a small body of literature has emerged which examines the potential of other markets to shape employment relations outcomes, particularly the ‘market for corporate control’ and ‘capital markets’. This literature, although developed to explain broader ER outcomes, possesses considerable explanatory power in relation to bargaining structures.

3.2.1.2.1 The market for corporate control: mergers and acquisitions
The effects of mergers and acquisitions on employment relations outcomes have mostly been studied within the framework of the psychological repercussions that such actions can have on employees. As extreme forms of organisational change often result in downsizing, studies found that fears of insecurity and vulnerability among employees are common (Bellou 2006; Iverson and Pullman 2000). However, some ER scholars have noted how mergers and acquisitions, and the subsequent changing market structure, can produce varying and divergent bargaining structure responses.

Within Canada, for example, Fisher and Kondra (1992) noted that from the 1980s product market deregulation triggered a spate of mergers and acquisitions in the airline industry. Ultimately, this consolidation culminated in a reduction of competition levels and the re-emergence of two dominant airlines. In the context of this restructure, while they reported some detrimental changes to employment relations (mostly in terms of concession and productivity bargaining, the introduction of two-tier wage rates and some downsizing), they also argued that changes to employment relations were
incremental and, unlike the US, far from dramatic. Collective bargaining endured and the unions continued to represent the majority of employees. Market consolidation, in this instance, fostered a relatively stable bargaining structure, at least for the moment. Similarly, Barry and Waring’s (2006) investigation of the coal industry in Australia noted that market rationalisation, whereby a number of smaller producers were taken over by larger producers, had the effect of stabilising coal prices and subsequently eased pressure on employment relations. This consolidation, which coincided with a period of product market buoyancy, triggered management to place a renewed emphasis on collective bargaining because a collective agreement was seen as a way to ensure industrial peace. The authors also noted that the level of bargaining in some cases became more centralised (2006 p. 45). Thus, the series of acquisitions alleviated pressure to radically decentralise the bargaining structure.

In contrast, at the same time, the wave of mergers and acquisitions in the US airline industry produced very different outcomes. As Cappelli (1987b, p. 171) shows, the barriers to entry were such that mergers were often the only way new airlines could enter the industry. Under legal provisions set out by the Railway Labor Act (RLA), mergers brought with them the possibility of losing a union, or if merging with a non-union carrier, of losing all the unions. Under these circumstances, where labour protection provisions were removed, union members potentially faced the loss of seniority and other rights. Additionally, Cappelli describes how the high rate of mergers in the industry led management to develop a new strategy: the non-union subsidiary. In these cases, larger carriers set up ‘separate’ companies, which were often non-union and not bound by agreements at the parent company; in essence, they were ‘greenfield’ operations. These holding companies provided management with the means to shift airline company assets to non-union operations (1987b p. 149). Unions were forced into defensive positions, trying to secure restrictions on their use through established collective agreements at established carriers. Thus, the impact on the airline industry in the US from the spate of mergers and acquisitions was very different to that noted in neighbouring Canada. In this case, market consolidation placed pressure on bargaining structures to decentralise and fragment.

Gillan and Lambert’s (2006) study of the whitegoods industry also documented increased pressure on employment relations in the face of a series of acquisitions. As
the industry integrated production facilities into global operations, the entrance of multinational companies (MNCs) created pressure on labour by providing opportunities for offshoring jobs. The authors argued that market consolidation (along with changes to the national system of labour regulation, although to a lesser degree) was the key factor in shifting bargaining structures away from awards to union-negotiated enterprise bargaining arrangements in the early 1990s. Although collective regulation continued until 2006, the character of this collectivism changed; a significant shift occurred in the balance of power away from workers and their trade union representatives towards management (2006, p. 138).

The importance of this literature, even though it has been developed to explain broader ER outcomes, is that it demonstrates how mergers and acquisitions — which for our purposes are largely external contextual factors — can trigger pressures to change bargaining structures, particularly to the level and scope of bargaining. Moreover, mergers and acquisitions can have divergent effects. In other words, the existence of a certain market structure is important but not deterministic. Other industry-level factors are important in shaping the bargaining structure.

3.2.1.2.2 Capital markets and corporate governance

Closely linked to mergers and acquisitions, and intimately associated with state policies (particularly organisational ownership), the importance of capital markets and corporate governance on employment relations has slowly gained currency in scholarly endeavours in recent years (see Gospel and Pendleton 2005a; Marshall et al. 2008). Much of the literature is comparative, contrasting national employment relations systems, and demonstrating how pressure from financial markets and corporate governance structures has led (in some countries) to more ‘marketised’ bargaining structure arrangements (Gospel and Pendleton 2005b, p. 13).

It is understood that in liberal market economies, financial and governance structures can create opportunities for management, but they can also create significant constraints. Chief among these is the axiom that the primary responsibility of management is now to enhance shareholder value. Thus, management’s primary goal, which is to improve profit margins and shareholder returns, is placed above the interests of labour (Gospel and Pendleton 2005b, p. 15). Gospel and Pendleton (2005b) report
that studies from the US and UK have proven that the drive to enhance shareholder value is detrimental to labour precisely because the capacity of firms to achieve increases in returns is limited. In their words, ‘shareholder value shifts the distribution of claims against the firm but does not increase the surplus generated by firms’ (2005b, p. 14). As a strategy that generates immediate cost returns, the size of the workforce is often reduced (2005b, p. 14). Additionally, Gospel and Pendleton also note that these arrangements promote ‘short-termism’ among management. As a result, in contrast to non-marketised systems (or coordinated market economies), finance is more expensive and is often based on shorter payback periods. The combination of this shorter payback period and higher capital costs translate into a reduction in the willingness of firms to invest in longer-term intangible activities such as training and development (2005b, p. 15). More broadly, pressure from capital markets in the form of equity in the share market has led to the adoption of cost-minimisation strategies over productivity enhancement by management (Bray et al. 2009, p. 37).

Returning to bargaining structures, these factors, specifically the inevitable adoption of cost minimisation strategies, invariably place management under pressure to change the scope of bargaining. Blyton et al. (2001), for example, noted how privatisation was a key factor in triggering significant changes to work, wages and conditions in the airline industry. It is also arguable that changes to capital markets and corporate governance may be contributing to the pronounced shift away from multi-employer bargaining, and indeed, from collective bargaining altogether (Gospel and Pendleton 2005b, p. 13). Waterhouse and Brown’s (2006) study of the Australian Public Service found the federal government adopted market principles and private sector employment relations practices to eschew awards and collective bargaining in favour of individualised arrangements. Brown et al. (1998) similarly reported a shift towards individualised arrangements across the UK in response to, among other things, privatisation and increased shareholder pressure. Privatisation (along with deregulation) as a deliberate economic policy decision by the state will be considered in more detail in Chapter 5.

3.2.1.2.3  Summary so far

To summarise from the literature, the importance of the product market on bargaining structures is clearly profound. It suggests a central role for the product market in any analysis. Yet, the literature also reveals that the product market is exceedingly complex.
More than just increased competition, factors such as the product type, demand level and market structure are all potentially important variables. Also important are ‘other’ markets, especially the market for corporate control and capital markets. The literature identifies how these other markets placed pressure on bargaining structure arrangements across industries.

3.2.2 Technology and the production process

Technology and the production process occupy an esteemed position in employment relations debates. The literature, both theoretically and empirically, reflects this. In relation to bargaining structures, Flanagan (2008, p. 406) articulates the relationship between the two when he states that:

bargaining structures originate in the informal work groups of union members defined by technology and the organization of production.

Likewise, from a different perspective, Sisson (1987) argues that the key to understanding the structure of collective bargaining hinges on understanding management’s resolve to maintain control over the production process. The literature surrounding technology and, inter alia, the production process and its links to bargaining structures, is best understood by looking at the historical context of the development of the topic. Three broad and loosely related streams are dominant. Before exploring these streams, however, it must be acknowledged that much of this discussion inevitably draws on studies outside the narrow field of bargaining structures. Therefore, this section will necessarily move beyond the specifics and away from bargaining structure, but will return as the discussion unfolds.

The first stream emerged when Dunlop (1958) declared ‘the technological environment’ as one of his three interrelated contexts. In doing so, he cemented its importance within the employment relations literature. For Dunlop, the technological environment encompassed ‘the type of work place and the operations and functions of workers and managers and to some degree influences the role of specialised government agencies’ (1958, p. 61). However, Dunlop’s view of technology was overly deterministic. ‘Technological determinism’, as it became known, held that technology would determine factors such as organisational arrangements, management style, the structure of work and industrial relations (Bamber and Lansbury 1988, p. 5). Relatedly, around this time, and along with fellow scholars Kerr, Harbison and Myers, Dunlop released
the key text *Industrialism and Industrial Man* (Kerr et al. 1960). The premise of this book was that as countries underwent technological development, they would all inevitably converge on a model similar to the pluralistic system in place in the US at the time (Heery 2008, p. 72). Overstating its role, technology was viewed through a deterministic prism, and ultimately so important that a convergence of IR systems around the world would result.

Over the next twenty years, the notions of technological determinism and inevitable convergence would be increasingly challenged. Sorge and Streeck (1988, p. 19), taking issue with Dunlop, argued that the relationship between technical change and industrial relations has:

> for too long been analysed in a deterministic, unidirectional and ahistorical framework, separated from the wider institutional economic context in which it is embedded.

Moreover, as many studies revealed, diversity was extensive rather than convergent on one system of IR (see Traxler 1995). Explaining this diversity became a central tenet of IR research. Two key developments towards this aim were Kochan et al.’s (1986) SCT, and the broader politico-economic debate surrounding context with the emergence of the VoC literature. Both of these literatures challenged the assumption of technological determinism. SCT argued that while technology was important, it was not the only factor; the strategic choices of management were also central. The second literature, which sought to explain variations across countries, argued that the institutional form of a country’s capitalist economy — what ‘variety of capitalism’ it operated in — was more determinative than common technical and market forces (see Godard 2004; Hall and Soskice 2001). Furthermore, it was also posited that technology and markets are themselves shaped by the particular capitalist form of the country (Heery 2008, p. 72).

Subsequently, over time, the empirical literature has moved away from this ‘immutable logic’, and technological determinism has been widely rejected (see, for example, Hyman and Streeck 1988a; Lansbury and Bamber 1989). In other words, technology is no longer considered a force beyond the control of the parties, but rather viewed from the perspective that often there are a variety of alternative technologies available and these may present different options for organisations. Technology is now more appropriately considered just one factor, albeit important, among several complex,
interrelated factors (actors, markets and institutions) that explain bargaining structures (Godard 2004). The key task is to understand the nature of the complex interrelationship between explanatory factors and to identify the direction of any causal linkages (Hyman and Streeck 1988b, p. 1).

The second stream of literature emerged following the release of Braverman’s (1974) book *Labour and Monopoly Capital*, which presented ‘labour process theory’ and drew attention to linkages between managerial motives and technology. Central to Braverman’s theory was that technology, through the introduction of automated and simplified production processes, ultimately ‘deskilled’ labour. Management no longer required highly skilled workers and, as a result, assumed more power. The outcomes for employees in light of these technological advances were predicted to be dire and the implications for employment relations patterns significant (Bray et al. 2009, p. 36). It did not take long, however, for a body of literature to emerge that disputed Braverman’s thesis. Scholars argued that Braverman’s thesis was overly deterministic. According to Braverman, technological change would always result in the deskilling of labour (Sorge and Streeck 1988).

While it is beyond the scope of this chapter to discuss this debate in depth, some scholars have argued that new technologies do not always result in negative outcomes for workers. They can, in certain cases, serve as the basis for ‘high performance’ workplaces in which employees are highly skilled, well remunerated, and valued. 8 Piore and Sabel (1984, p. 244), for example, argue that the introduction of new technologies in the car industry in the US had the potential for employee reskilling, leading to more rewarding work. Similarly, Budd (2002) argues that the outcomes of technological change are not all negative, and that new technologies have been successfully harnessed by academics to improve the quality of teaching. While this band of literature continues to grow (and to be contested), its importance lies in the fact that it stimulated a significant body of literature that drew attention to management and the notion of control (see Burawoy 1979; Wood 1982). In the words of Gospel (1983, pp. 167–168):

> It forces a widening of the boundaries of industrial relations to cover technology and work organisation, which it views not as a given constraint or exogenous

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8 Elements of this counter-literature have also been criticised for being overly deterministic.
variable but as a key element in managerial strategies and in management-labour relations.

Again, to cite Sisson (1987), understanding management’s desire to control the production process is the key to understanding bargaining structures.

Related to the above argument, a third body of literature posited that technology and changes to the organisation of the production process were key factors in explaining the rise and subsequent decline of centralised bargaining (see Wallerstein and Western 2000 for a summary). Ingham (1974), as a notable example, argues that centralised bargaining was prevalent in Scandinavian countries (he uses Sweden in particular) because industrialisation was late and rapid. More precisely, he states that certain specific features of their industrial infrastructure, industrial concentration, complexity of technical and organisation structure, and product differentiation and specialisation led to the development of similar technology and production processes across firms and industries, a situation which encouraged centralised bargaining:

high levels of concentration, relatively simple technical and business structures and high levels of product specialisation in the small-scale Scandinavian countries supported the growth of highly centralised employers’ associations and labour movements, which, after a period of intense and widespread conflict, resulted in their highly regulated systems of industrial relations (1974, p. 43).

Using similar logic, Piore and Sabel (1984), along with others (see, for example, Katz 1993; Katz and Darbishire 2000; Lash and Urry 1987; Pontusson and Swenson 1996; Wallerstein and Western 2000) argue that the recent shift towards decentralised collective bargaining structures has been the result (at least in some part) of a crisis in the Fordist method of ‘mass production’. In particular, they note that increasing complexity and competition in the product market has driven the need for ‘flexible’ technologies and flexible means of production (Wood 1988). This has manifested in pressures to increase managerial and job flexibility, and has placed pressure on existing bargaining structures (Traxler 1994). Katz and Sabel (1985) reported this shift in their study of the US auto industry where, due to competitive pressures from imports and segmenting consumer demand, mass production of standardised products was replaced with differentiated products for niche markets. To meet these pressures, management introduced new technology, and work was reorganised and restructured. In terms of bargaining structure, while multi-employer bargaining was considered appropriate to
the Fordist requirement of mass production, single-employer bargaining was believed more able to meet the post-Fordist demands for ‘flexible specialisation’ associated with the widespread introduction of new technologies (Traxler 1998). More than just decentralisation, however, Traxler also notes that the pressures associated with this shift have seen attempts to ‘deregulate’ employment relations, resulting in moves to de-unionise and reduce collective bargaining coverage (1994, p. 170).

Additionally, while technology is often cited as a factor triggering change, it is apparent from the literature that its influence is far from uniform (Chaykowski and Verma 1992; Donn and Lipsky 1987; Voos 1994; Waring and Bray 2006). In the US, Donn and Lipsky (1987) note how technology had a direct effect on some industries and a more subtle effect on others. They observe how the pace and diffusion of technology varied widely between and, to a lesser extent, within industries. Clearly, and linked to specific market dynamics such as the type of product and level of demand, some industries lend themselves to technological innovation, while others less so. What is important is that regardless of the degree of impact, as Taras and Bennett (2002) argue, technology is important because it inevitably disrupts established patterns of behaviour and relationships.

Finally, although the importance of technology is acknowledged, some scholars have drawn attention to the difficulty of accurately assessing its influence on employment relations. Hyman and Streeck (1988b, p. 1) articulate the issue well:

…it is a relatively straightforward matter to identify, say, which car manufacturers have installed robotic welding lines, and to specify trends in production and employment since their introduction. It is a different issue altogether to establish how far changes in jobs or sales are attributable to technical innovation or to demonstrate the manner in which these changes themselves have been conditioned by government policies or bargaining relations with trade unions.

This review represents a brief introduction to the informative and fascinating literature surrounding technology, the production process, and the relationship with bargaining structures. The literature has developed and evolved over time and, as a result, the complex interplay between technology as a context to bargaining and other forces (including agency) is now far better understood. In summation, technological determinism has been widely rejected; the importance of management’s desire to
control the production process has elevated; and the role of technology in stimulating decentralisation continues to be subjected to important discourse.

3.2.3 The state: labour law and bargaining structures
The literature surrounding the role of the state and its influence over employment relations is extensive and diverse (see Bean 1994; Bellace 1994; Cooper and Ellem 2008; Crouch 2005; Dickens and Hall 2005; Dunlop 1958; Elger and Edwards 2002; Fairbrother et al. 1997; Giles 1989; Godard 1997, 2002, 2003; Keller 1991; Traxler 2003b; Treuren 2000). The reason for such voluminous literature is that state involvement in employment relations is pervasive and complex. It is also somewhat ambiguous because the state can be seen to play two very different roles. On the one hand, it can be considered ‘external’ to employment relations — part of the context within which actors operate — and (at least in the short term) beyond the control of the parties. On the other hand, the state can also be viewed as a ‘player’ in employment relations, whose strategic choices (i.e., agency) can influence other actors and sometimes change the structure of bargaining (Waring and Bray 2006b, p. 179).

These broader issues, however, are beyond the scope of the present discussion. This section will focus more narrowly on just two aspects of the state's influence. The first has been covered in previous sections of this chapter. It concerns state decisions on the regulation of the product market (Section 3.2.1.1) and the ownership of organisations (see Section 3.2.1.2.2). The second significant policy decision — and the primary focus of this section — considers the more direct impact of the state on bargaining structures through its role in determining the labour law. While it is acknowledged that other bodies of law (international, commercial, corporate) may influence bargaining structures, these fall outside the realm of this thesis.

The form of labour law enacted by the state is one of the more obvious influences on bargaining structures. Over the years, many studies have, in various ways, drawn attention to the way labour law shapes bargaining structures (see Bamber and Lansbury 1998; Bamber et al. 2010; Bray and Waring 1998; Cooper and Ellem 2008; Godard 1997, 2003; Lee 2006; Sisson 1987; Traxler et al. 2001; Turner 1991).
One valuable source has been the cross-national comparative study. As already mentioned, Sisson’s (1987, discussed in Chapter 2, Section 2.3.3) study proves — again — to be an excellent example. Sisson (and Clegg 1976 to a lesser extent) identifies how the absence of a supportive legal framework in the UK, unlike in Europe, is a key factor in explaining the defection of employers from multi-employer bargaining. Similarly noteworthy is Lowell Turner’s (1991) *Democracy at Work*, which explores the differences in work reorganisation at German and US auto industries through case studies at the firm and plant level. Turner discovers significant differences in the patterns of employment relations between the two, and far greater variation in relations between companies in the US than in Germany. He notes a marked difference in the ability of American and German unions to participate in industrial restructuring. These differences, according to Turner, stem from their respective national labour laws. Far greater freedoms, as a result of that country’s labour laws, were afforded to management in the US to pursue their chosen employment relations strategy.

Turner’s study, like Sisson’s, is enlightening. It demonstrates the extent to which labour laws can provide both opportunities for, and constraints on, the actors. Of course, it would be remiss not to also mention the valuable contribution by Traxler, who through various studies has demonstrated the intimate relationship between labour law and the structure of bargaining (see Traxler 1994; Traxler and Kittel 2000; Traxler et al. 2001, as significant examples). Other notable cross-national comparative studies, which to a greater or lesser extent stress the importance of labour law, include Bamber and Lansbury (1998); Bray (1992); Clegg (1976); Katz (1993); and Katz and Darbishire (2000).

While these scholars have advanced our understanding of the role of labour law through comparative studies, other longitudinal, historical investigations, which chart the relationship between the changing legal framework and collective bargaining structures within a single country, are equally revealing. For example, valuable literature has been produced from countries (particularly Australia, the UK and New Zealand) where the regulatory framework has been significantly recast (see Abbott 1997; Bray and Waring 1998, 2005; Brown 1993; Dickens and Hall 2005; Harbridge and Moulder 1993; Cappelli’s airline study (1985a), even though based on one country’s experience, supports Turner’s findings; although, it was argued that it does this implicitly.
Lansbury 2000; Lansbury and Bamber 1998; Sisson 1987; Traxler et al. 2001). These countries, where change has been pervasive and often linked to the adoption of a neo-liberal ideology, have provided researchers with an unparalleled opportunity to examine how changing labour laws serve to reshape the bargaining structure.

As comprehensive as this literature is, however, many scholarly studies of the law of collective bargaining (especially by labour lawyers as opposed to scholars of industrial relations) examine only the substantive provisions of the law. Often these studies provide no data concerning actual bargaining practices, or they make (often implied) assumptions about what effect these laws will have on bargaining practices. In other words, there is an assumption that labour laws are the equivalent of bargaining structures. Conceptually, this is not the case — labour laws about collective bargaining are different to the practice of collective bargaining (for notable exceptions, see Arup 2001; Howe 2006; Lee 2006; Mitchell and Arup 2006; Parker et al. 2004). The problem with this kind of assumption is that, as Lee (2006, p. 67) notes, it:

may limit and mislead our understanding of how regulation works, since other forms of regulation are likely to interact and possibly collide with and de-rail the declared purposes of state regulation.

Some scholars, mostly those studying labour law through the conceptual lens of regulation theory, are becoming increasingly aware of:

how the intended effects of regulation [i.e., the law] are modified and mediated by social customs and structural realties (Parker et al. 2004, p. 7).

The gap between theory and practice, however, is slowly being empirically closed. Although a comprehensive review of regulation theory is beyond the scope of this chapter, this section will adopt (in a modest manner) the holistic principles guiding this line of analysis. Thus, in seeking to understand the relationship between labour law and bargaining structures, this section will explore the mechanisms by which the law (as a contextual explanatory factor) affects bargaining structures. In doing so, this section hopes to achieve two aims: first, to acknowledge the separation between the law and bargaining; and secondly, to focus attention on the process by which the law seeks to influence bargaining.
The following section will not cite all the literature concerned with labour law and bargaining structures; again, this is a task well beyond the scope of this thesis. Rather, it will draw on certain selected literature that best demonstrates the points anticipated above. This review will adopt a less common approach, in that it will examine the influence of labour law on the separate bargaining structure dimensions. One final caveat is that this empirical discussion of labour law in Australia will be confined to the law up until 2006.

3.2.3.1 The level of bargaining and labour law

Previously overlooked, research into the relationship between the level of bargaining and labour law has gained currency in recent times. This theoretical resurgence parallels the trend in practice towards more decentralised bargaining structures around the world.

Specifically, the importance of labour laws and the level of bargaining emerged from the experiences of those countries that have undergone decentralisation. As noted above, Britain, New Zealand and Australia have produced a large literature that stressed the inextricable links between bargaining level and labour laws. Indeed, the Australian literature has contributed considerably to this broader debate. This literature has meticulously and insightfully charted the changes to labour laws, and the corresponding shifting of the level of bargaining away from centralisation through compulsory conciliation and arbitration to one of decentralisation through enterprise bargaining. As Macdonald et al. (2001, p. 2) note:

“Enterprise bargaining” has been a central theme — indeed a talisman — from the very beginning of the regulatory changes in Australia.

However, more than just chronicling the shift, the literature has rightly been concerned with understanding more deeply the rationale behind the government’s decisions and the practical impact of such changes (see Mitchell et al. 2010 for a comprehensive summary). Commonly noted is that the recasting of Australia’s labour laws reflects, in its broadest sense, a profound shift in government ideology — a shift away from neo-corporatist arrangements towards a neo-liberalist approach. Mitchell and Arup (2006 pp. 10–11) describe the legal developments in Australia (also Britain and the US) in terms of:

the re-shaping of labour law policies to remove employment protections and institute more market-based approaches to capital-labour relations. Thus, we see
analyses of labour law as a means of business facilitation, as a stimulus to micro-economic efficiency, as a contributor to national competitiveness, and as macro-economic regulation.

With this rationale, labour laws were recast. The pursuit of decentralisation, which would apparently ‘produce greater cooperation between employers and employees and greater economic efficiency’, became a central tenet (Bray and Waring 1998, p. 63). In the context of the political debate, the government sought to ‘decentralise’ and ‘deregulate’ the labour market in order to supply business with greater flexibilities in terms of their labour (Howe 2006, p. 147).

The raft of regulatory changes that sought to encourage enterprise bargaining from the early 1990s has been thoroughly documented; especially the changes implemented through the 1996 WRA and the 2005 WorkChoices amendments. Common to all has been the recognition that registered enterprise agreements have now supplanted awards as the primary from of regulation (see Waring and Bray 2006b; Rimmer 1998, p. 606). However, in one respect, this literature is unbalanced. Certainly, enterprise agreements have supplanted awards, but as Waring and Bray (2006b, p. 175) argue, the pace and extent to which enterprise agreements have been adopted varies quite considerably between industries, a point very few studies note. Their studies serve to highlight that what the law says should happen, and what actually happens, ‘in practice’ are often very different or at least vary across different circumstances.

To encourage decentralised bargaining, the WRA introduced two new ‘choices’ to the parties. First, individual statutory contracts, in the form of Australian Workplace Agreements (AWAs), were presented for the first time. Secondly, the opportunities to use non-union collective agreements were greatly expanded beyond the initial provisions introduced in Labor’s 1993 legislation (see Bray and Waring 1998, p. 65 for more detail). The 1996 WRA had two objectives: (1) to entrench single-employer bargaining; and (2) to emphasise individual bargaining between employees and employers (Bray and Waring 1998, p. 64; Forsyth and Sutherland 2006). By introducing more choices to employers (that is, more agency), these laws appeared to be making the laws less prescriptive and therefore less determinative.
Whether the 1996 WRA really provided ‘choice’, however, quickly became a point of contention. For instance, as Bray and Waring (1998, p. 65) and McCarry (1998, p. 60) pointed out, the WRA introduced a series of ‘mechanisms’ designed to discourage attempts to negotiate above the level of the enterprise. New provisions saw ‘multiple-business’ agreements subject to ‘prohibitions on the use of industrial action, special arrangements for certification, and displacement by inconsistent single business agreements’ (McCallum and Coulthard 2004, p. 40). Indeed, as McCallum and Coulthard (2004, p. 40) argued, while it was theoretically possible to negotiate agreements above the level of the enterprise, these stringent conditions made the practice extremely difficult. The 1996 WRA particularly targeted the practice of ‘pattern bargaining’ between the unions. In the words of Minister Reith, the then Workplace Relations Minister:

In fact, in the Workplace Relations Act we introduced a series of measures to prevent this very sort of thing [i.e. pattern bargaining] happening....

For example, the commission has a new power under section 127 to require people to go back to work. We introduced a new power in the commission to terminate or suspend a bargaining period where it was clear that, as a result of an industry wide approach, a union or an employer was unable to negotiate terms and conditions specific to an enterprise. We introduced section 170MM which provides that, in the case of union agreements, industrial action is not protected if it is taken in concert with persons other than the union or its members employed by the employer. We brought back the new secondary boycott provisions (Reith, cited in Bray and Waring 1998, p. 65).

While pattern bargaining was not prohibited under the WRA, amendments introduced under the 2005 Work Choices Act (WRA ss 421 and 439) went further; ensuring that industrial action by unions was not ‘protected’ in claims arising from pattern bargaining (Forsyth and Sutherland 2006, p. 194; Bray and Waring 2009, p. 624). In an important account, Whittard et al.’s (2007) investigation into the Boeing dispute at Newcastle demonstrated just how effective these provisions were. They prohibited the negotiating parties to take lawful industrial action in furtherance of their negotiations; given no alternatives, employees were forced to resort to strike action (see Whittard et al. 2007, discussed below). This restrictive provision led many informed scholars to question whether this process was ‘collective’ at all (McCallum and Coulthard 2004, p. 39).
The parties to bargaining and labour law

Closely tied to the level, the literature that examines the relationship between the parties to bargaining and labour law has followed similar contours to the above discussion. In other words, as the level changes, the parties (and their roles) involved in the ‘bargaining’ process must also change. The literature has responded accordingly. However, more than merely describing the changes, scholars have sought to explore the nuances of how legislative changes affect the power balance or authority levels between parties in the employment relationship. Again, this literature, both within Australia and in the international context, is insightful and informative.

The Australian literature has traced how the government used the law, particularly the WRA and WorkChoices, to force a change in the bargaining agents. It was discussed above that provisions of the WRA were such that it was virtually impossible to negotiate above the level of the enterprise while the government made it clear that its preference was for individual contracting. In this sense, a large body of literature emerged that traced the changing roles and parties to the employment relationship. Briggs (1999), for example, explored the new (and far less important) role of the ACTU. Likewise, and more recently, Dabscheck (2001) studied how reforms reduced the influence and ability of the AIRC to intervene in the industrial tribunals (see also Briggs and Buchanan 2000; Cooper and Ellem 2008; Creighton and Stewart 2000). Others sought to examine employer associations. As Sheldon and Thornthwaite (1999b, p. 4) so clearly revealed, as the level of bargaining decentralised, employer associations — vociferous (and influential) in supporting and shaping these changes — saw their memberships decline and their relevance dwindle.

Similarly, other literature, often difficult to separate from that above, minutely explored the potential impact of the legislative changes on the power balance of the parties to the employment relationship. Some scholars took a novel approach and examined the new, more interventionist role of the state in setting agreements (see Arup 2006; Bray and Underhill 2009; Briggs and Buchanan 2000; Cooney 2006; Cooper and Ellem 2008; Fairbrother and Macdonald 1999; Lee 2006). Briggs and Buchanan (2000) note that the establishment of AWAs, which overrode awards and were registered privately with the Office of the Employment Advocate (OEA), have served to increase state involvement. Likewise, many scholars commented on the high level of state support and intervention
on behalf of employers in disputes such as the pilots’ dispute in 1989 (Burgess and Sappey 1992; Bray and Wailes 1999).

Others turned their attention to employers and their newfound authority (see Bennett 1999; Bray and Waring 2006a; Ellem et al. 2005; Lee 2006). Lee (2006, p. 72), as an example, notes how the WRA allowed a bargaining agent on the employee side to be a union, or groups of employees or an individual employee. However, she argues that statutory regulation tends to favour the employer’s choice, since it does not require that an employer must negotiate with anyone. In practice, she states, the final decision over the type of agreement and the identity of the bargaining partner lies in the hands of the most powerful party. The study of the Boeing Dispute by Whittard et al. (2007) supports Lee’s findings. The authors report how in the absence of any legal mechanism to force recalcitrant employers to engage in collective bargaining, the employees were forced to strike — at great personal cost — to pursue their right to a collective agreement.

However, the literature largely portended the negative impact the legislative changes (such as freedom of association and union rights of entry) would have on trade unions. Almost exclusively, the authors argued that these changes would reduce membership, erode power and restrict the ability of the unions to represent workers (see among many others, Bray and Waring 2006c; Cooper 2005; Coulthard 1999; Lee and Peetz 1998; McCrystal 2006; Mitchell et al. 2010; Naughton 1997; Pyman 2004).

Indeed, Lee and Peetz (1998) describe the 1996 reforms as a ‘paradigm shift’ in terms of the determination of union membership and roles. As Cooper (2005, p. 97) notes:

> Australian unions are reeling from the effects of legislative changes which have made it harder for them to organise, bargain, represent workers, regulate employment and to take industrial action.

Peetz (2002), with his focus on individual contracting, agrees. Peetz (2002, p. 49) argues that the introduction of individual contracts has been designed to weaken union influence and membership. Without collective bargaining he argues:

> there is little or no incentive on the part of employees to remain in a union. Shifts from collective bargaining to individual contracts, then, will induce employees to leave a union, although the magnitude of the effect varies.
Again, however, as Mitchell et al. (2010) note, most of the literature fails to differentiate between theory and practice. While the majority of scholars have advocated a deleterious effect on trade unions, very few have proved empirically in what way and to what extent this has happened. Waring and Bray’s (2006b, p. 175) study of bargaining structures in Australian industries is one exception. The authors note again significant differences between union outcomes following legislative amendments. While some unions such as call centres performed poorly (see Todd and Burgess 2006), by contrast, the authors report that in industries such as coal mining, domestic airlines and whitegoods, the unions have managed to largely withstand the challenges posed by the legislation, and for the most part, union density remained high and collective agreement coverage remained wide. Likewise, Pyman (2001, p. 340), in a study that traced the experiences of five federally registered trade unions following the introduction of the WRA, also finds that the legislation was not ‘as devastating for these unions as many would have anticipated’. Pyman (p. 345) goes on to suggest that the most plausible explanation lies in individual union characteristics. She points out that all the unions operate in different industries and they all face differing circumstances with regard to membership (p. 345). These findings mirror the diversity noted in the individual studies in Waring and Bray’s industry book.

3.2.3.3 The scope of bargaining and labour law
The literature reveals that the connection between labour law and the scope of bargaining is that the content of agreements (that is, those areas that can be jointly regulated) is largely enshrined in the legal framework (Bamber et al. 1998). Researchers from several countries (including Australia, the UK and the US) have reported a significant decrease in the scope of bargaining in recent years. Common across all countries is the background of declining union density and governments unsympathetic towards unions and collective bargaining (Adams 1981; Bamber at el. 1998; Brown 1993; Bray and Waring 1998; Bray and Waring 2006a; Sisson 1987).

As was noted in Chapter 2 (see Section 2.3.3), studies have highlighted the intimate relationship between the scope of bargaining, managerial prerogative and labour law. Consequently, without appropriate legal support, the range of issues subject to joint negotiation declines. Joint regulation is then supplanted by managerial prerogative. Of course, managerial prerogative lay at the heart of Sisson’s (1987) study, who noted how
the British ‘common law’ model lacked sufficient detail and support to keep union involvement at a superficial level, thereby triggering the employer defection from multiemployer agreements. Similarly, Turner (1991) and Cappelli (1987b) both demonstrated how weak US labour laws gave employers greater freedoms in deciding which issues would be subject to joint negotiation at the workplace.

The literature concerning the scope of regulation and labour law within Australia is wide-ranging and informative. However, perhaps more so than some other dimensions, this area is under-researched, especially in terms of empirical investigations (Bray and Waring 2006c; Mitchell et al. 2010). Nevertheless, many commentators have made significant contributions to this topic, most notably following the implementation of the 1996 WRA and the 2005 WorkChoices reforms (Burgess and Winsen 2005; Elton et al. 2007; Gahan 2007; Peetz 2007; Waring and Bray’s 2006a book of industry studies). Areas of scholarly interest include award simplification; changes to the determination of wages (Elton et al. 2007; Ostenfeld and Lewer 2003; Wooden 2005); and the rise in managerial prerogative (Bray and Waring 2006a; Marshall and Mitchell 2006; van Barneveld 2006). However, more novel has been the attention given to legislative changes that have affected non-wage issues, such as the reduction in minimum standards; the rise in non-standard or precarious work; and related broader issues concerning the deployment of labour (Burgess and Winsen 2005; Mitchell et al. 2005; Mitchell et al. 2010; Waring and Lewer 2001; Watts and Burgess 2000).

The process of ‘award simplification’ captured the interest of both labour lawyers and industrial relations scholars (Bray and Waring 2006a; Ostenfeld and Lewer 2003; Pittard 1997). A common opinion, as Bray and Waring (2006a, p. 49) contend, is that award simplification had a damaging impact on union representation and participation in the workplace because it removed issues such as rules pertaining to union meeting times, the payroll deduction of union fees, and union training leave. Empirical research by Barry and Waring (2006) in coalmining, Spiess and Bray (2006) in domestic airlines, Gillan and Lambert (2006) in the Australian Public Service, and Lansbury and Saulwick (2006) in the automotive industry all reported the removal of union-facilitation clauses in awards that were not transferred to enterprise agreements; hence, there was a narrowing of the scope of bargaining. However, Bray and Waring (2006a, p. 50) note that the literature is empirically deficient when it comes to determining whether, and to
what extent, these provisions have been included in awards or adopted at the workplace. One notable exception was Waring and Barry’s (2001) study of the Australian coal industry, which discovered that only a limited number of non-wage issues previously included in awards have resurfaced in enterprise agreements (see also Ostenfeld and Lewer 2003).

Aside from award simplification, another area to attract attention was the new provisions in the Act which facilitated the avoidance of minimum standards — with the parties’ agreement — subject to certain procedural safeguards. Analysis of the evolution of the ‘no disadvantage test’ (NDT) was topical (Merlo 2000; Mitchell et al. 2005; Waring and Lewer 2001). While some empirical research was evident (mostly in the form of commissioned reports and public inquiries) on how minimum standards were affected by legislation (see Gahan 2007, for example), very little was published on the actual legislative effects (Mitchell et al. 2010).

Similarly, in terms of the content of agreements, the rise in non-standard employment in Australia — particularly post-1996 — was noted in a growing body of literature (see Mitchell et al. 2010). Indeed, Mitchell et al.’s (2010) summary of this research concluded that a significant proportion of all post-WRA agreements (excluding AWAs) contained provisions relating to non-standard work. While the correlation with the rise and the introduction of the WRA appears obvious, the authors argue that there has been little research to prove this relationship. One notable exception is Waring’s (2003) study of temporary employment in the black coal industry in Australia. It found that regulatory changes to both awards and agreements following the WRA contributed to the rise in this form of non-standard employment in the industry. Interestingly, Mitchell et al. (2010) state that while many employers included these non-standard provisions in agreements, they did not necessarily utilise them. Rather, they contend, employers were ‘arming themselves with substantial powers to utilise non-standard arrangements, and unions and other parties were conceding this right’ (2010, p. 2).

The last relevant body of literature sought to examine the effect of the narrowing of the scope of bargaining on the power balance in the employment relationship. Almost uniformly noted across the literature was that this paring down of the scope resulted in more matters being pushed into the realm of negotiation, which ultimately enhanced
managerial prerogative (Bray and Waring 2006a). As Pittard and McCallum (1999, p. 419) report:

> It also increases the scope for stronger managerial prerogatives. This, of course, depends on the relative bargaining strength of employer on the one hand, and employees or union on the other. It is inescapable, however, that the reduced core of standard conditions will significantly affect weaker groups and that they are likely to be the ones to bear the burden of the reforms.

Although occasionally contested, some commentators expressed concern that the legal change that sanctioned the introduction of AWAs would also reduce the number of issues open to joint regulation. Indeed, as noted (see Chapter 2, Section 2.2), a small but important body of research reported that, despite the rhetoric, employees were not involved in the drafting of AWAs. AWAs were not ‘bargained’; they were unilaterally determined by management, often presenting employees with no more than a ‘take it or leave it’ decision (see Bray and Waring 2006a; Peetz 2006; van Barneveld 2004).

Lee (2006, p. 73) also draws attention to the way regulation influences the scope of bargaining. She cites the example of how the WRA regulated the scope of bargaining in both a direct and an indirect way. An example of the direct impact was the way the WRA made it mandatory that all collective agreements contain a disputes procedure, must not contain discriminatory terms, or breach the freedom of association provisions. An indirect example, she argues, was the provision that states that a collective agreement must pertain to the ‘relationship between an employer…and all persons who…are employed [by] the employer and whose employment is subject to the agreement’. The content of AWAs are provided for through similar means. In this context, within the confines of the legal rules, the actual content of any given agreement or contract often hinges on the relative bargaining strength of the parties. Lee also notes how some clauses written into union agreements were unacceptable to the government and other employers, which led to litigation aimed at reshaping the meaning of the words in the provision.

3.2.3.4 The coverage of bargaining and labour law

Much of the international literature concerned with the relationship between the coverage of collective bargaining and labour law has already been cited throughout this chapter (see Section 3.2.3.1) and the previous chapter (see Section 2.3.5). Common to
the literature is the understanding that collective bargaining coverage can be affected by labour law in two ways. The first is by governments defining the rights and duties of the bargaining parties, achieved through union recognition, security provisions and through the regulation of the right to strike and lockout (Traxler 1994, p. 178). The second is through the law in the provision of extension rules.  

Again, this relationship is often demonstrated indirectly in the literature that seeks to explain the decentralisation of bargaining. More precisely, a series of international empirical studies has established that in the absence of state support, mainly in the form of extension mechanisms, the incidence of multi-employer bargaining declines dramatically and ‘disorganised’ decentralisation ensues (Bray and Waring 1998; Brown 1993; Harbridge and Moulder 1993; Sisson 1987; Traxler and Behrens 2002; Traxler 1994; Traxler et al. 2001). Key examples are the UK and New Zealand, where the removal of extension mechanisms has been widely reported as fundamental to the dramatic shift from multi-employer bargaining to single-employer bargaining. Importantly, both countries reported that, as the level decentralised, so too did the coverage of collective bargaining (Traxler 1995, p. 9). However, stretching further than just a decline in multi-employer bargaining, it was noted that in both countries the unions encountered a huge loss of control over the employment relationship, and there was a weakening of employer associations (Traxler 1995, p. 9). Of course, as examples of neo-liberal governments, often other anti-union legislation was simultaneously introduced that stripped union recognition and security provisions, thereby further reducing coverage. In contrast, research into those countries (mostly European) found that where state backing had ensured the continuance of multi-employer bargaining, and where organised decentralisation prevailed, coverage levels remained high (Ferner and Hyman 1998; Sisson and Marginson 2002; Traxler 1995, 2003b).

Similarly, the legislative changes in Australia that have encouraged enterprise bargaining, although not as drastic as those in the UK or New Zealand, have seen researchers become interested in the level and type of bargaining coverage. Many expressed concern that the legislation, which progressively sought to dismantle the award system — Australia’s unique system of extension — would see the coverage of

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10 Traxler et al. (2001, pp. 182–183), also refer to the notion of ‘enlargement’, a similar mechanism to extension that binds employers and employees in certain areas outside the agreement’s domain.
collective bargaining collapse, or at best, decline precipitously (Bray and Waring 1998; Campbell and Brosnan 1999). Others reflected that the anti-union policies imbued in the WRA and the WorkChoices amendments would adversely affect the level of bargaining coverage (Cooper and Ellem 2008, 2011).

More broadly, some empirical studies have traced the adoption rates of different industrial agreements across industries. Scholars widely noted that despite the Coalition’s efforts to promote statutory individual contracts, they failed to gain wide coverage (Bray and Waring 1998; Creighton and Stewart 2000, p. 21; Waring and Bray 2006a, p. 175). Relatedly, some empirical studies also reported that the primary method of wage setting differs significantly between industries, and for different reasons. For example, Todd and Burgess (2006) note the relatively high incidence of AWAs in the call centre industry, attributing this to a weak union presence. Barry and Waring (2006), Spiess and Bray (2006), and Lansbury and Saulwick (2006) all reported that collective agreements underpinned by awards prevailed in the coal industry, domestic airlines and the automotive industry respectively. The continued presence of stronger unions was a key explanatory factor in all cases. In contrast, other studies have demonstrated that awards continue to have considerable purchase in certain industries. Buultjens and Cairncross (2001) and van Barneveld (2006) found that awards prevailed in hospitality due largely to the fact that employers obtained a high degree of flexibility under the centralised award system. A similar result emerged in Knox’s (2006) study of the luxury hotel industry, where the incentive for employers to engage in enterprise bargaining was weak. Interestingly, this body of literature, perhaps more so than the other dimensions, demonstrates more readily the gap between the intentions of governments in making labour law and their actual impact in practice.

3.2.3.5 Summary so far

The aim of this section was to draw on a select body of literature in order to highlight the way in which labour law, as a context, influences bargaining structure. The intimate relationship between labour laws and bargaining structure is noted. Indeed, as Traxler (1998, p. 213) argues, the presence of supportive labour laws are, along with strong unions and strong employer associations (also a by-product of labour laws), fundamental to the continuance of collective bargaining. The interdependency and symbiosis between the dimensions of bargaining is also noted; a change in one
dimension triggers a series of changes in the others, and so forth. However, beyond acknowledging this relationship, some other conclusions are noteworthy.

Reinforcing what several scholars have argued, the literature reveals that there is a gap between the intent of the legislation and the actual effect (Lee 2006; Mitchell et al. 2010). What the laws say about collective bargaining and what actually happens can be two very different things. Too often scholars have assumed that labour law parallels bargaining structure. The conceptual difference between the two deserves greater recognition and hence the need for more detailed empirical research is noted.

Part of a more nuanced explanation of bargaining structure is a recognition that other factors besides state regulation contribute to the shape of the structure of bargaining. Chief among these is agency — the way in which the parties respond to labour laws. Compliance with legislative provisions is rarely automatic, neither is it simple. All parties seek to advance their own interests. As Lee argues, ‘they regularly contest and reinvent the boundaries…to suit their own preferences’ (2006, p. 70). The parties can achieve this through informal methods, such as exchanging information about bargaining outcomes in order to circumvent restrictions on pattern bargaining, or more formally through other legal processes such as litigation, which is designed to clarify or even change the meaning of the law (Cairncross and Buultjens 2006; McCarry 1998; Lee 2006).

Relatedly, it is also worth acknowledging that the processes through which labour laws influence bargaining are often more complex than first appear. On the one hand, the WRA and WorkChoices legislation influenced bargaining structures explicitly, in the sense that it mandated certain behaviours; for example, it limited the award-making powers of the AIRC and ‘the scope and reach of award regulation’ (Forsyth and Sutherland 2006, p. 185). On the other hand, it also introduced a range of provisions that had a more implicit effect, legislation that did not mandate but rather sought to encourage or discourage certain behaviours. For example, the process of award simplification ‘encouraged’ enterprise bargaining, while the promotional activities of the OEA steered parties towards individualised bargaining (Cairncross and Buultjens 2006). Similarly, as Cooper and Ellem (2011, p. 49) argue, the effect was to make
individual contracting easier while, simultaneously, making it harder for the unions to engage in collective bargaining.

Finally, the influence of laws on bargaining can sometimes be disguised. For example, the rhetoric accompanying the introduction of the Howard Government’s labour laws (especially the 2005 WorkChoices reforms) emphasised the notion of a ‘deregulated’ system, in which the parties would have a greater ‘choice’. The role of the government was to establish a range of bargaining options and then allow the employers and employees to choose among them, free from government intervention. However, the gulf between rhetoric and reality was wide. These choices were severely constricted in practice. Ultimately, the confluence of the legislative changes reflected the government’s preference for an individual bargaining system. As both Lee (2006) and Arup (2006) argue, the freedoms given to the parties by the system to manage their own employment relations, a term they refer to as ‘meta-regulation’, were largely fiction. In contrast to the notion of ‘deregulation’, the WRA and subsequent amendments were frameworks imbued with ‘command and control’ elements by a highly interventionist and prescriptive government.

3.3 Criticisms of the context-based literature for industry level explanations

It is apparent from the review in the previous section that the literature surrounding contextually based explanations is rich and insightful. It has certainly enhanced our understanding of bargaining structures within an industry. Nevertheless, as a general statement, many of the criticisms of contextual explanations stem from a failure to acknowledge agency. For example, the section (3.2.1.1) that discussed the product market readily demonstrates that many studies neglect agency. In contrast, the strength of Cappelli’s (1985a) study of business strategies and the product market was that it demonstrated how the parties were exercising agency. Ultimately, the previous section has clarified two key themes relevant for this thesis. First, there can be no single contextual factor to explain bargaining structures — explanations are multi-causal. Second, context must be combined with agency.
Turning to more specific criticisms, two points are noted. First, there is an argument to be made that the ‘other markets’ have been neglected. While the literature reveals strong references to product market changes, the significance of other markets — particularly financial markets and the market for corporate control — is notably scant. This paucity is curious. These markets have long been recognised as particularly salient variables within other disciples, particularly economics, but also within the more closely related, but still developing, VoC literature. The small number of studies noted above that have made reference to these markets are illuminating, particularly in terms of how they provide constraints and opportunities for employers and shape the product market. In particular, the literature that made mention of the market for corporate control revealed how mergers and acquisitions have diverse influences over industry bargaining structures. Likewise, that financial markets shape the behaviour of employers is theoretically well demonstrated, and included in broader debates on topics such as privatisation and marketisation, but is less common in empirical studies surrounding bargaining structures. Overall, the bargaining structures literature has to date failed to sufficiently incorporate these other markets. Of course, this thesis is not suggesting that the role of the product market should not be central to analysis. Patently it is, but rather the point to be made is that these other markets should be included to understand better the pressures on the key actors, particularly management. Finally, it must be noted that by incorporating these other markets in analysis, attention is drawn back to the state — for all markets are products of state policy decisions.

The second criticism is directly related to the literature which refers to the product market and the operation of industries. At the risk of overgeneralising, the complex operation of the product market is often broadly classified in somewhat non-specific terms of ‘increased competition’. While invariably this is correct, and the product market has become more competitive, this is too vague. Each industry must be considered exceptional, and the nature of competition in its product market necessitates deeper analysis. Those studies that did refer to factors such as the market structure, the level of demand, the level of competition (both for the product and between employers), the distribution of market power, and the type of product, were particularly instructive in demonstrating how crucial each of these factors were in shaping the product market dynamics of the industry in question. However, importantly, and as with ‘other’ markets, these subtleties also enhanced our understanding of the particular industry.
chiefly through a better understanding of the forces that shaped the behaviour of the actors. This thesis argues the emphasis on the product market in the literature is correct, but that a greater understanding of industry behaviour, and hence bargaining structure evolution, would be achieved if these intricacies of product market dynamics were incorporated. Again, the importance of these facets has been emphasised in other disciplines, particularly economics and through the work of industrial sociologists such as Michael Porter, but has failed to be sufficiently treated within the bargaining structures literature.

In a broader sense, another criticism to emerge in the literature is that the ‘higher-level’ context (especially that of the role of the national state) does not feature widely enough in the empirical bargaining structure literature. Neglect can be traced back to Dunlop, who declared the state as one of his three key interrelated contexts, but then largely ignored it. The state, according to Dunlop, existed outside the boundaries of the IR ‘subsystem’. It was thus considered an exogenous force (Giles 1989; Hyman 2008).

Dunlop, as with many others to follow, focused on the markets and technology as key explanatory variables, and relegated government and politics to marginal status (Hyman 2008). Ironically, within the broader sociological and employment relations literature, this neglect has been long noted (see, for example, Adams 1992; Giles 1989, Godard 1997; Hyman 2008; Keller 1991). According to Giles (1989, p. 123):

> Despite the fact that the role of the state in industrial relations has grown steadily more important in nearly every advanced capitalist democracy during the 1970s and 1980s in terms of both substantive intervention and the level of politicization of industrial relations issues, recent assessments of the industrial relations literature suggest that the situation remains more or less unchanged.

Giles’ comment that the role of the state in industrial relations has grown steadily makes this dearth all the more serious. Moreover, Giles is not unique in this standing; other scholars, often in the context of debating the rise of neo-liberalism, continue to present a similar case (see Bray and Underhill 2009 for a review and Godard 1997).

This neglect of the state has been translated into the bargaining structures literature and manifests in two specific aspects. In the first instance, it is argued that despite its obvious importance (as identified in Section 3.2.3.1), the literature has failed to adequately incorporate the role of labour laws in explanations. While this neglect was
noted with IRS, arguably it has continued with the emergence and dominance of SCT, human resource management and the associated conceptual shift of analysis to the level of the enterprise. With this conceptual shift, bargaining structure explanations moved to enterprise-level factors — most commonly employer business strategies (Boxall and Purcell 2003; Kochan et al. 1986). This shift was underpinned by political and economic changes in the 1980s and 1990s, which saw the states relax restrictions on management behaviour (Martin and Bamber 2004, p. 299). However, the fact that the ability of management (and unions) to manoeuvre is determined by labour laws is overlooked in the literature. Cappelli’s (1985a) insightful account of the US airline industry is a key example of this fault. While he acknowledges policy decisions such as (de)regulation and other industry-specific constraints, he fails to note, unlike Turner (1991, see Section 3.2.3.1), how weak US labour laws provided employers with a far greater range of choices about how to manage employees within their enterprises (much more than in other countries like Europe and Australia). This freedom resulted in greater diversity between companies in their ER arrangements. This fault has been replicated in other studies, such as Eaton and Kriesky (1998), and Katz (1993), whose important account of decentralisation fails to account adequately for labour law.

Another scholar, Adams (1992), takes issue with Kochan et al. and SCT. Adams provides an alternative account of the ‘transformation’ of industrial relations in the US, which gives greater recognition to the state. Drawing on his early work concerning employer behaviour (Adams 1981), he posits that employers will always seek to maximise their control over the enterprise (see also Turner 1991, p. 230). According to Adams, only the presence of strong state involvement and labour power offsets this employer propensity. Unless checked by these mechanisms, employers will seek to evade collective bargaining. He argues that the American transformation was not, as KKM declare, shaped by the strategic choices of employers. Rather, it was a result of government behaviour (1992 p. 507). More specifically, Adams argues the critical behaviour was:

the choice made by the state to remove pressure from employers to recognised and negotiate with unions. The transformation was helped along considerably by a decade of high unemployment that undercut the already inferior power of the unions to stand against employer insurgency but the critical variable was a permissive government policy that had a predictable effect on employer behaviour (p. 508).
Relatedly, the second criticism concerning the state is that it seems to be largely forgotten that markets are themselves institutions formed by the politically motivated choices of the state (North 1990). Much of the literature discussed above implicitly assumes that the forces of ‘globalisation’, ‘increased competition’ and ‘deregulation’ are inevitable and irreversible forces (see Godard 1997; Voos 1994, pp. 8–11). Logic suggests they are not. The economic outcomes observed across enterprises, industries and nations are heavily influenced by the deliberate policy decisions of the state; and thus, as a human construction, are not immutable. Indeed, governments have a choice (Keller 1991). Deregulation and privatisation, for example, are the result of a state decision based on the theories of neo-classical economists, who argued that the benefits of increased competition outweigh the costs, and that private ownership is more efficient (Fairbrother et al. 1997; Voos 1994). Similarly, as noted in Section 3.2.1.2, the rules governing the operation of financial markets have been altered in many economies. Now mergers, acquisitions, and financial restructuring designed to maximise shareholder returns are freely available. As a result, management have adopted ‘short-termism’, a position where short-run profitability is paramount, potentially for the long-term profitability of the organisation (Gospel and Pendleton 2005b; Voos 1994). In this view, markets are privileged over all else, economic models are based on self-adjusting market forces independent and free from human design. Of course, this assumption is flawed. It fails to theorise the socially constructed nature of markets — all markets are human constructions, and are ‘always an outcome of the institutions that create and maintain them’ (Voos 1994, p. 9).

This is not a novel debate. Many industrial relations scholars have, in general, long called for a more central role for the state in explanations (see, for example, Adams 1992; Giles 1989; Godard 2002; Keller 1991; Treuren 2000). Nor is this thesis suggesting that the scholarly endeavours surrounding bargaining structures do not appreciate the role of the state; but rather, particularly in recent times, that its role is often implicit — a ‘given’, or even overlooked in some cases. This thesis argues that in the interests of completeness, a more explicit acknowledgement is required. As Adams (1992, p. 517) says:

Government is the dominant actor in industrial relations systems. It has power resources that considerably outweigh those of either labor or business. Because of that power the state, more so than the other two actors, must be held accountable for good or bad industrial relations.
A return to industry-level analysis (or even enterprise-level analysis) that more readily considers higher-level contexts would go some way towards overcoming this deficiency.

Two points can be summarised from this section. First, no single ‘contextual’ factor can adequately explain bargaining structures. Secondly, context must be combined with agency in any explanation. Ultimately, context can only identify ‘probabilities’ rather than action itself. In other words, context provides both the opportunities for particular actions and the constraints limiting the actors. Context alone cannot explain bargaining structures. Although they may influence, they do not control the final decisions or actions of the parties.

3.4 Agency and bargaining structure explanations

This chapter has thus far focused on contextual determinants thought to have some influence over bargaining structures. Of course, context constitutes only part of the explanation. Hyman (1989, p. 70) eloquently articulates the requirement to consider the other half — the human agent — in any explanation:

Humans are not puppets; they consciously interpret the situations in which they find themselves, and in the light of these interpretations they select their responses in accordance with the goals which they wish to achieve. Only by exploring the subjective dimension — human consciousness and the interrelation of people’s definitions and responses — is it possible to understand the regularities and patterns which exist in industrial relations or in any other area of social life (Hyman 1989, p. 70).

The contribution of the parties or the key actors (in Dunlop’s terminology) in determining bargaining structures is explicitly acknowledged in the literature (Clegg 1976; Kochan et al. 1986; Plowman 1988; Sisson 1987; Thörnqvist 1999; Traxler 2003a; Windmuller 1987). Indeed, bargaining structures are determined either bilaterally by unions and employers, or trilaterally by unions, employers and the state. As already noted, however, the literature is mostly concerned with the interaction between management and the unions; the state is largely regarded as a ‘context’ settler in that it determines the rules of the game (Weber 1967). There is also no ‘one best’ structure that suits all the actors. Preferences for a particular structure are contingent on the values, priorities, experiences and current circumstances of the different parties.
(Bamber et al. 1998). Thus, as Zagelmeyer (2005, p. 1625) articulates, bargaining structures are often highly contested:

Unless forced to do so, all parties will voluntarily agree on constitutional issues only if they assume that the new rules will benefit them.

There is little doubt that the ‘agency-centric’ literature has been crucial in enhancing our understanding of the determinants of bargaining structures. It has done so in two ways. First, from a broad perspective, by providing completeness and balance to a literature that historically had a propensity to focus on contexts and to neglect agents. Second, it has deepened our understanding of bargaining structures by repositioning the motives and power of management as central to the employment relationship.

Within this literature, the stream considered most relevant is that which seeks to understand which party (i.e., management or unions) has been the more powerful in determining bargaining structures. Although largely concerned with management and their motives, particularly in recent times, it serves to relocate agency to the top of the list of key factors. Relatedly, with this shift in focus, a smaller but just as important body of literature has emerged that has drawn attention back to the contested nature of bargaining.

### 3.4.1 The key agents: management or unions?

The review above of the product market (Section 3.2.1.1) showed that early explanations had their analytical lenses focused on the unions and their influence on bargaining structure (Clegg 1976; Commons 1909; Flanders 1968, 1974; Livernash 1963; Weber 1967; Thomson and Hunter 1975). In Britain, stemming from the Webbs (1902), who regarded collective bargaining as predominantly a union-devised process designed to regulate jobs (Plowman 1988, p. 371), union preferences were historically seen as more determinative of bargaining structure (Eaton and Kriesky 1998, p. 6). As Flanders notes:

They [the Webbs] tended to assume that collective bargaining was something forced upon employers against their will by strikes and other union sanctions (1968, p. 3).
This position, however, would eventually be challenged. Scholars such as Flanders (1968, p. 3) disagreed with the Webbs, correctly arguing that their assessment was incomplete:

Such a view of the institution, which included this primitive theory of its growth and structure, ignored any positive interest on the part of employers. After all, employers could hardly be expected to welcome a strengthening of the bargaining position of their employees unless it brought them some compensating advantages, but this was not a question which the Webbs explored.

Flanders’ position was supported by Clegg’s (1976) seminal comparative historical study that sought to establish a theory of trade union behaviour. Clegg convincingly argued that union activity was a consequence, rather than a cause, of bargaining structure. Changes to bargaining structure dimensions, he stated, stemmed chiefly from the structure and attitudes of employers’ associations and management, except where the law intervened in the early stages; in which case, it may have played a powerful part in shaping collective bargaining (Clegg 1976, p. 10).

While Clegg’s work focused on trade unions, two scholars (Adams and Sisson) subsequently sought (again through historical cross-national studies) to correct the paucity of literature on employers by exploring their role in the development of collective bargaining.

Adams’ (1981) publication, titled *A Theory of Employer Attitudes and Behaviour Towards Trade Unions in Western Europe and North America*, sought to explain the noticeable difference in behaviour between North American and European employers. He notes ‘employer behaviour has typically been accepted as a given rather than as a phenomenon to be explained’ (1981, p. 289). Adams argues that the attitudes and values of employers is essentially the same, but that differences in behaviour between them is the result not of attitudes, but of ‘critical historical events and resultant differences in industrial relations systems’ (1981, p. 278). He contends that these differences were predominantly triggered by pressure from European governments forcing employers to recognise unions. This pressure was notably absent in the United States where socialism was rejected and the government never made such demands on employers (p. 290).
Turning again to Sisson (1987), his comparative analysis focused primarily on five countries, comparing the role of employers and their associations in the development of collective bargaining. More specifically, he attempted to explain the pronounced differences in bargaining structures between Britain and Europe. In Europe, employers pre-eminently supported multi-employer centralised bargaining, while in Britain, single-employer bargaining was the dominant form of regulation. Sisson argues that many European employers supported centralised or multi-employer bargaining because it not only offered economies of scale, and in some cases helped to regulate the market, but also because it helped to neutralise the workplace from trade union activity and protected managerial prerogatives (1987, p. 13). This, however, was not the case in Britain. Multi-employer bargaining did not furnish British employers with the same degree of freedom or control and, consequently, multi-employer bargaining declined and the incidence of single employer bargaining increased. Sisson’s explanation of this paradox rests on the differences between the scope and status of bargaining between the countries (see Chapter 2, Sections 2.3.3 and 2.3.4). He also concludes that these differences are due to the specific compromises surrounding the industrialisation of each country. Sisson argues that:

Employers and governments agreed to recognise trade unions and allow them to participate in the rule-making process first and foremost in order to institutionalise industrial conflict. For governments, the institutionalization of industrial conflict was usually an end in itself. For employers, however, it was a means to an end: the maintenance of management control. It is rooted in an historical compromise that defines the nature and extent of trade unions and their members (Sisson 1987, p. 12).

In this way, through theoretical, historical, and comparative analysis, Flanders, Clegg, Adams and Sisson challenged the perceived passive role of management in shaping bargaining structures. In doing so, they shed light on the behaviour and motivations of employers and their associations. Far from passive and ineffectual, employers were by contrast proactive and highly influential parties in determining the structure and processes of bargaining, chiefly through (limited) union recognition to neutralise the workplace and avoid state intervention. Employers and their associations, they argue, were primarily responsible for the shape of a country’s bargaining structure. Their important research has been supported by other British scholars — such as Ingham (1974), Jackson and Sisson (1976), Thurley and Wood (1983), and Tolliday and Zeitlin (1991) — all of whom contributed to repositioning management as a central figure in
bargaining structure explanations. Put more broadly, these studies re-asserted the importance of agency.

In contrast to the UK, where scholars challenged the passive perception of employers and their associations from the 1960s, it was not until the 1980s (after Adams) that US scholars emerged who focused analysis on the role of employers in shaping collective bargaining. For example, early studies by scholars such as Weber (1961) and Livernash (1963) viewed management as downtrodden and subservient to union might. The impact of management on collective bargaining structure was considered negligible:

The structure of bargaining in the United States, within the confines of a particular union’s ability to organize (an important limitation), appears to have been determined primarily by the desire of the union exercised in response to differences in product and labor market conditions (Livernash 1963, p. 12).

As in the UK, however, this perspective of the subjugated employer was not to last. Prompted by changes to their industrial relations system, and their inability to explain it, US scholars turned to employers for an answer. Hendricks and Kahn’s (1982) study of bargaining structure determinants in US manufacturing industries began this shift when they drew attention to the importance of party preferences (i.e., agency) for a particular structure. They argue (1982, p. 183) that to analyse the determinants of bargaining structure required an assessment of union and management choice functions (that is, their ‘demand’ for a particular structure) as well as each side’s ability to enforce its choice (bargaining power). This argument stimulated interest in the ‘strategic choices’ of the agents, particularly management (Eaton and Kriesky 1998). Shortly after this, in 1984, Kochan, McKersie and Cappelli published their seminal paper calling for a new, more dynamic theoretical framework for industrial relations, arguing that Dunlop’s systems theory was overly deterministic and failed to account for the observed changes. They argued that management were seen as too passive:

…a more realistic model of industrial relations should recognise the active role played by management in shaping industrial relations as opposed to the traditional view which sees management as reactive, responding to union pressures (Kochan et al. 1984, p. 2).

This position of employer dominance was extended with the release of Kochan, Katz and McKersie’s (KKM) seminal book, *The Transformation of American Industrial Relations* (1986, 1994). The ‘transformation’ theorists argued that the changes to the
labour regulation patterns in the USA were predominantly a reflection of managerial responses to largely ‘immutable global economic forces’ (Godard 1997, p. 399). These forces, they argued, induced employers to change management strategies, which in turn saw them decentralise their management structures, adopt anti-union policies, implement more flexible workplace arrangements and empower workers through various ‘innovations’ (Godard 1997, p. 400). Their work stimulated a significant amount of research, which, as in Europe, would assign primacy to management in determining bargaining structure processes and outcomes (see Voos 1994). Along with the UK scholars, these studies put agency back in the spotlight, even if they focused exclusively on management.

In keeping with the international trend, Australian scholars, too, sought to understand whether unions or management were primarily responsible for bargaining structures. A rich — but contested — body of literature developed. It is generally accepted that much of our understanding of employers, and particularly employer associations in Australia, emerged with the work of David Plowman. In contrast to the international literature, Plowman argues in a series of papers (see 1985; 1988; 1989) the case for the ‘exceptionalism’ of Australian employer associations. Plowman posits that, unlike the international experience, employer associations were reactive, ineffectual, and even passive in both their formation and their behaviour (Sheldon and Thornthwaite 1999b; Barry 1995, p. 543). Plowman roots this exceptionalism in the argument that permanent employer associations were only formed in response to the introduction of compulsory arbitration and, following their formation, were largely reactive in their behaviour. This of course particularly contrasts to the European research described above, which argued that employers took the initiative, recognising unions largely to avoid and mitigate state intervention.

Plowman’s position however was challenged by a number of scholars (see Barry 1995; Sheldon and Thornthwaite 1993, 1999a; Thornthwaite and Sheldon 1996; Westcott 1999). Beginning with Barry’s (1995) historical and comparative account, employers, he argues, were in fact particularly influential in shaping and recasting bargaining structures in Australia. In stating his case, Barry notes, among others, that employer associations existed before arbitration, and therefore could hardly be reactive in their formation. His study also traced how the behaviour of employers and their associations
in Australia showed remarkable similarities with the European experience, arguing that the case for Australian exceptionalism was very much overstated. Barry’s position was reinforced through a number of more detailed empirical studies, most notably a book and series of papers by scholars Sheldon and Thornthwaite (see above) who studied, inter alia, the role of the BCA in the decentralisation of bargaining. Thus, the Australian literature has, on balance, supported the international findings placing employers as central agents in bargaining structure formation.

Overall, while ‘management’ orientated, this international body of literature reinstated agents and their strategic choices as a key determinant in the formation of bargaining structures. More than this, though, this agency-based literature also underscored, although to a lesser degree, the contested nature of bargaining structure. Scholars, including Clegg (1976), Adams (1981), Sisson (1987), and Kochan et al. (1994), all noted, to some extent, the importance of the struggle for control over the terms of the employment relationship. Thörnqvist (1999), the Swedish scholar, also published a particularly enlightening study. His historical and comparative account, tracing the decentralisation of bargaining in Sweden, asserts that the marked decentralisation was largely ‘politico-ideologically’ driven. He explains that it was widely believed that the centralised system afforded the unions too much power. His study traced how the more decentralised that industrial relations became, the greater the likelihood that the power relations between the two parties altered in favour of employers. He concluded by arguing that changes to the patterns of bargaining continue to be underpinned by the struggle between the competing interests of employers and employees.

Likewise, Traxler’s (2003a) international comparative study drew similar conclusions. Traxler argues that with decentralisation one of the main payoffs — whether intended or not — is greater control by employers of the employment relationship. This greater control is driven by the fact that the coverage of collective bargaining significantly declines with decentralisation. Employers, he concludes, therefore expect to extend management prerogative, rather than improve performance, when enforcing decentralisation. Traxler further notes, however, that on balance the literature has ‘rather lost sight of’ this contested nature. For Traxler, research on bargaining structure had become fixated with the debate over the ‘efficiency’ of different levels, leading to a
neglect of the fact that bargaining structure outcomes continue to be defined through the struggle for power and control over the terms of employment (2003a).

To summarise, this cross-national literature has enriched our understanding of bargaining structures in several ways. First, it has rebalanced the literature by drawing attention to the role of the agents, correcting the previous tendency to view contexts as all-determining. Secondly, it has recast the hitherto neglected employer as a central figure in shaping bargaining structures. Thirdly, it has served to highlight the contested nature of bargaining structures.

3.5 Criticisms of the agency-based literature

The agency-based literature correctly sought to rectify past omissions by reincorporating employers as central in bargaining structure explanations; but unfortunately, it has also replicated the faults of the past. Namely, the literature is now so overtly concerned with employers that it neglects other agents, particularly the unions but also the state (on the neglect of the state, see Sections 3.3 and 3.6).

The review above shows that the contemporary literature abounds with studies examining the strategic choices of employers. In contrast, the actions and deliberate decisions of the unions appear to receive very little attention. Although it must be acknowledged that — in the tradition of Clegg (1976) — there continues to be a rich body of literature concerning the unions, the emphasis has shifted to documenting and explaining their decline (see Fiorito et al. 1991 as a more recent notable exception). A small number of scholars have noted this shift in focus. An early study by Ogden (1982, p. 173) offers an explanation behind this imbalance:

Common to these studies has been a preoccupation with bargaining structure that reflects managerial priorities and concerns. This partly stems from the argument that decisions as to what bargaining structure is appropriate are essentially determined by management.

Similarly, in a later study, Tony Adams (1997, p. 506) argues that the growing emphasis on the role of market forces has contributed to the marginalisation of labour:

This market-centred approach has itself attracted criticism in recent years as attempts have been made to establish a new institutionalism. But here too working people have been relegated in favour of a series of largely impersonal institutional forces. For an increasing number of authors, then, trade unions, and
those they represent, have been depicted as reactive and peripheral figures, operating on a stage principally designed and constructed by others.

Research by Deaton and Beaumont (1980), Thomson and Hunter (1975), Kochan et al. (1994), and more recently Zagelmeyer (2007), just to note a few, reinforced Ogden’s claims. Common to all these studies is the underlying assumption that the purview of determining bargaining structures lies predominantly with management. This might be justified by the empirical circumstances of the time, but it is not good enough for theory. Certainly, the power of unions has been diminished, but recent industry studies by Spiess and Bray (2006), Stanton (2006), and Barry and Waring (2006; see Waring and Bray 2006a for other good examples) demonstrate that many unions continue to have influence and are not the spent force as so often perceived. Unions can — and do — shape bargaining structures. It is incorrect to generalise and relegate the unions to ‘bit player’ status and portray them as largely reactive or passive. Moreover, this is true of either party, not just unions. Both sides contest a bargaining structure. The side that ‘wins’ in the struggle depends, in part, upon the circumstances or the contexts faced at the time.

Hence, to sum up, while the agency-based literature served to rebalance the early literature, which had a tendency to focus overtly on contexts, there is one major criticism. It is argued that the pendulum has swung too much in favour of the employers. The agency of the other parties, in this case the unions, has been overlooked. Thus, while enlightening and certainly valuable, the agency-based literature is arguably not as holistic as it could be.

3.6 Broader criticisms of the bargaining structures literature

Two final comments on this vast literature are warranted. First, this review of both context- and agency-based literatures has demonstrated a propensity for scholars to privilege the explanatory power of one side or the other. The earlier literature favoured contextually-based explanations, while the later literature placed too much emphasis on the agents, particularly the employer. Rarely has the right balance between context and agency been achieved. Given this history, it is important to assert that no single factor can explain bargaining structures. Explanations must be multi-causal. Context must be combined with agency.
Secondly, while the literature reveals that context and agency are integral to explanations, the nuances of the dialectic relationship between the two have been less well developed. At the risk of overgeneralisation, the literature is dominated by a one-way causality. On the one hand, scholars see contexts (mainly the product market) as primarily determining bargaining structures. On the other hand, agents (employer strategic choices) are seen as the key factor. The complex interaction and interplay between the two is often overlooked. In particular, the fact that agents can and do shape their environmental contexts, although not often in the short term, is not a feature in the literature. At best, it remains implicit (although this shortcoming is noted by Bray et al. 2009; Lee 2006; and Marchington 1990). One fine example was mentioned in Section 3.2.3, where the agents acted purposefully to change their contexts in the form of recasting labour laws (see Lee 2006, in particular).

The dearth of two-way causality is interesting since the subject is a central tenet in the broader sociological literature (see Granovetter 1985; Pettigrew 1987). In particular, Granovetter (1985), the US sociologist, drew attention to the dialectic relationship between context and agency when he proposed the concept of ‘embeddedness’, which he defined as:

the behaviour and institutions to be analysed are so constrained by ongoing social relations that to construe them as independent is a grievous misunderstanding (1985, p. 482).

Hyman (1989, p. 76) sums it up:

There is, in other words, a complex two-way process in which our goals, ideas and beliefs influence and are influenced by social structure. To do justice to its complexity, industrial sociologists must be attuned to this dynamic interaction between structure and consciousness. A static or a one-way analysis necessarily distorts social reality, and is therefore an inadequate basis for understanding industrial behaviour or predicting its development. The greatest potential for further progress in the sociology of industrial conflict…must lie in the elaboration of a dialectical approach.

Hence, not only are explanations multi-causal, where context and agency are central to any explanation, but the dynamic and on-going relationship between the two is equally as important.
3.7 A modified framework to better explain ‘labour regulation’

It has been noted that there is no universal framework to explain bargaining structures. Explanations have largely been derived from the prominent frameworks or tools current at the time, notably Dunlop’s IRS and, more recently, SCT. These frameworks have been adapted by scholars and have produced explanations that have advanced our understanding of bargaining structures. However, as this chapter has argued, flaws exist within the literature. Bargaining structures have not been explained as fully as possible. The aim of this section is to draw on this extant literature to develop a more specific framework, one that goes beyond the traditional way bargaining structures are explained.

Built on the modified descriptive framework (Section 2.5), the central element of this explanatory framework, Figure 3.1, is that the narrow notion of bargaining structure is supplanted by the broader concept of ‘labour regulation’. To reiterate, ‘labour regulation’ transcends bargaining structures because it is a more complete concept; it discourages the narrow focus, which has seen many studies concentrate on explaining only ‘the level of collective bargaining’. This broader notion lays the foundation for a more comprehensive explanation of the patterns of labour regulation that emerge in different empirical settings. Explaining changes to the other dimensions — the parties, scope, status, coverage and complexity of regulation — is equally important. As advocated, all the dimensions are innately interconnected and should not be studied in isolation. Likewise, under labour regulation, those rule-making processes that fall outside the narrow purview of trade unions and collective processes are not implicitly excluded. Labour regulation is also dynamic in that it encompasses ‘processes’, which promotes an acknowledgement of relationships and interdependencies between variables.

Before proceeding to describe the main features of this framework, the theoretical standing of this ‘framework’ must be made explicit. This modified framework is not a ‘model’ or a ‘theory’. According to Lewins (1992), the premise upon which a theory is constructed is the establishment of a cause-effect relationship. This modified framework rejects this cause-effect relationship. In doing so, any theory assertions are eliminated. Thus, this framework is no more than an attempt to bring together a useful set of
categories (drawn from the literature) to assist in the identification of the empirical data that must be gathered, and subsequently ordered and analysed.

Figure 3.1 A general framework for analysing and explaining labour regulation

LEVEL ABOVE ANALYSIS

Contexts

LEVEL OF ANALYSIS

Contexts + Agency of the Key Parties

Labour Regulation

The propositions underpinning this explanatory framework of labour regulation include:

1. Explanations are complex and multi-causal — no single factor can adequately explain labour regulation.

2. All explanations must account for both context and agency.

3. Agency refers to the ability of those parties involved in the rule-making process to make choices. The choices are based, among other things, on their values, perceived objectives, resources, history and expectations (Bray et al. 2009, pp. 35, 42).

4. Contexts provide both constraints and opportunities on behaviour and are seen as external to the organisation and individual. Context influences — but does not determine — the behaviour and relationships of organisations and individuals.
5. This modified framework explicitly recognises the importance of the level of analysis. It acknowledges that explanations are not only a product of the contexts and agents operating at the level under investigation, but are also influenced by contexts operating at the ‘higher level’.

6. The dialectic relationship between context and agency is also significant. They are not mutually exclusive, nor are they necessarily conflicting or contradictory.

7. Embedded within the neo-institutionalist approach, the importance of history as an explanatory tool is understood. The theory of ‘path dependency’ is important because it assumes that industrial relations systems are not re-created on a daily basis but are built incrementally on the past; that is, historical features or patterns are often repeated (Kaufman 2004, p. 59; Müller-Jentsch 2004; Traxler et al. 2001). Thelen (1999, p. 387) explains that institutions, once founded, ‘continue to evolve in response to changing environmental conditions…but in ways that are constrained by past trajectories’. This framework acknowledges the importance of history in that the structure of labour regulation is not re-created every day. As Bray et al. (2009, p. 42) state:

   History affects the attitudes and behaviour of people (and organisations) in the present, but history cannot be changed. It confronts people and organisations in the present as a context that influences, but does not determine, behaviour.

Extrapolating this simplistic framework to holistically analyse industry level patterns of labour regulation means identifying the key parties and those contexts considered most important at both the level of the industry and the level above: the national level. In terms of the parties to regulation, employers, employees and their representatives will be equally considered. Industry level contexts identified as important include: first, the markets (the labour market, the product market and its many facets, and the ‘other’ markets, if appropriate); and second, technology and the production process (as relevant to the industry). National level contexts include history, the economy, state policies (such as decisions to deregulate and privatise the industry), and (importantly) the role of the state, particularly in determining labour law. All of these provide opportunities for and constraints on the parties.
3.8 Conclusion

The aim of this chapter has been to review the literature surrounding the explanation of bargaining structures. As this chapter attests, explaining bargaining structures is difficult. The literature is rich and diverse. Over time it has greatly increased our understanding of how bargaining structures are formed and reshaped. Through this review, three general areas where the literature is deficient have been identified.

First, in broadest terms, explanations have not always adequately accounted for context and agency. Early accounts tended to favour context while, more recently, agency has dominated. A central tenet of this thesis is that explanations can never be attributed to just one factor — they are always multi-causal. This imbalance has also meant that the dialectic relationship between the two (that is, two-way causality) is often overlooked.

Secondly, within the context-based literature, analysis of the product market is often too simplistic while, likewise, the importance of ‘other’ markets underplayed. The role of the state, particularly in setting labour law, is also underappreciated. Similarly, within the agency-based literature too much focus has been on employers at the expense of unions. Thirdly and finally, so much of the literature is directed at explaining the level of collective bargaining. Other dimensions have been neglected and the increasing number of workers that fall outside the ‘collective’ are ignored.

Together, these deficiencies have resulted in the bargaining structure literature not being as holistic as possible. In an attempt to make it more holistic, this thesis has proposed a modified framework, one that seeks to overcome these deficiencies and go beyond the traditional way bargaining structures are explained. This framework will be deployed to assist in the empirical analysis, particularly Chapter 7, which seeks to explain ‘labour regulation’ within the Australian domestic airline industry.
# CHAPTER 4
## METHODOLOGY

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4.1 Introduction

It is generally acknowledged that there are many acceptable ways in which empirical social research can be undertaken. Ultimately, the method chosen depends upon the type of questions that are posed and the epistemological assumptions that underlie the quest for explanation. Case studies, experiments, surveys, histories and the analysis of archival information, just to name a few, all constitute diverse but valid forms of research approach (Yin 2003, p. 1).

The research questions for this thesis are firstly to describe how the structure of labour regulation changed in the Australian airline industry from 1990–2006, and secondly to explain these changes. The aim of this chapter is to describe the strategy selected to best answer these questions and to validate its use. It should also be noted that while the philosophical assumptions guiding this thesis are important and should not be discounted, they have been stated in Chapter 1, and therefore will not be rehearsed within this chapter. The aims, here, are more precise and focused on the methods actually implemented.

To this end, this chapter concentrates on three specific areas. Section 4.2 will begin with a general discussion on the principles underlying research design and strategy. Specifically, Section 4.2.1 will consider the case-study strategy, the strategy selected for this research. As an adjunct to this discussion, the criticisms and limitations associated with this approach will be incorporated in Section 4.2.2. Importantly, it will be noted that some criticisms of this approach are unwarranted, based on erroneous information and even ignorance. Some, while valid, can be overcome with good design, adequate preparation and diligence. Another criticism, the notion that case study research is ‘atheoretical’, will be examined from the industrial relations (IR) perspective. Section 4.2.3, the final part of the discourse on research design and strategy, will move from general discussion to the specifics of this thesis. It will integrate the literature already noted to validate the use of the case study strategy, and will justify the use of a single case for this thesis. Central to this argument is that a single case provides the in-depth analysis required to best answer the research questions.
Section 4.3 will discuss data gathering techniques. As with design and strategy, this section begins with a general discussion before turning to the specific types of data gathering utilised for this thesis. Section 4.4, data analysis, has a similar structure comprising a brief review of the principles behind data analysis, followed by the specific techniques deployed within this thesis. Section 4.5 will conclude this chapter.

4.2 Research design and strategy

Research design is more than simply picking a method; it is the overall plan or strategy, the framework, for conducting a piece of research (O’donoghue 2006; Punch 1998, p. 149). While differences exist between scholars, there is a consensus that the research process must contain some common basic elements. To quote Crotty (1998, p. 2), good research design consists of four elements:

1. **Epistemology**: The theory of knowledge embedded in the theoretical perspective and thereby in the methodology. In simpler terms, epistemology is a way of understanding and explaining how we know what we know.

2. **Theoretical perspective**: The philosophical stance informing the methodology, thus providing a context for the process and grounding its logic and criteria.

3. **Methodology**: The strategy or process supporting the choice and use of a particular method, and linking the choice and use of methods to the desired outcomes.

4. **Methods**: The techniques used to gather and analyse data related to the research question.

These steps, according to Crotty (1998, p. 2), go beyond the research question in that they:

Justification of our choice and particular use of methodology and methods is something that reaches into the assumptions about the reality that we bring to our work.

Most researchers agree that each element constitutes a necessary step in the research process and all are interconnected; that is, each element informs and builds upon the next (May 2001, p. 43). The literature stresses the importance of this connection, with particular emphasis on ensuring the link between theory and practice:
Explanatory theory has a central role in science, and the two essential parts to science are therefore data and theory. Whether data come before theory, or theory comes before data, is irrelevant. It only matters that both are present (Punch 1998, p. 8).

Likewise, May (2001, p. 43) cautions on the perils of neglecting either theory or practice in research:

researchers need to guard against the inclination that they can unproblematically reflect social reality by producing data without theory and the idea that theory without data can speak in the name of reality.

With this in mind, and with the epistemological and theoretical perspectives outlined in Chapter 1, the next step is to select the most appropriate methodology; which, as the literature suggests, is not always straightforward. Yin (2003, p. 1) offers guidance when it comes to this choice, stating that when it comes to selecting a strategy three conditions must be considered:

(a) The type of research question,
(b) The control an investigator has over actual behaviour events, and
(c) The focus on contemporary as opposed to historical phenomena.

These conditions have been tabulated in Table 4.1, below, against some of the most popular strategies.

**Table 4.1 Relevant situations for different research strategies**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Form of research question</th>
<th>Requires control over behavioural events?</th>
<th>Focuses on contemporary events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, why?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, what, where, how many, how much?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>Who, what, where, how many, how much?</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>History</td>
<td>How, why?</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case study</td>
<td>How, why?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Yin 2003, p. 5
The aim of this table is to guide the researcher towards a strategy that it is the most appropriate, the one that offers a distinct advantage in the context of the research. Noteworthy is that these strategies are not mutually exclusive. For example, while case studies are often associated with qualitative research, this does not mean that quantitative methods cannot be employed within a case study strategy. Given that the case study has been the strategy utilised by this thesis, the following will explore it further.

Finally, before discussing the case study strategy in particular, good research design means that as a researcher it is crucial that, from the outset, you get it right (Creswell 1998, p. 193). In other words, there are certain standards, levels of quality and verification that must be met. As Yin states (2003, p. 33), research design is supposed to represent a logical set of statements. It makes sense that the quality of any given design can be judged by a set of logical tests. Lincoln and Guba (cited in Creswell 1998, p. 197) use the concepts of ‘credibility’, ‘transferability’, ‘dependability’, and ‘confirmability’ to judge the ‘trustworthiness’ of a qualitative study. Similarly, Yin (2003, p. 34) identifies four tests to ensure the validity of the empirical research:

1. **Construct validity**: Establishing correct operational measures for the concepts deployed in studies.
2. **Internal validity**: Establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships.
3. **External validity**: Establishing the domain to which a study’s findings can be generalised.
4. **Reliability**: Demonstrating that the operations of a study — such as the data collection procedures — can be repeated, with the same results.

These four tests, in some way or other, are routinely employed to judge the quality of any study.
4.2.1 The case study as a research strategy

Yin (2003, p. 13) defines the case study strategy as:

an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.

Similarly, Kitay and Callus (1998, p. 103) describe it as:

a research strategy or design that is used to study one or more selected social phenomena and to understand or explain the phenomena by placing them in their wider context.

This means that case studies are the ideal instrument for examining the processes by which events unfold as well as for exploring causal relationships (Kitay and Callus 1998, p. 104).

Indeed, although sometimes disputed as a research strategy, the case study has always held an esteemed position in employment relations. It is generally recognised as the preferred strategy when undertaking industrial relations research (Kitay and Callus 1998, p. 101). Central to this reasoning is that case studies allow researchers to develop ‘explanations and an understanding of complex social phenomena’. Other features of the case study inquiry that particularly lend themselves to employment relations research include that a well-designed case study is data rich (Weick 2007); is persuasive (Siggelkow 2007); takes into account the contextual influences (Kelly 1999, p. 119); and generates theory (Eisenhardt 1989; Eisenhardt and Graebner 2007; Flyvbjerg 2006). More generally, Yin (2003) articulates that a case study:

1. ‘copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result
2. relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result
3. benefits from the prior development of theoretical propositions to guide data collection and analysis (Yin 2003, p. 13)’.

Importantly, Yin (2003, p. 14) labels the case study as an all-encompassing method; one that covers the logic of design, data collection, and data analysis. Yin particularly stresses that the case study strategy is not (although often mistakenly viewed as) ‘either a data collection tactic or merely a design feature alone’ — but rather it is a comprehensive research strategy in its own right (Yin 2003, p. 14).
There are, however, variations within the case study as a research strategy. According to Kelly (1999, p. 119), case studies can range from descriptive and illustrative, through to intensely theoretical or analytical. Additionally, and although Yin (and many others) fail to acknowledge, case studies can in fact be historical (see Irwin 2000, for example). All of these approaches can be single-case or multiple-case in design, utilise qualitative and/or quantitative data, and employ a range of methods. Despite these differences, when it comes to designing a case study Yin (2003, p. 21) describes five essential components of the ‘complete’ case study design:

- ‘a study’s questions;
- its propositions, if any;
- its unit(s) of analysis;
- the logic linking the data to the propositions; and
- the criteria for interpreting the findings’.

The study’s questions, as detailed in Table 4.1, are most likely to be ‘how’ or ‘why’. Clarifying these questions is often the initial task of the researcher (Yin 2003, p. 22). More specifically, the case study strategy is relevant under three conditions: when a question is being asked; when control over the behavioural events is not required; and when there is a focus on contemporary events. How and why questions are most often associated with research that is explanatory in nature. The second point, the propositions, directs attention towards something that should be examined within the scope of the study. However, propositions are not mandatory, particularly in exploratory cases (Yin 2003, p. 22). The unit of analysis defines what the case is; for example, an individual, an industry, or an event (Yin 2003, p. 23). Linking the data to the propositions and the criteria for interpreting the findings are, according to Yin, the least well developed in case studies. However, they foreshadow the data analysis steps and a research design should lay the foundations for this analysis. Drawing these elements together, first, an effective case study design (through the questions, propositions and units of analysis) should indicate what data are to be collected. Secondly, the design should also signify what is required after the data have been collected. This is indicated by the logic linking the data to the propositions and the criteria for interpreting the findings (Yin 2003, p. 28).

The final important consideration concerning the case-study strategy is the criteria for judging the quality of the research design. To verify and validate the data, and to help
strengthen the ‘trustworthiness’ or value of case studies, Yin expands on the four tests identified in Section 4.2, and offers guidance on their application exclusively to the case study strategy. In detail, Yin identifies the tests, the tactic, and the phase of research in which the tactic occurs (Yin 2003, p. 34). Table 4.2 below presents a précis of Yin’s case study design tests.

Table 4.2  Case study tactics for four design tests

<table>
<thead>
<tr>
<th>Tests</th>
<th>Case study tactic</th>
<th>Phase of research in which tactic occurs</th>
</tr>
</thead>
</table>
| Construct validity | • Use multiple sources of evidence  
                      • Establish chain of evidence  
                      • Have key informants review  | Data collection                                                  |
|                    |                                                                                    | Data collection                                                  |
|                    |                                                                                    | Composition                                                     |
| Internal validity  | • Do pattern matching  
                      • Do explanation building  
                      • Address rival explanations  
                      • Use logic models        | Data analysis                                                    |
|                    |                                                                                    | Data analysis                                                    |
|                    |                                                                                    | Data analysis                                                    |
|                    |                                                                                    | Data analysis                                                    |
| External validity  | • Use theory in single-case studies  
                      • Use replication logic in multiple-case studies | Research design                                                  |
|                    |                                                                                    | Research design                                                  |
| Reliability        | • Use case study protocol  
                      • Develop case study database  | Data collection                                                  |
|                    |                                                                                    | Data collection                                                  |

Source: Yin 2003, p. 34

4.2.2 Criticisms and limitations of the case study strategy

Despite its popularity, the case study strategy has long been considered the ‘poor relation’ among its peers (Clyde Mitchell 1983; Flyvbjerg 2006; Gerring 2007; Hamel et al. 1993; Hird 2003, p. 23). Viewed with extreme circumspection, Gerring (2007, p. 6) provides a comprehensive account of the criticisms surrounding the case study strategy:

A work that focuses its attention on a single example of a broader phenomenon is apt to be described as a “mere” case study, and is often identified with loosely framed and nongeneralizable theories, biased case selection, informal and undisciplined research designs, weak empirical leverage (too many variables and too few cases), subjective conclusions, nonreplicability, and causal determinism. To some, the term case study is an ambiguous designation covering a multitude of “inferential felonies”.

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For Gerring (2007, p. 8), these criticisms produce a curious paradox: so much of what we know about the world has been derived from case studies, and case studies continue to play a significant role in the social science discipline. Yet the case study method continues to be derided and generally unappreciated. Gerring associates this paradox with a general lack of understanding about the case study method. Likewise for Hamel et al. (1993, pp. 26–27), the origins of the criticisms of the case study were poorly founded, with the criticisms being declared ‘in the heat of a methodological conflict’ of sociology. Hamel et al. further argue that the criticisms of the case study method related to the state of development of sociology and the sociological method at the time, rather than factual drawbacks of the approach. In the words of Tellis (1997, p. 3): ‘the drawbacks of the case study were not being attacked, rather the immaturity of sociology as a discipline was being displayed’.

Flyvbjerg (2006, p. 219) argues that the most common criticism levelled at the case study is that it is impossible to generalise from a single case; therefore, the single-case study cannot contribute to scientific development (see also Clyde Mitchell 1983; Yin 2003). Clyde Mitchell (1983) argues that this criticism stems from the incorrect assumption that the inferential mechanism used in case study extrapolation is the same as used in statistical extrapolations. He states that:

in case studies statistical inference is not invoked at all. Instead the inferential process turns exclusively on the theoretically necessary linkages among the features in the case study. The validity of the extrapolation depends not on the typicality or representativeness of the case but upon the cogency of the theoretical reasoning (1983, p. 207).

Indeed, Yin (2003, p. 32) reinforces this point when he asserts that ‘to conceive of statistical generalisation as the method of generalising the results of the case study’ would in fact be a ‘fatal flaw’. He argues that this is because cases are not sampling units and therefore statistical sampling should not be chosen. Rather, the correct mode of generalisation for case studies is ‘analytic generalisation’ – that is, generalisation to theory.

Thus, this criticism is in fact largely unwarranted and unfounded. The purpose of the case study is to expand and generalise theories (analytical generalisation), not to enumerate frequencies (statistical generalisation) (Bryman and Bell 2003; Yin 2003, p,
10). In the words of Lipset, Trow and Coleman (cited in Yin 2003, p. 11), ‘the goal is to do a “generalising” and not a “particularising” analysis’. Thus, the case study strategy was never designed to provide findings that apply to a general population. As Yin (2003, p. 10) concludes, case studies, like experiments, are generalisable to theoretical propositions and not to populations or universes.

From another perspective, perhaps part of this criticism stems from the fact that often case studies inevitably intertwine ‘theory’ with the ‘story’. As Eisenhardt and Graebner (2007, p. 29) argue:

In a single-case study, the challenge of presenting rich qualitative data is readily addressed by simply presenting a relatively complete rendering of the story within the text. The story typically consists of narrative that is interspersed with quotations from key informants and other supporting evidence. The story is then intertwined with the theory to demonstrate the close connection between empirical evidence and emergent theory.

In doing so, the reference to ‘theory’ is often tacit; hence, the predilection to being considered atheoretical (see Edwards 2005, 2006). Edwards argues that this tacit theorising is particularly common within the IR/ER field. This stems, he states, from the tradition of linking the field to the social science theory of institutional analysis; in particular, its links with labour economics, which has traditionally defined the field. Nonetheless, he argues, while theory is prevalent, it is often eclectic, with a predisposition to look inwards rather than outwards (2006, p. 5). Edwards argues that to overcome this tacit nature of theorising, IR must pursue its links with sociology and the political science tradition while limiting its links to labour economics. More specifically, it must extend its connection with the philosophies laid out with critical realism (CR). CR, he argues, will provide a grounding for what IR researchers have often tacitly done (Edwards 2006, p. 5).

Aside from a lack of generalisability, Gerring (2007) and Yin (2003, p. 10), among many others, cite the lack of rigour often seen in case studies as another important criticism. Kitay and Callus (1998, p. 102) also caution on the lack of protocols for their use, and stress that there are many potential traps for the unwary. Research can be poorly planned, executed and sometimes biased. Bias is also a weakness identified by Gardner (1999, p. 55): ‘there are limited in-built controls for bias or selective interpretation of evidence collected’. Goode and Hatt (1952, p. 334) see bias or ‘the
response of the researcher’ as the key problem, in that the researcher comes to feel a false sense of certainty about his own conclusions. They also qualify that the danger of bias therefore lies with the researcher. It does ‘not lie in any technical weakness of this approach to social processes or individuals as wholes’ (p. 334). Indeed, from a different perspective, the notion of bias in case selection is interesting because, as will be discussed, that is the point. Cases are carefully chosen for particular reasons. Cases are selected because of the characteristics they present and the analytic opportunities they offer. Overcoming these difficulties, Yin (2003) and Goode and Hatt (1952) argue, often rests with good preparation, planning and researcher training. Of course, the ongoing application of the validity and reliability ‘tests’ listed in Table 4.2 — central to good design — significantly ameliorate such difficulties.

A third criticism is the costs in time and money involved in undertaking case study research. For Yin (2003, p. 11), the long times associated with research equate to massive, unreadable documents. Yin argues that this may have been the case in the past, but stresses that case studies conducted in the present need not be unnecessarily long. He cites methods of avoiding the typical lengthy narrative. Similarly, he argues that it is not necessary for case studies to take a long time, and that often this criticism was levelled in methodological confusion with the time-consuming ethnographic or participant-observer data. Indeed, in contrast to more recent studies, Eckstein and Gurr (1975, p. 269) also dispute this point, arguing that case studies are a ‘more efficient and direct means’ of analysis. Likewise, Eckstein (1992) argues that the case study is generally less expensive than other strategies. Goode and Hatt (1952, p. 337) suggest that sound judgement in selecting the type of study that will be ‘most adequate for the kinds of facts needed’ ameliorates these costs.

Finally, while not disputing these claims, Hird (2003, p. 23) points out that not just case studies but all research methods depend upon the skill of the researcher, the context of the research and the subject of analysis. Again, it has been recognised that many of the issues can be identified, prevented and overcome through the application of good design, which includes thorough preparation, training, and the ongoing and vigorous application of the validity and reliability tests.
4.2.3 The research strategy used for this thesis: the case study

Following Yin (2003, p. 21, and Section 4.2.1), the general question of this thesis was to explain how and why patterns of labour regulation changed within Australia in recent years. From this broad question, the more specific research questions or ‘propositions’ were developed:

1. How did the structure of labour regulation change in the Australian airline industry from 1990 to 2006?
2. How can these changes be explained?

The nature of these questions, in seeking an explanation, guides the researcher towards the case study strategy. First, these questions are framed within ‘how’ and ‘why’ parameters. Secondly, according to Yin (see Table 4.1), the case study strategy is most appropriate when the research is concerned with contemporary events and when any control over the relevant behaviours is impossible (Yin 2003, p. 5). Again, this is reflected in the nature of the research, which is both contemporary and uncontrollable.

While the case study strategy does not exclusively utilise qualitative methods, they do constitute the primary source (Gillham 2000, p. 10; Stake 2000). Indeed, the research undertaken for this thesis utilised qualitative methods. Surveys, the other popular strategy in employment relations research, may offer some meaningful comparative statistics regarding bargaining structures. However, they would not deliver the required depth (and may even be misleading) to achieve the holistic understanding required to answer these complex questions. As Gillham (2000, p. 2) puts it:

the naturalistic style of case study research makes it particularly appropriate to study human phenomena, and what it means to be human in the real world “as it happens”.

In other words, as a strategy, it facilitates the untidiness of reality to be captured. Unlike the relatively simplistic survey, it provides a more holistic answer to the complex questions. Finally, as Kitay states (1997, p. 7):

The case study method is the most appropriate to gathering the detailed information necessary to understand the nature of changes in work place practices as well as the strategies and motivations of managements and unions.

When taken together, these facts suggest the case study as the most appropriate research strategy for this project. The combination of the nature of the research questions, the
level of control over the events, the contemporary nature of the research, along with the requirement for a deep and detailed analysis, all point to this strategy. However, the first and third points (the nature of the research questions and the requirement for a deeper analysis) are the most strongly suggestive of the case study.

The next crucial step in effective research design, following the propositions and development of the research questions, is to define what the case ‘is’ or the unit of analysis (Yin 2003, p. 26). In other words, *How many cases?* and *Over what time period?* constitute important questions. For this thesis, a single-industry case has been selected as the unit of analysis: the ‘airline industry’.

Nevertheless, over the years, there has been some theoretical debate over whether a single case or multiple cases are the most effective (Eckstein 1992). The influential paper by Eisenhardt (1989, p. 545), for example, advocates for the use of more than a single case, arguing that with:

fewer than 4 cases, it is often difficult to generate theory with much complexity, and its empirical grounding is likely to be unconvincing, unless the case has several mini-cases within it.

Thus, central to her paper is the proposition that the more cases a researcher studies (but less than 10) the more theory that can be generated. However, as persuasive as her argument is, other researchers have criticised her approach. Dyer and Wilkins (1991, p. 614), argue that this premise puts her at odds with what they see as the essence of case study research:

the careful study of a single case that leads researchers to see new theoretical relationships and question old ones.

As proponents of the single, in-depth case study, Dyer and Wilkins (1991) argue that when a large number of cases are studied, descriptions are ultimately ‘thin’. Too much focus is ‘on surface data rather than deeper social dynamics’ (p. 615). Moreover, they add:

Although such studies can provide certain flashes of insight and can raise important issues and questions, they tend to neglect the more tacit and less obvious aspects of the setting under investigation. They are more likely to provide a rather distorted picture, or no picture at all, of the underlying dynamics of the case (p. 615).
Put another way, when multiple cases are deployed, while comparative insight may be achieved, it is at the cost of an in-depth understanding of a particular subject or setting (Dyer and Wilkins 1991, p. 614; see also Cresswell 1998; Eckstein and Gurr 1975). In the words of Dyer and Wilkins (p. 614):

Thus, the more contexts a researcher investigates, the less contextual insight he or she can communicate.

Yin (2004, p. 41) also states that a single-case design is eminently defensible when the case is considered ‘critical’.\(^\text{11}\) It is arguable that the attributes of the airline industry make it an empirically, theoretically and methodologically ‘critical case’. First, the airline industry is *empirically critical* because it has always been important in terms of size and economic contribution to Australia. The Qantas group alone employed over 30 000 workers at the end of 2006. The industry also provides a service that is indispensable to people and businesses. Finally, the industry has been subject to vast changes in its policy and operating environments, particularly since 1990 (Kain and Webb 2003; Kitay 1997, p. 33). Airline employment relations have also long been considered rather adversarial and contentious. Specific industry features — such as its service intensive nature, the relatively high ratio of labour to total costs, and the high level of union representation — have meant that employment relations assume a particularly important role (Gittell et al. 2004). Moreover, as competition within the industry increases, employment relations issues (which have increasingly been considered essential for achieving a competitive advantage) also escalate in importance (Kitay 1997, p. 238). Recent radical changes to the industry, including multiple entrants and exits, indicate that conditions are still highly volatile. These characteristics make the airline industry an important unit of analysis to empirically trace the changing nature of labour regulation in Australia.

However, more than the empirical benefits, the industry is *theoretically critical*. As Bray and Waring (2009, p. 628) argue, industry-level studies provide a ‘fruitful unit for theoretical analysis’; they provide ‘most of the data and theoretical variables required for generating and testing theory’. Indeed, the structure of labour regulation in the industry has changed dramatically since the 1990s. A range of forces has transformed it from a stable industry-wide system of collective bargaining to an unstable, fractured and

\(^{11}\) Or ‘crucial’ according to Eckstein 1992, p. 152.
diverse set of arrangements focused on the enterprise. These changes mean that it provides an especially valuable window into broadening our understanding of the theoretical issues surrounding labour regulation. Specifically, this research will contribute to understanding the processes and outcomes of labour regulatory change, not only in the airlines specifically, but in Australia generally. In other words, this industry represents an unusually valuable ‘test tube’ to analyse the theoretical propositions described in Chapter 1.

Further, industry studies have a rich history in the development of theory in industrial relations. Important contributions — and just to name a few — include Commons’ (1909) study of shoemakers in the US, which led to the theory of market extension; Dunlop’s (1958) studies of particular industries to develop his general theory of industrial relation; and Burawoy’s (1979) account of a single machine shop, which led to significant developments in labour process theory in the 1980s. (See Bray and Waring 2009, p. 627; Kitay and Callus 1998, p. 107, for more examples.)

Thus, the theoretical justifications for studying a single case are twofold, and again, both relate back to the nature of the research questions. First, while comparative analysis across multiple cases would answer the questions to some extent, it would unavoidably produce a superficial explanation. These questions require a richer and deeper analysis, one that delves into the complex and shifting constructs that exist within the airline industry. A superficial comparison through multiple cases would not provide the level of explanation required within the constraints posed by conducting a thesis. The best way to adequately reach this level of analysis is to limit the research to one case — and to do it thoroughly. In the words of Dalton (cited in Dyer and Wilkins 1991, p. 614):

The aim [of the researcher] is to get as close as possible to the world of managers [the focus of Dalton's study] and to interpret this world and its problems from the inside...we wish to describe both unique and typical experiences and events as bases for theory that is developed and related to other studies (Dalton 1959, pp. 1–2).

Secondly, a single case is justified because the airline industry in its own right serves as a critical case. The importance of this industry has been — and will continue to be — noted throughout this thesis.
Finally, the airline industry is *methodologically critical*. As Chapter 1 argued, the public-policy debate over the structure of labour regulation in Australia has lacked lucidity and in-depth empirical analysis. These deficiencies are more likely to be remedied through the analysis of a single in-depth case providing a deeper understanding. Thus, more than just empirical and theoretical contribution, this research, by the adoption of a single case, contributes to the public-policy debate surrounding labour regulation.

In choosing a time period, the years from 1990 to 2006, with a focus from 1996, were considered to be the most critical. The reasons behind this were twofold. First, at the time the research proposal was being developed, the last major industry level research was by Bray in 1996. Second, relatedly, and given the extent of changes in the industry around this time (specifically the introduction of the WRA 1996, the privatisation of Qantas, Ansett’s collapse and the arrival of the low-cost carriers), this made 1990 a key date from which the effect of these changes could be charted. The concluding date at 2006 was selected for two reasons. The first was that the decade from 1996 was a sufficient length of time for the changes mentioned above to become ‘normalised’, for lack of a better word, within the industry. Secondly, the volatility of the product market was so intense that a closure date had to be set or the study would continue indefinitely. This also correlates to the financial and time constraints identified above in the case study criticisms. Additionally, a time limit was set in the interests of not producing an overly long, descriptive document. It was considered that the changes from 1996 to 2006 were sufficient to permit the production of a valuable research project most likely to answer the research questions.

### 4.3 Data gathering techniques

To answer these ‘how’ or ‘why’ questions, the case study strategy offers a range of methods available to the researcher. Indeed, the ability to draw on multiple methods is seen as a strength of the case study strategy (Cornford and Smithson 1996). While interviews are often central, other avenues include document and report analysis, audio-visual material and observation (Cresswell 1998, p. 61). Yin (2003, p. 86) identifies six sources of evidence applicable for case studies and contrasts their strengths and weaknesses (Table 4.3):
Table 4.3 Six sources of evidence: strengths and weaknesses

<table>
<thead>
<tr>
<th>Source of Evidence</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documentation</td>
<td>• Stable</td>
<td>• Retrievability</td>
</tr>
<tr>
<td></td>
<td>• Unobtrusive</td>
<td>• Biased selectivity</td>
</tr>
<tr>
<td></td>
<td>• Exact</td>
<td>• Reporting bias</td>
</tr>
<tr>
<td></td>
<td>• Broad coverage</td>
<td>• Access</td>
</tr>
<tr>
<td>Archival Records</td>
<td>• Same as above</td>
<td>• Same as above</td>
</tr>
<tr>
<td></td>
<td>• Precise and quantitative</td>
<td>• Accessibility due to privacy reasons</td>
</tr>
<tr>
<td>Interviews</td>
<td>• Targeted</td>
<td>• Bias due to poorly constructed questions</td>
</tr>
<tr>
<td></td>
<td>• Insightful</td>
<td>• Response bias</td>
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<tr>
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Source: Yin 2003, p. 86

While all of these sources are important, it is noteworthy that ‘not all sources will be relevant for all case studies’ (Yin 2003, p. 96). Those sources of evidence applicable in this research will be discussed in more detail in the following sections. They include documentation, interviews and participant observation.

4.3.1 Data gathering techniques used for this thesis

Conford and Smithson (1996) assert that the great strength of the case study is in the ability of the researcher to extract extraordinarily rich data through multiple means. This thesis relied on both qualitative and quantitative data. As Miles (cited in Batelaan 1993, p. 171) states:

Qualitative data are attractive for many reasons: they are rich, full earthy, holistic, “real”, their face validity seems unimpeachable; they preserve chronological flow where that is important and suffer minimally from retrospective distortion; and they, in principle, offer a far more precise way to
assess causality in organisational affairs than arcane efforts like cross-lagged correlations.

The data in this project was gathered using a multi-method approach (Gillham 2000, p. 13). That is, data was gathered from a variety of sources using a range of methods (Creswell 1998, p. 202). The benefit of the multi-method approach is that if the data converges or agrees, then it is more likely that an accurate picture is being presented. In contrast, if the data diverges, or is contradictory, then caution must be employed in drawing conclusions. Contradictory data, however, does not automatically suggest that the data is wrong, just more complicated than previously thought (Gillham 2000, p. 13). This process, where data is drawn through different means, is commonly referred to as triangulation and is used to improve verification of any study (Creswell, 1998, pp. 201–202). There are several types of triangulation:

1. Data triangulation: utilising various data sources;
2. Investigator triangulation: the use of different evaluators;
3. Theory triangulation: the use of different perspectives to the same data set;
4. Methodological triangulation: the use of two or more methods of data collection (Yin 2003, p. 98).

Triangulation for this thesis involved data triangulation. The primary sources of data were:

1. Semi-structured interviews and limited unstructured interviews;
2. Analysis of relevant non-public organisational documents, both employer and union;
3. Analysis of industry workplace agreements;
4. Limited participant observation.

The secondary sources of data included:

1. Industry academic literature;
2. Statistical data and government reports;
3. Newspapers and journal sources.
The airline industry at the time of the research consisted of three major airlines: Qantas, Virgin Blue and Jetstar. It was hoped, through some key gatekeepers, that access to all three airlines would be forthcoming. This, however, did not eventuate. While Qantas was extremely generous, access to Jetstar and Virgin Blue proved more problematic. Understandably, given the small size of the industry, competition was fierce and mistrust rife. Jetstar emerged as a new airline in the early stages of this study. Access, for a range of reasons, was difficult. Similarly, admission to Virgin Blue was limited. With both Jetstar and Virgin Blue, despite promises of more interviews, only one interview from each was forthcoming (albeit both being with key personnel and both proving invaluable).

Despite these access restrictions, Qantas was the largest and the only legacy carrier and, therefore, subjected to the greatest amount of change. Thus, while not denying the inherent value of the other two cases, Qantas (where most access was granted) emerged as the most significant case in terms of recording the changes across the industry. Access restrictions were also ameliorated by three additional sources of information. First, Qantas owned Jetstar, and although considered a separate entity, many of those interviewed at Qantas had substantial experience with the company. Secondly, the unions, with delegates across all airlines, proved to be an informative resource on both new entrants. Access to the unions was generous. While acknowledging the potential hazard of biased perspectives (as with the employer) as a source of information, they proved invaluable. Thirdly, compared to other industries, a large amount of information was available in the public domain. These additional sources of information, when coupled with the interviews, helped to counter the limitations imposed by restricted access and provided a well-rounded, holistic analysis of the industry.

During the research design periods, the three organisations and multiple unions were approached. This was achieved with an official request letter (Appendix 1) and ‘Information Statement’ (Appendix 2) that outlined the aims of the research. In some circumstances, access was initially granted via a ‘gatekeeper’. The goal was to be granted semi-structured interviews with key personnel, access to relevant company

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12 Approval was received from the University of Newcastle Ethics Department prior to any approach being made. This entailed providing copies of letters of consent to employees and organisations, and also approval of the overall premise of the study.
documents, and the chance to undertake observation. All three airlines and several unions (eventually) indicated a willingness to participate. All signed the relevant organisational consent forms (Appendix 3) and the ‘Release Form’ (Appendix 4) for access to non-public documents and records.

4.3.1.1 Semi-structured interviews

The interview was a key method for accumulating data for this research. Interviews were crucial because they provide a:

very good way of accessing people’s perceptions, meanings, definitions of situations and constructions of reality. It is also one of the most powerful ways we have of understanding others (Punch 1998, p. 175).

While four types of interviews are routinely used (May 2001, p. 121), the semi-structured interview was selected as the most appropriate. Unlike the more rigid structured interview, the semi-structured interview enables the interviewer greater flexibility and latitude to seek clarification and elaboration on answers supplied throughout the interview (May 2001, p. 123). In addition, the semi-structured interview is particularly well suited to case study research as it seeks to extract the facts surrounding a matter as well as the interviewee’s opinions about events (Yin 2003, p. 90). As May (2001, p. 120) puts it:

interviews yield rich insights into people’s biographies, experiences, opinions, values, aspirations, attitudes and feelings.

Key interviewees included (see Appendix 6):

• Senior trade union officials across a range of unions including the ACTU
• Trade union delegates
• Employee Relations managers
• Management consultants
• Human Resource Managers.

Unfortunately, interviewing the ‘workers’ proved problematic. However, there was a limited number of short, ad hoc unstructured interviews with ‘rank and file’ workers.

The interview protocol was established around three key themes drawn from the literature and related to the research questions presented in Chapters 2 and 3. The questions consisted firstly of general ‘bargaining structure’ questions. The second theme
concerned the extent of change explained by the goals and strategies of management and unions in the industry. The final theme concerned the implications of the changing structure of bargaining for companies and employees in the industry.

Twenty-five interviews were conducted in total. They were conducted in Sydney, Melbourne and Brisbane. The length of the interviews varied from a few minutes to four hours; but on average, the interviews were one to two hours. The interviews were conducted in-person from the end of 2003 until early 2005 (see Appendix 6). Most interviews were formally conducted, but some informal group discussions occurred on an ad hoc basis. The questions were designated (as per Appendix 7), but varied depending on the role and status of the interviewee. In general, two very similar question guides were developed, one for senior personnel (that is, key decision makers and strategists, both management and union), and one for mid-level management and trade union delegates.

All interviews were taped with consent (see Appendix 5). Notes on key points and follow-up actions were also taken during interviews. Many follow-up or probing questions to supplement the pre-determined questions were included. All tapes were played but, due to the number of interviews, only relevant interviews and sections were transcribed. The reasons for this ‘controlled’ transcription was, as Layder (1998, p. 52) suggests, sustaining the ‘manageability’ of the data becomes an issue after around 20 interviews. All key interviews were transcribed in full. The majority of the interviewees were exceedingly willing participants. Many were extraordinarily generous with their information and knowledge. Because of the high levels of suspicion, interviewees were guaranteed confidentiality and anonymity as much as possible. This level of anonymity often encouraged frankness and honesty. One interview was conducted at the airport and the quality of the sound was poor.

The interview process, however, presented some challenges. In particular, as Gillham (2000, p. 13) points out: ‘A common discrepancy is between what people say about themselves and what they actually do. Interviewees, while sincere are often inaccurate’. In other words, people possess their own unique set of ideologies and preconceptions (Yin 2003). This became obvious early on in the interview process where dramatic divides between perspectives on most issues and events were noted. At the risk of
oversimplification, the industry was polarised into workers and unions on one side and ‘management’ on the other. Suspicion, mistrust and secrecy were pervasive. For example, one very senior interviewee enquired as to ‘which side of the fence’ the researcher was on. Many interviewees were very wary, illustrated by one interviewee who indirectly sought verification of the researcher’s ‘disposition’ through colleagues. Gaining trust and presenting an impartial but empathetic demeanour was crucial. To overcome the challenge of often diametrically opposed perspectives and to strengthen the validity of the research, data triangulation was utilised. Interview data was gathered from many sources: a number of different unions, managers, past and present employees and consultants. This information was supplemented with direct observations, access to union and employer documents, workplace agreements, government reports, and similar studies in international academic journals and media sources.

4.3.1.2 Documentary evidence

Documents, read as the sedimentations of social practices, have the potential to inform and structure the decisions which people make on a daily and longer-term basis; they also constitute particular readings of social events. They tell us about the aspirations and social relationships at the time when we may not have been born, or were simply not present (May 2001, p. 176).

As May suggests, documentary evidence constitutes an important source of evidence for social research, particularly case studies (Punch 1998, p. 231; Yin 2003). Its most important use is to ‘corroborate and augment’ evidence from other sources (Yin 2003, p. 87). Sources are broad. They include historical documents, company records, memos, reports, government records, newspapers and journals.

Documents provided a particularly rich source of information for this research. As stated above, document sources for this thesis included company and trade union public and non-public records, awards, enterprise agreements, government records, a small amount of statistical data from the ABS, and academic journals and books. Several organisations were approached with the intention of getting access to company-specific documents. Access was granted at Qantas and the ACTU. Both organisations were presented with a ‘Release Form’ requesting approval for access to non-public
documents and records (see Appendix 4). Jetstar initially indicated a willingness to participate but unfortunately access was never forthcoming.

Non-public document searches were particularly valuable at Qantas, with unlimited access to company records being granted. The documents were studied at Qantas headquarters in Sydney for one day a week over several weeks. Important documents were transcribed, either verbatim or summarised under general themes with appropriate comments. All of this information was stored electronically in a case-study database. On a smaller scale, a similar process was conducted at the ACTU headquarters in Melbourne. Unfortunately, time constraints limited the access to non-public documents in this instance to only two days.

4.3.1.3 Observation
Observation has long been seen as a valuable technique in the social sciences (Adler and Adler 1994; Punch 1998, pp. 184–190). Bollingtoft (2007, p. 429) states that the use of observation can add depth of understanding, particularly to the how and why questions. Observation was also a data-gathering technique employed in this thesis. While limited, observation mostly occurred in workplaces in Sydney and Melbourne during the document-gathering and interview phase. Indeed, all the interviews were within workplaces, which facilitated observation. Given that observation was not the chief reason for being there, as a technique it must be considered ‘informal’ and subsequently treated with caution and given limited credibility. It did provide some insight into the workings of the IR department, however. Conversely, the ACTU generously permitted attendance, as a passive observer, at high-level airline union meetings. This enhanced an understanding of the issues involved, and facilitated the development of relationships with key union officials. Finally, a tour of the ground handling area by non-management staff, while providing little in terms of data, facilitated some informal interviews with line workers and a greater insight into the impact of changes to the worker.

4.4 Data Analysis
The next phase, data analysis, consists of ‘examining, categorizing, tabulating, testing, or otherwise recombining both quantitative and qualitative evidence to address the
initial propositions of a study’ (Yin 2003, p. 109). Similarly, Leedy and Ormrod (2001, p. 150) identify five key steps that, when followed, offer a succinct, intelligible prescription for data analysis. Typically, these steps (synthesised from Creswell 1998, pp. 153–154 and Stake 1995, Chapter 5) include:

1. The organisation of details about the case — the ‘facts’ about the case are arranged in a logical order.
2. Categorisation of data — categories are identified that can help cluster the data into meaningful groups.
3. Interpretation of single instances — specific documents, occurrences and other pieces of data are examined for any specific importance that they might possess in relation to the case.
4. Identification of patterns — the data and their interpretations are scrutinised for underlying themes.
5. Synthesis and generalisations — an overall portrait of the case is constructed. Conclusions are suggested that may have broader implications beyond the specific case studied.

Despite these steps, it is widely acknowledged that data analysis in case study research is especially difficult. This is due in part to the diversity of strategies available and the fact that many of the techniques have not been well defined (Punch 1998, p. 199; Yin 2003, p. 109). Further, ontological and epistemological issues once again emerge. Our often unconsciousness belief of ‘what is’, and our way of looking at the world, invariably influence our interpretation of the data gathered and must be acknowledged (Crotty 1998, pp. 8–10). Clearly, subjectivity and bias concerns become critical when interpreting such complex social life (Punch 1998, p. 199).

According to Yin (2003, p. 109), underpinning these steps is the requirement for a general analytical strategy — a strategy which enables priorities to be defined on what to analyse and why. Yin identifies three strategies: relying on the theoretical propositions, setting up a framework based on rival explanations, and developing case description. Yin’s preferred strategy is to ‘follow the theoretical propositions that led to the case study’ (Yin 2003, p. 111; see also Patton 1987, p. 144; Punch 1998, p. 201). The assumption is that the propositions shape the original objectives and design of the case study, including the data collection plan, which presumably then reveal a set of
research questions, literature reviews and new insights. By following these propositions, attention remains focused on what data is important and what is not. This will ultimately guide the organisation of the case (Yin 2003, p. 112).

Yin also states that while it is of utmost importance to have a general analytic strategy underpinning the case, it is also crucial to adopt specific analytic techniques. These techniques are designed to be complementary to the general strategy selected and offer a functional solution to the question of practical application. He describes five specific techniques: pattern matching, explanation building, time-series analysis, logic models and cross-case synthesis. These techniques are designed to address the well-identified problems of developing internal validity and external validity in case studies (2003, p. 115).

Finally, according to Punch (1998, p. 200), three key principles form the foundation of successful data analysis; it must be systematic, disciplined and transparent. Of significance here is deciding how much trust to have in the analysis. Two issues are paramount. First, the researcher must decide how much trust to place in their own analysis of the data. Secondly, the reader must be able to determine how the researcher got to the conclusions given the available data. Therefore, it must be presented so that it can be verified and validated by the reader (Patton 1987, p. 159; Punch 1998, p. 200).

4.4.1 Data analysis techniques used in this thesis
In selecting an overall analytic strategy for data analysis, this thesis adopted Yin’s preferred strategy; that is, to ‘follow the theoretical propositions that led to the case study’ (2003, p. 111). In other words, the specific research questions — how and why did the structure of labour regulation change — facilitated and guided the organisation of the entire case. This process steered the focus in terms of which data to collect and which to ignore, which in turn shaped the method of analysis and the adoption of specific analytic techniques.

The next step was to determine the analytic technique. Explanation building was chosen. The goal of explanation building is ‘to analyse the case study data by building an explanation about the case’ (2003 p. 120). It was conceived that explanation building, as a subset of pattern-matching, would provide the best way to satisfy the final
two steps in research design: linking data to propositions, and the criteria for interpreting the findings (discussed in Section 4.2.1). This required the development and subsequent revisions of theoretical propositions (or themes) as data were gathered and analysed. Put simply, the theoretical propositions were continuously revised as the study progressed. For example, simple propositions seeking to establish the key imperatives that altered the structure of labour regulation were developed and then refined as the data were gathered and analysed. Over time, comparisons continued, the propositions became more detailed and more specific. This process went on until all the data were gathered and analysed and a final explanation emerged.

Overall, the data analysis phase was ongoing. It adopted a general analytical strategy and technique based around the research questions, which served to guide, shape and influence the progress of the case study. The following sections now move away from this more general discussion to reveal the more specific data analysis methods used for this thesis; namely, the analyses of the semi-structured interviews and the document.

4.4.1.1 Analysis of semi-structured interviews

‘Coding’ of the data was the method used to analyse transcripts of the semi-structured interviews. According to Layder (1998, p. 52), coding refers to:

applying labels to particular extracts from the interviews in order to be able to identify them as belonging to various descriptive or analytic categories.

Themes were developed from the transcripts to identify the category to which they belonged. This process was enabled by the fact that the interview schedule was originally designed around three ‘themes’ drawn from the research questions. While there were some minor variations in the questions depending on the status of the interviewee, the themes remained consistent throughout the data-gathering phase. Importantly, those interviews identified as most important were selected and transcribed in full. Following the development of the coding system from these interviews, ‘selective’ sections of the remaining interviews were transcribed according to relevance (Layder 1998). The tape recordings, however, were preserved and the interview notes kept so that interviews could be revisited.

In keeping with the purpose of coding, as the data-gathering process unfolded, the themes were modified, revised, and expanded to develop a satisfactory explanation
(Minichiello 1995). Ultimately, the key themes that developed throughout the course of coding were: *How had bargaining structures changed? Which party was more responsible? What pressures influenced the parties? What was the impact of the changes?*

### 4.4.1.2 Document analysis

Document analysis proved a crucial source of information for this thesis. The broad range of documents was used to corroborate information from other sources. In particular, many of these documents were used to ‘test’ (that is, corroborate or contradict) the data gathered in the semi-structured interviews (Yin 2003, p. 87). Awards and enterprise agreements were also analysed in detail. They were used not only to clarify interview data, but also to build up a rich historical account of the industry. Similarly, the access to documents at Qantas and the ACTU provided valuable background information about their respective organisations. More specifically, they were useful in building a description of the organisation and its history (Bryman and Bell 2003). On a final note, non-public documents at both Qantas and the ACTU facilitated a picture of the relationship between the two and how it changed over time.

However, documentary analysis must be approached with caution. Thus, the documents were assessed according to Scott’s four criteria for assessing the quality of documents: authenticity, credibility, representativeness and meaning (cited in May 2001, p. 188). Forster (cited in May 2001, p. 189) suggests a series of questions when it comes to analysing company documents from the perspective of *authenticity*:

> Are the data genuine? Are they from a primary or secondary source? Are they actually what they appear to be? Are they authentic copies of originals? Have they been tampered with or corrupted? Can authorship be validated? Are the documents dated and placed? Are they accurate records of the events or processes described? Are the authors of documents believable?

*Credibility*, the second criterion, according to Scott (cited in May 2001, p. 189) ‘refers to the extent to which the evidence is undistorted and sincere, free from error and evasion’. Similarly, Scott proposes a range of questions the researcher must confront to ensure credibility, questions such as: *Are the people genuine? How accurate were their observations and records?* Credibility thus raises the issue of bias. Bryman and Bell (2003, p. 413) note that while they need to be treated cautiously, ‘such documents can be interesting precisely because of the biases they reveal’. The third criterion,
representativeness, refers to the ‘typicality’ of the document. Whether a document is typical or not depends on the aim of the research. Again, this is up to the researcher to judge. The final challenge is to determine the document’s meaning. May (2001, p. 190) interprets ‘meaning’ as ‘the clarity and comprehensibility of a document to the analyst’. Scott suggests questions such as ‘What is it, and what does it tell us?’ (cited in May 2001, p. 190) must be answered. In conclusion, Scott’s four criteria provided a useful guide and framework to assess the quality of the documentary sources employed in this research.

4.5 Conclusion
The aim of this chapter has been to outline the research design, data gathering techniques and data analysis used in this thesis, and to justify their use. The case study strategy, for the reasons outlined, was selected as the most appropriate strategy to meet the research objectives. Criticisms and limitations of this strategy were also discussed. It was revealed that many were unfounded or could, to some extent, be ameliorated. Particularly interesting is the burgeoning discussion on ways to remove the tradition of tacit theorising commonly seen in IR. The remainder of the chapter focused on briefly describing the principles of data gathering and data analysis and justifying their use.

However, as stated many times, the quality of any empirical study must be ascertained. It must meet the criteria established by certain logical tests. For this thesis, a single case-study approach was utilised and the principles of data triangulation were employed. In so doing, the ‘trustworthiness’ of the study was improved; or more specifically, the validity and reliability of the research was enhanced. Construct validity was achieved by utilising multiple sources of evidence, including semi-structured interviews and documentary sources. Internal validity was demonstrated by explanation building in the data analysis phase. Reliability was achieved by documenting the procedures; in particular, by establishing a case study database. Finally, external validity was achieved by developing theories or themes during the research design stage.

One final note on external validity, and related to the major criticism identified in the case study strategy, is to state the extent of generalisability of this case. There is no intent to generalise it to the wider population. Rather, the intention of this case study is
to provide a sample, and to expand and generalise theories — or in the words of Kitay and Callus (1998, p. 104), ‘to place the information in the wider context’.
## CHAPTER FIVE

**BACKGROUND TO THE AIRLINE INDUSTRY**

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5.1 Introduction

This thesis aims to answer two questions: How did the structure of labour regulation change in the Australian airline industry during the 1990s and 2000s? and How can this be explained? The purpose of this chapter is to provide the necessary background information to support the following two empirical chapters, which aim to answer these questions more directly.

The first task in providing this ‘background’, explored in Section 5.2, is to locate the Australian industry in the broader global aviation industry. There are, unsurprisingly, many commonalities between the Australian industry and its counterparts in other countries — commonalities that derive from features that are inherent to the technological or economic nature of the industry or that flow from different national aviation industries confronting comparable imperatives and responding similarly over recent years. Identifying and discussing these commonalities will assist in better understanding developments in the Australian aviation industry.

The second task, pursued in Section 5.3, is to provide more specific background information on the Australian industry. This background is partly historical, in that it traces events and processes before the main period of analysis (1990–2006). The other part focuses on features of the Australian aviation industry external to the narrower focus on labour regulation, including an overview of the product market, regulatory regimes and performance indicators. According to the theoretical framework developed in Chapter 2, these historical and external factors anticipate some of the ‘contextual’ factors, which will help to explain the changing pattern of labour regulation. This will therefore be discussed more fully in Chapter 7.

There is another, secondary, aim to this chapter. It was argued in Chapter 4, as justification for this research, that the airline industry is both empirically and theoretically ‘critical’. It is empirically critical because, first, the industry employs many people and, secondly, it provides an indispensable service to people and business. It is theoretically critical because it provides an especially valuable window into the more general theoretical issues/questions under investigation. The information
presented in this chapter serves to validate the claim that the industry is critical; a claim that applies to both the airline industry as a whole and the Australian industry.

5.2 The global airline industry: a case of transition
Since the first jet airliner flew in 1949, air travel has become a fundamental part of society, an indispensable means for transporting people and products around the world. In just over one hundred years, the way people travel has been revolutionised. Air transport is one of most important industries in the world, relied upon by millions — not only for leisure but also as a way of making a living (ATAG 2005). Economically and socially, the contribution this industry makes to the world economy is significant (ATAG 2005; see Section 5.2.3). While there are variations, the airline industry is generally defined as units ‘engaged in operating aircraft on scheduled routes for the transportation of passengers or freight domestically’ (IBISWorld 2006). More specifically, and often poorly distinguished in the literature, each country has two ‘industries’: domestic and international.

5.2.1 An inherently volatile product market
Despite its importance, and far from its glamorous image, the airline industry is tough. Innately volatile, long-term profits are both marginal and cyclical (Doganis 2001, p. xi). For instance, while seven years of profitability were recorded from 1994, the year 2000 and the aftermath of 9/11 (among other external events) saw the global industry succumb to a severe downturn (Harvey and Turnbull 2003; Morrell 2007). Any profits won during these years were wiped out. Indeed, while the industry plays a key role in the development of the world economy, its health (profitability) innately depends on the broader economy (Oum and Yu 1998, p. 5).

Part of the reason for the volatility of the airline product market is, as British scholars Harvey and Turnbull (2003, p. 9) have noted, the ‘perishability’ factor. ‘Perishability’ refers to the lack of inventory and the inability to stockpile the industry’s product. Airlines cannot stockpile or recover lost traffic when flights are cancelled, thereby directly influencing the carriers’ bottom line. It is also apparent that the degree or severity of the disruption is important. For instance, a minor strike or dispute will generally have only a limited effect as some passengers will defer flying to a later date
and some revenue will be recovered. More significant, however, are the serious disruptions such as terrorist attacks or wars, which have a far greater and much deeper impact on revenue and passenger confidence. The perishability of the product means that in a crisis airlines will cut capacity to minimise losses. The ramifications for labour are that this often results in job losses — both directly, that is within the airline, and indirectly, in support areas such as catering and cleaning.

Aside from being constantly buffeted by economic cycles, the industry is relentlessly exposed to regulatory, operational and technological developments (Doganis 2001; Morrell 2007). Deregulation, privatisation, global alliances, low-cost carriers and electronic commerce are just some of the more recent developments to have a deep impact. The consequence of these developments is that airlines have to continually adapt, needing to change their strategies and policies to suit the new and evolving environment. These shifting policies and strategies often have a profound effect on the industry’s labour force (Doganis 2001, p. xi; Harvey and Turnbull 2003). The following section draws on a range of important international studies to trace the key developments that have shaped the industry. Particular significance is given to deregulation, privatisation and the emergence of the low-cost carrier.

Related to this is the ‘pro-cyclical’ nature of demand in the airline product market. This refers to the cyclical nature of the industry where air traffic generally expands (contracts) with increased (reduced) economic growth. In the case of the airlines, however, this occurs at a much faster rate than in other industries. Figure 5.1 (below) illustrates the pro-cyclical nature of product demand. Business class travel, a key source of revenue for airlines, is particularly sensitive to economic cycles. In an economic downturn, the number of business class seats diminishes, which then has a disproportionately negative effect on a carrier’s profits (Harvey and Turnbull 2010b, p. 8). The consequence of pro-cyclical demand is that expectations of management and labour are often mismatched; that is, they are ‘out of sync’. For example, when the industry is in a downturn, which invariably is worse than for other related businesses, costs will be tightly controlled and employees will be expected to make sacrifices. When business picks up, employees anticipate a ‘catch up’ for previous sacrifices but management continue to be cautious, foreseeing the next downturn. The result of this mismatch is the potential for sometimes explosive confrontations between management
and employees, particularly when the business cycle is at its most profitable.

**Figure 5.1 Pro-cyclical demand and economic crises in the civil aviation industry**

*RPK: Revenue passenger kilometres. A measure of airline passenger traffic obtained by multiplying the number of paying passengers carried on each flight by the flight’s distance.*

Source: Harvey and Turnbull 2009, p. 5

**5.2.2 Deregulation and privatisation**¹³

The inherently volatile nature of the airline product market has been exacerbated over recent years by what by all accounts is the most important development to shape the industry: namely, the international trend to progressively liberalise the product market. Deregulation, or ‘open skies’ policy, has had a profound effect on the structure and operation of the industry (Doganis 2001, p. 5).

Before deregulation, there were obviously variations across countries and routes, but the industry generally consisted of a relatively small number of (often state-owned) carriers that offered a full service (discussed below in greater detail). Typically, these carriers enjoyed monopolistic and duopolistic markets on most routes (Bamber et al. 2009b, p. 637). Tight regulations meant output levels were restricted and price competition was

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¹³ Scholars Blyton et al. (2003) and Harvey and Turnbull (2003) distinguish between the notions of deregulation and liberalisation. However, for the purposes of this chapter, these two concepts will be synonymous.
precluded because airfares were fixed (being set by the industry’s airline association, IATA, see below for more discussion) (Doganis 2006, p. 31).

The deregulation of civil aviation began in the US in 1978 with the introduction of the US Airline Deregulation Act. In Europe, following the US’s lead, open market bilateral arrangements emerged in 1984; for example, an agreement between the UK and the Netherlands was followed closely by similar agreements with Germany (also 1984), and then Belgium (1985). Progressive deregulation, both within and between countries, continued to spread. In the Asia-Pacific region, Australia deregulated its industry in 1990 (see Section 5.3 for more detail), followed more gradually by other countries in East Asia (Poon and Waring 2010).

Typically, deregulation removed restrictions on the entry of new carriers, operations, pricing capacity and cabotage (the ability for international carriers to carry domestic passengers) (Blyton et al. 2001, p. 449). Deregulating the product market had the aim of dismantling the cosy monopolies and duopolies that had come to define the industry, thus making it more competitive and efficient. The effects of deregulation were both immediate and more gradual. With respect to the former, deregulation introduced far less state control over issues of capacity and frequency on many routes (Doganis 2001, p. 6). Likewise, greater freedoms were introduced around fare pricing — airlines no longer had to demonstrate financial competence in order to operate, nor would they need permission to reduce fares (Doganis 2001; Harvey 2009, p. 171).

Deregulation also immediately encouraged new airlines to enter the product market. These new entrants competed directly with the established legacy airlines and were typically independent, aggressive and lower cost (Harvey 2009; Kangis and O’Reilly 2003). Lower costs were achieved through a number of mechanisms, including lower overheads, operations from second-tier and regional airports, adoption of direct selling methods, the offering of a basic service and the introduction of highly flexible employment arrangements (Blyton et al. 2001, p. 450; see also Section 5.2.4.2). The consequence of carriers entering the market with a significantly lower cost base was that they rapidly assumed the mantle of ‘benchmark’ or ‘cost target’ for all carriers (Blyton et al. 2001, p. 450). To be competitive, therefore, carriers benchmarked their own costs against those of their rivals. If the airline’s own costs were above these ‘market rates’
then ‘cost-cutting, franchising, outsourcing or subcontracting’ became standard initiatives (Turnbull 1999, p. 7). With operating costs around 40 percent less than legacy airlines, low-cost carriers flourished (Harvey 2009, p. 171).

Pioneered by airlines such as Southwest Airlines (SWA) in the US and easyJet in the UK, low-cost carriers placed considerable pressure on established airlines. In response, legacy airlines were forced to re-examine and improve their own operations (Smyth and Pearce 2006). Indeed, many aggressively restructured their businesses and many launched — often unsuccessfully — their own low-cost subsidiaries, such as BA/Go, KLM/Buzz, US Airways/MetroJet and Qantas/Jetstar (Graf 2005). The low-cost carrier business model is explained in greater detail below.

A more gradual change, closely related to deregulation, was the progressive privatisation of national flag carriers. Up until the mid-1980s, most international airlines were state-owned, a feature mainly instigated to provide the burgeoning industry with a level of stability (Doganis 2001). However, deregulation reduced this stability and volatility in the industry increased. In the face of rising competition and unstable markets, many state-owned airlines developed what Doganis (2006, p. 234) terms ‘Distressed State Airline Syndrome’. An airline suffering from this ‘political and organisational virus’ (p. 227) usually displays a range of symptoms, including substantial financial losses; over-politicisation of decision making; strong unions; over-staffing and low labour productivity; poor development strategy; bureaucratic management; and a record of poor service quality (2006, pp. 227–234).

Innately linked to deregulation, pressure to privatise national carriers stemmed from the increasing number of governments adopting neo-liberal, ‘free market’ ideologies. One consequence was the notion that state-owned airlines should (either in full or in part) be returned to the private sector, or at the very least, adopt a more commercial focus (Blyton et al. 2003, p. 8). Indeed, privatisation was seen by many as the panacea, the way to rescue these ‘sick’ airlines from this malaise and turn them into more competitive, efficient, and customer-orientated enterprises. A common belief among governments was that this could not be done effectively if they continued to be run as state-owned enterprises with the associated public service mentality (Doganis 2006, p. 224). Another factor invariably swaying governments towards privatisation was the...
often-high levels of state subsidy required to keep state-owned airlines viable (Blyton et al. 2003, p. 8).

Many carriers welcomed privatisation; it facilitated management’s ability to exploit the opportunities presented in an open market (Blyton et al. 2001, p. 450). However, when coupled with a liberalised product market, privatisation not only increased an airlines freedom, but also encouraged them to pursue a greater range of possibilities in terms of managing their business and their employees. It was now easier for management to translate company level innovations into a competitive advantage or higher profits for shareholders, thus creating far greater incentives for management to cut costs and restructure their operations (Blyton et al. 2001, p. 450). Management were now supplied with both the means and the motive to restructure their operations (Blyton et al. 2003, p. 10).

In summary, the consequences of deregulation on the airline industry were profound. They continue to unfold. Deregulation not only became the catalyst for privatisation but also the mechanism responsible for the arrival of the low-cost carrier. Together, deregulation, privatisation and the low-cost carrier have restructured the industry, turning it into one famous for being volatile, highly competitive and focused on cutting costs. Indeed, cost reduction — for all carriers — is no longer a short-term strategy to manage economic downturns, but a long-term, continuous strategy necessary for survival (Doganis 2006, p. 24).

Together, these trends had important ramifications for the management of labour. Moreover, Harvey and Turnbull (2009) argue that changes such as deregulation and the intensification of the level of competition have exacerbated the importance of these characteristics. Indeed, in 1999, an international survey of civil aviation unions found that in the previous five years two-thirds of unions reported deterioration in management-labour relations (Blyton et al. 2001, p. 454, Table 2). This was particularly evident among cabin and flight crews and, according to the survey, was a direct result of a decline in their working conditions and quality of working life (Blyton et al. 2001, p. 453). Turnbull et al. (2004, p. 290) contend that together these features ‘promote inconsistent HR policies, expose the asymmetry of power relations between management and labour, and render partnership arrangements extremely problematic’.
Importantly, research carried out by Bamber et al. (2009a, p. 84) discovered that while labour cost reduction initiatives can provide some relief for carriers in difficult financial circumstances, cutting labour costs does not provide long-term relief, particularly in terms of service quality and profitability (see Section 5.2.3.2 for further discussion).

5.2.3 The production process

The production process in the airline industry involves the completion of many tasks including ticket sales, seat allocation, baggage handling, catering, aircraft maintenance, aircraft operation and cabin cleaning (Bray 1997). Unsurprisingly, given the diverse array of tasks required, distinct occupational groups are a feature of the industry. Occupational groups include, among others, pilots, flight attendants, engineers, mechanics, ticket agents, operations agents, ramp workers, baggage handlers, cabin cleaners, caterers and refuellers. While coordination between each group is important, they have historically operated relatively autonomously with very little task overlap. Reflecting this autonomy, each different occupation generally belongs to a different union (Bray 1997).

The extraordinary rate of technological change experienced by the industry has important ramifications for the production process. The aviation industry, by its very nature, operates at the forefront of technology. Its quest for greater efficiency and improved customer service embraces technological change (Bray 1997). Technological change has infiltrated every facet of the production process from e-commerce advances such as on-line bookings, e-ticketing and e-passport checking, to seamless baggage handling, computerised state-of-the-art aircraft and air traffic control systems (see Doganis 2001, Chapter 7). Technological change also continually alters the relationships between stakeholders (Doganis 2001, p. 162). Not only is the obvious relationship between airlines and their customers subject to continual evolution but the relationships within the airlines, particularly employer/union and employer/employee, are constantly changing. This relentless pursuit of technological advancement has meant that airlines must not only continually develop new business strategies but also new policies concerning labour deployment. The fact that new technologies often mean a reduction in labour has meant that employers have generally had to negotiate closely with unions and/or employees on issues such as retrenchment, redundancies, training,
work organisation, wage classification and payment (Bray 1996, p. 53; Doganis 2001, p. 163).

Despite the changes in technology, the types of tasks required to complete the production process have remained relatively unchanged. Not so the organisation of these tasks. Indeed, privatisation and deregulation of the product market means that there are far more options available to management when it comes to completing the production process. To be more specific, they can rearrange the production process and choose the extent to which they complete these stages of production ‘in-house’ (that is, with its own facilities and employees), or ‘outsource’ these activities to other organisations. A useful way to understand management decisions regarding the way they organise their production process is to consider them in the context of the industry’s business models (see Section 5.2.4 below).

Safety is a further element of the production process; a key issue due to the high vulnerability of crew and passengers to accidents (Bray 1996). Strict control around the safe operation and maintenance of aircraft and airports is enshrined in formal regulations overseen by government and intergovernmental authorities (see Section 5.3 for a more detailed discussion on government authorities in Australia). The key intergovernmental authority is the International Civil Aviation Organisation (ICAO), which ‘sets standards and recommends practices for the safe and orderly development of international aviation’ (ICAO 2011). More specifically, ICAO imposes safety regulations covering many areas of airline operations, including technical, navigational and human resource aspects (Bamber et al. 2009a, p. 30). Although each country, under ICAO guidance, develops regulatory arrangements to govern operations, ICAO regulations limit the issues that can be decided by national-level policymakers, managers and unions (Bamber et al. 2009a, pp. 30–1).

Other international agencies are also influential. Two that carry particular weight are the International Transport Workers’ Federation (ITF) and the International Air Transport Association (IATA). The ITF consists of around 690 international unions representing over 4.5 million transport workers (this includes other transport industries) (ITF 2012). IATA is the international association representing airlines (IATA 2011). Under a highly regulated industry, IATA adopted the role of setting fare levels and operating, in the
words of Bamber et al. (2009a, p. 30), as ‘a cartel of suppliers’. Subsequent deregulation has seen the agency’s price-fixing role minimised due to it being declared illegal under antitrust provisions (in the US) and being ignored by the majority of carriers (Bamber et al. 2009a, p. 31).

The final distinctive feature of the production process (and the third ‘intrinsic’ feature noted by Blyton, Harvey and Turnbull) is labour cost. Labour constitutes a significant portion of an airline’s total operating costs, varying regionally from around 15 percent in Asian carriers to as high as 40 percent in US carriers\(^\text{14}\) (Doganis 2006, p. 119). It is also of little surprise that over the last two decades or so (particularly following the crisis post-9/11) the cost of labour has been the focus of much attention by airline management (see Bamber et al. 2009a; Doganis 2001; Harvey and Turnbull 2003; Kochan et al. 2003). There are several reasons for this. First, fuel costs, landing fees and aircraft costs represent what is known as ‘non-variable’ costs; that is, costs that are generally out of the direct control of management. In contrast, labour costs are considered ‘variable’, and as such are one of the few costs more directly under the management control. Secondly, labour costs — as one of the biggest single cost elements for most airlines — become an obvious target for expenditure reductions (Harvey and Turnbull 2003). Finally, the cost of labour is a major factor differentiating unit costs between airlines (Doganis 2001, p. 101).

5.2.4 Business models

The continued evolution of the product market, and the ability to ‘pick and choose’ among the product tasks to be completed in-house or outsourced, has stimulated scholarly debate over the number and types of business models existing in the industry. Doganis (2006, pp. 283–287), for instance, argues that three alternative business models have emerged since the mid-1990s: the traditional model, the virtual model and the aviation business model. Graf (2003), on the other hand, identifies five distinct business models. Sobie (2007) reports the emergence of niche ‘all-premium’ carriers. In contrast, Jarach et al. (2009) argue that a convergence between models is emerging rather than diversity and proliferation (see also Sarina and Lansbury 2009). Indeed, classifying a business model is increasingly difficult as many carriers have adapted basic strategies to

\(^{14}\) Although, Doganis notes that in 2002 labour costs in US carriers (following cost reduction measures after 11 September 2001) dropped to 25–31 percent of total costs.
make ‘bespoke’ (and fluid) models that best fit their current circumstances. Despite this discourse, Graf (2005, p. 316) makes the salient point that the basic output is the same — the transportation of passengers between two points. The point of difference between the models is embedded in the configuration of the production process and in the way they create value in the market place (Graf 2005, p. 316).

For simplicity and succinctness, this thesis will consider only the two most common or basic models: the full-service or traditional model, and the low-cost or new-entrant model. With distinct competitive strategies and different product offerings, these models vary greatly in their mode of production (see Table 5.1 further below). Both forms present a useful hypothetical representation of how airlines differ in terms of their structure, strategies and operations. Equally, they serve to highlight how crucial determining the organisation of the production process is to managing an airline today.

5.2.4.1 The full-service or traditional model

Legacy airlines (such as Qantas) are those that were founded before deregulation and, as such, were often state-owned and designed to compete in a highly regulated environment (Bamber et al. 2009a, p. 9). The model most commonly used by legacy airlines is known as the traditional or full-service model, although sometimes it is referred to as the hub-and-spoke model (Air Transport and Airport Research 2008; Doganis 2001, p. 214). As mentioned previously, in response to deregulation, most full-service carriers were fully or partly privatised — or, at the very least, made to have a greater commercial focus.

Although there are many variations, reflecting national and organisational histories, the airlines following the full-service model complete most of the production tasks in-house. Historically, these tasks are departmentally operated from within the parent organisation, usually as a separate subdivision. Considered too important to contract out, these tasks generally include, among others, ticketing, sales, information technology, in-flight catering, aircraft maintenance, freight and ground handling. There may be some work contracted out to other carriers or suppliers but this is the exception, and often only in circumstances remote from the airline’s home base (Doganis 2006, p. 282). In this way, the aim of the traditional carrier is self-sufficiency, therefore contracting out is limited. Doganis argues that as a result the production processes
between the typical full-service carriers look very similar, as do their methods of operation and management structure (2006, p. 282). As the data in Table 5.4 will reveal, the full-service model is still often the preferred strategy for many airlines.

Airlines adopting the full-service model usually invoke higher relative costs in comparison to the low-cost model (discussed below). A number of factors are behind these higher costs. First, the distinguishing feature of the full-service model is that it focuses on providing a wide range of pre-flight and on board services (Air Transport and Airport Research 2008). Often this involves different levels of on board service through different classes, the availability of frequent flyer lounges, connecting flights and through-checked baggage (see Table 5.1 for a more extensive list of characteristics of the full-service model). These ‘frills’ are included to attract the less price-sensitive traveller, such as business passengers, who return greater levels of revenue per seat. The provision of these ‘extras’ is expensive (Bamber et al. 2009a, p. 9).

Bamber et al. (2009a, p. 10) refer to a second expense for full-service carriers who often develop one or more ‘hubs’ to exploit destination coverage and to defend their market share. More hubs equates to higher airport fees, greater congestion and subsequent delays, which reduce levels of aircraft productivity. Moreover, in so doing, a more diverse fleet of aircraft is required to service routes of different densities. Operating different aircraft types increases the cost of maintenance and training.

Another point of difference for full-service carriers is that, because they are older, they generally also have older aircraft that are more expensive to maintain and often less efficient. They also tend to employ more senior staff, thus triggering higher wages. Finally, a feature of the legacy carrier is that often, because of their age, rigid work rules with strong job demarcations (and hence, lower levels of flexibility) have developed (Bamber et al. 2009, p. 10). This in turn translates into lower relative levels of employee productivity.
Table 5.1  Product and operations features of the low-cost and full-service models

<table>
<thead>
<tr>
<th>Product and operations features</th>
<th>Low-cost carrier</th>
<th>Full-service carrier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fares</td>
<td>Simple</td>
<td>Complex</td>
</tr>
<tr>
<td>Distribution</td>
<td>Vast majority on-line and direct booking</td>
<td>Online, direct, travel agent</td>
</tr>
<tr>
<td>Check-in</td>
<td>Ticketless</td>
<td>Ticketless, ticketed</td>
</tr>
<tr>
<td>Airports</td>
<td>Often secondary</td>
<td>Primary</td>
</tr>
<tr>
<td>Connections</td>
<td>Point to point</td>
<td>Interlining, code share</td>
</tr>
<tr>
<td>Class segmentation</td>
<td>One class (high density)</td>
<td>Two to three classes</td>
</tr>
<tr>
<td>In-flight</td>
<td>Pay for amenities</td>
<td>Complimentary extras</td>
</tr>
<tr>
<td>Aircraft utilisation</td>
<td>Very high</td>
<td>Medium to high</td>
</tr>
<tr>
<td>Turnaround time</td>
<td>25 mins</td>
<td>Generally longer</td>
</tr>
<tr>
<td>Product</td>
<td>One – low fare</td>
<td>Multiple integrated products</td>
</tr>
<tr>
<td>Ancillary revenue</td>
<td>Advertising, on board sales</td>
<td>Focus on the primary product</td>
</tr>
<tr>
<td>Aircraft</td>
<td>Single type</td>
<td>Multiple types</td>
</tr>
<tr>
<td>Seating</td>
<td>Small pitch, no assignment</td>
<td>Generous pitch, seat assignment</td>
</tr>
<tr>
<td>Customer service</td>
<td>Generally limited</td>
<td>Full service</td>
</tr>
<tr>
<td>Operational activities</td>
<td>Focus on core</td>
<td>Extensions (maintenance etc.)</td>
</tr>
</tbody>
</table>

Source: Adapted from O’Connell and Williams 2005, p. 2

5.2.4.2  The low-cost or new-entrant model
The second model, often referred to as the low-cost model, only emerged in the post-industry deregulation. Unlike the full-service carrier, it was actually designed to operate in a deregulated environment (Bamber et al. 2009a, p. 9). The key success factor of the
low-cost carrier is the adoption of a high-volume/low-margin strategy (IBISWorld 2012). The low-cost carrier has received much attention from scholars in recent times (Barry and Nienhueser 2010; Harvey and Turnbull 2010a; Hunter 2006; Poon and Waring 2010; Smyth and Pearce 2006; Wallace et al. 2006). Perhaps more so than the full-service carrier, Smyth and Pearce (2006, p. 13) argue that there is no standard business model or definition for a low-cost carrier (LCC). Instead, they assert that the term itself covers ‘a wide range of airlines with significant differences in the type of routes and the level of passenger service offered’ (2006, p. 12). While this does appear to be the case, this ‘typical’ low-cost model — as pioneered by Southwest (SWA) — provided the foundation from which many airlines have been built (see Gittell 2005 for an in-depth study of this airline).

The low-cost airlines (to state the obvious) have lower costs than legacy airlines. This cost saving is generated from having a simpler product and a simpler operation (Doganis 2006, p. 157). First, in contrast to legacy carriers, the product offerings are very limited. There are ‘no frills’ such as meals, pre-assigned seating and connecting flights (Bamber et al. 2009a; Doganis 2006, p. 150). The target market of the low-cost carrier is the price-sensitive leisure traveller; and without all or even some of the extras, a lower fare can be offered. Second, low-cost airlines generally operate on a point-to-point route structure instead of the more complex hub-and-spoke. This enables new entrants to obtain cheaper running costs by deploying newer, more efficient, single aircraft types, often from secondary airports (therefore without the delays), with reduced fees and higher aircraft utilisation rates. Finally, usually these carriers have fewer, younger and more productive employees who are cross-trained and multi-skilled. Generally, although not always, pay rates are lower than full-service carriers and productivity is higher (Bamber et al. 2009a). Management and overhead structure is often simple with a lean decision making process (Smyth and Pearce 2006). See Table 5.1 for a more detailed list of characteristics.

In terms of the organisation of production, the most extreme version of the low-cost model is the ‘virtual’ airline, which focuses only on their core competency; in other words, operating air services between different ports. All other possible tasks (such as in-flight catering, aircraft cleaning, passenger handling, ground handling and aircraft maintenance) are outsourced to other agencies. Outsourcing provides airlines with the
opportunity to employ the lowest cost deals and enables new airlines to start flying quickly. These features mean that virtual airlines are frequently associated with low-cost carriers, although this is not always the case. Indeed, many full-service incumbent airlines have pursued virtual airline strategies (Doganis 2001, p. 214).

5.2.5 Management strategies and employment relations

Thus far, this chapter has highlighted many of the contexts that have shaped the global airline industry into its present form. These contexts have also shaped — although not determined — the strategic choices of the parties, particularly management. Indeed, many researchers have noted that despite the market and institutional context, management continue to retain some scope to make choices in the way they choose to run their airline (see Bamber et al. 2009a; Cappelli 1985b; Harvey 2009; Turnbull et al. 2004). The aim of this section is to expand the discussion of the business models to analyse the different strategic options available to management when it comes to running an airline.

It was stated in Chapter 3 (Section 3.2.1.1), that the airline industry has provided scholars with an ideal opportunity to study the effects of changing contexts on the business and employment-relations strategies of management. Fortunately, many notable scholars have seized this opportunity. A rich body of literature continues to emerge. While Cappelli’s (1985a) seminal study of the US airline industry (see Chapter 2) was one of the first to link business strategies and ER outcomes, other studies have broadened this topic and examined a growing and diverse range of issues. For instance — and just to note a few — scholars have examined management strategies in terms of high- and low-road ER approaches (Gittell and Bamber 2010); ER strategies in times of crisis (Blyton et al. 2003; Harvey and Turnbull 2003); strategies at legacy and low-cost airlines in the face of changing contexts (Bray 1996, 1997; Oxenbridge et al. 2010; Poon and Waring 2010). Others have examined the strategies of highly successful airlines (Cassani and Kemp 2003; Gittel 2005). Relatedly, scholars have explored the possibility of developing strategic labour-management partnerships (Turnbull et al. 2004), while an emerging area has looked at ER strategies in the context of a particular VoC (Bamber et al. 2009b; Barry and Nienhueser 2010; Harvey 2009). A recent paper by Sarina and Lansbury (2009) also makes the salient point that competitive market pressures have led to business and ER strategies in the airline industry becoming
increasingly intertwined and noted the importance of recognising the connection between the two.

Another study, and the basis for this section, has been the account by Bamber et al. (2009a). Their in-depth and influential book, *Up in the Air*, explored the airline industry in the regions of North America, Asia, Australia and Europe through both qualitative and quantitative methods. The authors go beyond many other studies by examining not only a number of regions, but also they offer an in-depth analysis of the range of strategic approaches available to management on several levels. Mostly they focus on the range of options when it comes to cost reduction and employment relations strategies in both new-entrant and legacy airlines. Adopting the strategic choice approach, the authors argue that management retain an element of discretion when it comes to making strategic choices around HRM and ER issues.

Regarding management’s strategic options, Bamber et al. begin by considering the overall competitive position of the carrier. This high-level business strategy is classified in terms of the two contrasting business models, which represent the two extremes in strategic options: new entrants (low-cost) or legacy (full-service). From the short discussion on business models, it is readily apparent that different models offer different products and represent different values in the market place; therefore, they require very different competitive strategies.

From this broad classification, and consistent with the strategic choice approach, the authors argue that management has discretion to make choices in a range of areas. The first of these is the way management choose to reduce costs. As stated above, crucial to an airline’s survival is a long-term strategy to reduce and minimise costs. The Director General and CEO of IATA points out: ‘Every airline is now a lower-cost airline’ (cited in Smyth and Pearce 2006, p. 3). This point is not lost on Bamber et al. who indicate that the issue is not the fact that they compete on costs, but how they compete on costs.

Bamber et al. classify cost reduction in terms of two strategic options. The first, a wage minimisation strategy, is when airlines achieve low labour costs by minimising wages and benefits, keeping staff numbers as lean as possible and avoiding unionisation or limiting union influence. The second option, the productivity strategy, is when the
airline achieves low total costs by increasing employee and aircraft productivity as well as the productivity of other costly assets. Importantly, they also add the corollary that although they are presented as two distinct options, the reality is that most airlines pursue some mixture of the two strategies and exist on a continuum somewhere between the two (2009a, p.11).

The next choice for management is their employment relations strategies. Bamber et al. articulate this choice in terms of two distinct criteria: management’s relationship with their employees and their relationship with their unions (see Figure 5.2).

Figure 5.2 Employment relations strategy

<table>
<thead>
<tr>
<th>Relationship with Unions</th>
<th>Avoid</th>
<th>Accommodate</th>
<th>Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship with Employees</td>
<td>Control</td>
<td>Commitment</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bamber et al. 2009a, p. 12

In the first instance, and drawing on the insightful work by Walton (1985) and Walton et al. (1994), the authors contrast the approach to employees in terms of control or commitment. A control, or traditional, approach is defined as one where job requirements are carefully prescribed. Managers specify exactly what needs to be done and order and efficiency are paramount (Walton 1985). Jobs are narrowly defined, the workplace is highly hierarchical, and employees come to work just to do their job (Bamber et al. 2009a, p. 11). At the other extreme, a commitment approach is where management tries to establish a deeper relationship with their employees. Here management seek to engage and foster a real commitment from their employees.
towards the organisation. The commitment approach is characterised by relatively flat managerial hierarchies, minimal differences in employee status, wider job boundaries and a preference for teamwork (Bamber et al. 2009a, p. 12; Walton 1985).

The final classification in the matrix concerns the modern day options that management have in their approach to unions because often, as noted, contexts now permit management a range of choices in how they relate to their unions. Three categories are cited. The first is to ‘avoid’ having employees represented by unions. Management are afforded two options in this case, union suppression or union substitution. Union suppression refers to vociferously opposing and aggressively fighting the initial establishment of a union. A suppression strategy may also entail undermining or challenging an already established union. In contrast, union substitution is achieved primarily through management paying high wages and benefits and providing a work environment that discourages the desire to organise. The second option is to ‘accommodate’ unions. This entails accepting the legitimate right of unions to exist, to negotiate with them at arm’s length, and to have a contractually based relationship with them. The final option is to ‘partner’ the unions. This is where management go beyond the standard requirement and seek to establish a deeper and more cooperative relationship with the unions (Bamber et al. 2009a, pp. 12–13).

In summary, Bamber et al. use this framework to examine a range of airlines from around the world, both new-entrant and legacy, in terms of their approaches to their competitive position, cost reduction strategies and ER strategies. Their analytical framework provides a greater insight towards understanding the complex strategic options available to management in the context of the volatile airline industry, particularly in terms of ER strategies. Specifically, when Bamber et al. applied this framework to analyse changes in management strategy in airlines around the world they found a greater diversity in ER strategies than had been the case in previous decades (see also Cappelli 1985a; Harvey 2009). Although this framework is not designed to explicitly explain labour regulation, the philosophical platform that underpins this approach (that is, that contexts may shape the strategies of the parties but do not determine them) is in agreement with the theoretical goals of this thesis. Thus, more than just an insight, this framework presents a thorough and logical way to explore and contrast the complex nature of management strategies within the Australian industry. In
doing so, this approach helps to draw out the implications of labour regulation. While this thesis focuses more narrowly on one industry, the Bamber et al. analytical framework is excellent to explore changes within one industry over time. Therefore, this schema will be used to compare and contrast strategic changes within the Australian airlines in 1990–2006.

5.2.6 Performance characteristics of the global airline industry

This industry analysis has explored the historical events, intrinsic features, business models and management strategies that define this unique industry. The aim of this section is to conclude this analysis by exploring one thus far neglected — but equally important — area: the indicators of performance in the airline industry. This section explores factors such as the size of the industry, its economic contribution and value, employment levels, traffic growth rates and profitability levels. Particular attention is given to the comparison between low-cost and full-service sectors. This section concludes by considering important emergent trends in terms of costs, productivity, service quality and morale identified across the industry. These competitive trends provide insight into the direction of the industry.

As revealed in Section 5.2, the contribution the airline industry makes to the world economy is significant. By the end of 2006, it was estimated to have contributed US$408 billion directly to the global GDP, and US$465 billion indirectly through ‘multiplier’ effects of aviation-related jobs and economic activity. The industry generated almost 32 million jobs globally, 5.5 million of which were through direct employment. Another 6.3 million jobs were provided through the purchase of goods and services in the supply chain. The spending of employees created 2.9 million jobs, and 17.1 million jobs were created via the ‘catalytic’ impact on tourism (ATAG 2008; Harvey and Turnbull 2009, p. 1).

5.2.6.1 Traffic growth rates

Table 5.2 (below) illustrates that in absolute terms air traffic has been steadily growing. Traffic growth rates rose 5.8 percent in 2006 compared to 8.2 percent recorded in 2005. The reduced growth rate recorded in 2006 was, according to analysts, driven by the economic slowdown in the US (Ezard et al. 2007, p. 75).
Table 5.2  Historic trend: percentage changes in operations, 2002–2006

<table>
<thead>
<tr>
<th>Measure</th>
<th>2006 %</th>
<th>2005 %</th>
<th>2004 %</th>
<th>2003 %</th>
<th>2002 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(RPK* billion)</td>
<td>5.8</td>
<td>8.2</td>
<td>13.8</td>
<td>1.4</td>
<td>2.2</td>
</tr>
<tr>
<td>(4,147 502)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seat capacity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ASK** billion)</td>
<td>4.2</td>
<td>4.2</td>
<td>10.5</td>
<td>1.3</td>
<td>-0.3</td>
</tr>
<tr>
<td>(5, 385,782)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Load factor</td>
<td>1.2</td>
<td>1.2</td>
<td>1.9</td>
<td>0.0</td>
<td>1.6</td>
</tr>
<tr>
<td>(%)</td>
<td>(77.0)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passengers</td>
<td>6.0</td>
<td>7.6</td>
<td>10.6</td>
<td>1.9</td>
<td>2.4</td>
</tr>
<tr>
<td>(million)</td>
<td>(2.195)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*RPK: Revenue passenger kilometres. A measure of airline passenger traffic obtained by multiplying the number of paying passengers carried on each flight by the flight’s distance.

**ASK: Available seat kilometres. A measure of airline capacity obtained by multiplying the number of seats available on each flight by the flight’s distance.

Source: Adapted from Ezard 2007, p. 75

Although air traffic continued to grow in absolute terms, Doganis (2006, p. 15) reports that, overall, traffic growth rates have been slowing. From 1966 to 1977, the world’s air traffic (measured in passenger-kilometres) annual growth rate was doubling every six or seven years and measured an extraordinary 11.6 percent per annum. However, from 1977 a steady decline in growth rate was recorded dropping from 7.8 percent per annum in 1987 to 4.8 percent per annum in 1997, and to around 2 percent per annum in 2003.

As is often the case with statistics, however, these figures are deceptive. Deceptive because, as Doganis reveals, these figures mask another trend — that growth rates have varied between regions and even between airlines. As Table 5.3 demonstrates, the burgeoning East Asia region grew at rates much faster than the world average, while the once dominant US and European carriers dwindled and lost market share.
Table 5.3  Global passenger airline statistics by region, 2006

<table>
<thead>
<tr>
<th>Region</th>
<th>Passengers transported (million)</th>
<th>% Change*</th>
<th>Employees</th>
<th>% Change*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td>557</td>
<td>10.0</td>
<td>413 549</td>
<td>-4.7</td>
</tr>
<tr>
<td>Europe</td>
<td>626</td>
<td>6.7</td>
<td>387 769</td>
<td>2.4</td>
</tr>
<tr>
<td>North America</td>
<td>814</td>
<td>3.3</td>
<td>492 522</td>
<td>2.5</td>
</tr>
</tbody>
</table>

*Percentage change compared to the previous year

Source: Adapted from Ezard 2007, p. 75

In terms of airline type, the strongest growth rate was recorded in the low-cost sectors with revenue per kilometre growth measured at 18.4 percent. Low-cost carriers also reported an increase of around 20 percent in the number of passengers carried, compared to just 2.8 percent in full-service airlines.

Table 5.4  Global passenger airline statistics by airline type, 2006

<table>
<thead>
<tr>
<th>Airline Type</th>
<th>Passengers Transported</th>
<th>% Change*</th>
<th>Share of World’s RPKs</th>
<th>RPK (Change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-service airlines</td>
<td>1.55 billion</td>
<td>2.8</td>
<td>80.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Low-cost carriers</td>
<td>352 million</td>
<td>19.4</td>
<td>10.5</td>
<td>18.4</td>
</tr>
<tr>
<td>Regional and charter (leisure)</td>
<td>285 million</td>
<td>15.1</td>
<td>9.3</td>
<td>16.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.19 billion</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Percentage change compared to the previous year

Source: Adapted from Ezard 2007, p. 75

Moreover, an IATA report (Smyth and Pearce 2006) states that LCCs have continued to show strong growth, increasing market share in the US, Europe, Asia and South America from 2000 to 2006 (Figure 5.3).
Figure 5.3  The percentage growth in market share of LCCs*

*Approximate values
Source: Smyth and Pearce 2006, p. 14

This chapter has also documented that the industry’s profitability is both marginal and cyclical, being linked closely to broader world economic conditions. When the growth in economic conditions slows, the growth in demand for air traffic services also slows (Oum and Yu 1998). To demonstrate, following several years of profits, a world economic downturn beginning in 2000 was transformed into a crisis by 2001. The industry was rocked by a series of events: the September 11 attacks, the invasion of Iraq in 2003, the SARS epidemic and escalating fuel costs in 2004. Together, these plunged the industry from a cyclical downturn into a deep long-lasting catastrophic disaster. As several scholars have noted, the industry was in trouble before the crisis of September 11 (Doganis 2006; Gittell et al. 2004; Harvey and Turnbull 2003). Figure 5.4 displays the operating and net financial results across various years from 1996 to 2005.
5.2.6.2 Cost trends

The decline in the real value of airline yields: Doganis (2006, p. 16) cites as critical the trend in civil aviation that saw the value of airline yields steadily decline. Put another way, the average revenue produced per passenger-km or tonne-km carried has declined steadily in real terms since around the 1980s. Kochan et al. (2003, p. 4) make the point that the decline in revenue per passenger-kilometre translates into large financial losses for airlines.

Doganis cites several contributing factors to this downward movement. First, deregulation removed price controls. New entrants emerged, competing against legacy carriers and offering discounted fares — only to be subsequently matched by their competitors. Secondly, deregulation ended restrictions on capacity triggering an increase in the number of flights. When excess capacity existed, fares were dropped to boost load factors. The final factor, according to Doganis, is that deregulation is resulting in an ever-increasing percentage of passengers travelling on discounted fares while, coincidentally, fare reductions are cutting further into scheduled fares (2006, p. 16). He also adds that the main factor causing this decline (that is, ongoing
deregulation) is likely to continue. This will place more downward pressure on yields, which in turn exacerbates the need to cut costs. In summary, the implication of this decline in the real value of airline yields is that it makes cost reduction a ‘continuous and long-term necessity for financial success’ (2001, p. 14).

**Labour and total unit costs:** Costs, be they labour or total unit, are a critical measure for any airline in an industry dominated by low-cost carriers. Bamber et al. (2009a, p. 64) reported a dramatic drop in labour costs, around 18 percent for US legacy airlines from 2000 to 2006. This decrease was attributed to bankruptcies at several airlines post-9/11, and management resolve to cut labour costs to avoid bankruptcy at others. New entrants reported a slight rise of around 8 percent, which can be attributed to a maturing airline with an ageing workforce. Thus, as Figure 5.5 demonstrates, labour costs between US legacy and new-entrant carriers were converging.

**Figure 5.5 Converging labour costs per ($): US legacy versus low-cost carriers, 1996–2005**

However, Bamber et al. (2009a, pp. 64–71) note that a different picture emerges when total costs are examined. As Figure 5.6 illustrates, until the end of 2006 total unit costs were rising for both new-entrant and legacy airlines in the US despite the dramatic drop
in labour costs reported at the legacy airlines. The increase in total unit costs can largely be attributed to soaring fuel prices over that period.\textsuperscript{15} However, they add that total unit costs were not only higher but also rising more rapidly for legacy carriers as opposed to new entrants. They attribute this to two main factors: first, legacy carriers often have older and less fuel-efficient aircraft; and, secondly, they have higher ‘transport related expenses’, a cost related to the structure of their network. A similar trend was reported in Europe and Asia (although less detailed because of a lack of data), where total costs have increased for both legacy and new entrants, but are higher and rising more rapidly for legacy carriers. The Asian region had one exception — total costs for the new entrants had decreased slightly.

\textbf{Figure 5.6 \hspace{1em} Diverging total unit costs per (\$): US legacy airlines versus low-cost carriers, 1996–2005}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{total_unit_costs.png}
\caption{Diverging total unit costs per (\$): US legacy airlines versus low-cost carriers, 1996–2005}
\end{figure}

\textit{Source: Adapted from Harvey and Turnbull, 2010b, p. 10}

In summary, in each region total unit costs have increased more quickly for legacy airlines than for new entrants. This result indicates that even though legacy carriers may be closing the gap on low-cost carriers in terms of labour costs, these savings do not necessarily translate into a narrowing in the overall unit costs between the two, as Figure 5.6 demonstrates. For Harvey and Turnbull (2010b, p. 9), the results are

instructive:

The lesson is clear: it takes far more imagination, innovation and creativity on the part of airline management than simply cutting workers’ pay and/or terms and conditions of employment if they hope to remain competitive in the face of low-cost competition.

**Aircraft and employee productivity trends**: Research into aircraft and employee productivity trends has been limited to the US, due to the lack of comprehensive data elsewhere. The US statistics are revealing. Productivity, both aircraft and employee, grew substantially in the industry from 2000 to 2006. While the increase in aircraft productivity was impressive (see Bamber et al. 2009a, pp. 71–73), the most significant increase was in labour productivity. Measured by available seat miles (ASM) per employee, labour productivity increased 35 percent in the seven years from 2000 to 2006, more than in either the 1980s or 1990s. The increase was slightly more rapid for the new entrants (Bamber et al. 2009a, p. 74). See Figure 5.7.

**Figure 5.7  Labour productivity: ASMs* per employee for US legacy versus new entrants, 2000–2006**

![Labour productivity chart](image)

*Available Seat Miles

Source: Adapted from Bamber et al. 2009a, p. 74

The increase in labour productivity at the legacy airlines was achieved largely through reductions in staff numbers (for both ground and flight operations) and increases in
hours worked. In contrast, an increase to labour productivity at the new entrants was primarily achieved through employment growth and business expansion (Bamber et al. 2009a, pp. 72–75). Productivity increases in the US airline industry have thus been significant, and driven largely by increases in labour productivity.

Service quality trends: Although the growing importance of costs as a determinant of an airline’s success has been stated, the level of quality of the service provided is just as crucial to a carrier’s success. Bamber et al. cite two reasons why service quality is so important: first, passengers tend to vote with their feet; and secondly, poor service drives up costs (2009a, p. 76). In their study, the authors measured service quality in terms of reliability and friendliness. Again, examining the US industry, the data reveals that, overall, service quality declined in the years from 2000–2006. Interestingly, across legacy and new entrants, the data also reveals that the airline with the highest labour costs also has some of the lowest total costs. To explain these differences, the authors postulate that these airlines are building employee commitment to reduce total costs rather than adopting a narrower focus on reducing labour costs.

Employee Morale: Management focus on labour cost-cutting initiatives has not only impacted service quality but, predictably, a number of recent surveys have revealed a general decline in morale and positive outlook among employees in the airline industry (see Bamber et al. 2009a, pp. 81–82; ITF Survey 1997, in Blyton et al. 2003). A US study by The Wilson Center for Public Research, in which 150 000 flight attendants and pilots were interviewed, revealed a marked decline in positive views of how management was running the airline, and how they treated employees and employee perceptions of morale (see Figure 5.8). Again, a precipitous decline was noted following the severe cost cutting that emerged post-9/11. Needless to say, the implications of such a steep decline can only have negative repercussions in terms of customer service (Harvey and Turnbull 2010b, p. 10)
In summary, the aim of this section has been to provide an insight into the structure, operation and trends of the global airline industry. A complex picture has been painted. It is an industry that has been profoundly transformed. A once relatively stable industry with high levels of external regulation and secure employment has given way to one that is turbulent, volatile and highly competitive, characterised by cost cutting and precarious employment. It is also a contradictory industry. For instance, it is a critical industry, playing a key role in the development of the world economy, but dependent on the world economy for survival. It is a growth industry, existing at the leading edge of technology, but where profits are marginal and cyclical. It is an industry where passenger numbers continue to climb, but yields are declining. While management have more freedom in how they run their airline, service levels and employee morale are plummeting, driven largely by cost cutting strategies that continue to erode the terms and conditions of its workforce.

The insights gained from examining the airline industry in its most general sense now largely inform the following section, which examines the airline industry in Australia.
5.3 The airline industry in Australia

The airline industry is of vital importance to Australia in several ways. First, it connects the population of a geographically isolated country to each other and the rest of the world. Secondly, because it underpins business, trade and tourism; activities that make a significant contribution to the economic health of the country (National Aviation Policy White Paper 2009). At the end of 2005, the industry directly employed around 47 000 workers.\(^{16}\) The annual gross value added by the air and space industry to the Australian economy was estimated at around $5.661 billion or around 15 percent (BTRE 2006).

Like the global industry reviewed in Section 5.2, the decades since the 1990s have been tough on the Australian industry. Although tucked away ‘at the end of the line’ and relatively small, it has not been immune to the forces that so radically altered its global counterparts. Policy changes, globalisation, technological innovation and a turbulent external environment have all touched the Australian industry. In many ways, these mirror changes seen around the world. Indeed, this section will reveal that the Australian industry has followed many of the trends reviewed in the previous section.

Of course, the Australian industry is still distinctive. As such, an account of the historical features that shaped its development is necessary. Yet again reflecting the global market, deregulation and the associated change to the ownership status of the national airline were particularly significant events that had profound implications on the structure and operation of the industry. An account of the particular performance characteristics of the Australian industry is also presented. Where possible, key indicators of performance are identified, particularly in terms of productivity and costs. A brief review of the performance of the key players will be included: Qantas, Jetstar and Virgin Blue. It is unfortunate, however, that due to different reporting standards within and between individual companies only limited data are available for direct comparison. Consistent with the aim of this chapter as a whole, only the relevant background information is included. Therefore, to limit repetition, detailed accounts of the carriers, their business models and the strategies of the key parties are presented in the following chapters.

\(^{16}\) This figure is classified as employment in ‘Air and space’ (BTRE 2006b).
5.3.1 Definition
The Australian airline industry is classified into three general categories:

- Domestic trunk route services;
- Regional airlines;
- International airlines.

While delineation between categories is becoming increasingly difficult, the focus of this thesis is mostly on the domestic trunk route services — that is, inter-capital routes and routes between major cities and tourist destinations (Bray 1997; BTRE 2003a; Kain and Webb 2003). Domestic trunk route services are dominated by Australia’s major domestic airlines. A domestic airline is defined as:

An airline performing regular public transport services and whose fleet contains exclusively high capacity aircraft, defined as aircraft with more than 38 seats, or with a payload of more than 4 200 kg (BTRE 2003a).

5.3.2 The product market: history and regulation
The history of the Australian airline industry has strong parallels with the global industry described in Section 5.2, although its timing of changes and the details of the story were different to other countries. So, the following account briefly starts (Section 5.3.2.1) by tracing a history of extensive government regulation and some state ownership, in which two legacy airlines operated in a cosy duopoly. The account continues (Section 5.3.2.2) by describing the deregulation in 1990, and the subsequent privatisation that led to the entry of low-cost airlines significantly impacting the legacy airlines (with Ansett failing and Qantas massively changing its strategies).

5.3.2.1 The pre-deregulation era
Since the first regular scheduled air service began in 1921, domestic air transport has been vital to the functioning of Australia. Air transportation is crucial not only for the transport of cargo and mail but also as a major public transport mode for the Australian people. The importance of the industry is gauged by the emotive outcries and massive disruption that follows the withdrawal of the service following industrial disputes (Snedden 1981, p. xv). In 1981, Sir Billy Snedden (Liberal Party leader during the 1980s) declared:

The aviation industry is politically volatile and always capable of arousing public interest, discussion and controversy….To many people civil aviation became a battleground for conflicting political philosophies (Snedden 1981, p. xv).
This comment signals the disproportionate political significance assigned to the industry. Predictably, the state has long played a crucial role in regulating the market structure and behaviour of companies within the industry (Bray 1997; Kain and Webb 2003). A brief chronology of significant events in the industry is presented below in Table 5.5.

**Table 5.5**  A brief chronology of significant events in the Australian domestic airline industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>Pilots’ dispute</td>
</tr>
<tr>
<td>1990</td>
<td>‘Two-airline policy’ is terminated. Compass Airlines enters the market</td>
</tr>
<tr>
<td>1992</td>
<td>Qantas purchases Australian Airlines Privatisation of Qantas begins</td>
</tr>
<tr>
<td>1993</td>
<td>British Airways purchases 25 percent of Qantas</td>
</tr>
<tr>
<td>1995</td>
<td>Public share offer of remainder of Qantas</td>
</tr>
<tr>
<td>2000</td>
<td>Government approves ANZ takeover of Ansett Impulse Airlines and Virgin Blue enter market</td>
</tr>
<tr>
<td>2001</td>
<td>Collapse of Ansett Qantas purchases Impulse Airlines</td>
</tr>
<tr>
<td>2003</td>
<td>Virgin Blue listed on Stock Exchange, November</td>
</tr>
<tr>
<td>2004</td>
<td>Launch of Jetstar</td>
</tr>
<tr>
<td>2005</td>
<td>OzJet enters business market</td>
</tr>
<tr>
<td>2006</td>
<td>OzJet collapses in March</td>
</tr>
</tbody>
</table>

The predominant feature of the industry up until 1990 was the ‘two-airline policy’. Enacted in 1952, it was designed to ‘tidy up’ the local industry, which was unstable and struggling financially (Wilson 2002). A further aim of the policy, by ensuring two viable airlines, was to provide the Australian public with a choice of services. During this time, international airlines were prohibited from carrying Australian domestic passengers; likewise, domestic carriers were excluded from international routes. International services were reserved for Australia’s flag carrier, Qantas (Bray 1997).
Under this government policy, only two airlines competed in the product market: Trans-Australia Airways (TAA) and the privately owned Ansett Airlines. Each assumed a business model that would later be referred to as ‘full-service’ or ‘legacy’. TAA was a government owned airline established in 1946. The airline grew consistently under the protections offered by the two-airline policy. In 1986 TAA was renamed Australian Airlines. In 1993, the airline was merged with the other government owned airline, Qantas, to provide both domestic and international services. Sir Reginald Ansett founded Ansett Airways in 1936. By 1956, the company was known as Ansett Transport Industries and operated over 40 aircraft. Ansett introduced the first jet airliner, the Boeing 727, into service in 1964. The airline continued to grow, and by 1969 was the largest domestic airline in Australia. In 1979, two companies, TNT and News Ltd. (led by Sir Peter Abeles and Rupert Murdoch respectively), purchased the airline (ABS 2002; Bray 1996). Given the context of their operations, both airlines operated under the traditional full-service model.

The two-airline policy established strict operating procedures and regulations. First, the policy ensured that airline capacity closely matched market demand, thus avoiding the creation of excess capacity. Secondly, the policy protected the private airline from predatory behaviour by the government airline (Mills 1989). The policy also introduced constraints including controls over the types of aircraft permitted to be imported, the capacity supplied by the airlines, the entry by new operators to the trunk routes and the setting of domestic air fares (Bray 1996; BTCE 1991). These strict regulatory boundaries resulted in a relatively stable product market with an equal market share between the two airlines (BTCE 1993, p. 153).

Not surprisingly, as full-service carriers, both airlines had similar production processes and completed the various stages of production in-house. Both operated similar aircraft providing similar services at identical prices on parallel schedules. This duopolistic product market, and other industry features such as common technologies, specialised labour skills and occupational colocation, meant that management were subject to similar competitive pressures (Bray 1996, p. 139). The managements at both airlines pursued comparable competitive strategies. Copycat strategies and close cross-comparison between the two airlines was standard. This copycat market behaviour was also, more often than not, reflected in the employment relations strategies of the
organisations (Bray 1996). The stable product market meant management had little incentive to pursue change or innovation. Efficiency strategies were largely absent. Unions were also protected as increased costs were generally passed onto the consumer (see Chapter 7).

Under the two-airline policy the industry flourished. This strong performance, along with a broad shift in political ideology (discussed below), led to a steadily growing belief that the policy had achieved its aim and that the industry no longer required such a strict regulatory regime. Indeed, criticism began to mount. Many registered discontent at the industry’s inability to achieve effective competition — both airlines operated the same equipment on the same routes with the same schedules for the same fares (BTCE 1991). Others argued that the airlines had their focus squarely on the high-yield customer, particularly the business traveller. This focus contrasted sharply with one of the original justifications of the policy in that, unlike a monopoly, it offered consumers a choice of services (National Aviation Policy White Paper 2009). It was believed that for further growth the industry must be exposed to market forces. Deregulation was seen to be the first and most crucial step towards reforming the domestic airline industry (BTCE 1995).

5.3.2.2 The post-deregulation era
As with other governments around the world, underpinning the deregulation debate was the Federal Labor Government’s ideological shift in policy towards more ‘neo-liberal’ ideals and the pursuit of ‘micro-economic reforms’ in the late 1980s. The airline industry was not the only industry to bear the pressures of deregulation, and indeed formed only one plank in the Government’s raft of reforms designed to deliver substantial benefits to the economy and the consumer while encouraging greater efficiency. Along with the airline industry, several other industries (including telecommunications, banking and utilities) came under scrutiny. All were progressively deregulated in the interests of economic reform (see Fairbrother et al. 1997).

In October 1987, after much heated debate, the Federal Government announced the cessation of the two-airline policy from November 1990. The three-year lead-time to deregulation enabled the airlines to gear up for the new highly competitive environment they were to face. The response by the airlines was immediate. Both Ansett and
Australian proceeded to embrace a greater commercial focus and to adopt policies focused on greater efficiency and productivity (BTCE 1995). Although they remained firmly committed to the full-service model, containing costs — including labour costs — became more important. Additionally, the airlines made investments in new aircraft and computer technology, ties were strengthened with travel agencies, and discount fares were offered (Bray 1997).

The resolve of the managements at the two airlines to improve efficiency, productivity and to contain costs was well demonstrated in the 1989 pilots’ dispute, which was one of the more significant events in Australia’s industrial history. It culminated in the en masse resignation of the domestic airline pilots. While publicly the dispute was over adventurous wage claims, the pilots (up until the late 1980s), while small in number, wielded significant industrial power. Bray and Wailes (1999) argue that the origins of the dispute lay not in the wage claim, but in the struggle with management over the control of the labour process. In light of impending deregulation, incursions into managerial prerogative would no longer be tolerated; the pilots had to be defeated (Bray and Wailes 1999; Small 2002, p. 30). Indeed, they were. The pilots and their union suffered a crushing defeat, indicating the new direction and tough resolve by management in preparation for deregulation. Together with an economic recession, the pilots’ dispute would significantly slow the growth of the industry, which until 1989 had an annualised growth rate around 9.3 percent (see Table 5.8).

As with other governments at the time, two key objectives of the deregulation policy were to promote increased competition between the operators and to facilitate the entry of new carriers into the industry. Invariably, these new entrants adopted the low-cost business model. Only one month after deregulation the first new entrant, the privately owned Compass Airlines, emerged. Compass was the first of the new ‘lower-cost’ models to enter the market and it targeted the largely ignored tourist class. The airline adopted some of the core features of the low-cost model (see Table 5.1), including the utilisation of one aircraft type (in this case, the Airbus A300), economy seating and limited service facilities. The impact of the Compass launch was immediate and spectacular. Airfares dropped dramatically as the incumbents (i.e., Ansett and Australian) responded aggressively with price matching. It was, however, not long before Compass ran out of funds, ceasing operations in December 1991.
A second attempt was made when Compass Mark II launched in August 1992, but it also collapsed and was defunct by March 1993. A government review attributed several factors to the airline’s demise including insufficient terminal space, undercapitalisation, limited access to essential infrastructure and poor judgement in anticipating the incumbents’ aggressive response (BTCE 1993; Williams 1993). The government itself also came under criticism for its role in the demise of Compass I and II. Its new ‘hands-off’ approach by not controlling or monitoring predatory behaviour by incumbents (Australian Airlines was still government owned), and by not relinquishing monopoly access to terminal facilities and infrastructure, saw it blamed by many, at least in part, for the airline’s collapse (Forsyth 1992).

Notwithstanding its quick entry and exit, Compass made an impact on the industry. The fight, even though relatively short, hit both legacy airlines hard — particularly Ansett. Some reports suggest that Ansett was ill-equipped for a sustained airfare war and had only weeks to run when Compass folded (Easdown and Wilms 2002, p. 96). Although the incumbents suffered a dramatic drop in profits (Bray 1996, p. 138), the most important repercussion was that it signalled the future direction of the industry. The instant popularity of the low-cost airline ensured a new era in domestic aviation was afoot. Deregulation, if only temporarily, had achieved its major goals, that of increasing competition within the industry and facilitating new entrants.

Undoubtedly in response to the twice-failed Compass and in pursuing its increasingly neo-liberal approach, the federal government announced further changes to the aviation policy (Williams 1993). A significant ingredient of the new proposal was the plan to privatise Australian Airlines and its international counterpart Qantas. In 1990, a new policy overturned the requirement for public ownership of the government airlines and allowed for the sale of 100 percent of Australian Airlines and 49 percent of Qantas (Small 2002, p. 27). However, this policy was also short lived. In 1991, Paul Keating, now Prime Minister, superseded it. The resulting policy:

- ended the rule by Qantas as Australia’s only international airline;
- allowed Qantas access to the domestic aviation market;
- allowed Qantas to bid for Australia Airlines and vice versa;
• permitted the formation of a single aviation market with New Zealand (Small 2002, p. 27).

Given these radical changes, both Qantas and Australian Airlines, along with the Government, agreed that it would be advantageous to combine the two airlines (Small 2002, p. 27). By June 1992, the government announced that Qantas would buy Australian Airlines and it would become a 100 percent owned subsidiary of Qantas. This announcement opened the way for Qantas to re-enter the domestic market after an absence of more than 40 years (Qantas 2005). Accompanying this was the announcement that, rather than the 49 percent previously agreed to, 100 percent of Qantas would now be sold.

In December 1992 the privatisation process began with the British Airways purchase of 25 percent of Qantas (Qantas 2005). Privatisation was complete in July 1995 when Qantas shares were listed on the stock exchange. The new Qantas was now much larger than Ansett. Qantas, however, spent much of the next three years in turmoil. Trying to integrate two vastly different airlines, one domestic and one international, with very different cultures, proved difficult. Ansett capitalised on Qantas’ disarray and managed to seize valuable market share (Bray 1996, p. 154; IBISWorld 2006). In 1996, Air New Zealand purchased 50 percent of Ansett and the remaining 50 percent in June 2000 (ABS 2002). However, while the financial performance of the airline gradually improved into the late 1990s, it never performed particularly well. By the end of the 1990s, the new owners did not have the capacity to fund its renewal (Forsyth 2003).

After the Compass experiment there was no challenge to the duopoly. However, harsh external and internal influences made the remainder of the 1990s a difficult time for the airlines. Qantas grappled for years with the intricacies of the merger and privatisation. Ansett faced difficulties that included an ageing fleet, the high costs of multiple aircraft types, new owners and a non-unified management executive (Knibb 2001). Economic cycles continued to play havoc with profits. Performance levels from the airlines did improve somewhat throughout the 1990s but still lagged in comparison with similar overseas airlines (Forsyth 2003, p. 277). Both airlines struggled throughout the decade, but with the merger behind them, the ‘new’, larger Qantas increasingly outperformed Ansett (IBISWorld 2006).
The new millennium ushered in probably the most tumultuous period in the history of the industry since before the introduction of the two-airline policy. Triggering this volatility was another change to government policy which: first, allowed airlines to be wholly-owned subsidiaries of foreign airlines; and second, freed up the Qantas-Ansett control of airport slot times and gates (Knibb 2001). Accordingly, in 2000 the number of Australian airlines in the domestic industry doubled as two new low-cost carriers, Impulse Airlines and Virgin Blue, entered the market.

The first was Impulse Airlines. It entered in June, securing valuable slot times and gates in Sydney, and upgrading its services from those of a regional freight carrier based in Newcastle to a low-cost domestic trunk route competitor (Knibb 2000). Impulse operated Boeing 717 aircraft and adopted a ‘low-frills’ approach and a highly unusual employment structure (see Section 6.3). By September, Virgin Blue (a subsidiary of the Virgin Group under entrepreneur Richard Branson) became the second entrant. The entry was enabled by the government amending the foreign ownership rules and permitting a foreign carrier to operate in the domestic market. Virgin Blue operated new 737s and adopted the strategy and positioning of a low-cost carrier.

Both incumbents were prepared for another confrontation over airfares. The new entrants had lower costs than Ansett and Qantas, but Qantas was closer to them than Ansett (Forsyth 2003). Ansett was now wholly owned by Air New Zealand, which was struggling with its own problems. By 2001, the market was flooded with overcapacity and the inevitable fare war eventuated. With four players and below-cost fare offers, the market was poised for change. Impulse Airlines was the first casualty when in early 2001 it failed to secure ongoing financial backing. The airline was initially contracted to provide services exclusively to Qantas but it was taken over completely in May and sold outright to Qantas in November 2001 (Creedy 2001; Forsyth 2003, p. 278). It became an important foundation on which Jetstar was built.

More significantly, September 2001 saw the collapse of Australia’s second largest airline, Ansett. As mentioned, the airline had been struggling for some time. Compounding its troubles, it faced serious maintenance issues with 767 fleet groundings just before the peak Easter period in 2001. Ansett was also seriously undercapitalised; its new owners, Air New Zealand, did not have the capacity to fund a
renewal (Forsyth 2003; Lawton 2002). While difficult times saw Qantas suffer a drop in profits, Ansett experienced unsustainable losses (Forsyth 2003). Around 16 000 jobs were lost when the airline collapsed (Cooper 2002). On 14 September, the airline was placed into voluntary administration and all operations ceased (ABS 2002).

Following the collapse of Ansett, and with Impulse out of the way, both Qantas and Virgin Blue moved rapidly to seize market share. Qantas became the only provider of domestic full-service scheduled air services and gained around 70 percent of the domestic market by 2003 (Forsyth 2003). Virgin Blue also profited from Ansett’s collapse and, like Qantas, expanded quickly, seizing the remaining 30 percent (Forsyth 2003).

The market once again returned to a duopoly but it was still not an easy time for the airlines as a series of external events again shocked the industry. The September 11 and subsequent terrorist attacks, the Iraqi War, and the SARS virus in Asia all contributed to an international downturn that impacted the domestic industry and further increased market volatility (Harvey and Turnbull 2003).

In May 2004, to counter the success of Virgin Blue and to capitalise on the still burgeoning tourist market, Qantas launched its own low-cost carrier, Jetstar Airways. The Jetstar brand emerged from Impulse Airlines, which as stated, Qantas had retained as a stand-alone unit after its acquisition in 2001. By retaining Impulse Airlines as a separate identity (operating in the interim under the QantasLink brand), Qantas was able to capitalise on its established low-cost model and the cheaper labour costs that characterised the airline. Jetstar was a wholly-owned subsidiary of the Qantas group but was managed and operated independently (Jetstar 2006).

From their beginnings, both Jetstar and Virgin Blue vied for the leisure traveller. However, now in direct competition with Jetstar, Virgin Blue shifted its strategy and began to target the lucrative business market (see Chapter 6). Jetstar remained focused on the leisure market and progressively took over the less profitable Qantas routes. To build their market base, Virgin Blue and Jetstar began operations internationally, focusing on the Asia-Pacific region. In terms of strategy, at the end of 2006, Qantas and Virgin Blue had similar competitive strategies, vying to lower or keep costs down and
to provide a high quality service. In this way, the organisation of production between the two was converging. Jetstar’s competitive strategy was to remain the cheapest carrier in the market.

During 2005 and 2006, the market remained relatively stable with Qantas, Virgin Blue and Jetstar as the industry players. There was a brief foray into the market by a business-only class carrier, OzJet, in 2005. It collapsed soon after, having made little impact. Before moving on to consider the performance characteristics of the industry, it is necessary to briefly describe the safety authorities that oversee this industry.

5.3.2.3 Australian regulatory authorities
The Australian domestic airline industry in the 2000s was monitored by a tripartite structure that comprised the Civil Aviation Safety Authority (CASA); Airservices Australia; and the Department of Transport and Regional Services (DOTARS, which included the Australian Transport Safety Bureau). The first department, CASA, was established in July 1995 as an independent statutory authority. Its primary function was the regulation of civil air operations in Australia and the operation of Australian aircraft overseas (CASA 2006). Airservices Australia, the second structure, mainly provided air traffic control services (ATC) to the aviation industry (Airservices Australia 2006). The third agency, DOTARS, had the responsibility of providing policy advice to the Ministers and Parliamentary Secretary for the Transport and Regional Services portfolio. DOTARS had ancillary functions that included safety investigations; the provision of safety information and advice based upon these investigations; and other regulatory functions (DOTARS 2006). These three separate and distinct organisations combined to provide an integrated system for the provision of safe aviation in Australia (CASA 2006).

At the end of 2006, Australia had an enviable safety record and, not surprisingly, government regulations played an integral part. Regulations placed tight controls on the industry through the monitoring of skill levels, job requirements, training required and staffing levels. These regulations meant that the government had a direct influence over employment relations outcomes (Bray 1997, p. 54). Deregulation, which fostered cost-cutting measures such as outsourcing and labour flexibility initiatives, escalated tensions between these government departments, employers and the unions over
minimum safety standards. Incidents, such as recurrent maintenance shortfalls among the domestic carriers, have raised questions about the ability of these organisations to maintain minimum safety standards (see Morley 2004). Concerns over safety have long been used as a tool, mainly by unions, to maintain employment standards (see ALAEA’s Jetsafe campaign, Jetsafe 2006).

5.3.3 Performance characteristics of the domestic airline industry
The aim of this section is to investigate the performance characteristics of the Australian domestic airline industry. This is a difficult goal, chiefly because the scope of the data available on the Australian industry is far more limited than on the global scale, thus making direct comparisons difficult. Moreover, despite this limitation, there is still a significant amount of data that must be presented if this aim is to be satisfactorily achieved which, in turn, raises the risk of missing the ‘forest for the trees’. To overcome these difficulties and to keep focused on the important aspects of performance, the structure and content of this section deviates from the global account. First, it begins by exploring broader ‘whole’ industry trends such as the size of the industry, overall revenue and trends in domestic passenger activity. Secondly, it examines the component parts of the industry, including the market segmentation, share range data, and specific performance indicators of the key players. In this way, these two sections come together to provide a comprehensive insight into the broader aspects of performance of this industry. A brief summary is included to consolidate and draw the key findings together.

5.3.3.1 Trends in the industry as a whole
The major products and services of the domestic airline industry are freight, full-fare and low-fare passenger transport. Leisure travellers, or those ‘visiting friends and relatives’ (VFR), typically prefer lower fares. Business travellers, on the other hand, place an emphasis on flight frequency, on-time performance, network reach and higher levels of service (Virgin Blue 2003).

From 1990 to 2006, the industry performed well with overall passenger numbers increasing dramatically. However, it continued to be volatile, fluctuating dramatically as economic slowdowns and external events (such as 9/11, SARS and the IRAQ war)
reduced passenger demands. Table 5.6 details passenger activity in revenue-passenger-kilometres (RPKs).

Table 5.6  Domestic passenger activity, 1990–2004*

<table>
<thead>
<tr>
<th>Year</th>
<th>Million RPK</th>
<th>Million % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989–90</td>
<td>9954</td>
<td>-27.5</td>
</tr>
<tr>
<td>1990–91</td>
<td>14575</td>
<td>46.4</td>
</tr>
<tr>
<td>1991–92</td>
<td>21350</td>
<td>46.5</td>
</tr>
<tr>
<td>1992–93</td>
<td>21435</td>
<td>0.4</td>
</tr>
<tr>
<td>1993–94</td>
<td>22936</td>
<td>7.0</td>
</tr>
<tr>
<td>1994–95</td>
<td>23853</td>
<td>4.0</td>
</tr>
<tr>
<td>1995–96</td>
<td>25523</td>
<td>7.0</td>
</tr>
<tr>
<td>1996–97</td>
<td>26313</td>
<td>3.1</td>
</tr>
<tr>
<td>1997–98</td>
<td>26473</td>
<td>0.6</td>
</tr>
<tr>
<td>1998–99</td>
<td>27611</td>
<td>4.3</td>
</tr>
<tr>
<td>1999–00</td>
<td>29378</td>
<td>6.4</td>
</tr>
<tr>
<td>2000–01</td>
<td>33268</td>
<td>13.2</td>
</tr>
<tr>
<td>2001–02</td>
<td>30970</td>
<td>-6.9</td>
</tr>
<tr>
<td>2002–03</td>
<td>32265</td>
<td>4.2</td>
</tr>
<tr>
<td>2003–04</td>
<td>37397</td>
<td>15.9</td>
</tr>
</tbody>
</table>

*Estimates only


The slump in 1989–1990 was triggered by the pilots’ dispute and an economic downturn, when passenger numbers dropped dramatically. Demonstrating a strong recovery, 1990–1992 showed an increase of 46 percent in passenger numbers over two years.
Likewise, a fall was recorded in 2001–2002 with the collapse of Ansett and the downturn of international tourists following September 11. A 21 percent reduction in domestic capacity and a 28.4 percent reduction in the number of flights ensued Ansett’s collapse (BTRE 2003a). In response, both Virgin Blue and Qantas increased their capacity (BTRE 2003b). Again, RPKs rebounded strongly in 2002–03 and 2003–04 with growth increase measured at 4.2 and 15.9 percent respectively (IBISWorld 2006).

The industry continued to show strong growth up until 2006, although smaller slumps were recorded in early 2003 with the SARS outbreak in February and the war with Iraq commencing in March (BTRE 2003c). The Bureau of Transport and Regional Economics (BTRE) estimated that over 44 million passengers were carried on Australian domestic airlines (although this includes all regional airline operations) in the year ending June 2006. This represented an increase of 6.4 percent on the year ending June 2005. The year 2006 was a record year, with passenger numbers for each month of 2005–06 higher than those recorded in the corresponding month of any previous year (BTRE 2006). Capacity, measured in ASKs (available seat kilometres), increased by 6.9 percent. Airlines also continued to introduce additional capacity with the number of available seats increasing from 55.2 million in 2005 to 58.0 million in 2006 (BTRE 2006).

The following tables (5.7, 5.8) present data on industry revenue, industry value added, employment, wages and the changes therein from the years from 2002 to 2006.
Table 5.7 Industry revenue*, industry value added**, employment and wage numbers, 2002–2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($m)</th>
<th>Industry Value Added ($m)</th>
<th>Employment</th>
<th>Wages ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002–03</td>
<td>11 010.1</td>
<td>4 104.3</td>
<td>18 056</td>
<td>2 314.7</td>
</tr>
<tr>
<td>2003–04</td>
<td>11 910.3</td>
<td>4 259.6</td>
<td>24 312</td>
<td>2 338.9</td>
</tr>
<tr>
<td>2004–05</td>
<td>12 645.6</td>
<td>4 284.0</td>
<td>25 604</td>
<td>2 497.8</td>
</tr>
<tr>
<td>2005–06</td>
<td>13 271.4</td>
<td>4 275.1</td>
<td>25 332</td>
<td>2 487.3</td>
</tr>
</tbody>
</table>

*Industry revenue: The total sales revenue of the industry, including sales (exclusive of excise and sales tax) of goods and services; transfers to other firms of the same business; subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

**Industry Value Added: The market value of goods and services produced by an industry minus the cost of goods and services used in the production process, which leaves the gross product of the industry (also called its ‘value added’).

Source: IBISWorld, Domestic Airlines in Australia, 2012

Table 5.8 Annual change: industry revenue, value added, employment and wage numbers, 2003–2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Revenue Change (%)</th>
<th>Industry Value Added Change (%)</th>
<th>Annual Employment Change (%)</th>
<th>Annual Change Wages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003–04</td>
<td>8.2</td>
<td>3.8</td>
<td>34.6</td>
<td>1.0</td>
</tr>
<tr>
<td>2004–05</td>
<td>6.2</td>
<td>0.6</td>
<td>5.3</td>
<td>6.8</td>
</tr>
<tr>
<td>2005–06</td>
<td>4.9</td>
<td>-0.2</td>
<td>-1.1</td>
<td>-0.4</td>
</tr>
</tbody>
</table>

Source: IBISWorld, Domestic Airlines in Australia, 2012

Unsurprisingly, industry revenues have mirrored trends in passenger numbers. Reports (not presented in this table) reveal that the real industry revenue declined by 14 percent as a direct result of capacity reduction brought about by the demise of Ansett in
September 2001 and the September 11 2001 attacks (IBISWorld 2006). Likewise, (and again not presented in this table) industry revenue was bolstered in 2002 when capacity increased due to Virgin Blue and Qantas adding new aircraft to their fleets to counter Ansett’s collapse (BTRE 2003b). With a buoyant industry, revenue increased 8 percent in 2003–04, again due mainly to increased capacity and an associated increase in passenger numbers. Strong competition between Qantas and Virgin Blue saw reduced fares on certain routes, which stimulated growth in air travel (IBISWorld 2006). Further discounting followed with the launch of Jetstar in 2004 (BTRE 2005a). Indeed, approximately 18 months on from Jetstar’s launch, RPKs and ASKs increased, while load factors generally declined, reflecting the increased size of the market (BTRE 2006).

Yields, however, were poor due to the heavy discounting from intense competition (IBISWorld 2006). There were also rising fuel costs (record highs in October 2004), which saw all players in the industry impose a passenger fuel levy. In July 2005, the jet fuel price index in US dollars was 223, an increase of 48.7 percent on July 2004 and 127.9 percent on July 2003 (BTRE 2005b).

Employment numbers increased in 2002–05 with the arrival of Jetstar and strong growth from Virgin Blue. Employment levels declined in 2005–2006, most likely because of cost cutting measures at Qantas and Virgin Blue (see Chapters 6 and 7; Virgin Blue 2006). Wages peaked as employment levels grew but stabilised as a proportion of revenue.

However, the table displaying the key ratios (Table 5.9 below) paints these figures in a different light. The industry value added as a percentage of revenue indicates a steady decline. This correlates to the declining yields noted in the previous section. Likewise, revenue per employee (aside from 2002–2003) was increasing; a trend that indicates that employees were contributing more to the profitability — that is, productivity was rising. Most likely, the steep increase in 2002–03 was due to the rapid increase in capacity by Qantas and Virgin Blue following Ansett’s collapse with minimal staff increases. Finally, wages as a percentage of revenue shows a decreasing trend, suggesting that employees were being paid less in relative terms.
### Table 5.9  Key ratios

<table>
<thead>
<tr>
<th>Year</th>
<th>IVA/Revenue</th>
<th>Revenue per employee</th>
<th>Wages/Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002–03</td>
<td>37.28</td>
<td>609.78</td>
<td>21.02</td>
</tr>
<tr>
<td>2003–04</td>
<td>35.76</td>
<td>489.89</td>
<td>19.64</td>
</tr>
<tr>
<td>2004–05</td>
<td>33.88</td>
<td>493.89</td>
<td>19.75</td>
</tr>
<tr>
<td>2005–06</td>
<td>32.21</td>
<td>523.90</td>
<td>18.74</td>
</tr>
</tbody>
</table>

Source: IBISWorld, *Domestic Airlines in Australia*, 2012

#### 5.3.3.2 Disaggregated industry trends

The market is segmented into three categories: domestic tourists, business sector and inbound tourists (Table 5.10). In 2006, domestic tourists contributed around 40 percent of revenue for carriers, the business sector 35 percent, and inbound tourists the remaining 25 percent (IBISWorld 2006).

### Table 5.10  Market segmentation, domestic airlines, 2006

<table>
<thead>
<tr>
<th>Market segment</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic tourists</td>
<td>40.0%</td>
</tr>
<tr>
<td>Business sector</td>
<td>35.0%</td>
</tr>
<tr>
<td>Inbound tourists</td>
<td>25.0%</td>
</tr>
</tbody>
</table>


As stated, during the 1990s, two major companies, the Qantas Group and the Ansett Group, met these demands. For most of the 1990s, the industry operated as a duopoly.
Although early in the new millennium four players were in the market, the industry collapsed back into a duopoly until 2004. From 2004, however, three airlines dominated the industry: Qantas, Jetstar and Virgin Australia. The Qantas group owned both Qantas and Jetstar. Despite this ownership, all airlines competed against each other. Therefore, in reality, from 2004, the Australian market transitioned to an oligopoly. Industry concentration remained high (IBISWorld 2006, 2012).

At the end of 2005, Qantas held the majority of the market at around 66 percent. While accurate figures were difficult to source, a 2006 report suggests that Jetstar had around 13 percent of the domestic market, which leaves Qantas domestic with 53 percent (Knibb 2006). The Virgin Group had around 23 percent market share (Table 5.11).

Table 5.11 Market share, 2005

<table>
<thead>
<tr>
<th>Major players</th>
<th>Market share range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qantas Airways Limited</td>
<td>66.00% (2005)</td>
</tr>
<tr>
<td>Virgin Blue Holdings Limited</td>
<td>23.00% (2005)</td>
</tr>
</tbody>
</table>

Source: IBISWorld, Scheduled Domestic Air Transport in Australia, 2006; Knibb 2006

The following section will examine, as best as possible, the performance of the key players in the industry.

5.3.3.2.1 Qantas performance

In 2006, Qantas Airways Limited held approximately 66 percent of the domestic market share. The Qantas Group provided extensive services both domestically and internationally and operated under two major brands: Qantas (including QantasLink) and Jetstar. In 2006, Qantas domestic serviced 58 destinations in Australia. The airline performed strongly, despite difficult conditions over the period of this study. The company was consistently profitable with net profit after tax in 2006 for the Group at $479.5 million with Qantas mainline contributing $392.0 million to this total (Qantas
2006). Following Ansett’s collapse Qantas became the only full-service scheduled provider in the industry (Kain and Webb 2003). After Ansett, Qantas’ only competitor was Virgin Blue, to which it had a cost differential of around 20 percent in 2006 (IBISWorld 2006).

Table 5.12 Qantas mainline operational statistics and performance indicators

<table>
<thead>
<tr>
<th>Unit</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers carried (000)</td>
<td>25 357</td>
<td>26 811</td>
<td>25 546</td>
<td>24 960</td>
</tr>
<tr>
<td>Revenue (sales and other income) (millions)</td>
<td>N/A*</td>
<td>9 869.8</td>
<td>10 417.2</td>
<td>11 314.6</td>
</tr>
<tr>
<td>Profit</td>
<td>N/A*</td>
<td>676.0</td>
<td>523.9</td>
<td>392.0</td>
</tr>
<tr>
<td>RPKs (millions)</td>
<td>74 893</td>
<td>79 106</td>
<td>81 104</td>
<td>82 397</td>
</tr>
<tr>
<td>ASKs (millions)</td>
<td>96 276</td>
<td>101 168</td>
<td>105 911</td>
<td>106 359</td>
</tr>
<tr>
<td>Revenue seat factor (%)</td>
<td>77.8</td>
<td>78.2</td>
<td>76.6</td>
<td>77.5</td>
</tr>
</tbody>
</table>

*Only available for Qantas Group

Source: Qantas Annual Reports 2003-06

Table 5.12 reveals that the number of passengers carried on Qantas mainline held relatively steady, but dropped in 2005 and 2006, the years immediately following Jetstar’s launch. However, despite the lack of growth in passenger numbers, revenue climbed consistently in 2004–2006, as did RPKs and ASKs.

The cost structure of the airline has varied considerably over the years. Chart 5.1 displays the cost structure of key expenditures incurred at Qantas mainline in 2006.
Manpower and staff related costs amounted to 25 percent while fuel was almost 23 percent of total costs. In comparison, in 2005, labour costs were higher at 26.75 percent, while fuel was 17.6 percent — considerably lower. Thus, management’s initiatives to reduce labour costs, either through productivity increases or cost improvement initiatives, were realised at the mainline in 2006. Invariably, another factor contributing to this decline was the reduction by 1.9 percent in full-time equivalent employees (FTEs) over the previous years (although this was measured across the entire Qantas group and is difficult to quantify) (Qantas 2006).

To cast further light on the way costs have varied over the years, Table 5.13 displays the changing balance between fuel and labour costs within the Qantas Group\(^\text{17}\) from 1990 to 2006. Labour costs have varied from a low of 25 percent in 1991 and 2002 to 29.0 percent in 1998. Interestingly, the lower labour cost figures emerged after deregulation, September 11, and the collapse of Ansett, indicating management’s ability to rein in costs in times of crisis. The price of fuel escalated significantly from 2005.

\(^{17}\) This table displays costs for the entire Qantas Group (which includes Jetstar from 2004), but the results between the Qantas group and Qantas mainline would be very similar. Importantly, they can be used to identify trends.
Table 5.13  Labour and fuel costs at Qantas, 1990–2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Manpower and Staff Related Costs as %</th>
<th>Fuel and Oil Costs as %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>26</td>
<td>12</td>
</tr>
<tr>
<td>1991*</td>
<td>25</td>
<td>13</td>
</tr>
<tr>
<td>1995</td>
<td>27.84</td>
<td>10.6</td>
</tr>
<tr>
<td>1996</td>
<td>28.5</td>
<td>11</td>
</tr>
<tr>
<td>1997</td>
<td>28.5</td>
<td>12</td>
</tr>
<tr>
<td>1998</td>
<td>29</td>
<td>12</td>
</tr>
<tr>
<td>1999</td>
<td>28.4</td>
<td>9</td>
</tr>
<tr>
<td>2000</td>
<td>27.7</td>
<td>10</td>
</tr>
<tr>
<td>2001</td>
<td>26.8</td>
<td>14</td>
</tr>
<tr>
<td>2002</td>
<td>25</td>
<td>15</td>
</tr>
<tr>
<td>2003</td>
<td>28</td>
<td>14</td>
</tr>
<tr>
<td>2004</td>
<td>28.6</td>
<td>13</td>
</tr>
<tr>
<td>2005</td>
<td>27</td>
<td>17</td>
</tr>
<tr>
<td>2006</td>
<td>26</td>
<td>22</td>
</tr>
</tbody>
</table>


Source: Adapted from Qantas Annual Reports, year ending 30 June

One final area worthy of analysis (see Table 5.14) is the differentiation in employee productivity levels. The only figures available were for the entire Qantas Group, but they are very revealing about productivity trends within the group that would also be relevant for operations in the domestic mainline.
Table 5.14  Productivity statistics for the entire Qantas Group, 1999–2006

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average full-time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>employee – Qantas</td>
<td>28 226</td>
<td>29 217</td>
<td>31 632</td>
<td>33 044</td>
<td>34 872</td>
<td>33 862</td>
<td>35 520</td>
<td>34 832</td>
</tr>
<tr>
<td>group (#)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RPKs per employee</td>
<td>2 121</td>
<td>2 196</td>
<td>2 230</td>
<td>2 274</td>
<td>2 213</td>
<td>2 400</td>
<td>2 449</td>
<td>2 610</td>
</tr>
<tr>
<td>(000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASKs per employee</td>
<td>2 897</td>
<td>2 910</td>
<td>2 938</td>
<td>2 904</td>
<td>2 852</td>
<td>3 077</td>
<td>3 210</td>
<td>3 390</td>
</tr>
<tr>
<td>(000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Qantas Annual Reports 1999–2006

Table 5.14 reveals that employee numbers have remained relatively stable across the group; although, as noted, they declined almost 2 percent from 2005 to 2006. The most important point, however, is that RPKs and ASKs per employee (a direct measure of productivity) have increased steadily from 1999. This point is better demonstrated in Table 5.15, which displays a summary of productivity increases for 1995–2006 at the Qantas Group. The overall percentage increase in RPKs and ASKs from 1995 to 2006 is extraordinary.

Table 5.15  Summary of percentage increase of productivity for the Qantas Group

<table>
<thead>
<tr>
<th>Productivity Measure</th>
<th>% change 1995–2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPKs per employee</td>
<td>45.5</td>
</tr>
<tr>
<td>ASKs per employee</td>
<td>36</td>
</tr>
<tr>
<td>Operating revenue</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: Qantas Annual Reports
5.3.3.2.2  Jetstar performance

With a cost structure considerably lower than at mainline Qantas, Jetstar had strong growth from the beginning. It was not long before it outperformed Qantas as a whole (IBISWorld 2012). Beginning operations with Boeing 717s (from Impulse), Jetstar commenced with services predominantly on tourist and loss-making routes of the mainline. Domestic services extended rapidly with the purchase of 23 Airbus A320s in 2005. Jetstar had an impact on Virgin Blue, whose share price dropped, ultimately wiping $300 million off that airline’s market capitalisation (Knibb 2004). At the end of 2005, Jetstar’s revenue was $388 million. It had an operating margin of 8.6 percent and carried almost 4.4 million passengers (Knibb 2006). The operational statistics presented in Table 5.16 demonstrate the strong growth of the airline. Unfortunately, accurate data is not available on employee numbers, productivity or cost structures at the airline.

Table 5.16  Jetstar operational statistics, 2004–2006

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>% change 2004–05</th>
<th>2006</th>
<th>% Change 2005–06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers carried (000)</td>
<td>315</td>
<td>4384</td>
<td>1292</td>
<td>5799</td>
<td>32</td>
</tr>
<tr>
<td>RPKs (millions)</td>
<td>277</td>
<td>4346</td>
<td>1469</td>
<td>6410</td>
<td>47</td>
</tr>
<tr>
<td>ASKs (millions)</td>
<td>383</td>
<td>6004</td>
<td>1468</td>
<td>8663</td>
<td>44</td>
</tr>
<tr>
<td>Revenue seat factor (%)</td>
<td>72.30</td>
<td>72.40</td>
<td>1.00</td>
<td>74.00</td>
<td>1.02</td>
</tr>
</tbody>
</table>

Source: Qantas Annual Report 2006, p. 143

5.3.3.2.3  Virgin Blue performance

In June 2003, Virgin Blue reported that it had 24 percent of the market (Boyle 2003a). Although reports varied slightly, this remained relatively constant with the company
holding around 23 percent in 2005, although Virgin Blue reported it had more than 30 percent of the domestic market at the end of 2006 (Virgin Blue 2006). The company initially reported trading losses, but it was not long before this turned around, bolstered partly by Ansett’s collapse (Kain and Webb 2003). In its second year of operation (to 28 March 2002), Virgin Blue recorded a net profit of $35 million and by 2005 reported a profit result of $168 million (Virgin Blue 2005a). Revenue for their domestic operations was $176 million, an increase of 14.6 percent over the previous year (Virgin Blue 2005a). In mid-2005, domestic operations represented 92 percent of total revenue (Virgin Blue 2005b). Unfortunately, again, accurate data on employee numbers and productivity statistics were not available.

Performance at the airline was particularly strong (Table 5.17), and all areas demonstrated growth. The year 2005–06 proved a difficult for the airline, however, with a hostile takeover and a significant drop in profits in light of intense competition from Jetstar and higher costs (Sandilands 2005; Virgin Blue 2006; Chapter 6).

Table 5.17 Virgin Blue performance, 2002–2006

<table>
<thead>
<tr>
<th>Performance</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006 (9 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers carried (millions)</td>
<td>3.2</td>
<td>6.6</td>
<td>10.1</td>
<td>12.8</td>
<td>10.5</td>
</tr>
<tr>
<td>Total revenue</td>
<td>390.9</td>
<td>924.3</td>
<td>1362.3</td>
<td>1755.7</td>
<td>1392.5</td>
</tr>
<tr>
<td>Profit ($million)</td>
<td>35</td>
<td>108</td>
<td>159</td>
<td>168</td>
<td>84.5</td>
</tr>
<tr>
<td>RPKs (millions)</td>
<td>3169</td>
<td>7194</td>
<td>11584</td>
<td>15000</td>
<td>12094</td>
</tr>
<tr>
<td>ASKs (millions)</td>
<td>3898</td>
<td>9078</td>
<td>14024</td>
<td>19600</td>
<td>15703</td>
</tr>
</tbody>
</table>

Source: Virgin Blue Annual Reports and Interim Financial Results, March 2005

The cost structure at Virgin Blue (Chart 5.2; Table 5.18) was different (not surprisingly) to Qantas mainline.
Labour costs compared to Qantas in 2006 were around 3 percent lower. Although difficult to determine because of changes in reporting periods, labour costs increased progressively from 2003. For instance, in 2003, labour costs were 18.8 percent; in 2004 they were 21.3\(^{18}\) percent. In 2005, labour and staff related costs rose to 23 percent; however, these figures are for an 18 month period to September 2005 and, as such, most likely correlate to only a minor increase (Virgin Blue 2006). Fuel costs, as discussed, also rose significantly and damaged profits at the airline. High fuel costs had a greater impact at Virgin Blue than Qantas because Virgin Blue failed to hedge against rising prices. Qantas was around 45 percent hedged (Herde 2005; Sandilands 2005). Aircraft operating expenses were significantly lower than Qantas, invariably due to the streamlined nature of low-cost operations (see Section 5.2.2). However, other costs, in particular ‘Airport charges, navigation and station operations’ (consolidated into ‘Other’), constituted a significant cost for the airline rising significantly in 2005 in line with increasing levels of production.

---

\(^{18}\)Annual Reports were not published before 2003.
Table 5.18  Manpower and fuel cost variations at Virgin Blue, 2003–2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Manpower and Staff Related Costs as % of Total Costs</th>
<th>Fuel and Oil Costs as % of Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>18.8</td>
<td>14</td>
</tr>
<tr>
<td>2004</td>
<td>21.3</td>
<td>15.5</td>
</tr>
<tr>
<td>2005*</td>
<td>23</td>
<td>21.3</td>
</tr>
<tr>
<td>2006**</td>
<td>22.5</td>
<td>26.2</td>
</tr>
</tbody>
</table>

*2005: 18 months to September 2005
**2006: 9 months to 30 June 2006
Source: Virgin Blue Annual Reports

5.3.3.3 Summary of performance trends

In summary, this section examined the performance of the Australian airline industry and has painted a complex picture. Overall, the data, despite limited availability, reveal that the market expanded and that passengers travelled in record numbers. There were of course bad years, but the data demonstrate the robustness of the industry following external shocks. Capacity also grew to match demand. However, one point was clear. While the market was expanding, it was expanding in the direction of the low-cost carrier — more people were flying, but more and more people were flying with Virgin Blue and Jetstar. Despite the impressive growth, yields declined and profitability ebbed and flowed with economic cycles and passenger demand. Intense competition and higher fuel costs further eroded profits in the 2000s. Given these difficult and volatile circumstances, the performance of the key players in the industry was remarkably good and trends largely correlated to those identified in the global section of this chapter.

More broadly, in many ways, the features that shaped the global industry profoundly influenced the Australian industry. Deregulation and privatisation were key contexts, triggering changes to the structure and operation of the industry. Together they facilitated the arrival of the low-cost carrier, which indelibly transformed the production process. Importantly, these contexts placed pressure on airline management to cut costs — and as with the global industry, labour has withstood the worst of these strategies.
Qantas employees made the most adjustments, working harder for less, while those at the new entrants had no choice but to accept the new lower employment standards.

5.4 Conclusion

The primary aim of this chapter was to provide the necessary background information to assist in achieving a more holistic understanding of the ensuing empirical chapters, whose purpose is to answer the questions posed by this thesis. The secondary aim has been to provide further evidence to support the claim in Chapter 4 that the airline industry is a critical case. These aims were achieved by supplying accounts: first, of the airline industry in general; and second, the Australian industry.

The former account examined features of the industry’s product, product markets and production processes, which are considered inherent to its nature, as well as trends over recent years in the industry globally that were broadly similar to trends experienced in Australia. The intention was that this information would facilitate a better appreciation of the processes, structures and institutions that shape the industry and, in turn, help to locate the Australian industry in this broader context. Importantly, this information offered insight into the distinctiveness of the industry. It provided the context for the single most important feature of the industry over the two decades to 2006: namely, the pressures on airline managements around the world to cut costs. In doing so, this section has drawn attention to the profound effect these developments have had on the plight of workers in the industry who have withstood the worst of this restructuring.

The latter account of the Australian airline industry similarly examined features of the industry’s product, product markets and production process. Specific accounts of the performance of the key players also provided further context on the operation of the industry up until 2006. Also noted was that many trends identified in the global account were replicated in this smaller, more isolated industry. In particular, deregulation and privatisation were key contexts shaping the industry. Together they facilitated the arrival of the low-cost carrier with its new way of doing things, while simultaneously placing management under pressure to cut costs. Indeed, like the global industry, management’s quest for cost cutting has seen terms and conditions for workers come under attack.
Together, this global and local exploration revealed some key contexts, intrinsic features and trends that have shaped and defined the industry. Importantly, it has provided insight into how these forces have moulded the strategies and behaviour of management. In doing so, this chapter has anticipated some key factors, which will assist in explaining the story of labour regulation to be considered in the following two chapters.

Finally, both these accounts also served to achieve the second aim of this chapter; that is, to validate that the airline industry is a critical case. The size, importance and experiences of the airline industry leave little doubt about its significance.
CHAPTER SIX

DESCRIBING PATTERNS OF LABOUR REGULATION IN THE DOMESTIC AIRLINE INDUSTRY, 1990–2006

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6.1 Introduction

The aim of this and the following chapter is to describe and explain the structure of labour regulation in the Australian domestic airline industry. In Chapter 2, it was stated that theoretically-informed description is the first step towards explanation. As such, this chapter will begin the process of explanation by describing the changes to the structure of labour regulation within the industry.

The historical period under analysis stretches from 1990 to 2006. The end date of the analysis was set at 2006 for several reasons, but primarily because of the industry’s ongoing volatility and because many of the important changes can be documented within this period. While 1990 has been chosen as the start date for this review, this chapter will focus mostly on the period from 1996; again, because arguably it is within this timeframe that the most significant changes occurred.

To achieve the aim of describing the structure of labour regulation, this chapter will draw on the extended framework developed in Chapter 2. Thus, this descriptive account will consider the parties, the level, the scope, the status, the coverage and complexity of regulation. Given the high degree of cross-referencing between chapters, the description of the employers and unions will be brief. They will be covered in more depth in Chapter 7.

In providing this most comprehensive account, this chapter seeks to remedy several flaws identified in the descriptive bargaining structure literature. First, it will move beyond the incomplete notion of collective bargaining and consider other rule-making processes, in particular managerial prerogative and individual contracting. Second, this chapter will consider the other dimensions of regulation, not just the level. Indeed, as the following account will show, while change to the level may have been the most obvious, arguably, the most profound reforms occurred within the scope of regulation. Finally, this chapter will incorporate the ‘sixth’ dimension, complexity.

6.2 The parties to labour regulation

The deregulation period 1990–2006 saw enormous changes in Australia’s domestic airline industry. As the Secretary of the ACTU observed towards the end of the period:
We have experienced everything in the last five or six years in particular. We have seen airlines collapse, not just Ansett but the Compass experiments, Impulse. We’ve seen new entrants come and go, people lose their jobs, hundreds of millions of dollars of entitlements lost, contracting out, casualisation, part time employment, cost down pressure. It’s been quite traumatic for a lot of the workforce…. (Combet 2004).

These changes had a special impact on the number and character of the parties involved in labour regulation, their internal structures, and both their business and labour regulation strategies (discussed in more detail in Chapter 7).

6.2.1 The employers

In sharp contrast to previous decades, the 1990s and particularly the 2000s saw employers emerge as the dominant force in employment relations in the airline industry. However, the entry of new airlines into the industry and the exit of others make a straightforward account of employers difficult. For reasons of simplicity, this narrative will predominantly focus on the three airlines still operating at the end of 2006: Qantas, Virgin Blue and Jetstar. A discussion of Ansett will be incorporated where necessary in the interests of completeness, but this information has been gathered primarily through secondary sources. Throughout this period, and in light of substantial changes to the structural context in which they were operating, two commonalities emerged: employers increasingly embraced commercial autonomy and enterprise-level bargaining.

6.2.1.1 Qantas

Qantas was the major employer during this time. It was the largest and oldest airline and, after Ansett collapsed in 2001, the only full-service carrier in the industry. As of 2006, Qantas was still headquartered in Sydney and employed around 34 000 staff (Qantas 2006). It must be noted, however, that these numbers apply to the entire Qantas group, which includes Jetstar and QantasLink and covers international, domestic and regional operations. Accurate disaggregated data specifically on domestic operations was unavailable.

Ownership and internal structures at Qantas varied considerably over the years. Chapter 5 stated that, up until 1992, Qantas was government owned and purely international in its operations. Following a series of government policy decisions, the company merged with the domestic Australian Airlines in 1992. It was then progressively privatised until
transition was complete in 1995, when shares were offered to institutional and private investors and the company was floated on the stock exchange (McDonald and Millett 2001). As a publicly-listed company, Qantas was overseen by a Board but run by an Executive Team. Generally, the team consisted of conventional demarcations (although their titles varied) including the Chief Executive and a raft of General Managers (such as Finance and Human Resources) responsible for discrete departments. The number and roles of these executive positions varied depending on the CEO and the structure of the organisation. There were two key CEOs at Qantas during this study: James Strong, appointed in October 1993; and Geoff Dixon, who became CEO in May 2001 and still held the position at the end of 2006.

Under Strong, the key strategic themes of cultural change and a strong customer focus were paralleled in the management structures. By 1996, the executive team had swelled to 27 personnel and still reflected the emphasis on cultural change with the appointment of the Group GM Customer Services and Organisational Development (Qantas 1996a). By 1997, however, this position was gone, as was any obvious sign of the organisational development focus. Change strategies, while still important, were subsumed under the more traditional Group GM Human Resources portfolio. In 1999, there were 39 senior management positions (Qantas 1999a).

In March 2001, Geoff Dixon became CEO. With his appointment, the company was restructured again. By 2002, a new streamlined executive structure was formed consisting of a CFO plus seven Executive General Managers (EGMs). The following year another restructure occurred. Dixon announced the segmentation strategy whereby Qantas was reorganised into ten ‘businesses’. These comprised four flying businesses (Qantas Airlines, QantasLink, Australian Airlines and Jetstar); two flying services businesses (Engineering Technical Operations and Maintenance Services (ETOMS) and Airports and Catering); and four associated businesses (Freight, Qantas Holidays, Qantas Defence Services and Qantas Consulting). According to Dixon, the aim of this reorganisation was to increase accountability, increase the speed and quality of decision-making, and improve returns on business assets. Greater autonomy would be afforded to the businesses, coupled with aggressive performance targets (Creedy 2003).
Over the years, the role and structure of the Industrial Relations (IR) Department also varied as the company was reorganised and repositioned (see McDonald and Millett 2001). Strong’s approach to IR wavered between traditional IR structures and more general human resources, emphasising change-based, customer-focused strategies. Ultimately, however, he used the IR Department strategically to toughen his approach both to unions and bargaining and to drive change through the organisation (McDonald and Millett 2001).

After Dixon was appointed in 2001, both IR and HR turned, quite rapidly, into strategic, analytical, business-oriented departments. IR was still subsumed under the EGM Human Resources (the title changed to EGM People in 2004) but operated quite autonomously and assumed greater professionalism. According to the Head of IR: ‘The days of doing business on the backs of coasters was gone’ (Sue Bussell 2004).

The style and direction of IR again broke with the past. Under the direction of the Head of IR, the new strategic and commercial approach was reflected, among others, with the appointment of a dedicated ‘Business Manager – Strategy’. In 2004, the IR department consisted of approximately ten employees. This team consisted of six dedicated IR managers, who were allocated business segments for which they provided advice; two IR Managers dedicated to project work (e.g., Segmentation); a Manager Business Strategy, dedicated to labour strategies and financial analysis; and an administrative officer who provided support to the team. With around 14 unions, 16 EBAs and 21 Awards, the IR department had a busy schedule (Bussell 2004). The industrial relations department had a range of responsibilities that included:

- Developing the labour strategy
- Providing IR advice
- Managing industrial matters before the Australian Industrial Relations Commission
- Managing Enterprise Bargaining Agreement negotiations
- Managing reporting and data analytics
- Providing IR business support.
The role of the Head of IR was to provide recommendations on industrial strategy to senior management, the executive committee and the Board (Interview, Head Qantas IR, 2004).

Geoff Dixon also used private consultants for IR/HR advice across the Qantas Group. One of his favoured IR consultancy groups was Oldmeadow Consulting. Ian Oldmeadow, one of the founders, had a reputation as a tough negotiator and had vast experience in the industry: he was an ex-ACTU executive; Ansett HR executive; and Qantas executive, having held the position of EGM Operations.

In terms of its ER strategy, Qantas’ history of public ownership and its role as a full-service airline (see Chapter 5) meant that it adopted what would be considered a traditional pluralist approach through negotiations with unions (Bray 1996). However, as the following discussion (and Chapter 7) will reveal, the focus on cost minimisation deepened as circumstances changed. Qantas increasingly displayed elements of a more individualistic approach, engaging with employees directly and marginalising unions (see also Small 2002).

By 2006, Qantas’ business strategy remained largely that of a full-service carrier based on the ‘hub and spoke’ model. However, over time and reflecting the changing nature and volatility of the industry, Qantas moved away from the pure full-service, pre-deregulation model, adopting some traits of the low-cost model. For instance, the airline streamlined the services it offered and instituted a number of strategies designed to pare down unit costs and improve efficiency and productivity (discussed in Chapter 7).

6.2.1.2 Virgin Blue

Virgin Blue was established in September 2000 but, unlike its competitors, it set up headquarters in Brisbane. The CEO of the airline from start-up was Brett Godfrey, who worked for many years in various divisions of the Virgin Group. Initially, the carrier was based on the successful Southwest low-cost model in order to compete with Ansett and Qantas in the domestic short-haul market (Bamber et al. 2009a, p. 105).

Virgin Blue began operations with around 200 employees. By the end of 2005, the company employed around 4000 staff (Virgin Blue 2005a). This rapid growth was
aided by the collapse of Ansett and the airline’s move to quickly capture around 30 percent of the domestic market (Virgin Blue 2003). The airline is part of the Virgin Blue Group (Virgin Blue 2006). Over its short life, the carrier was subject to several, sometimes hostile, ownership changes that saw the stake of the parent company (the Virgin Group) progressively diminish and some founding senior executives leave the company.

The first ownership change was in March 2002 when, to help fund rapid growth, Patrick Corporation became a new shareholder by purchasing a 50 percent stake in the carrier (Virgin Blue 2003). The ownership structure changed again in late 2003, when Virgin Blue was floated on the stock exchange. In 2005, Patrick Corporation launched a hostile takeover bid to gain control of the airline, obtaining 62 percent of the carrier, while the Virgin Group retained a 25 percent share (Meier 2008). However, more unrest was still to come. Later in 2005, Patrick Corporation itself became the target of a hostile takeover bid when Toll Holdings (a competitor of Patrick Corporation) made an offer to buy the carrier. After months of protracted negotiations, and several visits to the courts, the Patrick Board accepted the offer and Toll took control of its competitor. The Toll Group at the end of 2006 controlled 63 percent of the airline (Meier 2008; Virgin Blue 2008).

The rapid growth of the company meant that its structure also changed. In the beginning, the structure was very flat and lean, with minimal staff. According to the Federal Secretary of the TWU:

…if you look at Virgin Blue they do everything on the hop. Up until now [2004] they have been understaffed, their HR manager has been out on his Pat Malone and everything has been go, go, go (John Allan 2004).

After listing in 2003, Virgin Blue was overseen by a board of five non-executive Directors, two independent non-executive Directors and a Managing Director. The senior management team consisted of the CEO, a Deputy CEO and Operating Officer, and a range of other positions (including Finance, Human Resources, Corporate Affairs, IT, Communications and Commercial) (Virgin Blue 2003). No separate IR department existed at this time.

From inception, the management at Virgin Blue tried to replicate the youthful, vibrant
image synonymous with Richard Branson’s Virgin Group. The airline professed to stand for ‘value for money, quality, innovation, competitive spirit and fun’ (Virgin Blue 2003). Culture was crucial at Virgin Blue and management sought to cultivate an inclusive, relaxed, casual, ‘family’ atmosphere (Washington and Way 2003). Indeed, getting the cultural fit right was an absolute priority for management (Human Capital Online 2003).

Virgin Blue positioned itself as a low-cost carrier adopting many of the features seen in Table 5.1. For example, the airline operated only B737 aircraft, offered simple fare structures, encouraged online bookings, operated point-to-point, offered a single class with limited service, and had no airport lounges. Virgin Blue also outsourced its maintenance. As will be discussed in more detail below (and in Chapter 7), the most notable feature of Virgin Blue, however, was its unique employment structure. Unlike the full-service carriers, Virgin Blue broke with long held occupational demarcations and established flexible workplace arrangements. Cross-training and multitasking were standard in the workplace. Management also considered it crucial for the airline to have an industrial relations structure far simpler than at the legacy carriers. Only three unions represented the majority of staff.

In 2005, under pressure from Jetstar, Virgin Blue publicly announced its move away from the low-cost model and began to target the business traveller (Alberici 2005; Meier 2008). The carrier proclaimed to be a ‘New World Carrier’, a hybrid model that continued to be low-cost but offered some services more familiar to the full-service model (Bartholomoeusz 2005; Virgin Blue 2006). The carrier was picking and choosing parts of the production process from the low-cost and full-service models to best serve its new market position. As with full-service carriers, Virgin Blue embraced the ‘user-pay’ system and offered airport lounges, a loyalty program, multi-sector boarding passes, through-checked luggage and the introduction of a premium economy class (Bartholomoeusz 2005). In this respect, Virgin Blue was behaving similarly to other maturing low-cost start-up airlines around the world (Doganis 2001), although it more quickly passed the ‘start-up’ phase because of the rapid growth it experienced after the collapse of Ansett in 2001.
6.2.1.3 Jetstar

Jetstar, a wholly owned subsidiary of Qantas, was launched as a low-cost carrier in 2004. As a part of Qantas’ two-brand strategy, the aim of Jetstar was to stem the flow of market share to Virgin Blue. Rather than emulating a single model, such as Southwest, Jetstar adopted features from a range of low-cost carriers (Joyce 2004). From launch, Jetstar had the lowest cost structure in the market, around 15 percent less than Virgin Blue (Gregg 2007, p. 2). According to Peter Gregg, the Chief Financial Officer at Qantas, Jetstar achieved these efficiencies by simplifying the product and overheads, utilising direct distribution channels and having workplace structures to suit its style of operation (Gregg 2007, p. 2).

Like Virgin Blue, Jetstar chose to establish its headquarters outside Sydney and set up in Melbourne. According to the CEO, Victoria had the infrastructure that would enable the airline to grow rapidly (Joyce 2004). Of course, this separation would have also been driven by the desire by Qantas management to allow Jetstar to operate with relative autonomy. Indeed, although a subsidiary of Qantas, management were determined to keep the airline a ‘pure’ low-cost model and not let it become influenced by the ‘full service’ way of operating (Gregg 2007). The Qantas Group was involved in ongoing business planning and financing (Bamber et al. 2009a, p. 130) but, unlike many other low-cost subsidiaries around the world, Jetstar operated largely independently and had separate management and industrial arrangements.

Despite this separation, there is a distinct lack of publicly available data on the internal structure at Jetstar. However, in line with the business model, it would be expected that staff numbers would be kept lean and structures relatively flat. The 2005 Qantas Annual Report stated that Jetstar employed around 1200 people. Of these, around 220 were direct employees based in Melbourne (Joyce 2004).

At the time this research was conducted, the ‘Customer Service and People’ department encompassed both HR and IR. This ‘department’ had wide-ranging responsibilities. According to Rohan Garnett, the Head of this unit:

I am Head of Customer Service and People, which is about one third of the airline. Customer Service includes cabin crew, customer management; so that is customer relations, market research, catering, in-flight service and product, and obviously on the HR side, all the HR functions. So, industrial relations,
employee relations, trade union liaison, and all those on a day-to-day level and strategic level. So it is quite a big job and it is a great job, and I am one of the founding members of the JS business case, so I am one of four people who wrote the business case and set up the company and engaged in the transition from Impulse Airlines, Qantas Link to Jetstar (2004).

The small size of the airline and the ability to draw on key resources from its parent were key determinants of this structural arrangement:

…we rely on a few external consultants as well, and Qantas provide a lot of the expertise as well on the IR side. We have a small HR department of about five or six people that do the all day-to-day HR tasks. So employee counselling, welfare, recruitment, training, selection…phone calls. So, no, it doesn’t have separate departments, HR/IR, it is an integrated scheme. The size of the airline means that is how it is (Garnett 2004).

Jetstar from the beginning adopted an individualistic approach to its employment relations. Wages and conditions were inferior to those at the Qantas mainline (more detail in Chapter 7). As with Virgin Blue, the airline adopted a far simpler industrial relations structure and staff were employed on two union and three non-union agreements. Union arrangements will be discussed in more detail below in Section 6.2.2 and also in Chapter 7.

Jetstar had an aggressive growth strategy. In 2006 it became the world’s first low-cost, long haul airline (Lindgardt et al. 2009). By the end of 2006, it was one of the youngest and most profitable low-cost airlines in the world (Gregg 2007).

6.2.2 The unions

The years following product market deregulation in 1990 proved difficult for the unions in the airline industry. Indeed, they faced enormous challenges. However, despite these difficulties, the unions acknowledged and accepted the inevitability of a competitive market:

I think you have got to have a competitive market. I think it is a valid thing to say that the entrance of an airline like Virgin of course, has enabled a lot of Australian people to travel who otherwise couldn’t have afforded it. Who could argue with that? The union movement can’t argue with that; that’s demonstrably a good thing that people have got access to cheaper airfares. It has put a lot of pressure on workers in the industry, and therefore been a concern to unions, but we can’t fundamentally argue about that. So there is no road back to re-regulating, there is going to be a competitive market position. However, it is a fairly unique industry, and if you’ve got willy-nilly entrants coming in there is
going to be a lot of fallout. I don’t think anyone really wants to go through that again (Greg Combet 2004).

By the mid-2000s, union membership in domestic airlines was still relatively strong when compared to most other industries, although it had progressively weakened from previous decades (see Table 6.1). From 1990 until 2006, union density fell from 61.7 percent down to 45.8\(^1\) (see Bray and Underhill 2009, p. 378).

Table 6.1  Trade union membership, number of employees, and union density

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<thead>
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</thead>
<tbody>
<tr>
<td><strong>Air and space transport</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade union members (000s)</td>
<td>26.3</td>
<td>27.7</td>
<td>36.1</td>
<td>25.7</td>
<td>28.3</td>
<td>28.3</td>
<td>22.0</td>
<td>23.1</td>
<td>21.3</td>
</tr>
<tr>
<td>Total employees (000s)</td>
<td>45.9</td>
<td>47.3</td>
<td>56.9</td>
<td>53.2</td>
<td>46.3</td>
<td>52.7</td>
<td>42.0</td>
<td>50.3</td>
<td>46.5</td>
</tr>
<tr>
<td>Union density (%)</td>
<td>57.2</td>
<td>58.4</td>
<td>49.1</td>
<td>67.8</td>
<td>55.5</td>
<td>53.7</td>
<td>52.5</td>
<td>45.9</td>
<td>45.8</td>
</tr>
<tr>
<td><strong>All industries</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total employees (000s)</td>
<td>2,037.5</td>
<td>1,878.2</td>
<td>1,901.8</td>
<td>1,902.7</td>
<td>1,833.7</td>
<td>1,866.7</td>
<td>1,842.1</td>
<td>1,911.9</td>
<td>1,786.0</td>
</tr>
<tr>
<td>Union density (%)</td>
<td>28.1</td>
<td>25.7</td>
<td>24.7</td>
<td>24.5</td>
<td>23.1</td>
<td>23.0</td>
<td>22.7</td>
<td>22.4</td>
<td>20.3</td>
</tr>
</tbody>
</table>

Source: Bray and Underhill (2009), p. 378

Despite this weakened position, the structure of the unions changed little, although there was some consolidation. As of 2006, approximately 16 unions actively participated in the industry compared to 42 in 1970 (Qantas 2006) that were still organised along occupational lines. As with previous decades, the relative strength and membership numbers varied dramatically between unions. Table 6.2 presents a summary of the coverage of the airline unions.

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\(^1\) Although this statistic refers to the broader ‘air and space transport’ industry.
Table 6.2 Coverage of the unions in the domestic airline industry

<table>
<thead>
<tr>
<th>Union</th>
<th>Occupations Covered</th>
<th>Qantas</th>
<th>Virgin Blue</th>
<th>Jetstar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Services Union (ASU)</td>
<td>• Customer service (call centres, retail, reservations etc.)</td>
<td>Yes</td>
<td>Yes (only very recently)</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>• Airline freight organisations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Maintenance, engineering, stores, catering</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Finance and administration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport Workers Union (TWU)</td>
<td>• Ground handling</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>• Baggage handling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Customer services</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Airfreight</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>• Catering</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Call centres</td>
<td></td>
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<td></td>
<td>• Technical services</td>
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<td></td>
<td>• Refuelling</td>
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<tr>
<td></td>
<td>• Maintenance</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Flight Attendants Association of Australia (FAAA)</td>
<td>• Domestic flight attendants</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Australian Federation of Airline Pilots (AFAP)</td>
<td>• Pilots</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Australian International Pilots Association (AIPA)</td>
<td>• Pilots (Qantas)</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Australian Licenced Aircraft Engineers Association (ALAEA)</td>
<td>• Licensed aircraft maintenance engineers</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>• Aircraft maintenance engineers</td>
<td></td>
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<tr>
<td></td>
<td>• Technical officers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australian Workers Union (AWU)</td>
<td>• Maintenance</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Australian Manufacturers Workers Union (AMWU)</td>
<td>• Maintenance</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

The majority of the unions had members at Qantas, where the most collectivist arrangements were found. Qantas had agreements with all 16 unions. Australian International Pilots Association (AIPA) represented all the Qantas pilots (both domestic and regional). The Australian Federation Airline Pilots (AFAP) was excluded, a hangover from the pilots’ dispute (see Bray and Wailes 1999). The Flight Attendants
Association of Australia (FAAA) covered domestic flight attendants. Customer service workers were covered by the Australian Services Union (ASU). The other major unions within Qantas were the Transport Workers Union (TWU), the Australian Licensed Aircraft Engineers Association, the Australian Workers Union (AWU) and the Australian Manufacturers Workers Union (AMWU).

The arrangements at Virgin Blue were somewhat different. Union involvement was limited to the three unions that could be considered more willing to break with past traditions and accept non-standard arrangements. The pilots were represented by the AFAP (the union decimated in the pilots’ dispute); flight attendants by the FAAA; and the remainder of Virgin’s employees (including frontline customer staff) were covered by the TWU. As will be revealed in the following chapter, this extended coverage created some discord between the TWU and the ASU, which traditionally covered customer service staff.20

The employment relations arrangements at Jetstar were different again, deviating most notably from its parent. The initial employment relations structure was built on former Impulse arrangements, which uniquely included non-union arrangements. As of 2006, Jetstar negotiated new agreements with most occupational groups, but only two unions were involved: the ASU and the FAAA. The other occupational groups had non-union agreements negotiated in-house with committees and councils, such as The Pilot Workplace Relations Committee (which was previously The Jetstar Pilot Council — a hangover from Impulse Airlines); the Jetstar Engineering Consultative Committee; and the Jetstar Stores Council (see Jetstar Airways Pilots Agreement 2005; Engineering and Maintenance Certified Agreement 2005; Stores Agreement 2005). As will be discussed below, Jetstar also embraced contracting out arrangements, particularly in the area of ground-handling services, where Express Ground Handling (EGH) was established. EGH, a wholly owned subsidiary of Qantas, was founded to supply ground crew to Jetstar and other small airlines (Qantas 2004). EGH had a collective agreement in place with the TWU, operated independently of Qantas TWU agreements, and emphasised workplace flexibility (Express Ground Handling 2006).

20 Although, as at the end of 2006, the ASU had entered into an industrial relationship with Virgin Blue.
Until 1996, the unions (at this stage only in Qantas and Ansett) coordinated the majority of their bargaining activities through the ACTU under the single bargaining unit (SBU) initiated in the 1980s. However, in 1996, the SBU effectively collapsed and the unions assumed responsibility for negotiating separately (or within small groups) with management. The role of the ACTU also changed as it transitioned from one of chief negotiator to union mediator and high-level strategic planner.

In summary, in contrast to the stability of former decades, the parties to the employment relationship in the airline industry changed dramatically after 1990. Employers came and went as new airlines entered and old ones left. Facilitated by the changing contexts — in particular, deregulation and the WRA — the new entrants were able to ‘do things their way’ and the low-cost carrier became a permanent addition to the industry. With their arrival, old airlines sought new options, and enterprise and commercial autonomy became entrenched within the industry. While unions continued to have a presence, their structure and role changed. The authority of the ACTU declined (see Section 6.3). Following the breakup of the SBU, individual unions were forced to accept their new independent, autonomous roles. While managerial power was on the rise, union power, along with membership, was declining.

### 6.3 The level of labour regulation

At the beginning of the 1990s, formal regulation in the industry was based on enterprise-specific awards; but in reality, they were very similar to each other, effectively producing industry-wide regulation. During the period until 2006, the level of regulation shifted decisively from the industry to the enterprise, and the form of regulation from awards to collective bargaining. Despite their ultimate dominance, however, enterprise agreements did not completely replace awards and the relationship between the two forms of regulation was complicated (see Section 6.7 below).

The transition to enterprise-level bargaining, however, was not instantaneous. Despite product market deregulation, it was not until 1992 (with the takeover of Australian Airlines by Qantas) that cooperative arrangements between the managements of the two major airlines ceased and the level of bargaining shifted (see Chapter 7 for more detail). Ansett responded to the changing contexts and negotiated the Ansett Transport...
Industries Pty Ltd Enterprise Bargaining Agreement 1992-1994. This was ‘reached in recognition of the effects of deregulation, the Government’s decision to merge Qantas and Australian Airlines, and the industry’s trading position in the current recession’ (see Ansett EBA 1992–1994). Henceforth, enterprise-specific agreements became more important in the industry as management attempted to differentiate their organisation and tailor agreements to better suit their individual requirements.

The first two enterprise agreements at the major carriers were certified in very similar time frames. At Qantas, the first enterprise agreement, the Qantas Enterprise Agreement 1992, was certified on 23 October 1992. At Ansett, the first was the Ansett Transport Industries Pty Ltd Enterprise Bargaining Agreement 1992-1994, which was certified not long after, on 12 January 1993. The second for Qantas was the Qantas Airways Limited Enterprise Agreement II December 1994 – June 1996, which was certified on 24 January 1995. At Ansett, the second was the Ansett Australia Enterprise Agreement II (December 1994 – June 1996), just before Qantas on 20 December 1994. While there was some success in using these agreements to change work practices and increase productivity within their respective enterprises, their efforts were mitigated to a large degree by the power of the unions, which continued to operate collectively under the ACTU SBU. The SBU ensured, on balance, industry-wide common outcomes. As Bray (1996) notes, while there were some differences in the first enterprise bargaining agreements between Ansett and Qantas, it was their similarities that were the most notable feature.

The 1996 round of bargaining produced two enterprise agreements: Qantas Airways Limited – Enterprise Bargaining Agreement III, and Ansett Australia Partnership 2000 Framework Agreement 1996. These agreements signalled increasing divergence between the companies, not only in terms of strategic direction but also in their approach to unions. Qantas, which fought hard to break up the SBU, was pursuing a far more hard line approach to unions than Ansett. The two employers continued to negotiate with most of the unions collectively, but separate bargaining had begun to emerge. At Qantas, the TWU and ALAEA negotiated separate agreements. The Ansett equivalent, the Ansett Partnership 2000 Framework Agreement 1996, similarly negotiated collectively with most of the unions but excluded the flight attendants, pilots and flight engineers.
In 1998, things were dramatically different at Qantas. Qantas produced the ACTU/SBU (Qantas Airways Limited) Enterprise Agreement IV (1998-2001) with only five unions. The ACTU single bargaining unit had all but fractured. While management pushed to break up the SBU (interview with the Qantas IR Manager), the unions were also partly accountable through their inability to remain cohesive. Indeed, some unions were deeply frustrated by the SBU process and relished the notion of negotiating separately (see Chapter 7 for more detail). By 1998, the ACTU’s role had changed from chief bargaining agent to essentially a mediator and information disseminator among the fractious unions, despite some involvement in higher-level strategic issues with Qantas (see Chapter 7). While there were obvious detrimental outcomes for the unions, the ACTU, by and large, accepted the new arrangement. In the words of the Secretary of the ACTU, Greg Combet:

“We don’t need to be there; in fact, I don’t think it appropriate really that the ACTU is there at the negotiating table for all the enterprise agreements. The members of the unions and their delegates and then the officials of the unions, that is their job and they should do it. Our role is to make sure that they share the information with the other organisations, know what the company is up to. It is the same company people at every negotiation which can match all our people, up to all the company’s tricks, know all the info, know what sort of settlement someone’s getting and others not, coordinating them. That’s what they are seeking from the ACTU, the unions (2004).

Furthermore, according to the ACTU, negotiating separately and maintaining their own professional ‘identity’ was good for the employees and the industry in general:

“Everyone says you have to have less unions. I am not sure that is so important in the industry. What is important is we do our best to look after the employees, and if the union structures impede that then there is a real argument, but they are not impeding it in truth. Pilots are pilots. The Qantas pilots are going to reaffiliate to the ACTU. Well they will affiliate for the first time, they’re not going to be in the TWU or something. Flight attendants have a particular culture too; they’ve got ownership of their association. I don’t think that should be destroyed. The ASU is a good union in terms of clerical, administrative, customer service representation. The TWU has got blue collar capacity and culture and that’s needed out on the tarmac. Refuellers and baggage handlers. Rationalising the number of unions is not a key thing for me. It is, in fact, the identity and culture of employees with the unions that they’ve got [that] is important for the unions in the industry. So that’s not priority for me (Greg Combet 2004).

Subsequent enterprise agreements were negotiated separately between management and each of the unions. While, on the one hand, Qantas was splintering the unions, on the
other hand, Ansett was seeking to further increase coordination. The 1999 Ansett agreement, Ansett Australia Union Collective Bargaining Agreement 1999, reincorporated the flight attendants, pilots and engineers. By this stage, however, Ansett was struggling financially, plagued by ownership changes and maintenance issues. This agreement was therefore seen as a call to arms to save the company (see McDonald 2002).

Interestingly, while the Workplace Relations Act 1996 (WRA) entrenched enterprise bargaining, and obviously had serious negative repercussions for the unions, some positives emerged. These are discussed more thoroughly in the following chapter, but some unions reported that the legislation forced them to become more proactive; having to bargain more effectively: ‘got them off their arse’ (John Allan, Federal Secretary TWU 2004). Enterprise bargaining also forced the locus of decision-making in the unions downwards; local workplace delegates took on a greater role and attention was refocused back to union members and what they wanted. Additionally, the anti-union legislative changes introduced by the WRA gave the unions some common ground, a point around which to rally:

It is easy when you have got John Howard — everyone hates John Howard, everyone hates the legislation, everyone hates everything….Look, I am sure that Attila the Hun would be better than John Howard, but I am concerned about the union movement’s tendency towards complacency in friendly environments (ASU Delegate 2004).

By the end of the century, the level of regulation had shifted slowly towards the enterprise. However, the most profound shift occurred after 2000, following the launch of Impulse Airlines and Virgin Blue. The arrival of these two carriers, coupled with the demise of Ansett, served to decisively entrench enterprise-specific patterns of labour regulation in the industry. In particular, the launch of Impulse Airlines into the domestic market marked an extraordinary phase in terms of the employment model within the industry. In what could be seen as the definitive individualised arrangement, Impulse did not directly employ its pilots or flight attendants. A labour hire company known as Air Crews Control supplied the ‘employees’ through a novel legal structure. The company did not employ the pilots or flight attendants directly but acted as trustee for a trust in which workers were unit trust holders. There was only one direct employee, the chief pilot, but this was a mandatory legal requirement from the Civil Aviation
Authority (now CASA). The unit trust holders did not receive a salary; they received a monthly ‘distribution’. This arrangement not only excluded unions but it also facilitated highly flexible work practices and placed staff on lower than average industry wages. This form of employment arrangement with no permanent staff meant that the workers were not entitled to any award or legislative protection (ACTU 2000).

Virgin Blue brokered certified agreements that were innovative on several fronts. Whilst unionised, the company negotiated agreements with unions of their choice: the FAAA for its flight attendants; the AFAP for pilots; and the TWU for all ground workers. These agreements broke away from long-held areas of demarcation and featured multi-skilling and flexibility initiatives (Clayton Utz 2006). The pay structures were quite different to existing awards and enterprise agreements. The agreements were also unique in that they were comprehensive and stand-alone; thus, they replaced the industry-wide awards rather than supplementing them, as was the case at Qantas. Naturally, Virgin Blue’s novel agreements created much controversy and immediately became the benchmark for the industry (Daniel 2001).

While Virgin Blue brokered enterprise-specific agreements on start-up, it became apparent that they would have liked to further decentralise at least some of their arrangements. According to the Head of Human Resources, Bruce Highfield, it was only through workplace-specific (as opposed to enterprise-wide) agreements that greater efficiencies could be achieved:

> At the moment we have a collective, national agreement with the TWU. John Allan [the Federal Secretary] and myself negotiated the first one as a greenfield’s. And we negotiated the second one with input from representatives from those four airports and it is the most inefficient, stupid way of doing business. What we need to do, what we will do…is we will try and find a gain sharing opportunity to the staff in those four airports, [to] have their own agreements....What we have to do, is say forget that, at Brisbane airport, we want you guys to have your own agreement, and say to the airline, we will deliver that (2004).

It seems management’s wishes were to some extent fulfilled, in that the three different groups of engineers (Virgin Tech, Jetcare and Virgin Blue) were moved onto workplace-specific, non-union arrangements:

> We have got line engineers. We have about 300 and they are in a big group in Melbourne, Sydney, Adelaide, Brisbane. Line engineering, these are the guys
that fix [planes]. These guys are on AWAs, these guys are on AWAs, and these guys are on a 170LK [non-union collective agreement]. So, our line engineers are virtually non-union, through their own choice, and they have all voted. That’s been in the last 12 months (Bruce Highfield 2004).

Meanwhile, Qantas management were furious with the unions, the same unions that vociferously opposed change within its organisation yet proceeded to negotiate lower wages, higher productivity and more flexible agreements with its direct competitor. At the same time, the Virgin Blue agreements gave Qantas management significant leverage in future negotiations as they embarked on a long-term campaign to achieve cost parity with their low-cost competitor (see Chapter 7). The unions tried to defend their position by arguing that the products offered by Qantas and Virgin Blue were different, but it proved to be a difficult position to maintain.

While these changes were significant, yet another version of enterprise-specific labour regulation emerged with the launch of Jetstar in 2004. Jetstar introduced a number of enterprise agreements — some were negotiated with unions, while others that were non-union were negotiated with employees who were represented through consultative councils (a hangover from the Impulse days). Jetstar had union agreements with the ASU and the FAAA. The TWU was not included. It nevertheless still maintained some influence, albeit in a circuitous way, as they successfully proposed the establishment of a subsidiary company, Express Ground Handling, in which employees were represented by the union (see Chapter 7).

Jetstar negotiated non-union agreements with its pilots, engineers and stores employees. For example, the Jetstar Airways Pilot Agreement, first registered in 2001 and revised in 2005, was a comprehensive agreement negotiated with employees represented by the Jetstar Pilots Workplace Relations Council. This created some division between the two pilot unions as both AIPA and AFAP scrambled to represent the pilots:

AIPA don’t have representation at Jetstar. They would like to, as with the AFAP, but Jetstar has its own pilot company (The Head of Customer Service and People, Rohan Garnett 2004).

Similarly, management negotiated non-union agreements with their engineers and stores/warehousing staff. These agreements were also stand-alone and prevailed over all other awards.
In this way, Jetstar — like Virgin Blue — accepted some union involvement, but management wanted to keep the negotiating parties segregated. They also strove to develop separate relationships with them:

So fundamentally yes, the relationship [with unions] is there, but we have got a very individualised relationship with each [of] our trade unions and representative groups and we want to continue that philosophy (Garnett 2004).

In a pre-emptive statement, management indicated their future aspirations:

Jetstar is seeking to pursue a more direct relationship across our workforce, to work collaboratively as management and staff, to drive our sustainable future growth path against this competition (Garnett 2004).

It is not surprising that at the end of 2006, in another step to further decentralise the level of bargaining, Jetstar announced its intention to bring in AWAs for all new cabin crew at subsidiary Jetstar International. According to a bulletin issued by Qantas unions (Qantas Unions 2006), the impact of this on employees would be significant:

All new Cabin Crew employed by Jetstar International will be paid significantly less money and will be required to fly up to 50% more hours in a 28 day period. The few allowances that exist have been reduced….The truth is individual contracts and AWAs are designed to further divide staff and reduce bargaining power. There is nothing individual about the Jetstar AWAs — they all lower wages and conditions!

In what some would call a predictable move, Dixon stated that Qantas had to ‘make fundamental change on a much greater scale than in the past’ (cited in Creedy 2006). He also publicly expressed an interest, albeit vaguely, in experimenting with individual contracts at the main line (see also Bamber et al. 2009a, p. 161):

But we certainly will use what instruments are best suited to the various businesses we have. They won't be ruled out anywhere, but they’re not necessarily ruled in anywhere either (Dixon, cited in Creedy 2006).

To summarise, by the end of 2006, the level of labour regulation had moved decisively from the industry to the enterprise. After Ansett collapsed, Qantas remained the only full-service carrier in the industry and consequently underwent the greatest transition. By 1998, Qantas moved from participating in highly centralised, industry-wide negotiations to negotiating enterprise-specific collective agreements separately with each union. Qantas successfully undermined the SBU — assisted by the inability of the unions to act cohesively. Virgin Blue and Jetstar, as greenfield operations, were more able to exploit the changing regulatory and legislative environment. They began with
enterprise-specific agreements and only with unions of their choice. Non-union collective agreements became a novel feature of the industry during this period. Moreover, there was a strong indication that the managements at the new entrants would, at least in some instances, prefer (and indeed were successful) to have the level of regulation further decentralised. While there were threats to further individualise the employment relationship by introducing AWAs, the impact to this point was minimal. With greater fragmentation and reduced power, unions were not well placed to oppose these developments.

6.4 The scope of labour regulation

As with the level, the scope of regulation changed significantly over the period, most notably after 1996 following award simplification and the launch of the new entrants. However, pressure to change the scope of collective regulation emerged initially with product market deregulation and the associated removal of protections for employers. Without these protections, the cost of labour emerged as an important source for competitive advantage. As such, management at both Qantas and Ansett began to implement strategies to reduce labour costs and increase productivity. Within this new setting, the important issues of labour regulation were a mix of the old and the new. While wages were perennial, non-wage issues such as labour flexibility and workplace efficiency emerged as significant areas of contestation. Importantly, however, despite these pressures, management at the legacy carriers were able to achieve many of these changes to both wage and non-wage issues with union ‘cooperation’. As such, the scope of collective regulation during the early 1990s did not change – it was the content of the rules that changed radically (this point is discussed in detail in Chapter 7).

As noted, negotiations over wages continued to be important. From the early 1990s, as the shift to enterprise bargaining progressed and coordination broke down between the two employers, negotiations over wages between unions at both Qantas and Ansett gradually became more enterprise-specific. However, a common thread connecting the two airlines was that management became more cautious about the quantum of wage increases and developed a keener interest in making wage increases conditional on company performance and ‘demonstrated cost savings’ (see Qantas EBA II, for example). These trends partly reflected developments in the national system of labour
regulation (see Chapter 3) and industry-specific forces (such as the threat of increased competition introduced by deregulation), which placed management under considerable pressure to limit wage increases. The scope of collective regulation, in this sense, did not change because management at both legacy airlines were able to elicit union cooperation to contain wages.

The scope of regulation did, however, narrow in the specific context of wage issues with the arrival of Impulse Airlines and Virgin Blue in 2000. The new entrants would only accept lower than industry-standard wage rates. Qantas and Ansett faced unprecedented pressure to contain wages. While Ansett management were otherwise engaged in ensuring survival, Qantas reacted to its low-cost rivals by introducing a long-term wage containment policy. This policy was designed to bring Qantas wage rates ‘back to the market’, thus achieving parity with Virgin Blue. Qantas instigated a strict ‘three percent increase’ policy (discussed further in the following chapter). This policy meant that wage increases for Qantas staff were sometimes less than increases in the consumer price index (CPI), which effectively translated into real pay cuts. Qantas also introduced a separate and lower pay scale (called ‘B Scales’) for new employees and restructured wage rates and superannuation across most professions (Small 2002, p. 37).

While Qantas restructured and pushed for pay reductions, Virgin Blue recognised that, as with most start-up airlines, labour costs climb as airlines mature. Keeping wages in check was therefore a priority and a key driver in their employment relations strategy:

So you know, hello! It’s about costs. So what does that mean for industrial strategy? You cannot in an airline sit around and watch your costs go up. Labour costs are about 25% of the airlines business, and as I have said to you just before, the fares are not going up. The reality is, if you study that information on fares, and where fares have gone over the last ten years — since the advent of low-fare airlines in America and Europe — the fares are going down. They are not [going] up and people just go: Oh, they can just put their prices up. But they can’t because of the competition and the consumer demand for low fares. So fare prices are going down, and labour costs and other costs must be kept in check (Bruce Highfield 2004).

Jetstar also flagged the difficulties of maintaining lower wage rates and identified a major hurdle as:
...keeping the lid on catch up wage rates with Qantas and Virgin. Maintaining the 25–30% difference. No doubt about it....The psychological effect of EBAs is that people want catch up. They want parity with the Qantas rates, which are, I think, 20–25% [above]. So the EBA forecast is a very difficult one (Rohan Garnett 2004).

Thus, by 2006, all the carriers sought to minimise wage increases. However, the scope of collective regulation with respect to wage issues only narrowed after the launch of the new entrants, which would not accept wages at the industry standard. The scope of unilateral regulation expanded to fill the void. The legacy carriers sought to reduce wages in line with the new benchmark, while the new entrants, which recognised the difficulty in keeping wages low, sought strategies to counteract increases. However, in spite of product market deregulation and the success of new low-cost entrants, wages throughout the period continued to be determined through collective processes, predominantly collective bargaining.

While wages remained a perennial issue, more novel was the increasing importance of non-wage issues. This was not particularly surprising given that wage restraint was only half of the labour cost reduction strategy; the other was to increase productivity. Issues surrounding labour flexibility, workplace productivity and efficiency became increasingly important (see Chapter 7). More specifically, the key issues for this industry were those concerning the organisation of work, redundancy, outsourcing, and part-time and casual labour. Before 1990, these matters were dealt with on an industry-wide basis, initially through award restructuring. From the introduction of enterprise bargaining until 1996, these issues moved to the individual enterprises. However, vestiges of coordination continued to exist between Qantas and Ansett (Bray 1996). As with ‘wage issues’ discussed above, management were able to achieve many changes with union consent. Thus, rather than changing the scope of collective regulation per se, it was the content of the rules that was changed.

The first substantial change to the scope of regulation with regard to non-wage issues occurred with the Howard Government’s 1996 WRA, which introduced ‘award simplification’. While enterprise agreements rapidly became the focus of collective regulation in the industry, awards continued to play a role, underpinning these agreements (see Section 6.7). Award simplification, however, reduced the importance
of awards and narrowed their scope. The power of tribunals to intervene in enterprise negotiations was also restricted (Bray and Waring 2006c, p. 21; Section 3.2.3.1).

As a result, the range of issues forced into EBA negotiations increased. These changes did not bode well for the increasingly disorganised and fragmented unions in the industry. As with many unions around the country, the result was that numerous previously won award conditions relating to union activity failed to be transposed into new agreements. The unions found themselves in the position of having to claw back issues originally agreed to. As with Waring and Barry’s (2001) report on the coal industry, many of the matters stripped from the Qantas awards were those supportive of union activities in the workplace, such as rules pertaining to union meeting time, training leave and the right to payroll deductions. Some of these conditions were subsequently reincorporated into agreements, but others were not. For example, following the simplification of the TWU’s Airline Operations (Transport Workers’) Award 1988, the subsequent enterprise agreements — the Transport Workers’ Union (Qantas Airways Limited) Enterprise Agreement IV (1998-2001) and the Enterprise Agreement V (2002-2005) — contained no clauses concerning union training and meeting time. Automatic payroll deductions for union fees were also withdrawn across the company (Robinson 1999a).

According to the ASU, not only did they fail to get award provisions reinstated in agreements, but they also asserted that it was a difficult, laborious and divisive process:

> There have been some vital things that unfortunately have gone because of the award simplification process. We have got some that are still outstanding. Actually we have got one at Qantas that I can think of that is still outstanding and it is just a nightmare. We have been in negotiations with them for years, and it’s an award that there are three other unions that are parties as well, and that makes it difficult as well because everyone’s arguing for their own specific interests. It is an incredibly frustrating and time-consuming process that I see absolutely no gain [from] other than diminishing the conditions (ASU Delegate 2004).

Overall, the impact of award simplification on the unions was substantial, although the effect varied between them, reflecting their importance and relationship with management. The unions devoted a considerable amount of time attempting to transfer these lost conditions into enterprise agreements. Likewise, this process proved divisive, as squabbling between the unions over clauses was common. Finally, and perhaps more
importantly, award simplification fostered distrust between unions and management. This distrust was particularly evident at Qantas. Although there were some exceptions, a new formality entered the employment relationship and many unions now tried to incorporate as much as possible into agreements (discussed in Section 7.2.2).

The second trigger to narrow the scope of regulation in terms of non-wage issues, and arguably more radically, was the entry of the low-cost carriers, Virgin Blue in particular. Unencumbered by legislative and product market restrictions, the new entrants established agreements not only with lower wages, but arguably more importantly, with more flexible work arrangements and higher levels of productivity than ever seen at the incumbents.

Virgin Blue was particularly innovative in breaking down job demarcations and establishing hitherto unknown flexibilities around job boundaries. Management argued that such flexibility was vital for the organisation:

I asked Brett [Godfrey, CEO] what he needed to achieve, and he said high-flexibility of people. So we looked at all the awards and all the agreements and decided how we could achieve this without making our airline bogged down with traditional demarcation. A lot of our people swap between ground crew and cabin crew, and cabin crew and ground crew, cabin crew and call centre…so the way we started out was [with] high flexibility. Our cabin crew and our ground crew wear the same uniforms. Our cabin crew and our ground crew, we decided to make their pay very similar with the exception of overnights. They work together on the ground when cabin crew are on reserve rather than with Qantas when they are on reserve. In their award they have lounges and kitchens and they don’t do any work, they only fly, that’s all they do. Whereas our cabin crew will marshal on the ground, they will help with the turnaround. Our cabin crew clean the aircraft when the aircraft turns (Head of Human Resources, Virgin Blue, Bruce Highfield 2004).

High productivity was also a core industrial goal:

Industrial relations — or people relations, whatever you want to call it — is going to be the single biggest factor. Airlines that can keep their people engaged to deliver services and have an industrial model that allows the costs to be the lowest possible. It doesn’t mean the lowest paid, it means the highest productivity. Productivity, historically, in our eyes is very important (Bruce Highfield 2004).

As one of the core unions at Virgin Blue, the TWU accepted the reality of the new model and indeed found it refreshing:
If you look at Virgin Blue, for example. Virgin Blue have taken the innovative approach and what they have looked at is productivity. Productivity and performance — and the last EBA we did with Virgin Blue was two lots. Included in the wage outcome was two lots of two percent productivity. It was a target across the company and once that target was reached everyone [got it]. So, Qantas is still very much — I find it still very much — an old bureaucratic structure. Virgin Blue [has] a lot of new people in it, a lot of new ideas; and to date, their bargaining process hasn’t been the trade-off mentality, it has been to look at innovative ideas (TWU Federal Secretary 2004).

Not surprisingly, productivity levels were also crucial at Jetstar. On pilots, for example, the CEO declared in an interview that:

The maximum hours a pilot can fly a year is around 1,000 hours. We get over 800 up to 850 hours a year out of the pilots in terms of flying that they can do. That’s on a par with some of the best practice in the world (Joyce, cited in Saccotelli 2005).

Aside from flexibility and productivity levels, other non-wage issues concerning the deployment of labour commonly emerged across the industry. In particular, strategies of outsourcing and contracting out were becoming a feature. While success in this area was mixed at Qantas (Bamber et al. 2009a, p. 161), the new entrants, unencumbered by existing traditions, fared better:

We go to 28 destinations; 24 of those other destinations are outsourced to ground handling companies, so when you fly to Virgin airports around Australia, only [at] four of them do you have our staff (Head of Human Resources, Virgin Blue 2004).

Additionally, clauses in enterprise agreements on part-time, casual and fixed-term labour (once almost unheard of) were now standard across the industry and far less rigid in their application (see Qantas EBA III, IV, ASU EBA IV, and Virgin Blue Ground Crew Agreement 2003 as examples).

The new entrants placed enormous pressure on the incumbents to match these standards. While management at Qantas pursued changes to non-wage issues from 1990, it was not until the new entrants arrived that it seriously intensified and many previously unthinkable changes were introduced. By 2006, management — with the consent of unions — had to some degree altered the working arrangements of nearly all their employees (for more detail, see Chapter 7). Career paths were restructured; clauses
surrounding the deployment of labour rewritten; and competitive tendering, outsourcing and contracting out became standard practices within the company.

After the entry of Virgin Blue and Jetstar, the regulation of non-wage issues also varied dramatically between the carriers. Qantas, as the only surviving legacy airline, was burdened with a large number of complex and detailed agreements. This was mainly a result of their enterprise agreements being underpinned by a complex web of awards and previous agreements (see Section 6.6). Of course, the greenfield operators, Virgin Blue and Jetstar, took the opportunity to simplify matters. The majority of their agreements were much shorter, with fewer issues, and with provisions that were less prescriptive. Management were also determined to keep it that way. Jetstar’s Head of Customer Service, Rohan Garnett, puts it:

Look, I think they [the unions] have got a role to play so long as they stick to the right issues. In the ASU case we should be trying to wrap up an agreement and we should be trying to stick to the main agenda and not get side-tracked on silly things, small incidental things. It is the big picture that matters….I think unions have tried to push them in, superannuation and other things….The challenge for us is that any benefits that we put on, like conditions or things [is] that we [have to] keep those out of agreements. There has been a temptation to do that but I think we’ve stuck pretty much to the bread and butter stuff, which is rates, conditions (2004).

It was a similar story at Virgin Blue:

…the less rules that you have in agreements, [then] people could fly a lot more productively and could get more time at home….So what we are going to look at is how do we come up with agreements for people that allow individuals to have more control over their lives. It would allow them to work hard if they want to work hard or less if they want to work less. At the moment it is all just mediocre. If you want to work more you can’t and if you want work less you can’t. So people take sickies. So no one wins (Bruce Highfield 2004).

Moreover, specifically referring to their flight attendants, he noted:

I would like to see the FAAA put their hand up and say we would be more than happy to remove all these restrictions from awards so the people can get what they want and the airline can get what it wants — as long as we have acceptable limits (2004).

However, Virgin Blue did acknowledge the difficulties confronting the FAAA if it did agree to remove the restrictions:

But, because they represent an industry, they can’t do that because they are an industry union (Bruce Highfield 2004).
Interestingly, this new and less prescriptive type of agreement generated contradictory responses from the unions (discussed in Section 7.2.2).

Following Ansett’s collapse and the arrival of the low-cost carrier, there was also a noticeable shift in issues important to employees, and hence unions. Negotiations over wages, while always important, became less so. Non-wage issues (such as job security and the organisation of work) rose in value. For the TWU, job security and preserving existing conditions were paramount:

But the big thing is, as I said, it is not really the wages — you can go there with a wage increase — but the membership says: *What about my job? What about the travel allowance? What about the staff travel? What about the superannuation?* etc., etc., and: *By the way, how much am I going to get?* The big factor with our guys is predominantly job security and the retention of their existing conditions. The monetary increase probably rates about fourth (John Allan, TWU Federal Secretary 2004).

The ALAEA had different issues. The arrival of the new entrants dramatically changed the way their work was carried out. The organisation of work was identified as their most important concern:

The issues that were once irrelevant to us, about how the operator operated his aeroplanes and the work practices that he used, have now become key to the bargaining because the operator, by changing work practices, may mean the difference between one operator using 100s of our members to do, as against using 20. And so it has huge impact on our members’ employment and redundancies and things like that. Often now in EBAs, certain work arrangements are enshrined in an agreement. We do have a lot of agreements that state how the work is to be carried out (Federal Secretary 2004).

The ALAEA also flagged job security as a key issue, especially for employees in the new entrants:

In the other competing airlines [Virgin and Jetstar] it is probably more job security issues because of the collapse of Ansett; a lot of the people there are refugees from that. A lot of those airlines have set up minimal workforces [that] rely more on casual and part-time labour and wanting to constantly change their work practices wherever they see an edge. And that has an impact on labour numbers (ALAEA Federal Secretary 2004).

This response was not surprising given the ramifications of changes to the organisation of work for their category, and given the ALAEA was unable to unionise either Virgin Blue or Jetstar.
In summary, changes to the scope of collective regulation before 1996 were minimal, chiefly because management at the incumbents were able to adequately change its content with the cooperation of the unions. However, after 1996, the scope of regulation narrowed dramatically, triggered firstly by award simplification which affected non-wage issues, and secondly by the arrival of the new entrants in 2000, which had an effect on both wage and non-wage issues. A corresponding expansion in the scope of unilateral regulation was also noted. The first factor, award simplification, reduced the importance of awards and narrowed their scope. In enterprise agreements, wages continued to be important, but non-wage issues (particularly those surrounding the organisation of work) became far more significant, reflecting the growing volatility within the industry. The range of issues included in EBAs also varied considerably between carriers. Qantas made significant changes to the organisation of work while implementing a strict wage restraint policy. Management were able to make these changes with unions consent (discussed in-depth in the following chapter). The new entrants had achieved extraordinary flexibilities from the beginning and were determined to keep wages low, flexibility and productivity high, and the scope of regulation narrow.

These changes again reflected management’s new emphasis on costs and efficiencies. However, not only did the changes reflect management’s new focus, but more telling was their extent. Such changes would have been considered unconscionable to the unions in the late 1908s. Arguably, this shift — despite the continuance of collective processes — highlighted the fluctuating power balance between unions and employers in the employment relationship.

6.5 The status of labour regulation

The status of rule making in the domestic airline industry followed national trends. Many of the changes have already been mentioned above. The scope and importance of awards declined. Registered collective agreements supplanted awards as the primary source of formal regulation across the industry as the level of regulation shifted decisively to the enterprise. The new legal forms of individual contracting and non-union collective bargaining, ushered in with the WRA, provided management with more options. Simultaneously, more traditional options of union-management collective
bargaining and award making became more restricted (Bray and Waring 2006c, p. 22). Overall, the impact of changes to the national employment framework saw employers privileged over unions.

At the beginning of the 1990s, awards were the dominant form of labour regulation, but this quickly changed with legislative recognition of enterprise bargaining at the federal level. Changes to the structure of labour regulation in the industry soon followed. Registered agreements began to supplant awards as the primary source of regulation over working conditions. However, these reforms had an incremental effect. It was not until the WRA in 1996 that more significant consequences were felt. The WRA allowed the new entrants to do things differently; and indeed, they were determined to do things their way and on their terms. For Virgin Blue, breaking away from traditional ways was imperative:

> A lot of it is handshake, over the phone, deal done, away you go. With Qantas, [because] it is more bureaucratic, there are two camps there. One likes to do it on the hop, and the other prefers it all written down (Federal Secretary TWU).

The WRA certainly made things easier for start-up enterprises. With more options and the unions on the defensive, the new entrants were able to break from award standards and reshape the industry on their terms. Although there was no wholesale assault on collective regulation — the industry remained highly collectivised — the new carriers, unencumbered by complex industrial traditions, embraced many of the opportunities presented by the WRA. Virgin Blue used a variety of instruments, including AWAs and non-union collective agreements as well as union collective agreements. Jetstar operated union and non-union collective agreements and announced its intention to put new employees onto AWAs.

The WRA was also of benefit to the incumbent airlines. Qantas continued to use union collective agreements, but the legislative changes meant they were increasingly able to unilaterally assert their prerogatives. Qantas also started Jetstar and, in doing so, circumvented established industrial traditions at the mainline. Indeed, following the legislative changes, the number of subsidiary support companies, with lower wages and standards of employment, increased across the industry. Nor did management at Qantas mainline rule out the introduction of more individualised processes when and where
they deemed it appropriate. As Chapter 7 will reveal, the possibility — or the threat — of AWAs was a particularly useful tool for management at the incumbents to secure new flexibilities under collective agreements.

As the literature expounds, the WRA has generally had a deleterious effect on unions (see Section 3.2.3.1; Lee and Peetz 1998). One example was that the WRA seriously curtailed the capacity of unions to take industrial action. This trend was reflected in the industry as serious industrial disputes declined when compared to the 1970s — and even the 1980s (see Bray 1996). Management’s previously held fears of significant strike action were diminished:

To be very pragmatic about it, if the airport people decided to down tools one day, it would be inconvenient for a few days but we could train up enough people pretty soon thereafter…. (Rohan Garnett, Jetstar 2004).

Another (perhaps less obvious) impact was that being an industry mostly covered by federal jurisdiction meant that legislative changes also altered the balance of power in the relationship between airline managements and unions (see Section 6.2.1). While unions continued to represent most employees, and they were recognised by management, the balance shifted vastly in the favour of management. The anti-union legislative changes also fostered distrust between management and unions. Some unions scrambled to get as much detail as possible into agreements while management were striving to get or keep it out. Some union officials lamented the change in the industry — the ‘honourable’ industry was gone:

More legalistic…structuring agreements to make sure they are ironclad. It was an honourable industry; whereas, nowadays [they] re-interpret the meaning of the agreements (ALAEA Federal Secretary 2004).

Overall, the changing status of regulation provided managers with a greater range of options by which they could respond to product market imperatives. The new legislative arrangements weakened and undermined the unions, narrowed the scope of regulation, and successfully transitioned the level of regulation down to the enterprise. Management were the winners, the pendulum of power had swung noticeably in their direction. There is little doubt that these legislative reforms have, at the very least facilitated, if not caused, significant changes to union-management relations.
6.6 The coverage of labour regulation

A picture of the coverage of regulation in the industry can be gleaned from data on methods of pay setting from the Australian Bureau of Statistics (see Table 6.3), although it was only available at a sufficiently disaggregated level for 2002, 2004 and 2006. This data confirms the picture of sustained collective regulation presented throughout this chapter. The percentage of employees in all three years whose pay was set by ‘awards only’ is exceptionally low, while the coverage of collective agreements remained high at 84.6 percent, 87.0 percent and 75.3 percent respectively. Collective agreements are also high compared to other industries at more than double the ‘all industry’ rate for 2002 and 2004, and only slightly less than double in 2006.

The decline in collective agreement coverage from 87.0 in 2004 to 75.3 percent in 2006 is a significant drop, but coverage remained very high. Table 6.1 noted that trade union density in the industry declined steadily, falling from 55.5 percent to 45.8 percent, over the same period. Together, these statistics reinforce the positive correlation identified between trade union density and the coverage of collective regulation (see Chapter 2, Section 2.3.5).

Unfortunately, the ‘collective agreement’ category does not distinguish between ‘union’ and non-union collective agreements, the latter being a novel feature of the industry from 2004, following the launch of Jetstar. The slight increase in collective agreements between 2002 and 2004 could be partly explained by the gradual re-expansion of the market following Ansett’s collapse. Jetstar was launched along with a number of external contracting and support companies, such as Express Ground Handling.
Table 6.3   Methods of pay setting

<table>
<thead>
<tr>
<th>Industry</th>
<th>Award only</th>
<th>Collective Agreement</th>
<th>Registered or unregistered</th>
<th>Working proprietor of incorporated business</th>
<th>Total</th>
<th>All methods of setting pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air and space transport</td>
<td>n.p.</td>
<td>84.6</td>
<td>14.0*</td>
<td>-</td>
<td>14.0*</td>
<td>100.0</td>
</tr>
<tr>
<td>2002</td>
<td>n.p.</td>
<td>87.0</td>
<td>7.0**</td>
<td>n.p.</td>
<td>8.4**</td>
<td>100.0</td>
</tr>
<tr>
<td>2006</td>
<td>2.1**</td>
<td>75.3</td>
<td>21.3</td>
<td>n.p.</td>
<td>22.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total for all industries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>20.5</td>
<td>38.2</td>
<td>35.7</td>
<td>5.6</td>
<td>41.3</td>
<td>100.0</td>
</tr>
<tr>
<td>2004</td>
<td>20.0</td>
<td>40.9</td>
<td>33.7</td>
<td>5.4</td>
<td>39.1</td>
<td>100.0</td>
</tr>
<tr>
<td>2006</td>
<td>19.0</td>
<td>41.2</td>
<td>34.8</td>
<td>5.1</td>
<td>39.9</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Estimate has a relative standard error of 25 to 50 percent and should be used with caution.
**Estimate has a relative standard error greater than 50 percent and is considered too unreliable for general use.

Source: Bray and Underhill 2009

Table 6.3 also shows a significant jump in individual arrangements for determining pay from 14.0 percent in 2002 to 22.6 percent in 2006.21 Explaining the extent of this increase is difficult, but some possibilities can be raised. The most obvious correlation is with the arrival of the ‘greenfield’ carriers, Virgin Blue and Jetstar (and Impulse), and their ability to exploit new opportunities available under federal labour laws. Although these new carriers mostly adopted collective forms of regulation, all expressed an interest in individualised arrangements. Indeed, the increase roughly coincided with Jetstar’s announcement of its plans to place all new international cabin crew, pilots and engineers onto AWAs. Similarly, Virgin Blue’s Bruce Highfield reported that their subsidiary engineering and maintenance arms had progressively moved their employees onto AWAs (Section 6.3). In 2006, Qantas also announced its intention to introduce...
AWAs into certain parts of its workforce, including the mainline. Another possible contributor to this statistic was the increase in the usage of casual labour with the emergence of labour hire companies from the late 1990s, particularly in ground support services (see for example, Aviation Labour Group; Labour Solutions Australia). Unfortunately, the actual extent to which these airlines and support companies utilised AWAs is unknown, highlighting the lack of comprehensive data and the complexity of the industry. However, together these factors offer some insight towards explaining the growth in individual arrangements.

In summary, collectivist patterns of labour regulation continued to dominate the industry until 2006. The importance of awards as a basis of wage setting diminished to become virtually irrelevant as enterprise bargaining evolved. Individual arrangements were not a central process at this time, although they increased between 2004 and 2006. To what extent this represents a major challenge to the longstanding patterns of collectivist labour regulation is uncertain. It seems new entrants and established carriers increasingly exercised, or at least potentially exercised, their new non-collectivist regulatory options.

**6.7 The complexity of labour regulation**

The airline industry, long before the 1990s, had a considerable degree of complexity — both horizontal and vertical. There are grounds to believe that it was almost inevitable, given the wide range of production tasks, the occupational fragmentation in both production processes and labour markets, and the history of incremental adjustment in labour regulation in long-established companies like Qantas. There were, however, also some significant changes in the nature and extent of complexity during the 1990–2006 period.

*Horizontal complexity* has always been a feature at the airlines, although it escalated considerably in the early 1990s with the formal introduction of ‘enterprise bargaining’. Before the 1990s, formal regulation generally produced company-specific awards. Despite this ‘decentralised’ arrangement, the content of these awards was virtually the same, indicating effective industry-wide regulation because of close coordination between companies. The introduction of enterprise bargaining, however, increased
horizontal complexity because although enterprise agreements were produced at both Qantas and Ansett in 1992, they did not replace these enterprise-specific awards. Rather, the EBAs introduced a range of new rules that related to wages, classifications, redundancy, the deployment of labour, technology etc. that were supplementary to the awards. In other words, they continued to rely on the provisions in existing awards. Award simplification in 1996 also added to horizontal complexity. ‘Supplementary’ agreements were produced as unions attempted to ‘pick up’ lost conditions and transfer them into agreements (see Section 6.4; Plowman 2002). Thus, during the 1990s, two systems of regulation co-existed based on awards and collective agreements.

It is not surprising that horizontal complexity was greatest at Qantas because of the organic evolution of labour regulation over its long history. To take the ASU as an example, by the time the fifth enterprise agreement between Qantas and the ASU (the ASU (Qantas Airways Limited) EBA V) was produced, it was underpinned by the following:

- Airline officers (Qantas Airways Limited) Award 2000
- Salaried staff (Qantas Information Technology Limited) Award 1988
- Qantas Airways Limited Enterprise Agreement II (1994-1996)
- Australian Services Union (Qantas Information Technology Limited) Levels 1 - 10 Enterprise Agreement IV (1999 - 2001)

Neither management nor the unions were particularly happy with the system. As one ASU delegate put it:

…at Qantas it is the most complicated system because we haven’t even rolled all the EBAs up into one, so you actually currently link up six different documents as well as the award. I am lucky because I know them, because I have been working with them for so long. We have just recently employed a couple of new organisers and trying to go through with them, well, there’s that part-time clause, but there’s also this part-time clause you should look at (2004).

In contrast, horizontal complexity was much less at the new entrants because, not surprisingly, management used their greenfield status and the opportunity provided under the WRA to introduce much simpler arrangements. Stand-alone, comprehensive enterprise agreements became standard. Any vestiges of traditional work practices and
conditions were not a problem; the new entrants could start afresh, undoubtedly an arrangement that worked in management’s favour. Horizontal complexity was not a feature at these organisations.

In summary, the horizontal complexity in the airline industry increased considerably from the early 1990s, triggered by a series of legislative changes. Horizontal complexity was most pronounced at the legacy carriers where the rule-making process developed and evolved over the years into an extraordinarily complex web of interdependent and interconnected rules. Neither party was happy with the outcome and invariably, this extensive complexity had implications for the effectiveness of the organisation and the behaviour of both management and unions. By contrast, it was the lack of horizontal complexity at the new entrants that was most revealing. Rising managerial hubris was demonstrated in the ability of the new entrants to establish comprehensive agreements — far simpler than those at the legacy carriers.

While vertical complexity has also long been a feature of the airline industry, it escalated with two events. The first followed the disintegration of the SBU in 1996. Closely associated with ‘parallel regulation’ is multi-unionism. Of course, with 16 unions it has long been a feature of the airline industry. However, multi-unionism was contained under the SBU where management dealt predominantly with the ACTU. Vertical complexity increased with the breakup, a strategy that Qantas management fought hard for. Indeed, Qantas became famous for their ‘divide and conquer’ tactic:

The company plays that quite carefully. The company is represented (and this is Qantas I am talking) by Ian Oldmeadow, who is a former ACTU officer from the 1980s. He knows the unions well. He knows how to play a divide and conquer game, and Qantas have played that game a bit over the last ten years too (Greg Combet 2004).

Despite pushing to break up the SBU, multi-unionism was not a feature that the management — either old or new — outwardly sought or happily embraced. For example, Qantas management often publicly lamented having to deal with so many unions, while the new entrants rejected multi-unionism, or at least established strict boundaries on its extent. Despite this antipathy, there was not, however, an obvious push by management at any of the carriers to introduce single enterprise-based unions.
Aside from the unlikely possibility of integrating the disparate range of occupational groups, there were, in fact, some obvious managerial gains to multi-unionism.

After they split the unions, Qantas management established different relationships with the various unions. Some were favoured, and ultimately Qantas played them off against each other (discussed in Chapter 7). Similarly, management fragmented the bargaining process, thus staggering negotiations between occupational groups enabling them to contain disputes. Although management were busy and complained of being ‘stretched a little thin’ with the obvious complexities associated with negotiating with so many groups, there were benefits:

I think it has been successful. What it has done is that it has turned the industrial relations department into a growth industry because we are in a constant state of bargaining (Qantas IR Manager 2004).

On the downside, and as some unions have argued, management was a victim of their own strategy, because demarcation disputes between unions rose sharply once the SBU arrangements ended, creating headaches for management:

Yes, I am seeing a lot of poaching going on, which is boring, a waste of energy for us, it creates dissention. That’s when, going back to your earlier question, that’s when I go bugger it, who needs unions. When you see that kind of behaviour coming up, I don’t have a problem with organised labour but I do have a problem with that stuff because it is just counterproductive (Head of Qantas IR 2004).

Demarcation disputes, however, had as big an impact on the unions as they did on management. Constant infighting and member poaching weakened the ability of the unions to be cohesive and arguably damaged their effectiveness (see Section 7.2.2 for an in-depth discussion). The ongoing demarcation disputes between the unions in the airline industry serve as an excellent example of an ‘incongruent’ system.

The second factor to increase vertical complexity was the arrival of the new entrants. Unconstrained by existing traditions, the new entrants were more able to embrace the opportunities presented under the WRA. As such, employees in the industry became engaged on a far greater range of instruments: common law contracts, AWAs, stand-alone collective union agreements, collective agreements underpinned by awards, and non-union collective agreements. Diversity in the way employees were regulated became a common feature across occupations — and even within occupations, as was
evident in Virgin Blue, where engineering employees could be found on a number of different instruments. Jetstar, in particular, embraced all their opportunities and, far from establishing their touted simpler system, established what some have called an ‘Irish stew’ (see Section 7.2.1.4).

In summary, vertical complexity increased across the industry, the key triggers being the breakup of the SBU and the arrival of the new entrants. Vertical complexity was important because it drew attention to the effects on labour regulation, both intended and unintended, of multi-unionism in the industry. Indeed, while there were some benefits to management, multi-unionism was not without its problems for both parties.

Together, this analysis of horizontal and vertical complexity along with their congruence provides a novel account of one commonly neglected aspect of the regulatory structure within the industry.

The importance of this brief account is that it provides a broader, often-unacknowledged insight into the reality of rule-making structures and processes in Australia. It demonstrates that these processes vary over time, are intimately interconnected, often ambiguous and exceedingly complex. Such accounts often provide a deeper insight regarding understanding the strategies of the parties, while exposing the shifting balance of power between them. Importantly, this account demonstrates how the complexity of regulation has implications for organisational and industry effectiveness, particularly when the system becomes ‘incongruent’.

One final point to be made, in contradiction to government’s stated goals of greater regulatory simplicity: progressive changes to the labour laws seem to have actually entrenched more complexity — both vertical and horizontal — within the employment relations system. Both horizontal and vertical complexity increased across the industry, although it is noteworthy that both ‘complexities’ had different effects on different carriers, contingent upon their circumstances. While complexity is not necessarily bad, this analysis does highlight, again, the gap between reality and practice, demonstrating how often intentions and outcomes are rarely synonymous.
6.8 Conclusion

The aim of this chapter was to describe the changes to the structure of labour regulation in the domestic airline industry from 1990, particularly from 1996 to 2006. The empirical evidence revealed that the changes to the structure of labour regulation were dramatic. The predictable and stable patterns of labour regulation that had characterised the industry up until 1990 gave way to a complex, diverse and confusing set of arrangements. For the first time in decades, the parties changed. Old airlines left and new ones entered. The unions continued to have a presence but their role evolved substantially. After a slow start, the level of labour regulation transitioned to the enterprise, becoming entrenched when Virgin Blue and Jetstar arrived. The scope of collective regulation narrowed following award simplification and the arrival of the new entrants reflecting management’s new focus on cost containment and its capacity to unilaterally introduce ‘flexibility’ imperatives. The status of labour regulation changed in line with trends in the national legal framework. Importantly, the changing status shifted the power balance between the two parties and management emerged as the dominant party. Unions were constrained. Declining levels of trust between the parties was now commonplace. The coverage of collective regulation continued to be high, but this was under challenge from more individualistic processes. Finally, the complexity of labour regulation had increased substantially across the industry, facilitated by changing legislation and the arrival of the new entrants.

In this way, the five established ‘dimensions’ of labour regulation detailed in Chapter 2 were utilised to describe the rule-making processes in the industry. More than this, however, this chapter actively sought to extend the extant literature by moving beyond ‘partial’ descriptions and incorporating three additional aspects.

First, this chapter actively explored all the established regulatory dimensions. Thus, this analysis has avoided the flaw of privileging the ‘level’ of labour regulation over other dimensions. Indeed, this research suggests that the implications of changes to the other dimensions — particularly the scope of labour regulation — were as important, if not more so, than the level. Moreover, this broader analysis has also highlighted the inextricable interconnectedness between the dimensions, confirming that the most comprehensive understanding is reached only when all the dimensions are considered.
Secondly, by moving beyond the notion of ‘bargaining structure’, processes outside of ‘collective bargaining’ were considered. Interestingly, individual forms of rule making did not emerge as a key feature of this industry. This, however, is an empirical finding and should not detract from the value of expanding this theoretical boundary. More specifically, the analysis revealed a dramatic shift in the nature or character of collective regulation; while collective regulation continued, the ability of management to set the agenda increased dramatically. The power balance in the management-union relationship had shifted considerably. This also indicates some questioning over the future prospects of collective bargaining in the industry.

Finally, this chapter acknowledged the often-unarticulated sixth dimension, the ‘complexity’ of labour regulation, reinforcing the interconnectedness and ambiguities of the rule-making structures and processes. Together, this more holistic approach has confirmed what many scholars assert — that describing the patterns of labour regulation is complex, dynamic and inter-related.
CHAPTER SEVEN
EXPLAINING PATTERNS OF LABOUR REGULATION
IN THE DOMESTIC AIRLINE INDUSTRY, 1990–2006

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7.1 Introduction

The preceding chapter described changes to the structure of labour regulation in the domestic airline industry. The aim of this particular chapter is to build on this descriptive account to obtain a better understanding of why these changes occurred. While describing the patterns of labour regulation is relatively uncomplicated, as argued in Chapter 3, explaining them is not. Explanations are embedded in the complex relationship between the key actors and the range of environmental contexts they face. The most complete explanations are those that embrace this relationship — the competing tensions between contexts and agents cannot be wholly understood when considered in isolation. From the descriptive chapter, it emerged that management were the architects of much of the restructuring witnessed in the industry. However, managerial strategic choices, while clearly important, constitute only one part of the explanation. Not only were management responding to a range of forces outside their control, but many of the actions of other agents (like unions and state agencies) were also important.

To offer the most complete explanation, this chapter will utilise the explanatory framework presented in Chapter 3 to identify a range of factors considered significant in explaining the patterns of labour regulation. As stated, central to the framework is the premise that explanations are multi-causal and include a combination of the strategies of the key parties and the contexts in which they operate. This chapter is consequently divided into two main sections.

The first half of the chapter, Section 7.2, discusses the agency of the key parties; namely, management at the major airlines and the unions. For management, this section will draw on Bamber et al.’s (2009a) analytical framework (described in Section 5.2.5) to identify their key strategic choices. Thus, high-level ‘business strategies’ along with key cost-reduction strategies will be discussed. The business strategy analysis will be followed by two specific aspects of their ‘employment relations’ strategies: management’s relationship with their employees and their unions. It is important to remember that Bamber et al.’s typology is not designed to explicitly explain labour regulation and its various dimensions. Rather, it assists in classifying the goals of management and the initiatives they took in an effort to achieve those goals. This
chapter will draw out their implications for labour regulation. As with the previous chapter, some brief background information on Ansett is incorporated to supply greater depth and richness to the understanding of the industry. Being mostly defensive, union strategies and goals are discussed under two themes: (1) their response to management initiatives; and (2) their reaction to broader structural changes in the industrial relations landscape. This includes the effect of changing legislation (in particular the WRA) as well as more general implications surrounding the varying structure of the labour market.

The second half of the chapter, Section 7.3, identifies the following: first, those contexts considered the most significant; and second, other contexts, still considered important, but having less weight in terms of explaining outcomes. Again, in keeping with the boundaries set in Chapter 6, the focus of this chapter is on 1990–2006. The emphasis is on the period following 1996 with the introduction of the Howard Government’s Workplace Relations Act, but ending just months after the commencement of the WorkChoices amendments. The final section integrates these strategies and contexts and summarises the findings.

7.2 Agency of the parties to labour regulation

The first step towards explanation is to focus on agency by analysing the values, goals, actions and responses of the key parties to labour regulation; in this case, the managements of the companies and the unions representing employees in Australian airline industry.

7.2.1 The employers: business and employment relations strategies

The period between 1990 and 2006 saw unusually high turnover in airline companies in Australia, but the account here privileges those surviving airlines that were central to the ongoing development of labour regulation in the industry. In each case, management business and employment relations strategies are motivated by a range of factors internal to the company (including the values, the personalities of key individuals, the processes and outcomes of managerial decision-making processes, etc.), and external to the company (including the changing product market, the opportunities and constraints presented by changing labour laws, etc.). At the same time, it must be remembered that
management strategies are about the plans and ambitions of managers. They do not necessarily succeed. Their ultimate impact on labour regulation, therefore, depends on other factors, like union strategies and responses, state intervention and other unexpected external events.

7.2.1.1 Qantas
As the one surviving legacy airline, Qantas was a key player in labour regulation over the whole period. Indeed, changes to the structure of labour regulation at the airline were the most far-reaching. The actions of management contributed significantly towards these changes, particularly in changing the parties to regulation and the level and coverage of regulation.

Business strategy
As a legacy carrier, the overarching business strategy at Qantas was based on the full-service model. Management, however, recognised the need for change following deregulation, acknowledging that in a competitive environment the old way of operating was no longer relevant or sustainable. A new commercial focus was necessary. Despite this recognition, the implementation of a new business strategy was protracted. The merger with Australian Airlines in 1992 proved more difficult than imagined and became the major preoccupation, with little progress towards a reorientated business strategy in the first few years (Bray 1997). The installation of James Strong as CEO and a new Board and management group in October 1993 formed the catalyst for change — but it took time for the plans to take effect.

By 1995, with the merger complete, management was free to focus more sharply on reorganising and repositioning the company (Small 2002, p. 30). At the same time, privatisation made profit maximisation management’s top priority (Qantas 1996a). Profit maximisation alone, however, was not enough. To remain competitive, Qantas, as with many airlines around the world, had to have a keen ‘customer focus’. Management attempted to reconcile the competing strategies of low-cost, high quality and service innovation (see Blyton et al. 2001).

Under Strong’s new direction, accelerated reforms were implemented to cut costs and to improve productivity and efficiency while maintaining high product standards. To
achieve these business goals, management had to restructure and reorganise the business. More importantly, however — given the intimate link between business strategies and employment relations strategies — as management re-orientated its approach to its business, so too they transformed their approach to employment relations.

There were also consequences for the structure of labour regulation. Not long after his appointment, Strong identified the relatively high cost base (particularly labour) at Qantas as a significant impediment to long-term profitability compared to other airlines (Small 2002, p. 37). Strong began benchmarking Qantas costs on other regional airlines, mostly in the Asian market (Gottliebsen 1997). Management immediately put all areas of the company under review to determine ways to reposition the cost structure of Qantas to be more in line with those other airlines. Consequently, management put all airport services out to tender (Robinson 1999b). Competitive tendering, according to management, would increase efficiency, improve productivity and reduce costs. In 1997, while some warehouse and ground handling staff successfully bid for their own jobs, other areas (such as printing, some security services, baggage container repairs and the maintenance of aircraft wheels and brakes) were successfully outsourced (Qantas 1997a). Business strategies, and internal restructuring associated with competitive tendering and contracting out, had significant consequences on employees and unions along with implications for the structure of labour regulation, particularly in terms of level and the parties to regulation (discussed below).

Competitive tendering and outsourcing continued under Strong’s leadership, but management were still frustrated by the high cost structure. They again shocked the industry by beginning to experiment with ‘offshoring’. Citing pressures from the international downturn and the need to buy new equipment, management’s first attempt was in 1999, when they announced plans to establish a recruiting base in Thailand. According to the company, it needed a ‘more ethnically diverse cabin crew’. Over the years, the likelihood of offshore work would continue and most occupational groups would at some point come under threat. Such intimidation put great pressure on employees and unions to accept less attractive work arrangements. Again, the restructuring effects of offshoring, introduced unilaterally by management, had further
significance for the structure of labour regulation, but this time it was the scope of collective regulation that came under pressure.

By 1999, the cost minimisation strategy was reaping rewards. The company recorded successive annual profits from 1995, despite the Asian Financial Crisis (Qantas 1999a). Productivity improvements, as measured by RPKs and ASKs, were also significant in 1995–1999. Under Strong’s leadership, productivity increased around 20 percent over these years (Annual Reports 1995–1999).

In 2000, James Strong announced his retirement effective May 2001. Geoff Dixon was selected as his replacement. His first year, however, proved difficult as the market dominance of Qantas was challenged by several real threats: the emergence of low-cost carriers Virgin Blue and (to a lesser degree) Impulse Airlines; soaring fuel prices; the terrorist attacks of September 11; and the soon-to-follow war in Iraq (Sarina and Lansbury 2009). Like Strong, Dixon focused on cutting costs and improving productivity. These contexts, particularly the arrival of the low-cost carrier, placed management under pressure to change employment relations strategies and subsequently shape their approach to labour regulation. While management took advantage of the benefits the changing status of regulation introduced, they also sought changes to the other dimensions to become more competitive and remain viable in an increasingly competitive and volatile product market.

Two longer-term cost saving initiatives at Qantas were subsequently implemented. In 2003, Dixon announced the segmentation strategy; a strategy that required a major reorganisation of the business. The program involved the establishment of separate, stand-alone businesses, each with their own leadership and management (Shand 2003). Each had its own budget and profit targets and was accountable for its performance. The segmentation strategy continued over the years and was still a core part of the Group’s strategy at the end of 2006. Segmentation, which clearly required significant organisational restructuring, also had potential consequences for how management approached labour regulation, particularly the parties and level of regulation.

The second cost reduction program was the Sustainable Future Program (SFP). The aim of this program was to reduce the unit cost structure of the Qantas group, predicated on
the need to achieve cost parity with Virgin Blue. The initial target of $1.5 billion in savings doubled to $3 billion of cost and efficiency benefits over five years. For Qantas employees, this meant around 2000 redundancies, 800 jobs shed through attrition and 400 to 600 full-time positions to become part-time (Boyle 2003b). Management aimed to cut $444 million from labour costs by June 2006 (Oxenbridge et al. 2009). At the end of 2006, the SFP was still on target to achieve its goal (Gregg 2007).

Despite these significant programs, management were unable to stem Virgin Blue’s growth. In 2004, Qantas ‘drew a line in the sand’ on market share, adopting a two-brand strategy (Bamber et al. 2006; Sarina and Lansbury 2009). Taking advantage of the changing status of labour regulation and the opportunities presented by the WRA, Jetstar was designed to compete directly with Virgin Blue on price, focusing on the low-yielding leisure routes, while Qantas mainline would continue to target the high-end business traveller (discussed below). As Jetstar became more cost-effective, Qantas increasingly transferred unprofitable routes to Jetstar (Sarina and Lansbury 2009).

Management were aware that the Jetstar strategy was risky because no other full-service airline had ever successfully launched and sustained a low-cost carrier subsidiary. Qantas, however, carried out extensive research and capitalised on their experience with their international leisure carrier, Australian Airlines, founded in 2001. Australian Airlines folded in June 2006, no longer viable, when it had done what so many other airlines had done: it had become a hybrid between a full-service and low-cost carrier. Right from the start, Qantas identified that Jetstar had to be a ‘pure’ low-cost model. Qantas set up strict, uncompromising guidelines on how the low-cost carrier would be operated (Gregg 2007). Invariably, and although denied by the airline as a direct industrial strategy (Interview with Head of Qantas, IR 2004), one of the major payoffs was that it would circumvent the industrial arrangements entrenched at Qantas.

Jetstar, by the end of 2006, had proved to be a very successful business strategy for the Qantas group, contributing strongly to revenue growth and setting industry benchmarks for cost containment (Qantas 2006). Qantas mainline, while not directly shrinking, was stagnating (see Chapter 5, Table 5.13). There were growing fears among mainline staff that Jetstar would continue to expand at the expense of Qantas jobs. Some employees foreshadowed management’s agenda as continuing to grow Jetstar, shrinking the
mainline carrier to the point where employees were forced onto Jetstar-like conditions, and then re-badging both airlines under the Qantas banner (Informal interview notes). Job insecurity and career progression stagnation were common concerns among airline employees.

In January 2005, Qantas management declared that the airline could no longer afford to be an ‘all-Australian’ business. According to the CEO, the airline ‘had no choice but to source more of its people, services and products overseas in order to remain competitive’ (Dixon, cited in Creedy 2005). The target in 2005–2006 was to offshore maintenance work. This, however, was met with serious resistance by the maintenance unions, which used a sustained and ultimately successful media campaign to force the company to back down (see Section 7.2; Oxenbridge et al. 2009).

Throughout this period, and as part of a broader overall business strategy to counteract the cyclical nature of the industry, Qantas continued to diversify into other aviation-related businesses. The firm consistently sought out or established profitable stand-alone businesses, and by 2006 had a substantial and diverse portfolio. These businesses, while mostly wholly-owned subsidiaries or partnership arrangements, were generally independent entities. For instance, aside from Jetstar, Qantas formed two profitable freight companies (Australian Air Express and Star Track Express, both joint ventures with Australia Post); a wholly owned catering subsidiary (Snapfresh); and two other catering businesses (Qantas Flight Catering Limited and Caterair Airport Services). Qantas also owned Qantas Holidays, which marketed travel packages for other airlines under Viva! Holidays. Express Ground Handling was also established to provide competitive ground handling services to the Qantas group. Again, these ‘sub-units’ were contracted to do work for the mainline and had an effect on labour regulation as jobs were shifted outside the mainline carrier.

The broad-ranging business strategies deployed under Geoff Dixon from 2000 to 2006 were particularly successful. Profits were up at record levels. Productivity improvements at the airline were significant, with almost a 20 percent increase from 2000 to 2006 (Qantas Annual Reports, 2000–2006).
In summary, it is clear that new business strategies designed to ‘commercialise’ Qantas required significant organisational restructuring. Often these initiatives had serious consequences for labour and, subsequently, a direct bearing on the management of the employment relationship. Ultimately, these initiatives had implications for management’s approach towards the structure of labour regulation, although this varied over time and depending on the context. The following section will outline how management’s attempts to achieve their goals influenced — indeed transformed — their employment relations strategies, and hence labour regulation.

_Employment relations strategy_

The employment relations strategy at Qantas, regarding both employees and unions, varied over time as CEOs changed and circumstances evolved (see Figure 7.1 below for a diagrammatic representation of its employment relations strategies).

**Figure 7.1 Employment relations strategies at the major carriers**

<table>
<thead>
<tr>
<th>Relationship with</th>
<th>Control</th>
<th>Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Relationship with Unions</strong></td>
<td>Avoid</td>
<td>Accommodate</td>
</tr>
<tr>
<td>Jetstar</td>
<td>Qantas</td>
<td>Virgin Blue</td>
</tr>
</tbody>
</table>

Source: Adapted from Bamber et al. 2009a

As Sarina and Lansbury (2009) noted, business and employment relations strategies in the industry have become closely interrelated. Particularly at Qantas, where significant efforts to reduce labour costs have been introduced, the distinction between the two has blurred.
The first aspect of management’s relationship, relating to employees, was frequently contradictory under James Strong. He was caught, as Legge would say, in the ‘hard/soft HRM paradox’ (Legge 1995). On the one hand, Strong was a follower of the ‘organisational behaviour’ or ‘soft’ HRM approach. A crucial part of Strong’s plan was to actively engage, educate and engender commitment from their employees — all of which are characteristics of the commitment approach (McDonald and Millett 2001).

One effective employment relations strategy under this method was the introduction of an Employee Share Ownership Plan (ESOP). For management, the scheme sought to highlight the relationship between company success and individual employee contribution by connecting performance to remuneration (Qantas 1999b). The ESOP was also seen as an important factor in ‘bringing about cultural change’ (Qantas 1999b, p. 1). Thus, through the ESOP, management found a direct way to ‘engage’ employees and engender change. However, there was another benefit. Over time, successive share allocations, accompanied by an increased share price, resulted in employees receiving ‘a sizeable value of free personal capital’ (Qantas 1999b, p. 9). Accordingly, Qantas management increasingly recognised the ESOP as a significant part of the remuneration package. Under this scheme, management were able to negotiate wage increases below the prevailing EBA wage outcomes for the industry (Qantas 1999b). As such, the ESOP also became effective as a cost reduction strategy.

Similarly, Strong was a supporter of Consultative Committees (CCs), a ‘soft HRM’ tool he used to build trust and teamwork, encourage employee involvement in EBA negotiations, solve problems, and determine ways to improve the competitive position of the company. Management also established more direct lines of communication with employees, regularly conducting road shows, and distributing newsletters and updates informing staff of the company’s position. Put another way, management were attempting to change the parties to regulation, to deal directly with the employees and bypass the unions.

On the other hand, Strong also introduced ‘hard HRM’ initiatives, such as downsizing, competitive tendering, outsourcing and offshoring; strategies that alienated and fostered distrust among the workforce. Competitive tendering, a favourite strategy of Strong, meant that employees were faced with the morale-sapping task of restructuring their
own jobs in order to bid competitively — all just to keep their positions. Indeed, threats of job losses were constant and an effective tool for management, as the following extract from a non-public company document reveals:

There is extensive evidence to support the view that the most rapid and dramatic workplace change occurs in conditions of crisis, where the threat of insecurity and closure is real and believed. The staff survey showed that job security is the most important job issue for Qantas staff…Conflict is a downside of this lever, as strong union opposition can be expected. However, there is considerable scope for management to control the agenda, especially if the early forays carry lessons for other areas by being well researched, politically astute and demonstrating a determination not to back down (Qantas 1997b).

Likewise, non-public documentary evidence reveals that consultative committees were used somewhat cynically to foster positive superficial partnerships between management and employees, while their most important role was actually to raise awareness of the potential for job losses:

The purpose of the CC is to get the message to staff that an EBA outcome that is not underpinned by productivity improvements will undermine the competitive position of the Company, and prejudice the job security of staff (Qantas 1996b).

Again, the ESOP served purposes. On one level, it was designed to engender real commitment from employees with the benefit of wealth sharing, but on another, it also served as a particularly convenient tool to increase productivity while reducing real wages (Qantas 1999b). Thus, while the evidence suggests that Strong adopted a commitment approach to employees, there also existed a concomitant, more subversive agenda of eliciting order and control, primarily through intimidation and a level of job insecurity. Hence, the reality was a far more complicated strategy with dual aims at work.

The relationship with employees under Dixon was more transparent. Aside from the continued presence of the ESOP, there was minimal evidence of management strategies designed to establish any form of commitment from their employees. There was also little evidence to indicate a strong team focus or increased levels of employee discretion. In fact, there was a definite move away from the ‘quasi’ commitment approach under Strong. Dixon adopted a very pragmatic and business-driven style. Employees were kept at arm’s length and negotiations were conducted through the
unions. In the absence of commitment strategies, management adopted many traits associated with the control approach.

Dixon’s attempts to minimise labour costs were — like those of his predecessor — often accompanied with intimidating threats of job losses. Aside from the normal timely announcements (often just prior to EBA negotiations) of outsourcing, competitive tendering, ‘reviews’ and job cuts, employees were also subjected to the prospect of losing their jobs if targets were not realised. Dixon exploited the volatile environment. He was notorious for his pessimistic predictions about the threats facing the airline (Rochfort 2005), despite the fact that, by the end of 2006, the airline was as famous for its profitability as it was for its safety record. As one union official put it:

It has become stale and tired, this constant rhetoric about doom and gloom while at the same time [Qantas executives] pad their pockets like there’s no tomorrow (Mijatov cited in Creedy 2005).

Management’s approach to employees thus changed over the years, depending on the incumbent CEO. Strong’s ‘organisational approach’ and accompanying ER strategies had particular implications for labour regulation. Under Strong’s direction, management openly attempted to bypass the unions and establish a direct relationship with employees. Arguably, the extensive use of consultative committees was another way management could limit union involvement. Certainly, the ESOP was an effective strategy in this regard. Accordingly, the initiatives adopted by management had particular consequences for the parties to regulation and the level and coverage of regulation.

The second aspect of the employment relations strategy, management’s relationship with unions, was also complex. Overall, the strategy was one of accommodation, with management accepting (albeit grudgingly) the unions’ existence. Collective bargaining dominated the industry up until the mid-2000s, although more individual processes were beginning to emerge by 2006. Despite this continued collectivism, the character of this relationship deteriorated, particularly after 1996. Not surprisingly, the relationship that management pursued with their unions had clear implications for virtually all of the labour regulatory dimensions.
Management-unions relations have never been harmonious, but after deregulation management antipathy towards the unions grew. By 1996, with the merger finalised and new freedoms (and imperatives) resulting from privatisation and the WRA, a new low in relations emerged. Central to Qantas management’s aspirations was the splintering of the unions — the famous ‘divide and conquer’ strategy. By 1998, this was complete and the SBU was fractured:

I think we have been wildly successful in fragmenting the process (Qantas IR Manager 2004).

There is evidence that management welcomed the unions’ weakened position. EBA expiry dates began to be staggered, facilitating management’s ability to play the unions off against each other (White 2005). Management had further decentralised the level of regulation, while simultaneously changing the parties to regulation. Coverage of regulation had also changed because enterprise agreements were now based on separate occupations.

In 1996, with the SBU fractured, Strong had managed to negotiate an enterprise agreement that contained detailed clauses on contracting out, competitive tendering, outsourcing and part-time and casual employment (Qantas EBA III). Much sought after changes to the organisation of work were achieved. By 1998, further productivity and flexibility initiatives were embedded and were now standard across agreements (Chapter 6). Automatic payroll deductions for union fees were cut, which led to falling membership (Robinson 1999a). The legislation saw many clauses supportive of union activities in the workplace disappear (see Section 6.4).

This point is important. Management did not try to change the parties or scope of collective regulation; the process of making the rules remained ‘collective’ and the issues addressed in collective agreements did not change. These new substantive provisions were obviously written into EBAs with the unions’ consent, albeit reluctantly. Management’s goal was to change the content of the rules, something they did very successfully. This fact demonstrated the shifting balance of power away from the unions towards management. Indeed, the following extract from an article published in The Age reveals the extent of the shift:

Strong says the company tried to eradicate inefficient work practices through negotiation but gave up when enterprise bargaining didn’t deliver what it
wanted. Qantas put all services at airports out to tender. Secretly wanting to keep most of its skilled staff, the company helped internal bids. Over three years, services at 12 airports were tendered out; local bids won all but one. Yet big changes were made to work practices and staff levels, which have left a lingering bitterness (Robinson 1999a).

Offshoring was a different matter. During Strong’s reign, offshoring was introduced unilaterally by management and, despite union protestations, it went ahead (Grant 2005). Again, however, management did not seek to change the scope of collective regulation — but this was because management never considered it as an issue open for negotiation. Whether the unions tried to get it included in the collective ER ‘space’, and thus open for negotiation, is unknown, but clearly management had enough power to determine this issue unilaterally.

Management’s approach to unions hardened considerably after the appointment of Dixon in 2001. His approach, like Strong’s, continued to have implications for labour regulation. Dixon was furious with the unions for negotiating below industry standards at Virgin Blue and adopted a new resolve to achieve parity with the new airline.

Dixon was happy with the level of regulation (and the parties to regulation) and continued to negotiate with the unions separately. Indeed, there were many benefits to this strategy with management skilfully playing them off against each another — a point not wasted on the unions. Management were famous for having different strategies for different unions and playing favourites (Interview ASU Delegate 2004). Further to this, EBA negotiations continued to be progressively staggered, further isolating the unions.

With the unions splintered, Dixon also aggressively challenged them to continue transforming the organisation of work to achieve their targeted cost reductions. According to the Federal Secretary of the TWU, consultation over these issues was not a management priority:

Or we get a phone call and that’s the consultation — then you wait and get the letter, then you have a dispute and get it all fixed up. The consultation program is all bullshit. Qantas tell you what they want to tell you, but what you have got to do, is have your contacts within Qantas that you can ring up and not only source the information but second source the information too. Then you know what is going on (John Allan 2004).
A key part of the cost reduction strategy was to contain wages. While negotiating with two of its unions (the NUW and the TWU) management sought a wage freeze. Initially, they were unsuccessful. However, the terrorist attacks of 11 September 2001 and the subsequent industry downturn motivated management to expand its claim. Qantas now sought a wage freeze across all of its 33 000 employees (Thornthwaite and Sheldon 2001, p. 275). On the other hand, the collapse of Ansett, the day after September 11, although denied publicly, provided a much-needed boost to Qantas. Qantas quickly mobilised and acquired around 90 percent (eventually settling to around 70 percent) of the domestic market, but only employed around 300 extra staff — a huge increase in employee productivity (Knight 2001). Profits were up and the prospects of continued profitability were good (Workplace Express 2001b).

As Thornthwaite and Sheldon (2001, p. 275) reported, rather than softening its stance, Qantas capitalised on Ansett’s collapse and increased the pressure on unions for a wage freeze deal. Now with a virtual monopoly and 16 000 Ansett workers out of a job, Qantas employees faced a hostile labour market with no prospect of comparative alternative employment in Australia (Knight 2001). With nowhere else to go, Qantas pilots and flight attendants were the first to succumb — they had the most to lose. Maintenance and clerical staff proved more resistant. In another offensive move, Qantas then used the media to announce, in November, plans to eliminate up to 2000 jobs before the end of December. This was coupled with threats of outsourcing. Ultimately, the other unions conceded to the wage freeze, amidst growing fears of job insecurity (Thornthwaite and Sheldon 2001, pp. 275–276). In a pattern that would be repeated, management were able to use the lack of a viable alternative employer and the associated threats of job losses to secure substantial cost savings across the group through the enterprise bargaining process. Management followed this wage freeze with an ongoing, strict wage containment policy. The TWU Federal Secretary viewed the situation in these terms:

Qantas of course has used the period, the unstable period in the business, to hold down general wages and conditions to a 3 percent ceiling they’ve put on [sic]. They have almost pattern bargained if you like; unions can’t do it, but they have pattern bargained as an employer (John Allan, Federal Secretary TWU 2004).

By 2006, collective regulation continued, but the CEO was not particularly interested in negotiating with unions:
We’ve come to expect now that whenever there’s any change made or different ways of doing things that there’ll be certain groups that do not want to change and just refuse to change and…and you just bypass them (Dixon, cited in Workplace Express 2006).

Dixon, like Strong, was able to achieve many changes to the organisation of work. Competitive tendering, outsourcing, offshoring and the use of casuals continued and became standard provisions in EBAs. Again, management were able to achieve the majority of changes to the rules of work without actually changing the scope of collective regulation.

In many ways, it was the WRA of 1996 that opened the door for these management strategies (as will be discussed in more detail in Section 7.3.3). Dixon’s political activity suggests he was pushing for more. Dixon was also a key member of the board of the BCA in 2005 (Cottle and Collins 2008), and union officials were suspicious of the close relationship between Dixon and John Howard (Rochfort et al. 2006). Supporting their suspicions, Dixon admitted at an Annual General Meeting (supposedly as a result of union pressure) that Qantas had provided substantial sums of money to support anti-union campaigning by business groups (Qantas Unions 2005).

After the WorkChoices amendments came into operation in March 2006, Qantas was quick to embrace the new opportunities it gave managers. In an apparent Australian first, Qantas baggage handlers were docked half a day’s pay for holding a 90-minute stop work meeting in April that year. According to the workers, the meeting was held amid safety concerns over understaffing issues caused by high injury rates. However, management classed the meeting as ‘industrial action’ and invoked a clause in the legislation requiring four hours pay to be deducted (Pandaram 2006). 22

In another move that outraged the unions, Dixon signalled the future direction of the company:

We’ve been virtually a union-held company for many, many years....It is something we haven’t said before, but we have come to the conclusion in recent months that we need a range of industrial instruments and we will be still, very much, having our enterprise bargaining agreements with a lot of our people, but where we need greater flexibility, where we think it’s better utilised, we will be

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Indeed, later that month, management announced that Jetstar International Cabin Crew would be required to sign AWAs (Qantas Unions 2006). By the end of the year, the company had also introduced AWAs to its long haul pilots as well as to pilots of its new freight business, Express Freighters Australia (Mackinnon 2007, p. 405). Dixon also did not rule out introducing individual contracts in Qantas mainline if they were considered appropriate (Bamber et al. 2009a, p. 161).

In summary, business and employment relations strategies at Qantas changed radically over the period. Management’s shifting business priorities had a significant impact on their ER strategies and, consequently, on the structure and development of labour regulation in the industry. Certainly, it seems that management actively sought — and were effective in achieving — changes in the parties, the level and (to some extent) the scope of regulation.

Management appeared to be satisfied with the level of regulation at the enterprise. Enterprise bargaining became more important following deregulation as a way to achieve a competitive advantage. Likewise, their decision to split the SBU suggests they were not interested in re-establishing any form of regulation above this level. Interestingly though, while management’s actions suggest that industry-wide regulation was not what they wanted, they did attempt to coordinate across enterprises through benchmarking and cross-company comparisons. This was particularly evident in the use of Virgin Blue’s ER arrangements by Qantas management as a model to be emulated.

In terms of the parties to regulation, when management split the SBU, they of course changed the parties. This was a pre-planned strategic decision. In fact, management’s initiative to split the SBU, and thus change the parties (and the level of regulation), could be seen as a means to an end; achieving changes to the rules of work was far easier if the unions were divided. Strong’s endeavour to engage employees and bypass the unions also reflects attempts by management to change the parties to regulation. Perhaps the most important point, however, concerns the scope of regulation. From 1990, management identified that reducing labour costs was crucial. This continued to
be a key goal until 2006. Indeed, over the years management were able to achieve extraordinary changes to the rules of work. Wages were held down while productivity was increased and work reorganised. Yet, these changes were achieved without substantially changing the actual scope of collective regulation, only the content of the rules. Management were mostly able to achieve these changes with union consent. Job security became an important factor in this respect, and one that management ruthlessly exploited — particularly after Ansett collapsed. Management’s resolve to change the work rules hardened after the arrival of Virgin Blue. The shifting balance of power away from unions and employees to management is key to management’s achievements.

The coverage of collective regulation probably was the dimension least affected by management. Collective bargaining persisted. Management did neither overtly nor aggressively seek to dismantle collective processes; although, towards the end of 2006, they certainly used the threat of non-collectivist methods to force unions at the mainline to capitulate. Either management were (until then) happy with what they could achieve, or the unions retained enough power to deflect openly anti-union strategies.

Finally, management welcomed changes to the status of regulation. The shifting legal status of regulation tipped the balance of power to management. While they did not fully exploit the opportunities presented by the legislative amendments, they gained more options to manage their employees. Simultaneously, unions were constrained, which facilitated management’s efforts to achieve the much sought after changes to wage and non-wage issues. Management were also able to take advantage of the significant opportunities presented by a starting greenfield carrier. Thus, the changing status of regulation gave management a number of advantages, many of which were used to further achieve their preferred structure of labour regulation.

7.2.1.2 Ansett
Ansett went into administration in September 2001; it is included in this account to help explain the development of labour regulation in the industry. Ansett, like Qantas, developed a range of strategies to change the various dimensions of labour regulation, although in different ways and with different goals. Arguably, however, it was the airline’s collapse that had the greatest effect on labour regulation in the industry.
As the second legacy carrier, Ansett management retained a full-service strategy. As at Qantas, management embarked on a multi-pronged approach in the post-deregulation period of cutting costs while also striving to increase productivity, improve service and expand operations. Ansett was initially able to capitalise on Qantas’ disarray during the merger period and, unlike previous years, posted a profit in 1993–94. Indeed, perhaps due in part to its private ownership status, Ansett was more successful than Qantas in reorienting the business strategy in the early 1990s. However, by the end of the 1990s, cost-cutting and productivity improvement strategies were not enough. Ansett was in dire financial straits, beset by unstable management and maintenance problems associated with an ageing fleet.

Performance worsened after Virgin Blue entered and became the industry benchmark. Ansett did not survive. The increased levels of competition were too much for the now poorly managed and cash-strapped airline. The then prime minister, John Howard, claimed the airline’s collapse was due to poor work practices and, implicitly, to unions. Others disagreed. According to the Federal Secretary of the ACTU:

> If you look back at Ansett they had all the same opportunities under the bargaining system, all the same unions to deal with, but under their management, particularly after the time that Air New Zealand took full ownership of Ansett, they simply couldn’t do it. It was too difficult and they didn’t have the management capacity to do it. For example, that gets down to very simple things like they couldn’t produce a profit and loss statement, which is basic practice in any operation. They didn’t know what their costs were on particular routes, even whether they were making a buck out of particular routes and that is absolutely fundamental in the aviation business that you know where you are making a profit and where you don’t. But they came and told us that, and it was clear they didn’t know. It was just a company, you know, where people come to work every day and did the same thing — the management was not capable of using the industrial relations machinery, nor of adapting their financial reporting methods and their business management structures into running a more efficient operation. They just weren’t up to it. Qantas have been. Companies that use the bargaining system have been able to do well out of it (Greg Combet 2004).

McDonald (2002), an Australian academic and former airline union representative, agrees with the ACTU’s position, arguing that the carrier’s demise was largely due to long-standing managerial problems.
The airline’s collapse had a significant effect across the industry, changing not only the market structure, but also the behaviour of unions and management. On one hand, Ansett was a highly unionised company and the repercussions of its downfall for the union movement were extensive (Cooper 2002, p. 254). Aside from losing around 16,000 members instantaneously, the unions (and workers) were deeply shocked by the airline’s collapse. In the face of public accusations that it was ‘union muscle’ that destroyed the airline (Moran 2001), the unions became increasingly defensive. On the other hand, management at both Qantas and Virgin Blue were advantaged. Both moved quickly to capitalise on the airline’s collapse. Qantas, now the only full-service carrier, moved swiftly to capture Ansett’s share. Likewise, Virgin Blue, which was previously struggling, expanded rapidly to secure the second spot in the domestic market (see Section 7.3.2.1). The labour market was flooded and job security became a far more important issue for workers across the industry. Management were conveniently handed a more compliant workforce and a subdued union movement.

**Employment relations strategy**

The lack of empirical and other supportive data make categorising Ansett’s employment relations strategies during the 1990s difficult. However, Ansett was famous for its particularly strong brand and ‘family-like’ relationship with, and between, employees. Many were loyal, life-long employees. It was indeed common for several members of the one family to be employed by the company. Ansett also, like Qantas, tried to change the parties to regulation by initiating a ‘communications campaign’ with employees (Bray 1996). Ansett, at least on the surface, appeared to foster a commitment approach to its workers.

Ansett’s approach to their unions was very different to Qantas, although reducing costs and changing the organisation of work were key goals. The early 1990s saw Ansett successfully leverage off the uncertainty of a difficult financial situation (after the pilots’ strike and the recession, deregulation and the merger of Qantas with Australian). They persuaded employees to accept wage increases below Qantas and changes to work practices, which quite substantially improved productivity (Bray 1997). Subsequent wage rises also became predicated on demonstrated, genuine productivity improvements. In certain areas, the company successfully introduced part-time work, multi-skilling and cross-utilisation of labour.
While Qantas strove to challenge the unions, evidence from Ansett’s EBAs suggests that management moved away from the pre-deregulation ‘accommodate’ relationship with their unions towards a relationship based on a ‘partnership’ approach. In the wake of declining profitability, management appeared to utilise the unions as a mechanism to instigate change and develop initiatives to ensure the ongoing viability of the company — a move to some extent contradicting Greg Combet (see above). For example, the 1996 enterprise agreement was considered the ‘most important agreement’ and a ‘catalyst for significant change in traditional industrial relationships between Ansett, its staff and their unions, maintaining national cohesion together with enhanced local responsibility’ (Ansett Australia Partnership 2000 Framework Agreement 1996). Indeed, the agreement introduced substantial changes to work practices and job redesign. The subsequent agreement (Ansett Australia Union Collective Bargaining Agreement 1999) contained detailed clauses pertaining to the use of part-time, contract and casual labour, and the establishment of ‘Joint Working Parties’ whose purpose was to ‘develop functional appendices to allow for the implementation of agreed Business Recovery Program initiatives and/or initiatives proposed by the unions’. Agreed changes were to be implemented across broad segments of the business. The 1999 agreement, in contrast to Qantas, also maintained clauses on union matters, union membership, AWA and individual contract prohibition, and freedom of entry (Ansett Australia Union Collective Bargaining Agreement 1999).

The assessment of strategies at Ansett has been difficult. As a privately-owned company, very little data exists in the public domain. However, their strategies provide some insight into explaining the development of labour regulation in the industry. Like Qantas, management achieved substantial changes to the structure of labour regulation, but they followed different trajectories. In the end, the reforms at Ansett were not as extensive or as radical as at Qantas. Management were, however, the key instigators in the decentralisation process, moving the level of regulation away from industry-wide cooperation following Qantas’ merger with Australian Airlines. They were also far more successful in the early 1990s in changing the organisation of work. As at Qantas, these changes were achieved without substantially changing the scope of collective regulation, only the content of the rules. In contrast to Qantas, management generally sought cooperation from the unions to achieve these changes. The significance of this account of Ansett, however, rests with the impact its failure had on the reset of the
industry. Ansett’s collapse had a significant effect on the product market, the strategies of management at Qantas and Virgin Blue and, consequently, on industry patterns of labour regulation.

7.2.1.3 Virgin Blue
As the first successful start-up, low-cost airline in the Australian market, Virgin Blue was both a recipient of changes in labour regulation that occurred before it started — the decentralisation of regulation served it well — and a catalyst for further change in labour regulation. The introduction of radical work practices would see the airline become the industry benchmark for the scope of regulation in both wage and non-wage issues.

Business strategy
As a new entrant, in relative terms, Virgin Blue held significant ‘greenfield’ advantages. The structural and institutional features that constrained management at the legacy carriers in the 1990s had all but gone. While there were some difficulties in the initial stages in obtaining terminal space, the practical restrictions that had plagued Compass had mostly been lifted. Virgin Blue also broke with the tradition of having their headquarters in Sydney. By setting up in Brisbane, the strong lines of industry-wide communication that existed between employees when co-located in Sydney and Melbourne were broken. Cross-company comparisons were also more difficult (see Bray 1996). Effectively, this spatial separation established a higher degree of autonomy for the separate airlines across the industry, entrenching the level of regulation firmly at the enterprise.

It has been estimated that Virgin Blue’s low-cost business model delivered 30 percent lower operating and labour costs than that of Qantas (Sarina and Lansbury 2009). Wages were less and, with new flexible work rules, productivity was far higher. Productivity, according to the HR Manager, was the key:

The airlines must come to grips with this, so productivity improvements are the key to it. You can still pay people well. There are many examples of airlines, such as Ryanair, paying their pilots exceptionally well, but they do a lot of flying, they do a lot of flying, and it is purely productivity….So you must have high productivity, you must have high productivity (Bruce Highfield 2004).
Another key part of their business strategy was to outsource non-essential services. Ground handling was outsourced at certain airports, along with catering, as were some aircraft and engine maintenance services and overflow call centre services (Virgin Blue 2003). Like Qantas, the company established their own low-cost support companies. For instance, Virgin Tech and Jetcare performed engine maintenance for the airline. Express Blue Freight Pty Ltd was formed as an independent freight company, not owned by Virgin Blue but with a profit sharing arrangement that resulted in the majority of profits from the freight business being paid to Virgin Blue (Virgin Blue 2003).

After 2005, Virgin Blue, challenged by the success of Jetstar, moved away from the traditional low-cost model and incorporated elements of the full-service model; a strategy designed to capture more of the business market. This approach, however, would prove difficult with the airline having trouble distancing itself from its low-cost brand:

We have to reposition ourselves. We have brand new airplanes, we believe we have good service. We believe we’ve got leather seats with 31 seat pitch which is the same seat legroom as Qantas. We have food on board which you pay for, which is quite nice. We do have lounges in Melbourne, Sydney, Brisbane. We do have valet parking and we are looking at frequent flyer points. Now the problem that we have is that we did such a good job launching our airline as the small, underdeveloped, low frills, cheap tickets player — but the business market still perceive us as cut price (Bruce Highfield, HR Manager 2004).

Employment relations strategy

Like their business strategies, their employment relations strategies were also innovative. Virgin Blue tried to establish a commitment-based policy towards its employees from the outset, in a way that was similar to other companies in the Virgin group (see Bamber et al. 2009a, p. 104 for greater detail). This claim was supported by reports of a strong organisational commitment to achieving high quality, labour-management relations (Bachelard 2003). Commitment values and associated practices (such as teamwork, multi-skilling, empowerment and employee involvement) featured strongly in management’s dealings with employees, further supporting claims to a commitment approach. Virgin Blue was unique in that while it had conventional areas of job specialisation, it broke with the industry tradition and introduced functional flexibility in the boundaries surrounding these jobs (Bamber et al. 2009a, p. 105). According to the HR Manager:
So, the people working in our airline have to do different tasks to traditional carriers, and we also wanted to provide people with different employment opportunities. We wanted the men, the men, who we call pit crew, not baggage handlers, to be able to do check-in if required. If they had a sore back, sore knee or something, they could come and do check-in and vice versa. We wanted women to be able to go into the traditional male areas of pit crew and learn what happens on the ramp — because when you check in your bag, you don’t care that they are different departments, you want a seamless customer process. We call the concept “one team, one terminal” (Bruce Highfield 2004).

Although they accepted unions, Virgin Blue made it clear that having a good relationship with employees was far more important than having one with the unions. Maintaining a direct relationship and keeping employees ‘engaged’ was paramount:

It is a constant battle for me, not to be overrun by the constant demands of on-time performance, engineering and the purchase of assets and running, you know, producing the means of production. I say woo, woo, stop, what are we? Guys, what is our one strategic advantage over Qantas – and it’s our people. It gives us efficiencies, it gives us our service. The only thing we have over Qantas is service, our people. Then you have to start thinking about, well, how do you keep, how do you stop the inevitability of every single airline in the developed world bar none, over the long-term has turned to shit. Why? Their people have ended up being in more volunteer with the union movement than they have with being their organisation….So you can take two routes. You can beat your people over the head and they become more in volunteer with the union and beat you back, or you can get them involved in the [keeping the] success of the business and find creative ways to have a lower cost base. That is what is Virgin Blue is attempting to do (Bruce Highfield HR Manager 2004).

Recruiting the right employees to fit the image and the culture, although sometimes controversial, was vital to the carrier (see Spiess and Waring 2004). According to the CEO, Brett Godfrey:

So I was adamant that when we started this airline we would do it from scratch. There was an airline in New Zealand for sale and we didn’t want to go near it. I felt we had to start with our own — our airline wouldn’t have been ours if we bought someone else’s baggage. Unless you get it right, you can’t restructure culture. You can restructure your business, but if you’ve burnt people, or if you’ve killed their enthusiasm or commitment, then changing their office spaces or even putting a few more dollars in their pocket will not unduly affect the culture that exists….It’s a bit like the Titanic — once you’ve built it and it takes to the water, it’s too late to change its direction. That’s why it was really important that we got it right from the outset (cited in HC Online 2003).

Up until 2006, Virgin Blue appeared to continue with its strong commitment approach to employees.
Management’s approach to unions is, however, more difficult to assess/categorise (see Figure 7.1). Unions were accepted from the beginning at Virgin Blue, but the type of relationship management was trying to create with them was ambiguous. Bamber et al. describe Virgin Blue’s attitude to unions as one initially based on a partnership approach (2009a, p. 108). These authors also suggest that over time, mostly in response to changing ownership and top management, the airline developed a more traditional approach and moved to one of accommodation (2009a, p. 109). The empirical data gathered in this study largely supports this position. However, there was also some evidence that this ‘accommodation’ relationship was not management’s first preference; there were signs of an avoidance, or partial avoidance, strategy emerging towards the end of the period.

While unions were involved from the outset, the liberalised industry structure and labour law changes meant Virgin Blue management were in a position to ‘pick and choose’ their preferred unions. Three unions (the FAAA, the TWU and the AFAP) were selected because they were more pragmatic — or even mavericks. These three unions were prepared to break with traditions and accept more flexible work practices as evidenced by their negation with other airlines. However, it seems the company was also determined to distance itself from the ACTU:

I went and saw Greg Combet and said, Greg, I’ve got EBAs with three unions — well guess what, the TWU don’t play the game with the ACTU. The FAAA are more aligned with the TWU. They are quite heavily aligned together, the FAAA and [TWU]. They are so specific in the industry that the ACTU would be irrelevant for them, and the AFAP can never forgive the ACTU after the 89 pilots’ dispute. So guess what, I am dealing with three unions that are not that heavily aligned [with the ACTU] (Bruce Highfield, HR Manager 2004).

Indeed, the relationship between Virgin Blue and the ACTU was strained:

The ACTU’s behaviour during the Ansett collapse and subsequent rebirth under Fox and Lew made me realise the federal Labor government, the state government of Victoria, Greg Combet and others were horrified by the prospect of Virgin Blue. They wanted all those Ansett people to be back in the air, having their jobs back — and screw everyone at Virgin Blue (HR Manager 2004).

Nor did they see the ACTU as having any relevance to their operations:

The ACTU doesn’t really have any relevance to us. When our people vote — our people in the call centre voted, I think, four times — they had an independent vote four times. The ACTU couldn’t get over the fact that our call centre wasn’t run by the ASU. We said, well the TWU looks after our call centre
because they have synergies with people who do the check in, one agreement. It’s all the same, that’s what the people want….So there’s, look I understand how difficult it is for them to do their business. I can understand that. But at the end of the day, I still don’t think they are able to focus on what’s good for Australian industry. They are so bogged down in their own politics (Bruce Highfield 2004).

However, perhaps the greatest long-term threat for the unions was management’s ambivalence towards both unions and collective agreements. Management were deeply opposed to broad, nation-wide collective agreements:

So if you come to work on a big old collective, boring, union award, collective, national collective contract, what’s your incentive to hustle, what’s your incentive to save money? You are actually driving people to say, well, you know what, I’ve got my money, I’ve got my 38 hours, got my overtime, you are actually driving all the wrong behaviours (Bruce Highfield 2004).

Indeed, management saw it this way:

So that’s our challenge, and that will have an impact on industrial relations. Managing people in large collectives is not going to give Virgin Blue long term sustainability (HR Manager 2004).

Thus, while at the end of 2006 Virgin Blue was unionised and most employees continued to be employed under union collective agreements, management were keen to keep the unions contained and to tailor agreements very specifically for their needs. The unions were accommodated, but it could be speculated that this position may be challenged in the future.

To summarise, management strategies at Virgin Blue were ground-breaking. They exerted a significant and far reaching influence over many of the dimensions of labour regulation in the industry. While the level of regulation in the industry was well established at the enterprise — and the labour laws effectively countenanced nothing else — Virgin’s entry saw it become more entrenched. Management were happy with this arrangement. They were not at all interested in establishing any form of centralisation or coordination above this level. Indeed, on the contrary, it seems management were keen to see the level further decentralised, down to the individual airport.
The parties to regulation at Virgin Blue were also interesting. For the first time, management no longer had to deal with 16 unions. Although they accepted unions, management were very selective about which unions they would deal with. Certainly, they did not want any association with the ACTU. Likewise, the ASU, considered a difficult union in the industry, was excluded — much to its chagrin. This set a precedent across the industry, and while Qantas could do little at the mainline, it was certainly important to Jetstar. There was, however, a clear preference for Virgin management to work directly with employees, and it seems likely that whenever possible the unions would be bypassed.

The scope of regulation at Virgin Blue also had a significant effect on the industry, again breaking new ground. Management insisted upon a far narrower scope of regulation, reflecting the more flexible work arrangements and higher productivity rates. This narrower scope also exposed management’s aims to exclude unions from decision making on some issues. In doing so, management expanded the scope of unilateral regulation and reduced the scope of collective regulation. The carrier immediately became the industry benchmark to which Qantas aspired, and which they subsequently used to drive down terms and conditions at the mainline.

The changing status of regulation was a key factor for Virgin Blue. Indeed, it is unlikely that the airline would have entered the market in the absence of the ‘employer-friendly’ WRA, although this is purely supposition. The WRA gave management a far greater range of options and, as a greenfield carrier, Virgin Blue was in the most advantageous position to capitalise on them. Management’s aim, in terms of the coverage of regulation, was less clear. Unions were accepted but a complex web of non-collective arrangements was emerging. There did appear to be management bias towards non-collectivist processes. As the first major carrier to introduce such arrangements, their influence on other carriers, and hence the industry more broadly, was significant.

7.2.1.4 Jetstar
As the last major airline to enter the Australian domestic market, Jetstar was a recipient (more so than any other carrier) of changes in labour regulation that occurred before it started. Jetstar was in the ideal position to take advantage of the precedents set by Virgin Blue.
Business strategy

Jetstar’s competitive strategy was one based on low-cost. The airline had the lowest cost structure in the market, one estimate being around 15 percent less than Virgin Blue (Gregg 2007). The airline adopted many of the features of the low-cost model, in that it utilised a point-to-point strategy, quicker turnaround times and a single-aircraft fleet. While a subsidiary of Qantas, it was noted that management were determined to keep the airline a ‘pure’ low-cost model and not let it become influenced by the ‘full service’ way of operating (Gregg 2007). Therefore, unlike other low-cost subsidiaries, Jetstar operated largely independently of Qantas mainline and had separate management and industrial arrangements.

Like Virgin Blue, Jetstar held significant ‘greenfield’ advantages. It was, however, different to Virgin Blue in many respects. Jetstar was an ultra-low-cost carrier. It consistently offered the lowest fares in the industry and, unlike Virgin Blue, kept frills to an absolute minimum. Holding costs down was paramount, and was achieved by keeping wages low and productivity high, with turnaround times the fastest in the industry. Staff numbers were lean. Wages and benefits were the lowest in the industry (Saccotelli 2005). The unions were tolerated, although only two unions were recognised and their involvement was limited. Jetstar did not inculcate the ‘culture’ so keenly sought at Virgin Blue, but they certainly promoted a youthful image.

The impact of Jetstar on the product market was more subtle than for Virgin Blue, but still very significant. Qantas now used Jetstar, with the industry’s lowest rates and highest productivity, as the new benchmark for the mainline carrier (Sarina and Lansbury 2009). Management, as they had with Virgin Blue, began to drive down terms and conditions at the mainline to achieve parity. Jetstar also had a direct effect on the business strategy at Virgin Blue. Jetstar was very effective at slowing the growth of Virgin Blue. As was noted, Virgin Blue, squeezed by the Qantas Group (mainline and Jetstar) in both the business and leisure markets, moved away from the low-cost model. Virgin Blue repositioned itself to capture more of the business traveller, leaving Jetstar at the lower end of the market. To some extent, Virgin Blue and Qantas converged on a similar model and ‘met in the middle’; by 2006 they were both now competing for the business traveller. Virgin Blue’s shift provided another source of pressure for Qantas mainline.
Jetstar had an aggressive growth strategy, progressively taking on more Qantas mainline routes. By 2006, it became the world’s first low-cost, long-haul airline (Lindgardt et al. 2009) and one of the youngest and most profitable low-cost airlines in the world (Gregg 2007). For Jetstar’s business strategies to be so effectively implemented, however, it needed corresponding ER strategies.

*Employment relations strategy*

In terms of managing their employees, Jetstar most closely fits the ‘control’ model (Figure 7.1). The approach to employees was more traditional than that demonstrated at Virgin Blue, with job demarcation lines similar to its parent and the legacy carriers. Conditions of employment for staff were significantly less generous than at the mainline. For example, the hourly rate for narrow body aircraft pilots was 30 percent below Qantas and the wide body hourly rate was 40 percent below. Superannuation, rostering and allowances were also less than at Qantas (Gregg 2007). Productivity was higher, while levels of managerial control were high (Sarina and Lansbury 2009).

Although most of the evidence suggests that management sought to ‘control’ their employees (see Sarina and Lansbury 2009), the airline also stated that it tried to establish and cultivate positive employee relationships, a feature more common in the commitment approach. When asked about the importance of human resources, Rohan Garnett (the ‘Head of Customer Service and People’) stated:

> Critical, I think, because we have pinned ourselves so much on the attitude of our people; sharing in wins, things like profit share, or things like excess baggage collection, commission for sale of in-flight food and all of that sort of stuff. There is two sort of big examples. No, we have pinned our hopes on the fact that people will sign up to Jetstar, in a way that they haven’t signed up to other airlines in this business….The overall strategy is to be consultative, not combative (Garnett 2004).

Management’s relationship with unions was unique in the industry. While it touted a ‘simpler industrial relations structure’ (Gregg 2007), the fact that staff were employed on a combination of collective, non-union and individual agreements produced an employment relations strategy that Sarina and Lansbury (2009, p. 4) suggest resembled something of an ‘Irish stew’. At setup, the airline had two union agreements (the ASU covering clerical staff and the FAAA covering Flight Attendants) and three non-union collective agreements (engineers, pilots and all other staff). All new employees were to
be hired under Australian Workplace Agreements (Gregg 2007). The TWU were not involved:

No, we met with Jetstar and Qantas and they just had contractors written on their head, we could just see that straight up. So we just said, over our dead body, and really dug our trenches for a blue. And the proposal we put to Qantas — which came from our people — was that, why don’t you set up a subsidiary, fully-owned by Qantas to service Jetstar? ...and it is called Express Ground Handling (John Allan, Federal Secretary TWU 2004).

While the airline ‘accommodated’ unions, their involvement was limited (see Section 6.3). Thus, elements of both ‘accommodate’ and ‘avoid’ were present (Figure 7.1). As noted, management resisted the establishment of particular unions, preferring non-union collective agreements to build relationships directly with employees:

An element of pragmatism – [we wanted] to take the leave of the chief executive of both Jetstar and Qantas, to be very upfront about issues, to be very tangible with the issues and to be very transparent about them….We solved the engineering EBA by working in small work groups with both employees and management. That’s a philosophy we are going to hopefully carry over into the pilot negotiations and the cabin crew one. The ASU is a bit different (Rohan Garnett 2004).

To summarise, Jetstar took advantage of many of the changes to labour regulation already in the industry. Management sought a structure of labour regulation that was quite different to that of its parent. The level of regulation was at the enterprise, where management wanted it. They also sought a range of parties to regulation that were novel and diverse. While management accepted certain unions, there was a definite preference to work directly with employees rather than unions. Again, this reflects management’s aims to expand the scope of unilateral regulation and reduce the scope of collective regulation. Management utilised a range of instruments for their employees. Regulation was probably the most non-collectivist in the industry. As with Virgin Blue, the status of regulation worked in management’s favour. It took advantage of the many opportunities presented to shape their preferred structure of labour regulation. While Jetstar was unique, arguably its impact was most keenly felt through its effect on the strategies of the other players. With Jetstar steadfastly assuming the low-cost position in the product market, Virgin Blue was ‘squeezed’, and subsequently adjusted its strategy to attract more of the business market. Qantas also used Jetstar to drive down terms and conditions — the scope of regulation — at the mainline.
7.2.1.5 Summary so far

This section has identified the key business and employment relations strategies of management at the major airlines. These strategies have then been used to explain why the industry developed the patterns of labour regulation described in Chapter 6. A complex picture has been painted, but there is no doubt that management strategies have contributed significantly to the changing structure of labour regulation.

The level of regulation in the industry was interesting, mostly because it was one of the dimensions to change the least — although it did become more complex. There was an unambiguous acceptance of single-employer regulation from around 1992, following the end of coordination between Qantas and Ansett. From this time, almost everything about both business and ER strategies in all four companies was directed towards the single enterprise. While this is partly contextual, in that the labour laws countenanced nothing else, there is little doubt that management were happy with this arrangement. There were some exceptions in that Qantas regularly attempted to coordinate between companies through benchmarking and cross-company comparison. In contrast, Virgin Blue demonstrated a preference to decentralise below the enterprise to the individual airport. Finally, the use of competitive tendering, offshoring and outsourcing all had consequences for the level of regulation, in that the level was decentralised further when tenders were won by companies outside the organisation.

Management were also successful in changing the parties to regulation. Qantas broke up the SBU and established relationships, both good and bad, with their individual unions. The new carriers had far more options and strategically selected their preferred unions. Management at Virgin Blue and Jetstar (and Qantas, particularly under Strong) demonstrated a strong preference to work directly with employees and bypass the unions when possible. Likewise, when work was successfully outsourced or contracted out, management had changed the parties to regulation.

Changes to the scope of regulation were the most significant after the new entrants emerged. Before then, collective bargaining processes continued and the scope of regulation did narrow, but it was mostly in response to legislative changes. As such, management did not significantly narrow the scope of regulation. It seems there was no need. Management at Qantas and Ansett were able to achieve many of their cost cutting
and restructuring initiatives with reluctant union consent. Although, the fact that such extensive changes were achieved indicated a considerable shift in the balance of power to management. Management at the new entrants, however, would only accept a narrow scope of collective regulation. Indeed, their agreements were shorter and less prescriptive (Chapter 6). Wages were lower at the new entrants, which led Qantas to push wages down, first, towards the Virgin benchmark, then to match Jetstar. Of course, the new entrants would only accept highly productive and flexible arrangements from the beginning. Again, the practices at Virgin Blue became the industry benchmark, to which Qantas management aspired. Indeed, Qantas started Jetstar as a way to circumvent the slow rate of change to work practices at the mainline. Qantas also capitalised on Ansett’s collapse and used ‘job security’ as a lever to drive reforms through more quickly. Importantly, it seems clear that management at all the carriers were keen to exclude the unions from decision-making whenever possible. To this end, management were trying to expand unilateral regulation and reduce the scope of collective regulation across the industry.

It seems the coverage of regulation was not an area of primary concern for management. There was no widespread assault on collective processes; however, it was an issue that became more important to management as the years progressed. The end of the SBU also brought collective agreements at Qantas that covered separate occupational groupings. Although still ‘collective’, Jetstar introduced the novel feature of non-union collective agreements, arguably a convenient hangover from Impulse. Both Jetstar and Virgin Blue were more prepared — and able — to implement individual processes, although they were selective (and discrete) about where they used them. Virgin Blue introduced AWAs in certain areas, while Jetstar exercised all its options. Qantas mainline was adept at using the ‘threat’ of non-collective processes to achieve change.

Finally, it must be said that management at all the carriers welcomed changes to the status of regulation. Successive legislative amendments made things easier for management to shape the structure of labour regulation in a deregulated product market environment. Management had no problem with the level of regulation at the enterprise (or lower); indeed, it was a way to achieve a competitive advantage. Likewise, they had more options in terms of the parties to regulation. They were happy, indeed would only
accept, dealing directly with individual unions. The WRA handed management more power, while constraining the unions. Thus, together with award simplification, management’s ability to narrow the scope of regulation and to increase unilateral regulation expanded. Management welcomed the new options the WRA presented in terms of managing employees. The new entrants welcomed the ability to explore non-union regulatory options. At Qantas, the new forms of regulation were a convenient tool to coerce the unions and the workforce to cooperate.

7.2.2 The unions: strategies and responses
Management were clearly central figures in the development of new patterns of labour regulation in the industry during the 1990–2006 period. The other key party was the unions. Like management, a range of contextual factors, both internal and external to their organisation, influenced union strategies (see Section 7.3). However, this section emphasises the agency of the unions.

Management’s shifting priorities following deregulation had an obvious and direct effect on the unions. Employees too, aided by management’s longstanding campaign to ‘educate’ them about the new volatile environment, turned their concerns away from securing good wage increases to non-wage issues such as those surrounding job security (see Section 6.4). As management and employees adjusted to their new environment, so too did the unions. The unions turned their attention to protecting jobs and countering management’s attempts to introduce labour flexibility and workplace efficiency measures such as redundancy, part-time and casual labour, competitive tendering and offshoring. In labour regulatory terms, the unions were defensive, reacting to management’s offensives and attempting to maintain the scope and coverage of collective regulation at their current levels. All of this was against a backdrop of a shifting and increasingly hostile industrial landscape. In this light, the structure of this section is twofold. The first section focuses on key management initiatives and explores some of the ways the unions responded to them. The second section investigates union strategy within the context of the broader changes to the industrial relations climate. Although they were largely defensive, reacting to issues and offensives thrown at them by management, the unions were, on occasion, proactive. These initiatives will be presented as adjuncts to the main theme on an issue-by-issue basis.
One of the first management initiatives to have a direct bearing on union strategy was Qantas’ campaign to break up the SBU. Indeed, this was a significant occurrence in many ways. It was argued above that management were essentially exploiting new opportunities granted by the changing labour laws, but the unions also contributed to the collapse of coordination. Even before deregulation, all was not well between the unions in the industry. Internal difficulties saw unions struggling to be effective. Given these tensions, it was not particularly surprising that the unions were, at least in some part, responsible for changing the level of regulation. As the Federal Secretary of the ACTU notes:

You could have one single agreement for the entirety of Qantas’ operations with 12 unions party to it, but the TWU and a range of other unions decided that they don’t want that anyway (Greg Combet 2004).

It seems that, during the 1996 enterprise bargaining round, the TWU had become disillusioned and irritated by the laborious process of democratically determining what they perceived as ‘unrealistic’ claims under ACTU supervision:

It was the nonsense — whereas we walked out of negotiations…we saw claims around 10 percent being put up by various delegates and there was no substance, there was no research into the claims, and you had an airline industry on its knees (John Allan, Federal Secretary 2004).

Consequently, the TWU chose to defect from the SBU:

From that basis, we just pulled our people out and said you can continue with this bullshit and serve an ambit claim and keep dancing around it or sit down, do a bit of research, do a bit of understanding and bargain in reality. We have been doing that for the last three EBAs. Much to the disgust of all our colleagues I suppose (John Allan, Federal Secretary 2004).

This union, whose leaders saw it as the airline union, subsequently revelled in the greater autonomy that accompanied union-specific enterprise bargaining. No longer did they have to compromise with unions with whom they had little in common. They could now act according to what they saw as in the best interests of their members, not what was best for the common good. Indeed, the TWU thought bargaining separately was good for all the unions; it made them proactive and independent. As the Federal Secretary stated:

It got us off our arse. I think it made us into [bargainers], whereas previously under the collective system, that I knew, particularly in NSW with good stable laws, you didn’t have to bargain you just centrally negotiated, but when I moved
to the federal system in 1993, enterprise bargaining was here. So as I said, it got us off our arse (John Allan 2004).

Other unions agreed. Then again, some unions (mostly those with smaller memberships, poor relationships with management or more ideologically aligned to the left — the ASU for example) did not savour the prospect of negotiating independently with management. They vociferously protested. Over the years, these unions continued (unsuccessfully) to advocate for a reformation of the SBU (Interview notes).

Operating independently saw success between the individual unions vary and there have been detrimental consequences. Separate negotiations meant management were handed far more leverage to play the unions off against each other. In addition, and in the absence of ACTU control, the incidence of demarcation disputes and member poaching rose, particularly after 2000. Infighting saw the ASU and TWU at loggerheads over coverage in Virgin Blue; the two pilot unions working independently and competing for coverage; and the FAAA split into two autonomous divisions. Finally, the formation of smaller specialist companies further divided the unions, mainly in engineering and ground handling. The long-running dispute over representation between the ALAEA and AMWU at the maintenance company, Forstaff, is a prime example (see Small 2002).

While the unions were adjusting to the new arrangements, the strategies of the ACTU also evolved. No longer the central negotiator, the ACTU adopted a dual role of union coordinator and high-level strategic planner. Getting the disparate unions to collaborate was a priority — but it was a difficult task. According to the Secretary of the ACTU:

What is a priority for me is that we continue to build some trust and a preparedness to work together as unions on the major strategic questions. The bargaining can remain a bit all over the place or a bit fragmented, that’s not a key concern, provided the outcomes are good — and they are overall good. But a greater cooperation about where the industry is going is what we need to think about (Greg Combet 2004).

To achieve this collaborative goal, the unions began the process of building information-sharing networks under the guidance of the ACTU. The most obvious of these was the establishment of meetings for senior union officials, which were held regularly at the ACTU head office in Melbourne (ACTU 2004). Despite tensions
between the unions, attendance was often good (although proceedings were not always harmonious) and important information was generally shared. Similarly, some more occupationally (and ideologically) similar unions, chiefly the maintenance unions, chose to cooperate more fully. These smaller groups conducted their own meetings and even, on occasion, negotiated together with management (ACTU 2004). Thus, even though the level of regulation had formally devolved down to the individual union, cross-union coordination continued, if informally and incompletely.

This chapter has highlighted management’s agenda to change the organisation of work — particularly the escalating use of competitive tendering and outsourcing. These issues greatly concerned the unions and, as is often the case, placed them in a difficult position (Interview notes). If bids were won internally, often the process involved internal restructuring, with employees being required to accept inferior work arrangements. In contrast, if management demands were not met, work would be outsourced and jobs lost (Blyton et al. 2003; Small 2002, p. 38). The TWU were more sanguine and decided to get ‘ahead of the game’:

It wasn’t the enterprise agreement that introduced radical change, it was the Qantas competitive tendering process that introduced radical change to us. When Qantas mooted that, through the ACTU, everyone wanted to oppose it, and the difficulty we’ve got is that we [i.e., baggage handlers] are probably in the most vulnerable position. We are not seen by the customer, so you can wear a Qantas flag, a contractor’s flag, or whatever. So much to the disgust of all the unions we went into a bit of a huddle, did a bit of research on it, got an understanding just what competitive tendering could do. And well, we said to Qantas, if you go into a heads of agreement with us on competitive tendering, we set out due processes…. We were involved from the start. We then get a second slice at it as far as our costs were out of the ballpark, we can come back in around and have a second bid. We will go down the competitive tendering track. In the end, the ASU signed off so we worked jointly on that process but that was the major change. I am not too sure if it worked. I don’t think [it has made] typically huge savings for Qantas, but it has certainly got people focused on what their cost structures were (John Allan, Federal Secretary 2004).

Most unions reluctantly capitulated, adopting the compromised position of accepting competitive tendering but retaining, at least theoretically, some influence over the process. Three unions, however, were more proactive and took the action of suing the carrier over its policy and practice of putting internal jobs to tender and using labour hire firms as replacements. The AMWU, CEPU and AWU were the first ‘transmission of business’ case in the airline industry — they argued that management were
outsourcing simply to cut wages and conditions (Robinson 1999c). Their case was complex but ultimately failed, and the subsequent appeal was dismissed (Workplace Express 2001a).

Relatedly, management’s preference for competitive tendering resulted in a proliferation of what were essentially labour hire firms, which presented the unions with more challenges. According to the TWU:

There has been some contractors coming in now to do the underwing ramp handling work, one notable is Aerocare. And he’s trying to set himself up as a non-union component, out there he has got a non-union enterprise agreement, he’s been bidding for a fair amount of work, but we have been knocking him off by restructuring the unionised workforce to make it more competitive. That is probably where the biggest challenge for the TWU will be, to ensure that if there are more players coming in to do the ramp handling that they are unionised and that their labour is in the ballpark so that they don’t have that unfair advantage (John Allan, Federal Secretary TWU 2004).

The FAAA also had issues with Qantas when they contracted a labour hire firm to supply casual flight attendants (Robinson 1999c). These casuals were reported to be earning around half the wages of fulltime employees, receiving no sick leave, no holiday leave and no travel benefits. Contentiously, the owner of the labour hire firm was a former executive of the FAAA (Rochfort 2007).

While they had limited success with outsourcing, the unions were more effective in countering management’s offshoring initiatives. Success, particularly at Qantas, emerged through a controversial strategy to attack the brand (ASU 2004). On the one hand, part of this success relied on the ability of the unions to tap into the public psyche associated with the iconic brand of the airline. The public supported the notion that it was ‘un-Australian’ to send work at the airline overseas, and the unions publicly capitalised on this. On the other hand, the licenced engineering union (the ALAEA) developed a very public and very effective campaign, ‘Jetsafe’, focusing on ‘safety’ — an integral part of the Qantas brand — to thwart the threats of offshoring aircraft maintenance (Jetsafe 2006). Management abandoned attempts to offshore maintenance work to overseas providers in 2005 and 2006 due to a successful media campaign by the unions (Oxenbridge et al. 2009, p. 186).
Another management initiative, which unions developed strategies to counter, was redundancy. Again, often a compromise was inevitable and different unions were affected to different extents, although most occupational groups faced redundancy issues at some point. Redundancy was a major issue for the ASU:

Once we have been able to sit down and work out, you know, we get the delegates and we all sit down as a group and say, OK, if we put people on job share or part time, if they are prepared to do that instead of take redundancies — then there are positions that don’t need to go (ASU Delegate 2004).

Management’s approach to start-up at Virgin Blue was arguably the most important factor to shape the behaviour and strategies of the unions. The decision by certain unions to support the company had far-reaching consequences. Indeed, in a further blow to union solidarity, the process saw the relationship between the TWU and the ASU become further embittered. According to the ASU, the TWU went behind their back:

…the TWU did a deal with Branson and company, and said, we will get the ASU’s coverage and we will give you a Greenfield agreement that is 35 percent less, on average, than Ansett and Qantas (ASU Delegate 2004).

When asked what the TWU was trying to achieve, the ASU delegate replied:

Just get coverage. Because they see themselves as the airline industry union (2004).

Although the TWU accepted inferior work arrangements, they also made no secret that one part of their strategy was to circumvent the WRA ‘pattern bargaining’ restrictions to achieve parity across the industry:

It [the level of decision-making] has certainly gone from industry [level]. We make no excuses, we pattern bargain across all our sectors of industry. So we try to ensure that the Virgin rate of pay is the same as the Qantas rate of pay, [is the] same as the regional rates of pay. Our benchmark is our key classification of what we are for, and we want to see that consistent across all the airline operations, and we pattern bargain to that (Federal Secretary, TWU 2004).

Moreover, it seems the TWU were not overly concerned by the controversy and, indeed, seemed quite pleased with the outcome:

…I think we were a very passive player in the airline industry and sort of hunted with the pack. Now we effectively lead as we have shown in the Virgin arrangement - the single union with Virgin for most of the work, which would [normally] be covered by the ASU and TWU — it is all TWU. We recognise flight attendants and we recognise pilots. But apart from that we lead and most other people follow (John Allan, Federal Secretary 2004).
The ACTU were more pragmatic, ignoring what they considered petty rivalry between the unions. They were just pleased to see it organised, if only partly:

Well, Virgin are not noted for their union friendliness. Branson is a non-union operator in the UK and in other places. It was a unique thing that the unions got an agreement with Virgin here. It was quite acrimonious because the TWU concluded that agreement to exclude the ASU from representing people. They got that agreement essentially by discounting to some degree the clerical and customer service rates of pay that are obtained in Qantas. There are lower rates with the administrative positions in Virgin than apply in Qantas. So, that was a very contentious question, but the flight attendants have an agreement. The pilots have got an agreement. The TWU has for the customer service and ground crew operations, and there is a contract maintenance company that we haven't successfully unionised. Union membership is less, you know, the density in Virgin is less than Qantas. We have got a lot of work to do in Virgin in the time to come (Combet 2004).

The success of Virgin Blue triggered Qantas management to start Jetstar. For obvious reasons, this decision placed the unions, and particularly the ACTU, in a quandary. After careful consideration and much heated discussion, the unions and the ACTU chose to cooperate and support management. Ultimately, their decision meant that they could potentially exert some influence within the new airline:

Unionise it, recognise that this was going to be a low-cost carrier and had to have a low-cost base, but being involved in the outset and try and influence the corporate strategy for Jetstar as much as we could….The objective from our point of view in supporting Jetstar is to keep Virgin’s rates down, that is to keep their price structure low and make them focus and concentrate on that niche market, the low-cost traveller, and not eat up Qantas’ main line premium market, which is the economy and business market. That’s where we have got jobs and a lot of union members, and we have got good standards of pay and employment conditions. Those people pay us our wages to protect them and that is what we are trying to do (Combet 2004, ACTU Secretary).

However, Virgin Blue’s subsequent move away from the low-cost market suggests this strategy had limited success.

It was noted above that the TWU chose not to cooperate directly with Jetstar, preferring to influence the airline through the subsidiary company, Express Ground Handling (EGH). The TWU felt they could have a greater effect and achieve more for their members with this approach:

You maintain Qantas super, Qantas staff travel, Qantas wages. However, we will give you flexible work practices that are required for a low-cost carrier — because they are much different. We had the debate amongst our guys that, if
you keep the Qantas shirt on, will you be able to deliver the flexibilities? And our blokes realistically said no; it’s not up to us, our type of work is to service main line carriers and give them the ultimate service and not the sort of lower level….So we set that up [EGH]. Our first commitment was that all the part-timers in Qantas who wanted fulltime jobs could move over to the new subsidiary and that was taken up. So it worked quite well for both. So Qantas have now got a subsidiary with low overheads, more flexible work practices. We’ve kept Qantas rates, Qantas staff travel, Qantas super — so it’s good. So that’s how we did Jetstar (John Allan, Federal Secretary TWU 2004).

Overall, the ACTU, contrary to management opinion, did not believe the unions were particularly obstructionist:

We have got an important role to play in that, and our approach has been, well let’s try and see what we can do to accommodate greater flexibility, improve productivity, better cost structures and competitiveness, but without destroying the quality of the employment and without driving down wages. What that has meant is a more flexible approach to rostering, agreeing in some instances to part-time employment with greater flexibility about how that can be done, trying not [to] see everything turned into casual employment. Just looking for ways to give people better protection, but which recognise and respect some of the commercial imperatives that the companies have. Now that’s a tough order. I wouldn’t say we were all the way through on that strategy by any means. It is a really difficult environment (Greg Combet, ACTU 2004).

Indeed, the ACTU were pragmatic about the market place in the new millennium. Steadfastly refusing to change or adapt was not the way forward:

Just as an overall strategy thing, this is the sort of thing that occupies my mind a fair bit that I talk to the unions about. I don’t think that it is going to be successful for the unions and the employees to stand in the middle of the road and say there can’t be any more change. You get run over by a bus, a runaway train will just plaster you all over the tracks. You have got to have a bit of a strategy about how to deal with all of this pressure. Otherwise airlines collapse like Ansett (Greg Combet 2004).

Managerial strategies aside, the unions also had to contend with other external factors such as the changing legislative framework and broader structural changes to the labour market. With respect to the former, as discussed throughout this thesis, the WRA had direct and more indirect effects on union strategies. The process of award simplification (Section 6.4), as one example, not only proved divisive but also distracted the unions. A considerable amount of time (and effort) was expended attempting to transfer the lost conditions back into agreements:
...but you then have to argue to get them included again when you had them initially. There’s no automatic right to have them included and I think that is where it is frustrating. You have to have the fight again (ASU Delegate 2004).

In addition, the WRA saw management become increasing aggressive and less inclined to settle issues through negotiation, which forced the unions into defensive positions:

...We had a bargaining round that went off the rails in about ’97. We put in place protected industrial action against Ansett and because of the licensed engineers’ key role in the airlines — airlines will do what they can to avoid you actually ever exercising your authority. So I guess before the WRA we could sabre rattle a lot but never actually had to do it, because we had this implied power that the airlines knew you could use. So, therefore, not that they [management] necessarily capitulated, but they were prepared to always meet and talk and try and resolve the issues professionally rather than go into dispute (ALAEA Federal Secretary 2004).

The changing status of regulation, which had weakened the unions and the new enterprise focus of labour regulation since 1996, suggests the new legislative reforms at least facilitated, if not caused, significant changes to union-management relations. Levels of trust declined, producing diverse responses from unions. The ASU and the ALAEA, for example, attempted to forge excruciating detail into agreements:

We try to move more to legal regulation. Any agreement we get that is a particularly good local agreement, we do try and get it put into the enterprise agreement (ASU Delegate 2004).

In contrast, some unions, the TWU in particular, preferred the shorter, less specific agreements:

Our enterprise agreement with Qantas is four pages. The rest of it is in verbal agreements, exchange of letters or local agreements. We would like to leave it in that area. A lot of people say there’s a problem with that, and my legal people keep telling me, time after time after time...is that it puts us in a bad position if ever it is tested. But the benefit of it is that you can use it and abuse it and not get to the stage of [being] tested, if you are half smart (John Allan, TWU 2004).

These diverse responses reflected the differing ideologies of the unions, and also their differing strengths and relationships with management. Those unions with greater bargaining power or closer relations with management were confident that they could influence management irrespective of the content of the agreements. Weaker unions or those with low-trust relations with management saw any gap in the scope of enterprise agreements as an opportunity for management to exercise unilateral decision making.
Another less obvious effect of the new legislation and the focus on enterprise bargaining was that it drained union resources. For example, the ASU and the ALAEA complained that they were in a constant state of bargaining. This led to bargaining fatigue, a feeling of being overworked and, in some cases, a loss of focus:

One thing they have [done] to unions, EBAs, is they have thrown an enormous amount of work on unions to negotiate them. Because everywhere you have a site with some members and your employer wishes to have, or you [to] have, an EBA and it has to be renewed. It can be enormous…sometimes they can be quick and easy, the employer puts a good update on the table. But at the very least you have to go through the formality of meetings, then you have to have the information sessions with your members, then voting — a lot of employers like to leave that to the union to conduct the voting (ALAEA, Federal Secretary 2004).

You know it can be very intensive and that is probably the biggest thing that has happened. Even small organisations like us that have a lot more resources to handle its EBA quotas; and because our professional organisers, our industrial officers, are busy doing that sort of stuff. Sometimes we lose watch on some of the other issues [that] need to be done too (ALAEA, Federal Secretary 2004).

Against growing adversity, the unions also developed unconventional strategies. For instance, in 2004, against a backdrop of failed enterprise bargaining negotiations and constrained by labour laws, the ASU adopted the novel approach of utilising their power as shareholders to pursue pay increases. Using the Corporations Act, the union instigated a ‘vote no’ campaign at the Qantas 2004 AGM, encouraging shareholders to vote against a resolution put forward by the board (see Anderson and Ramsay 2005; Chapter 3, Section 3.2.3). They also posed questions to the board at the AGM, drawing attention to the industrial relations practices at the company. The main goal of the campaign was to highlight the disparity between executive and director remuneration compared to Qantas employees. While the ASU did not achieve their desired wage increase of 6 percent, the enterprise bargaining agreement was concluded shortly after the AGM. The campaign was successful in that it received significant public and media comment (Anderson and Ramsay 2005, pp. 33–36).

From a different perspective, the WRA provided the unions with unusual opportunities. As was noted in Chapter 6, the WRA and its enterprise focus also ‘got them off their arse’ (John Allan, Federal Secretary TWU 2004). Each union now had to develop their

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23 Nevertheless, this approach was gaining in popularity for the unions generally; see Anderson and Ramsay 2005. Shareholder activism is also an approach long used by unions in the USA.
own range of strategies. Attention was refocused back to union members and what they wanted (Interview notes). Generally, the locus of decision-making was devolved and workplace delegates took on a greater role:

In the last decade, yes, we have really changed strategy. We have reduced the status and the capacity of the federal union and put more emphasis on working from our branch structure (TWU Federal Secretary 2004).

It also provided the unions with a focus:

I have a range of ideological objections to the current Workplace Relations Act. Having said that, it provides a constant opportunity to organise because there is no company that sticks to an enterprise agreement because they are good blokes, I am yet to see it (ASU Delegate 2004).

Unions are now in a position where we have people who are members because they want to be members in the union. They want to get change. They want that kind of thing as opposed to being conscripts, so I think it has given us in that way, a great opportunity to start becoming active and being more like what unions were 100 years ago — as opposed to ones 15 years ago (ASU Delegate 2004).

Beyond the direct influence of the WRA, broader structural changes in the labour market added to the union’s woes. Peetz (1998, p. 13) argues that structural changes, such as changing employment status and hours of work, influence union density; primarily, because they affect the union’s ability to organise and recruit members. The airline unions were suffering from declining density and falling membership levels, like many others around the country. Although relatively modest compared to some industries, this created a sense of urgency across many unions and their priority turned to developing strategies to halt the decline. The unions wanted growth and they wanted members, but not just any members — preferably active, committed members. The TWU Federal Secretary describes the situation as:

Our energies now for the last probably five years has been to grow the union as a priority, over and above being the leader out there for wage increases, being in the media and so forth. So we have changed our strategies because we were shrinking, shrinking to the stage where we would probably be ineffective in another five years — but we’ve reversed that and our exercise is to go for growth (John Allan 2004).

Similarly at the ASU:

Yes, it is typically an increase in membership, an increase in the activity of membership. We don’t just want members; we want members who will fight for
what they want and obviously an outcome that those members and active members are comfortable with (ASU Delegate 2004).

Underpinned by the threat of irrelevance, the decision by several unions to cooperate with Virgin Blue on their terms is better understood. The unions were well aware of the potential fallout from such a move. The decision enraged Qantas management, not to mention the other unions. However, the unions were struggling for relevance and membership was declining. Indeed, given that each union was acting autonomously, the fight to survive would have driven them to seek coverage.

Aggressive employer strategies did not make things easier. Virgin Blue did not follow traditional methods to establish union involvement. Invariably, this proved problematic for recruitment:

Well in a traditional sense, most of the recruiting would have been done at the training school. In the early stages of training, the FAAA would be invited to address the training school and more often than not the majority of “young people” in those circumstances would join. Whereas that wasn’t the case in the initial start-up of Virgin. They just took the information away (John Playford, Manager Industrial Relations, FAAA 2004).

The changing profile of the workforce also had implications for the trade unions. The FAAA, lamenting the carrier’s ‘youthful’ culture, recognised this dilemma and accepted that they had to change their strategic approach to recruiting:

We have worked hard to recruit in Virgin because I think the traditional ways of recruiting haven’t necessarily worked. It is a different mindset, a different generation. A different way of looking at unions than we have encountered before (John Playford, Manager Industrial Relations 2004).

Moreover, the FAAA saw the problem in broader terms:

Now there have been a number of reasons, but primarily because it is a different generation, a different way of looking at unions and in some respects no appreciation of the collective. A lot more focused on themselves I think. And that’s not a criticism, that’s just the way they are. More focused on themselves than necessarily understanding the merits of a collective (John Playford, Manager IR 2004).

7.2.2.1 Summary so far

In summing up, a combination of factors has made this period arguably one of the most difficult in the history of unions in the industry. The unions clearly had mixed feelings
about the *level of regulation*, but they ultimately had some influence over the outcome: they contributed to decentralising the level of regulation by breaking up the SBU, a result some relished and others vehemently opposed. Interestingly, as Qantas’ ‘divide and conquer’ strategy took hold, the unions responded by re-establishing cross-union coordination; thus recentralising, albeit informally, the level of regulation. Likewise, the TWU’s strategy to ‘pattern bargain’ across all its sectors was another example of informal industry-wide coordination emerging in the absence of formal processes.

In this respect, the unions clearly had some effect over the *parties to regulation*. They also influenced the parties with the strategic decision to devolve decision-making down to the individual branches and assign more authority to workplace representatives rather than fulltime officials. The upsurge in small, specialist, and potentially non-union companies also presented the unions with challenges.

It is clear that a majority of the unions’ strategies were directed at restraining management on the *scope of regulation*. At Qantas, the unions tried hard to maintain involvement in the decision-making process. They developed innovative strategies to counter management, but with limited success. Often they were forced to ‘trade-off’ employee terms and conditions for job security. They did have some success, particularly in the early years, and with emotive issues such as ‘offshoring’. However, the fact that such extreme cost cutting methods were written into EBAs — that is, with the union’s consent — suggests there were losses as well. The unions were forced to accept compromises that would have been unthinkable during the 1980s or even the early 1990s. Clearly, the unions had little choice but to accept concessions. They did so with great reluctance. Of course, the controversial decision by some unions to support Virgin Blue had repercussions for the scope of collective regulation in the industry. It narrowed considerably. Qantas and the unions excluded from Virgin Blue were furious.

Relatedly, the other dimension the unions tried to influence was the *coverage of regulation*. The novel use of labour hire firms presented the unions with a range of issues. Again, this was a difficult matter for the unions and has been covered extensively.

Finally, changes to the *status of regulation* were largely changes the unions could have
done without. Their strategies were, however, shaped considerably by the legislative changes, and their resilience and ability to adapt were demonstrated.

This discussion has demonstrated some of the ways the unions have responded to this period of intense change, characterised by increasingly aggressive management and the ongoing introduction of anti-union legislation. The unions developed their own strategies to achieve the best they could for their members, although the outcome was not always what they expected and their success varied. The empirical data suggests that the unions were not the spent force so often perceived. They did, in fact, exert some influence over the structure of labour regulation.

7.3 The contexts

It was argued that the first step towards explanation was to consider the agency of the key parties to regulation. However, as the premise of this thesis, the strategies of the parties mean very little when considered in isolation. Without an understanding of the ‘context’ in which they occurred, only a partial explanation is achieved. Thus, the second step toward providing the most complete explanation is to identify those contexts that had the greatest influence over the behaviour of the parties. The product market, it will be argued, played a key role in shaping labour regulation. Although it will also be noted that it was not the only influential context; other factors were important.

7.3.1 The product market

Chapter 3 (Section 3.2.1.1) identified the important and diverse role of the product market in shaping labour regulation. The following section will trace the events that arguably had the greatest effect on the product market in terms of shaping labour regulation: deregulation in 1990, and the changing intensity and type of competition associated with the emergence of new carriers. However, as the following analysis reveals, and while important, these two factors were not all-determining. Other contexts were also significant (specifically, the breakup of the SBU and the end of the Qantas/Ansett cooperation).
The underlying philosophy behind product market ‘deregulation’ was to increase the amount of competition in an industry otherwise considered uncompetitive. Product market deregulation, however, also had important ramifications for the structure of labour regulation — it signalled the end to cost-plus pricing, an endemic feature of the regulated industry. Cost-plus pricing, the ability to pass increased costs directly onto the consumer, meant that labour costs were not particularly important to management as a means of securing market share. Wages were effectively ‘taken out of competition’. However, with product market regulatory restrictions removed, pressures to cut costs were elevated. Labour, as a significant cost, became a key differentiator, a source crucial for obtaining a competitive advantage. The incentives that supported industry wide bargaining, either formally or informally, were removed. A desire for autonomy between the carriers developed (Cappelli 1985a; Sisson 1987). In this light, with labour now a source of competitive advantage, the motivations behind management’s push to change the level of regulation and the organisation of work in the deregulated market become clear. The structure of labour regulation that existed in the regulated era no longer satisfied management’s requirements in the new marketplace.

Yet, paradoxically, the structure of regulation in the domestic industry did not change dramatically immediately following deregulation. An explanation for this contradiction lies in the persistence of certain structural and institutional features, characteristic of the industry. For instance, despite the rhetoric, the industry barriers to entry were not completely removed. Access for new entrants to terminals, hangars, lounges and aircraft slot times at the major airports remained unobtainable. Without access to these facilities, any chance of success for new entrants (as Compass Mark I and II found) was severely compromised (see Chapter 5). Another factor was the size of the domestic airline market in Australia. This relatively small market constrained the threat posed by new entrants and contained the level of competition in the industry.

Similarly, while management recognised and pushed for changes to the organisation of work, unions continued to have a strong coordinated presence under the ACTU. Industry wide coordination continued, the forces of comparative wage justice persisted. In the early years, the unions were able to resist many of the changes proposed by management. Of course, the merger between Australian and Qantas was important in this regard. It took management several years to amalgamate the two disparate
companies. Throughout this time, major employment relations campaigns by management were limited. In this sense, the merger served to preserve the structure of labour regulation in that management-driven initiatives were protracted. Thus, together, these forces mitigated the immediate pressures to change the structure of labour regulation delivered by deregulation.

Labour regulation did change more substantially, however, around 1996, following three interrelated events: the end of cooperation between management at Qantas and Ansett following the completion of the merger; the privatisation of Qantas; and Qantas’ success in breaking up the SBU. Indeed, it was not until after these events that the level of regulation more perceptibly decentralised, the parties to regulation changed and pressure to change the scope intensified. In effect, these events — not deregulation as such — broke down many of the structural and institutional features described above. Nevertheless, these changes to the structure of labour regulation, while significant, were moderate. The cosy duopoly continued. Despite deregulation, the product market remained stable until the end of the century.

Arguably, the arrival of Virgin Blue (and to a lesser extent Impulse Airlines24) was the most important context to directly affect the operation of the product market. According to the ALAEA Federal Secretary:

But it certainly has changed us, and because I guess the deregulation of the airlines, although it happened in late 89, it really didn’t take effect until Virgin and Impulse started in about 2000 (David Kemp 2004).

Virgin Blue was indeed the long portended ‘game changer’ and altered the product market in two ways. First, the carrier’s entry increased, significantly, the amount of competition within the industry. Secondly, and perhaps more crucially, it changed the way the airlines competed. Virgin Blue bought with it a new way of operating:

Whereas the rates of pay and that are OK, they are comparable, we have — Qantas has 70 odd percent of the Australian domestic market and probably has 80 percent of international market — they’ve probably got 1000 of my members just looking after their domestic fleet. Virgin has 30 percent of the domestic market and probably has 230 people…work practices are completely different (David Kemp, ALAEA 2004).

24 While Impulse Airlines also emerged at this time, it was much smaller and based out of the regional city of Newcastle. Arguably, its effect on the behaviour of the much larger legacy carriers was, at this point, less significant.
Traditional patterns of labour regulation were obliterated as the carrier, the new benchmark, did things ‘their way’. Virgin Blue handed rival employers increased leverage to control their unions:

That’s probably where the biggest threat has come from, Virgin and Jetstar. It’s that, whereas they have come across and said we don’t want to operate our business like say Qantas does, we want to operate it like this, it saves us money. Qantas then will come back and say, well we want to do what they are doing because you have given them a commercial advantage (David Kemp, ALAEA 2004).

Qantas escalated their battle against the unions to change entrenched patterns to match Virgin Blue. Ansett, unable to compete, collapsed. In this way, the arrival of Virgin Blue saw labour now became a key source for achieving a competitive advantage — in other words, wages were bought ‘into competition’. Following the arrival of Virgin Blue, changes to the structure of labour regulation were substantial. Briefly, the level of regulation became entrenched at the enterprise (or below). Along with this shift, the parties to regulation were significantly altered. The scope of collective regulation narrowed as the new employer utilised their ability to unilaterally regulate the employment relationship. The coverage of labour regulation also changed (see Chapter 6).

The operation of the product market would change again following the launch of Jetstar in 2004. With three players, competition became intense and, many would argue, unsustainable. The new way of operating became entrenched and ‘normalised’, placing unprecedented pressure on employers to adjust their labour strategies. Moreover, Jetstar would change the business strategies, and hence ER strategies, of the other players, which again reshaped the product market. Virgin Blue now had a direct cost competitor and adjusted its business model over time to move away from direct cost competition. Qantas, too, reacted to its own offshoot, paring down its operations, cutting costs and streamlining services to target the business traveller. As Chapter 6 noted, the structure of labour regulation changed again.

In sum, it is argued that the most extensive changes to the structure of regulation can be traced to changes in the product market; specifically, changes in the intensity and type of competition. Despite deregulation a decade earlier, it was only after Virgin Blue arrived, bringing wages into competition, that the most dramatic changes to the
structure of labour regulation occurred. Other carriers were forced to respond, adjusting their business and ER strategies to best compete in the new environment, which in turn further shaped labour regulation. Jetstar’s entry had a similar effect, although not nearly as dramatic. Thus, the long held axiom that the structure of labour regulation tends to follow the contours of the product market is largely validated by this study. However, this fact should not preclude the exploration of other contexts because, as this study highlighted, the effects of deregulation on the product market were muted by the persistence of certain structural and institutional factors. It was only after other events — especially the completion of the merger, the privatisation of Qantas and the cessation of the SBU — that these features were eroded to such an extent that the effects of deregulation began to be truly realised and the structure of regulation transformed. Thus, while the product market was a powerful context, its influence was more nuanced, being shaped by other factors.

7.3.2 Other markets
As noted, other markets, aside from the product market, can exert an influence over the structure of labour regulation in the Australian airline industry. Indeed, the market for corporate control (mergers and acquisitions) and capital markets (privatisation) were two contexts that shaped the structure of labour regulation in the industry, although not always as intended.

7.3.2.1 The market for corporate control
The merger between Australian and Qantas was another context to affect the structure of labour regulation. It had a twofold effect: it both constrained and stimulated change. On the one hand, the merger was in some part responsible for constraining change, in that it hindered management initiatives at Qantas. On the other hand, the merger stimulated change because although the number of players did not vary, it altered the structure and the dynamics of the product market. As Bray (1996; 1997) notes, following the merger the ‘new’ Qantas was far larger and far more formidable than Ansett. Ansett management became distrustful of the new carrier and cooperation between the two employers subsequently ceased. As the relationship deteriorated, business strategies diverged, competition increased, and employment relations (particularly at Ansett) came under increasing pressure. Thus, in terms of labour regulation, the merger triggered the retreat of industry-level coordination, decentralising
the level of regulation. Likewise, as the level changed, so too did the parties to regulation. Finally, the merger encouraged management to implement a range of initiatives to gain a competitive advantage, thus placing management under pressure to change the scope of regulation. In this sense, arguably, the merger of the two airlines had a greater effect on the structure of labour regulation at the time than deregulation per se.

In the year 2001, another complex series of merger and acquisition events again put the structure of labour regulation under pressure. In May, Qantas ‘wet leased’ the debt-laden Impulse Airlines and bought it outright by November, consolidating the market. 25 This acquisition had significant benefits for Qantas: first, it immediately provided the company with extra capacity; and second, they were able to capitalise on the already lower cost structures (mostly labour) that existed at the discount airline. Impulse Airlines provided Qantas with a ‘ready-made’ low-cost carrier. After the acquisition, Qantas’ market share rose to around 53 percent (IBISWorld 2006). While Qantas was the obvious beneficiary, this acquisition added extra pressure to a highly volatile, competitive market, placing further pressure on Ansett and Virgin Blue.

Indeed, by June 2001, Ansett was reportedly losing $18 million a week (Creedy and Gilchrist 2001). Air New Zealand (Ansett’s owner) had allegedly set up a deal in April to buy Virgin Blue, which was also struggling. The strategy was to run Virgin Blue as a low-cost operation and keep Ansett at the premium end of the market. The deal was delayed by four months; by that time, Virgin Blue had become profitable. The arrangement famously collapsed when Richard Branson tore up a cheque for $250 000 at a press conference. Gary Toomey, the then CEO of Air New Zealand, believed that Ansett would still be flying if this deal had proceeded (Creedy 2002). Within hours of this rejection, Ansett was offered for sale to Qantas for $1. Geoff Dixon also rejected the offer (Creedy 2002). By September, Ansett had collapsed.

The collapse of Ansett saw Qantas consolidate its position as the dominant player and the only full-service carrier in the industry. Virgin Blue also expanded rapidly to capture demand. Collective regulation continued to dominate the industry, but unions

25 Although definitions vary, ‘wet leasing’ most commonly refers to a leasing arrangement that includes an aircraft, complete crew, maintenance and insurance.
and workers became far more compliant as ‘job security’ became more important. The collapse served to significantly shift the balance of power away from workers and their trade unions towards management.

In summary, merger and acquisition activity — and indeed, the failure of Virgin Blue and Ansett to merge — resulted in the significant restructuring of the product market. This triggered a complex range of pressures on the parties to either directly or indirectly change the structure of labour regulation. Mostly, its effects were felt on the level and the content of the scope of regulation, and of course, the parties to regulation.

**7.3.2.2 Capital markets and corporate governance**

Progressive privatisation at Qantas from the early to mid-1990s was another context to shape the structure of labour regulation in the industry. In the early 1990s, Qantas management were frustrated by the government controls and welcomed the decision to sell the airline (Qantas 1996a). However, while buoyed by the prospect of private sector incentives and greater freedom to run the airline, management also faced the challenge of having to achieve a strong financial performance to gain a good sale price (Bray 1996, p. 138). Consequently, even before the float, management were under pressure to cut costs and boost performance (Qantas 1996a).

By July 1995, as a ‘marketised’ company, management faced a range of new constraints. More pressure was placed on them to enhance shareholder returns. Profit maximisation now superseded all other goals. Simultaneously, management now had a credit rating to maintain and debt conditions to fulfil. The introduction of extreme cost-cutting measures (such as downsizing, outsourcing, competitive tendering and offshoring), accompanied by a series of record profits following privatisation, reflects its importance as a key explanatory context (see Small 2002). Indeed, changes to the organisation of work were the most significant and far-reaching following the completion of the privatisation process in 1995. The repercussions of management’s cost cutting initiatives on the various dimensions of labour regulation have been discussed.

Thus, the importance of privatisation was that Qantas management were now obligated to cut costs. Business and ER strategies were implemented to this end. Moreover, its
effects reached beyond the company. As the dominant airline in the industry, the new focus had implications for the operation of product market and, consequently, the strategies of the other key parties.

Finally, while the correlation is significant, the exact extent to which privatisation directly attributed to regulatory change is impossible to ascertain (see Small 2002). Too many other, often interrelated, factors were involved (such as the introduction of the WRA and the newly completed merger). Clearly, however, privatisation was an important context, particularly when combined with these other elements.

7.3.3 The changing national system of labour law

The other substantial context to affect the industry was the changing system of labour law. Its most obvious effect was on the status of labour regulation. The first major change was in 1993 when legislation formalised enterprise bargaining. This legislation was important because ultimately it aligned with the merger between Qantas and Australian; together, this triggered enterprise autonomy. However, the 1996 WRA had the greatest effect: it had both a direct bearing on labour regulation, in that it effectively dictated the level of regulation and narrowed the scope of regulation; and an indirect effect, in that it changed the balance of power between the parties.

The WRA was important. It significantly increased the options for management by introducing statutory individual contracts and by greatly expanding the opportunities for non-union collective agreements. However, the WRA went beyond providing management with opportunities, it mandated certain behaviours while encouraging or discouraging others (see Chapter 3, Section 3.2.3.5). For example, provisions expressly limited the award-making powers of the AIRC and the role of awards, while other provisions (such as award simplification) ‘encouraged’ enterprise bargaining. Simultaneously, union rights were suppressed and penalties and sanctions available to employers against a range of union activities were introduced. Ultimately, the WRA made individual contracting easier while, simultaneously, making it harder for the unions to engage in collective bargaining. Importantly, the changing legislation tipped the power balance between the two parties away from the unions toward management. Employers became emboldened. Unions became defensive.
However, despite being handed — and encouraged to use — a range of diverse, novel tools to manage the employment relationship, the WRA did not force management’s hand. As was noted in Section 3.2.3, while it encouraged individualised employment relations, employers retained considerable freedoms, even under collectivised arrangements. Indeed, against the desires of the Howard Government, collective regulation dominated the industry until the end of the study in 2006; unions continued to represent employees and management continued to recognise them. There are two plausible explanations as to why management did not utilise the full opportunities presented by the WRA.

First, although membership density declined, the unions continued to possess some power, particularly in the early years. As Section 7.3.2 demonstrated, union presence was strong. They did develop strategies that effectively countered certain management initiatives. They did manage to gain recognition, albeit limited, in the greenfield carriers. Perhaps, for management, pragmatism reigned, and the cost involved in pursuing this confrontational path was too great.

Secondly, collective processes continued because management were able to achieve most of their goals. For example, either a satisfactory agreement was achieved at setup (Virgin Blue, Jetstar), or acceptable levels of change were obtained through collective processes (Qantas). For the new entrants, the introduction of the WRA with its greater range of management options would have been a significant enticement. As a greenfield carrier, management were unencumbered with existing traditions. Employers were far more able to exploit the opportunities presented by the new legislation. The introduction of competitive, productive and flexible workplace agreements, such as those seen at Virgin Blue and Jetstar, became a reality. Alternatively, for the incumbents, perhaps the mere threat of using the opportunities the WRA presented, such as the AWAs and reduced union involvement, was enough to achieve new flexibilities in collective agreements. Indeed, extraordinary changes were either incorporated at the outset or written into agreements, hence with union consent.

Curiously, at the legacy carriers after the introduction of the WRA, both Ansett and Qantas wrote a commitment into the 1996 collective agreements to continue with collective processes. Qantas, for example stipulated:
That the existing industrial relationship will be maintained — i.e., collective bargaining through unions — and that as a general position individual contracts will not be applied (Qantas Airways Limited Enterprise Bargaining Agreement III, July 1996 – July 1998).

Qantas subsequently became more circumspect, and the ensuing agreements (pointedly after the collapse of the SBU) generally did not incorporate such definitive clauses. Despite this written commitment to collective processes being removed, Qantas did not publicly bypass the unions and introduce individual arrangements.

Following Virgin Blue’s arrival (and the appointment of Geoff Dixon), however, such threats became far more aggressive. Indeed, a manifestation of this emerged with the establishment of Jetstar, a route for management to circumvent traditional industrial arrangements at the mainline and introduce novel features of the legislation. Again, these facts emphasise the importance of product market changes. In short, the changing legislation — the WRA in particular — produced two effects: it provided the new entrants with a more attractive business proposal and the incumbents with a useful coercive tool.

As was discussed in Section 3.2.3.1, the intended effects of labour law are often modified in practice. The airline industry was no exception. For instance, the WRA introduced provisions designed to frustrate pattern bargaining. The TWU were not overly concerned by these restrictions and made no secret of their strategy to ‘pattern bargain’ between carriers, although their success to this end was unclear. Likewise, while not ‘pattern bargaining’ in its strictest sense (see definition p. 45), both management and unions at Qantas attempted to establish some degree of commonality or ‘pattern’ across the terms and conditions within the carrier, a term Briggs and Buchanan (2000) refer to as ‘pattern agreements’. On the one hand, the unions established a range of informal networks to share important information about enterprise bargaining. On the other hand, both the TWU and ASU argued that management had ‘pattern bargained’ by enforcing ‘common terms’ across all the occupational groups.

Overall, legislative changes had a significant effect on the structure of labour regulation. Its effects were most significant on the level and the scope of regulation, and to a lesser
degree, at least until the end of this study, on the coverage of regulation. However, in this setting, the empirical evidence suggests that the legislative reforms were more facilitative rather than key imperatives for change. The ‘push’ for change emanated from fluctuations in the product market. As the evidence demonstrated, the new entrants took advantage of the new options available. It was not until after they entered that Qantas sought to pursue, more intensely, options offered by the legislation. Thus, the relevance of the new legislation was that it provided employers with far more choices on how to manage their employment relations. Simultaneously, it also handed management a very effective and persuasive tool to control the unions.

7.3.4 Other contexts

The sections above identified several key factors determined as highly significant in shaping the patterns of labour regulation throughout the airline industry. While these factors were certainly central, they do not amount to a comprehensive explanation. Clearly many other factors have had some bearing on the structure of labour regulation. Many of these other contexts have featured throughout the chapter, but often their importance was noted implicitly or discussed elsewhere. These other contexts include technology and the production process, the labour market and history. The following section will briefly draw attention to these other noteworthy contexts.

Chapters 3 and 5 identified the importance of new technology and its effect on the production process as an important factor in shaping labour regulation in the industry. New technologies were constantly being introduced. Indeed scholars have noted the impact of new technology, such as e-commerce during the 1990s, and the pressure it has placed on employment relations (Bray 1997; Doganis 2001). However, for this thesis, the significance of advancing technology lies mostly in the fact that it has provided management with many alternatives in how they manage the production process. Indeed, arguably, it has been this reorganisation of the production process that has had the most far-reaching consequences on the industry. The effect of the arrival of the low-cost carrier and how it changed the way carriers compete in the product market has been extensively noted. Thus, while this thesis stresses the importance of technology and the production process, it has been referred to implicitly in the operation of the product market.
Another important context, although again referred to implicitly, is the labour market. The increased instability in the product market after deregulation, and the inherent susceptibility of the product market to uncontrollable external events, put labour under pressure. In findings analogous to Godard (1997), there is evidence to suggest that these volatile conditions served to lower worker expectations and to reduce levels of labour militancy. For instance, deregulation had the almost instantaneous effect of elevating the importance of job security for employees. Throughout the period, for many employees job security surpassed other more traditional areas (such as wage increases) as the most important issue. Likewise, September 11 saw the ASU cancel large-scale planned strike action at the last minute (ASU 2001), only to be followed the next day by Ansett’s collapse. With 16 000 people out of a job, the labour market was flooded and the number of jobs in the market halved overnight. The unions and employees were reeling. Management, with little effort, were rewarded with a far more compliant workforce — the subsequent introduction of the company-wide wage freeze at Qantas is testament to this. Of course, management were very aware of this and, as often noted, repeatedly leveraged off times of crisis. Discerning the rhetoric from reality was difficult:

Qantas with their redundancies. I think while I have been here, they have announced to the public that they are going to have 6000 redundancies while I have been in this job — and they have actually ended up having a fraction of that (ASU Delegate 2004).

Certainly, management capitalised on these difficult circumstances. Employees faced constant pressure from threats of job losses through outsourcing, offshoring, contracting out and redundancies. Under such circumstances, the willingness of employees (and unions) to take strike or extreme action of any sort was severely weakened. It is arguable that lower worker expectations, accompanied by employees and unions that are more compliant, could in part explain the continuation of collective bargaining. Management were able to implement change without resorting to individual contracting or union avoidance.

Finally, the importance of history serves as an obvious and well-published context. Qantas and Ansett as legacy carriers were designed for a regulated environment:

Not only us but [other] older airlines around the world have grown up with a cost structure that developed when times were different…Ironically, the longer your airline has been established, probably the more difficult is your competitive
They were not structured or equipped to operate in a deregulated product market. Significant levels of adjustment in all areas were required. Although the legacy carriers, particularly Qantas, continued to evolve over the period in response to the changing environmental conditions, they were obviously constrained by past trajectories. The inertia the organisation possessed shaped the attitude and behaviour of its people and continued to influence the structure of labour regulation well into the new millennium.

7.3.5 Summary so far
In summary, while not an exhaustive list, all of these contexts were identified in some way — either directly or indirectly, and to a greater or lesser extent — to influence the patterns of labour regulation across the airline industry. While some contexts, such as the changing labour law, had a direct influence over the structure of labour regulation, mostly their importance lay in how they altered the balance of power in the employment relationship.

The 1990s was clearly a busy time for the industry with a range of significant contexts introduced: deregulation, the merger, privatisation of Qantas, and the WRA. Together these contexts had implications for the level of regulation and for the parties to regulation. They pressured management to change the scope of regulation. Despite these forces, the structure of labour regulation did not change profoundly; although, at the time, the changes might have seemed radical. Rather, the empirical evidence demonstrated that changes to labour regulation were the most profound from the year 2000. From all the evidence, the most plausible explanation for this paradox lies in the operation of the product market. In short, despite the potential changes to the product market promised by deregulation (and indeed desired by the government), it was not until 2000 that the intensity and type of competition within the product market actually fundamentally changed. Up until then, the industry had remained relatively stable in the cosy duopoly. However, Virgin Blue’s arrival significantly escalated the intensity of competition and revolutionised the production process. The way the industry operated was transformed. New radical business and employment relations strategies became the ‘norm’. Old carriers were left with little choice but to adjust — and fast — to the new
way of operating. Thus, while incremental change occurred during the second half of the 1990s, it was not until the actual level and type of competition in the product market altered that the structure of labour regulation transformed so dramatically.

Again, this explanation, based exclusively on the level and type of competition in the product market, is perhaps too simplistic. While the operation of the product market was clearly a powerful explanatory factor, it was not all-determining. Indeed, product market deregulation, per se, had little effect on labour regulation until linked with privatisation, the merger and market-focused labour laws. Together, these factors eroded the pre-existing structural and institutional barriers and, when combined, provided an enticing environment for a low-cost carrier. The fact that these different contexts reinforced and complemented each other is noted. Put another way, it was the combination of these contexts that eventually attracted employers to explore different business models and labour arrangements.

One final point is noteworthy. Most of these contexts were imposed by the state. The decisions to deregulate the product market, to merge and then sell Qantas, and to introduce new workplace laws were all directly attributable to government policy decisions. All these decisions were part of a broader strategy sanctioned by a government seeking to move away from tripartite arrangements towards a neo-liberal or ‘economic rationalist’ approach, one where the market is valued above all else (see Section 3.3). Particularly under the Howard Government in the years 1996–2006, the state actively sought to withdraw from ‘interfering’ in employment relations (Bray et al. 2009, pp. 133–135). This ‘deregulation’ agenda, however, was largely fiction. Employment relations became subject to significant levels of state intervention from a highly prescriptive and interventionist government. Hence, the role of the state, although viewed through the singular prism as a ‘context-setter’ in this analysis, is emphasised.

7.4 Conclusion

There were significant changes to the structure of labour regulation in the airline industry in 1990–2006. Explaining these changing patterns has been difficult. The chapter revealed that the explanation is multi-causal and embedded in a complicated
interaction between a series of discrete contexts and the strategic decisions by the key parties as they responded to these imperatives.

In summary, there is no simple answer to explain these drastic changes. However, while many factors were involved, it was the combination and accumulation of a series of complex changes to the product market — specifically changes to the intensity and type of competition and the corresponding actions by management — that together had the most profound effect on the structure of labour regulation in the airline industry. The role of the state as the creator of many of these contexts is noted.
CHAPTER EIGHT
CONCLUSION

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8.1 Introduction

Chapter 1 outlined the aim of this thesis, which is to make an empirical, theoretical and policy-orientated contribution to the employment relations literature surrounding labour regulation. Justifying this ambition is the claim that labour regulation in Australia and around the world has changed dramatically since the 1990s. It continues to be highly contested in both theoretical and policy debates. Moreover, despite its importance, our knowledge of labour regulation is still incomplete, due in part to the presence of systemic theoretical and empirical weaknesses in the extant literature.

To advance these aims, this thesis sought to ‘describe’ and ‘explain’ the changing patterns of labour regulation in one Australian industry: the domestic airline industry. This industry was chosen because it represents a ‘critical’ case (see below and Chapter 4). Two questions were posed: how did the structure of labour regulation change in this industry between 1990 and 2006? and how can these changes be explained? The aim of this final chapter is to demonstrate that these questions have been answered and that the research objectives have been achieved.

Accordingly, this chapter proceeds in three steps. Sections 8.2 and 8.3 return to the first and second research questions respectively. They summarise the approach adopted in the thesis and the findings on how labour regulation changed in the Australian airline industry. They also draw out some of the broader implications. Finally, Section 8.4 discusses some of the public policy implications of the analysis.

Before proceeding, it is necessary, however, to restate the methodological features of this thesis. The empirical investigation reported here is a single case study — a research design that has attracted a range of criticisms often associated with an alleged lack of generalisability, questionable theoretical rigour and excessive time and cost. Chapter 4 (Section 4.2.4) argued that most of these limitations are either unfounded (in particular, the lack of generalisability) or can be overcome with thorough preparation and good design. The question of generalisability, for example, was overcome by recognising that the aim of this research is not to generalise to populations but to expand and generalise upon theories. The quality of this empirical study was ensured by the application of the four logical tests discussed in Chapter 4.
Another methodological decision was to conduct a single rather than a multiple case study analysis. Inevitably, this involved a trade-off between deep understanding versus comparative insight (Dyer and Wilkins 1991, p. 614). As Chapter 4 asserted, the reasoning behind a single case was that it would allow for a more in-depth, thorough study. A single case study, as Dyer and Wilkins (1991, pp. 614–615) argue, is one that delves into the more ‘tacit and less obvious aspects of the setting under investigation’, and one that ‘leads researchers to see new theoretical relationships and question old ones’. It was concluded, that in these circumstances, it was more beneficial to achieve greater contextual insight rather than the more superficial, comparative understanding obtained with multiple cases (Dyer and Wilkins 1991, p. 614). Put simply, concentrating on one case — and doing it well — would contribute most effectively to the broader theoretical and policy debates surrounding labour regulation.

8.2 Describing patterns of labour regulation: the theoretical and empirical contributions

The first question posed by this thesis (how did the structure of labour regulation change in the domestic airline industry?) is answered mostly in Chapter 6. The chapter draws on — but goes beyond — the established ‘dimensions’ of ‘bargaining’ to provide a more holistic account of the structure of ‘labour regulation’. In this way, the empirical contribution made by Chapter 6 (discussed in more detail below) is revealed through the application of a modified theoretical framework, which embodies three novel features that contribute to the literature in three main ways.

8.2.1 Labour regulation: A broader descriptive construct

The construct of ‘bargaining structures’ is replaced in this thesis by the broader concept of ‘labour regulation’. It was argued (in Chapter 2) that ‘bargaining structures’ is insufficient because the extant literature has failed to incorporate categories outside the ‘collective’ and ‘bargaining’ constructs and has neglected many of the complexities associated with modern employment relations. In particular, recent decades have seen collective bargaining become less important, while rule-making processes (such as managerial prerogative and individual contracting) have become more pervasive. ‘Labour regulation’ is selected as a suitable alternative because, as a construct, its boundaries are similar to but broader than the traditional boundaries of bargaining
structures. By adopting this broader construct, the possibility of other rule-making processes, particularly those that are not collective (like managerial prerogative and individual contracting), come within the boundaries of analysis rather than being left as residual practices when collective processes are absent. Similarly, this broader construct removes the presumption of ‘bargaining’, allowing non-bargained processes of rule making to achieve appropriate attention.

At first blush, the application of this broader approach to the empirical domain of the Australian airline industry perhaps did not reveal its advantages as comprehensively as might have occurred in analysing other industries. It was found that collective bargaining remained an important form of labour regulation through the period under investigation. Instances of individual and non-bargained forms of regulation were reported (such as the emergence of AWAs in specific occupational areas of Virgin Blue and Jetstar), but they remained marginal to the main story. Despite these empirical findings in the industry, however, the value of the broader approach is still apparent. For example, the resilience of collective regulation comes into sharper relief because alternative forms of regulation have been more systematically considered. Relatedly, the absence of individualistic and non-bargained regulation becomes more conspicuous and deserving of explanation because extensive changes to labour regulation were largely achieved without resorting to non-collective processes. In this way, attention was drawn to the dramatic shift within collective bargaining through the character of collective regulation in the industry. In particular, the ability of management to set the agenda increased substantially during the period, particularly after 1996, indicating the considerable shift in the power balance in the management-union relationship.

8.2.2 A more holistic account of dimensions
When describing trends within the (broader) boundary of labour regulation, this thesis used a number of ‘dimensions’ to isolate different aspects of regulation. As discussed in Chapter 2, these dimensions initially came from insightful work on bargaining structures by overseas scholars (like Clegg 1976; Kinnie 1980; Sisson 1986; and Traxler 2003a) as well as more recent work by Australian scholars (such as Bray and Waring 1998; Thornthwaite and Sheldon 1996; and Bray et al. 2005). The extension of these dimensions from bargaining structures to labour regulation is a useful (if relatively modest) innovation. More importantly, however, Chapter 2 also demonstrated that
despite the *theoretical* breadth of the earlier works, much of the subsequent *empirical* analysis of bargaining structures had focused narrowly on just one of the dimensions: the level of bargaining. This leads to the second novelty to the descriptive analysis in this thesis; namely, there was a conscious effort to offer a comprehensive account of all dimensions rather than be content with the level of regulation. In other words, by not privileging the level of regulation over the other dimensions, the thesis developed a more holistic approach to the topic than some previous studies.

It is worth summarising the findings of the thesis on each of these dimensions of regulation in the airline industry from 1990 to 2006. The *level of labour regulation* changed radically over the period, becoming increasingly decentralised and fragmented; it transitioned to the enterprise following the end of cooperation between Qantas and Ansett in 1992. However, ‘enterprise autonomy’, to use Bray’s (1996) term, was slow to take root because of a range of persistent structural and institutional factors. Nevertheless, the level of regulation continued its steady descent towards the enterprise, particularly after 1996 and the collapse of the SBU. By 2000, the enterprise level of regulation had become entrenched, reinforced by the launch of the new entrants. Interestingly, Virgin Blue demonstrated a preference to go below the enterprise, to the airport level, while the escalating use of subcontractors and labour hire companies across all the carriers decentralised the level further. Thus, overall, change was profound. Regulation moved from the level of the industry to the level of the enterprise (and sometimes below). In this way, an industry in which labour regulation had previously been highly coordinated became increasingly fragmented.

Despite the apparent grip of enterprise-level regulation (or genuine enterprise autonomy), elements of ‘higher’ level regulation — or at least coordination — either remained or re-emerged. On the one hand, Qantas tried to coordinate between companies through benchmarking and cross-company comparison. On the other hand, the unions re-established informal industry-wide coordination and some attempted to ‘pattern bargain’ across the industry. This finding is important in two ways. First, it confirms the point made in Chapter 2 that analysis based solely on the ‘formal’ level of regulation is at best incomplete and at worst misleading. As Bray and Waring (2005), Kinnie (1980), and Thomson and Hunter (1975) all in some way note, the formal measure of centralisation often does not relay the complete picture of regulation. The
reality is far more complex, as this analysis has demonstrated. In particular, this finding reinforces the point made by Traxler (2003a) and Buchanan et al. (2002). It is not the level itself that is the most important factor; rather, it is the degree to which it is ‘coordinated’. Thus, other measures — not just the formal level of centralisation — must be considered to achieve a deeper analysis. The second way this finding is important is in the implications for public policy, in that the feasibility (or desirability) of genuine enterprise autonomy is questionable. This point is discussed further below.

Not surprisingly, the parties to labour regulation in the airline industry became very complex and diverse as decentralisation and fragmentation proceeded. Employers changed as old (and not so old) airlines collapsed and new ones arrived. Likewise, as with the level, the parties to regulation changed when work was outsourced. Management at the new entrants were able to choose who they were prepared to recognise as employee representatives in rule making — be it either their union(s) of choice or the bypassing of unions altogether (when they could). Ultimately, by the end of the period, all carriers displayed a preference to bypass unions and work directly with employees whenever possible. The unions splintered in the face of managerial aggression and in their inability to remain cohesive. They became responsible for their own negotiations. This often meant devolving responsibility and assigning more authority to workplace representatives rather than fulltime officials.

The scope of collective regulation also changed, narrowing over the period, with a corresponding expansion in the scope of unilateral regulation. The first significant change to the scope of regulation came in the late 1990s, following the 1996 WRA which introduced award simplification. In this way, legislative changes — not managerial unilateralism — narrowed the scope of collective regulation. As Chapters 6 and 7 noted, management were able to realise many of their considerable restructuring and cost cutting ambitions with union ‘cooperation’.

The second change in scope, and one arguably more significant than the first, occurred with the launch of the new entrants, particularly Virgin Blue, who would only accept a narrow scope of collective regulation. Reflecting this narrower scope and corresponding expansion of unilateral regulation, enterprise agreements were shorter and less prescriptive. The other carriers aspired to match the new benchmark and acted
aggressively to achieve it. Ansett failed in their attempt. Qantas was more successful, first levering off Ansett’s demise to use ‘job security’ as an effective tool to drive change; and secondly, using the start-up of Jetstar as a means of circumventing industrial arrangements at the mainline.

Relatedly, changes to the status of labour regulation had significant consequences for the structure of labour regulation in the industry. The level of regulation decentralised when legislation introduced in 1993 formalised enterprise bargaining. Registered collective agreements soon supplanted awards as the primary source of formal regulation, although awards continued to underpin them by regulating issues not covered by the agreements. While these early changes were significant, it was the Howard Government’s 1996 WRA that had far greater consequences for the industry. The Howard Government’s two-pronged strategy introduced, on the one hand, new legal forms of individual bargaining and a new legal status to non-union collective bargaining; while on the other hand, it placed restrictions on union-management collective bargaining and on award making. In essence, management were handed more legal options to handle their employment arrangements. The balance of power tipped towards employers (discussed in greater detail in Section 8.3).

Finally, the coverage of collective labour regulation remained high in aggregate in the industry, especially compared to other industries. However, as indicated by the changing status and scope, the character of collective regulation changed as the unions lost membership and strength while employers became more assertive. As well, at a more disaggregated level, the coverage of individual regulatory instruments (like collective agreements) was subject to the changes in levels and parties discussed above (Chapter 6). Regrettably, as Bray and Waring (1998) observe (Chapter 2), the availability of comprehensive data surrounding the coverage of regulation was a limiting factor in assessing the deeper, more nuanced changes to the coverage of regulation in the airline industry.

This summary reveals important theoretical and empirical contributions of this thesis to the descriptive literature. For example, a number of crucial insights would have been missed had the analysis, like so much of the literature, stopped at the ‘level’ of regulation. In many ways, the analysis of the scope of collective regulation was more
enlightening than the level per se. Indeed, this analysis revealed management’s growing ability to shape the rules of work. This point is important. It drew attention to the fact that the character of collective regulation had changed significantly, largely because the power balance in the relationship (a particularly salient notion when it comes to explaining patterns of labour regulation) had shifted markedly. A second example (exposed in Chapter 6) was the close linkages between the dimensions of regulation. Particularly strong relationships were identified between the parties, scope, status and level of regulation. Indeed, this analysis reinforces the point that dimensions of regulation are not ‘stand-alone’ elements; they are complex and intimately intertwined. Moreover, as Chapter 3 anticipated and Chapter 7 confirmed, a change in one dimension invariably triggers a change in the others. Only when considered as a whole does the real picture of labour regulation emerge.

8.2.3 The complexity of labour regulation

The third novel feature of descriptive analysis in this thesis is the extension of the traditional approach to incorporating an extra dimension — the ‘complexity’ of regulation. Bray and Waring (2005) argue that this aspect of regulation has been obscured in the extant literature. Adopting such an extended theoretical framework brings not only a more holistic analysis but also a greater empirical contribution by this thesis. These aims were achieved by examining the changing nature of both vertical and horizontal complexity in the industry and their congruence or fit. While complexity was nothing new to the industry, the analysis exposed that ‘complexity’ had indeed changed considerably during the period.

*Horizontal* complexity was, not surprisingly, far more prevalent at Qantas. It was due to the evolution of labour regulation over its long history, especially as enterprise agreements mushroomed without coordination, and awards continued to underpin them on some issues. In contrast, horizontal complexity was minimised at the new entrants because management used their greenfield status to produce much simpler arrangements. This analysis was valuable in that, on the one hand, it revealed the extraordinarily complicated system endemic at Qantas and the obvious difficulties faced by the parties in trying to ‘manage’ such a system. On the other hand, it was the lack of horizontal complexity at the new entrants that was informative because it provided further evidence of management’s ability to unilaterally determine the rules of work.
Again, the close linkages with other ‘dimensions’, particularly the scope of regulation, are emphasised.

Similarly, the large number of unions ensured that vertical complexity was a consistent feature of the industry. Indeed, this type of complexity actually increased after the SBU split and the new entrants arrived, albeit with unpredictable consequences. At Qantas, management fought hard to achieve the breakup of the SBU and they reaped the benefits. At the same time, however, dealing with 16 separate unions also created some problems for both parties. Union in-fighting, member poaching and demarcation disputes had negative consequences for both parties and resulted in what Bray and Waring (2005) considered an ‘incongruent’ regulatory system. The arrival of the new entrants also demonstrated how the new opportunities provided by the WRA — and largely embraced by their managements — increased vertical complexity in the industry. A far greater ‘diversity’ in the way employees were managed in the industry emerged; put in less subtle terms, employment relations became increasingly ‘fragmented’. Ironically, this outcome sharply contradicted the claims by the Howard Government that the WRA would produce greater regulatory simplicity. It also raises interesting questions about whether management will be as enamoured with this new fragmentation if and when bargaining power shifts back to employees and their unions. Finally, this analysis of vertical complexity reinforces the obvious close linkages that exist between the dimensions — particularly in this case, with the status of regulation.

Overall, the regulatory structure in the industry was extraordinarily ‘complex’, with elements that were simultaneously co-dependent and fragmented. Moreover, complexity varied over time and between carriers and often produced ambiguous effects. In this way, some insight was gained into understanding the strategies of the parties, and sometimes the unintended consequences of those strategies.

8.3 Explaining patterns of labour regulation: the theoretical and empirical contributions

The second question posed in Chapter 1 (how can changes in labour regulation be explained?) is answered mostly in Chapter 7. The empirical explanation of changes to
labour regulation in the airline industry was informed by the theoretical framework developed in Chapters 2 and 3.

8.3.1 Theoretical contributions

The explanatory framework adopted in this thesis draws on — but again goes beyond — the bargaining structures literature in several ways to provide a more holistic account of ‘labour regulation’. The first way this is achieved is by continuing to apply the broader concept of labour regulation over bargaining structures. The reasoning is that because description is the first step towards effective ‘explanation’, then deficiencies in this literature will be remedied by more complete explanations.

Secondly, and integral to the explanatory framework adopted in this thesis and applied in Chapter 7, is the assumption that explanations are multi-causal. Genuine explanation requires a complex combination of the key party strategies as well as their interaction with certain contexts. This point is not new; indeed, Chapter 3 noted that the bargaining structure literature rightly acknowledges both context and agency. However, it is also noted that the bargaining structures literature does not always get the balance right. Historically, early scholars favoured contextual explanations, particularly emphasising the product market to the neglect of agency. Explanations in later decades, mostly from the 1980s, privileged agency — mainly the strategic initiatives of management — to the neglect of context. The modified framework in this thesis seeks to overcome that tendency by more equally integrating the two concepts. More specifically, this framework expressly accounts for the dialectic relationship that exists between context and agency.

The third novel feature of the explanatory analysis in this thesis is that the treatment of ‘context’ is expanded beyond the traditional approach. Chapter 3 noted that while context-based explanations often correctly attribute explanatory value to the product market, they are often couched in vague terms like ‘increased competition’. There is no denying the inherent truth in this statement, but it does not go far enough. Fields outside of ER, such as economics, have adopted more nuanced approaches to product market analysis, but this seems to have been by-passed in the bargaining structures literature. This thesis drew on the broader employment relations literature to argue that more specific aspects of product markets (such as patterns of demand, product market
structure and types of competition) are better indicators of product market behaviour, which in turn have implications for the structure of labour regulation. Similarly, it is contended that the bargaining structure literature has failed to keep pace with the growing range of ‘other markets’, particularly the market for corporate control and capital markets. Again, this thesis drew on the broader employment relations literature to demonstrate that these other markets are potentially significant contextual factors in explaining patterns of labour regulation.

Another aspect of the expanded approach to context in this thesis is the explicit recognition of ‘levels of analysis’. The product and other markets discussed so far are industry-specific factors, operating at the ‘same level’ as labour regulation. The theoretical framework adopted in this thesis (and its application to the empirical investigation), however, also acknowledged that contextual factors operating at the level ‘above’ the industry can have explanatory traction (see Chapter 1). The role of the state, particularly in setting and enforcing labour law, is a particularly important example of a ‘higher-level’ context that is cross-industry and national. It affects (albeit in different ways) patterns of labour regulation in different industries.

Finally, the notion of ‘agency’ is also extended for the analysis in this thesis. As noted in Chapter 3, a considerable body of literature since the 1980s (especially that associated with Strategic Choice Theory) has attributed changes to labour regulation largely to the agency of management. While management is clearly an integral component of any theoretical framework (and its application to any specific empirical situation), explanation must incorporate at least the possibility that other agents, particularly unions, have some influence. This is the route towards a more holistic explanation and one more satisfactory than many of those in the bargaining structures literature.

In this way, the theoretical framework developed in this thesis offers a more holistic and systematic basis than the ‘bargaining structures’ literature from which it is derived for explaining labour regulation in the Australian domestic airline industry.
8.3.2 Empirical contributions on the airline industry

At this point, there is value in summarising the findings of this thesis that explain the changes to labour regulation in the Australian airline industry from 1990 to 2006. The empirical evidence gathered throughout this research points to the conclusion that a shift in managerial strategies was the single most important factor explaining the changes to the structure of labour regulation in the industry. Throughout the period under investigation, it was management that was initiating change. In most cases, they achieved the changes they sought — although not always as quickly or as completely as they may have preferred. For instance, management at Qantas pushed hard to change the level of labour regulation. Their ‘divide and conquer’ strategy irrevocably split the already disparate unions. In dividing the SBU, management negotiated separately with each union, thereby changing the parties to labour regulation and, perhaps unexpectedly, increasing complexity. At the new entrants, it was also management that dominated the making of rules of the employment relationship, albeit in different ways. Both Virgin Blue and Jetstar managers were more able to choose which unions they wanted a relationship with, entrenching the level of regulation at the enterprise and changing the parties to regulation. It was also management at the new entrants who, upon their entry, were responsible for significantly narrowing the scope of regulation.

This finding — that management strategy was pivotal — is in many ways similar to the general findings of Kochan et al.’s SCT account of changes to American industrial relations in the 1970s and 1980s, and Cappelli’s seminal account of change in the American airline industry. More recent airline studies in the UK by Blyton, Harvey and Turnbull also note, although more implicitly, the importance of managerial strategies, as did Oxenbridge et al. (2010) in their comparative study of Qantas and Aer Lingus. Of course, Bamber et al.’s (2009a) international study, which is underpinned by SCT, reflects the significant influence of managerial strategies on employment relations, particularly from the more contemporary perspective of ‘partnerships’ and the notions of ‘soft’ versus ‘hard’ approaches to managing employees. The changes in the larger American and British political economies at that time were not that different to what was happening in Australia during the 1990s, while the type of airline industry that Australia was moving towards in the 1990s and 2000s was not that dissimilar to the one that Cappelli described in the USA during the 1980s. In particular, as will be explored in more depth below, contextual features (both national and industry-specific) gave
enterprise managers strong incentives to ‘do something’, while the broader legal and institutional environment gave managers greater freedom to adopt both business and ER strategies of their choosing. These similarities can be easily exaggerated because differences were also evident. Nonetheless, the evidence of this research generally supports the many important studies that emphasise the role of management agency in shaping employment relations in airlines.

Despite the importance of management strategy as an explanatory factor, this thesis posits that a more holistic and systematic explanation requires much more. Consistent with the theoretical argument summarised above, this ‘management agency’ explanation must be combined with other agency factors, in particular the role of unions and contextual analysis. This juncture is an important point of distinction between this study and many previous studies of employment relations in the airline industry.

The Australian airline unions — the other key strategic party to labour regulation — were progressively constrained throughout the 1990–2006 period. Facing an increasingly aggressive management and the ongoing introduction of anti-union legislation, they developed strategies to achieve the best they could for their members. Their success was limited. Shaken by the collapse of Ansett, they often acceded to wage and benefits trade-offs for job security. Frequently they confronted the unenviable task of choosing between the lesser of two evils — as the decision by some dissident unions to support Virgin Blue and Jetstar made obvious. Indeed, the fact that they agreed to the major changes to the organisation of work that were required for their recognition is testament to their increasingly defensive predicament.

These findings are consistent with the small number of studies, mostly international, that have investigated the plight of unions across the industry. First, the unions in the Australian domestic industry were, not surprisingly, confronted by many of the same challenges that Blyton, Martinez Lucio, McGurk and Turnbull (2001 and 2003) found in their seminal series of international studies tracing the ongoing effects of globalisation on the industry. Unions around the world were facing increasingly aggressive managements that were trying to introduce — with or without union cooperation — a range of cost cutting strategies such as outsourcing, greater flexibility and more intense work routines. They also found that industrial arrangements had
become increasingly fragmented and localised as industry-wide negotiations progressively broke down.

There is also evidence to support, at least in part, Windmuller’s (1987) assertions that decentralisation of labour regulation in the US airline industry occurred because the unions were weakened to such a point that the employers were able to break the ‘standard rate’ across the product market. In Australia, this process began when management broke the SBU in 1996. It was cemented in 2000 when Virgin Blue management introduced new flexibilities and wage rates to the industry. However, unlike Windmuller’s findings, this study is more holistic. It argues that management agency was not the only important cause of union decline and decentralisation because, clearly, labour laws were an integral factor in breaking down industry-wide arrangements, as was the inability of the unions to remain coherent. The findings of this thesis also validate Cappelli’s (1987a) claim that decentralised bargaining structures tend to be associated with reduced power (and wage outcomes) for unions. Finally, although the findings of this study have indeed found that management’s efforts and broader contextual changes have been detrimental to the unions — again in agreement with British scholars Blyton, Martinez Lucio, McGurk and Turnbull (2001) — the unions have been by no means powerless. They have used whatever muscle they had to influence the extent and pace of change, although their success has varied between unions.

Moving away from agency-based explanations, some kind of contextual explanation has clearly been a part of earlier accounts of airlines. However, this thesis incorporates a wider range of contextual influences and offers a more nuanced analysis of the relationship between contextual factors and labour regulation outcomes. For instance, as Chapter 3 argued, Cappelli (1985a) rightly drew attention to the importance of business strategies and other industry-specific contextual factors, but he failed to acknowledge the importance of broader institutional factors, particularly labour laws.

Chapter 7 revealed that enterprise managers in Australian airlines (and unions) were responding to a complex range of contexts, many of which were beyond their control. The single most important of these contextual factors was undoubtedly the product market. It provided the ‘push’ element where changes in the product markets forced
managers to ‘do something’. In particular, the push was to reduce costs in order to meet price-based competition. This again parallels the American accounts of Kochan et al. and Cappelli. Like their American counterparts, different Australian airlines responded to this imperative in different ways.

The product market in the Australian domestic airline industry between 1990 and 2006 experienced multiple and interrelated changes. Product market deregulation was, of course, crucial. Many previous studies have recounted how deregulation led to intensified competition, which subsequently affected patterns of labour regulation (see Chapter 3). Within Australia, the threat of the new low-cost carrier, which would change the patterns of demand and the type of competition, created the impetus — and the means — to cut costs and increase efficiency at both Qantas and Ansett. As well as deregulation, the merger of Qantas with Australian restructured the product market and saw Qantas emerge as the major domestic carrier, the effect of which was to end cooperation with Ansett. Chapter 7 identified the significant (albeit complex and contradictory) impact this merger had on labour regulation. It also revealed how the failure of a second merger between Ansett and Virgin Blue had a profound (but less well known) effect on the product market.

A third development to affect the product market was the privatisation of Qantas, which put pressure on its management to satisfy shareholder returns. This crystallised the cost containment goals of management. By the end of 1995, the combination of these contexts saw the business strategies at Qantas, the largest carrier, become more commercially orientated and focused on profit maximisation. Cost reduction strategies became an imperative for survival and management turned to improving productivity while containing wages. Ansett, too, was affected by these contexts. Like Qantas, its management became preoccupied with containing costs, although they followed a different path towards achieving them.

After Virgin’s arrival, the product market really got ‘tough’. With a third major carrier, an unprecedented degree of competition emerged in the product market. More than intense competition, however, Virgin Blue changed the way airlines competed. New flexible work practices and lower wages put pressure on the old traditions and allowed Virgin to offer lower prices and remain profitable. Ansett collapsed in the wake. Qantas
hardened its approach to the unions and embarked on a range of significant cost-saving initiatives. Unhappy with the pace of change, Qantas also launched Jetstar, an ultra-low-cost carrier designed to compete directly with Virgin. Jetstar was a convenient way to circumvent traditional industrial relations practices at the mainline. With lean management, minimal staff and the lowest wages in the industry, its prices and its costs became the benchmark. Qantas mainline began to lose ground as Jetstar’s success burgeoned. Virgin Blue moved away from its low-cost image and targeted the business market, putting itself in direct competition with Qantas.

The literature in Chapter 3 revealed that the product market has long been considered central to ‘bargaining structure’ explanations. Airline scholars (such as Cappelli, Blyton, Turnbull, Harvey and Doganis) have long recognised its profound effect on airline employment relations. The findings of this thesis support their analyses and indeed support Commons’ ancient axiom that ‘the industrial relations system follows developments in the market’ (cited in Marginson and Sisson 2002, p. 197). Commons’ point is important because the changes to the operation of the product market in this case were far more complex than the vague but oft-quoted term ‘increased competition’. While the increase in the intensity and type of competition are important, this study found that other aspects of the product market (such as the distribution of market power and the structure of the market) were also imperatives that changed the parties’ behaviour, particularly management. Similarly, as indicated by Chapters 3 and 5, fluctuations in the level of demand is also a very salient factor, driving management to rapidly contain costs in the face of downturns. Finally, ‘other markets’, particularly the financial market and the market for corporate control, should also be considered because as this analysis revealed, the merger and privatisation of Qantas were very significant factors to shape the patterns of labour regulation in the industry.

While these ‘industry-specific’ contexts were evolving, broader (and related) institutional changes, most notably to national labour laws, were also shaping patterns of labour regulation. The 1993 IRR Act was important because it formalised enterprise bargaining. When combined with the Australian-Qantas merger, it triggered greater enterprise autonomy in labour regulation across the industry. The 1996 WRA, however, was the most potent legislative reform. Its importance was to hand management a greater range of options in terms of managing employment relations while
simultaneously constraining the unions. In so doing, the balance of power in the management-union relationship was transferred to management. The WRA also made things easier for managers at the new entrants to use new ER arrangements to gain a foothold in the industry. The Work Choices amendments in 2005 promised more of the same, although their greatest impact came after the period under investigation.

These findings are consistent with significant studies by Bamber and Lansbury (1998), Bamber et al. 2010, Bray (1997), Sisson (1987) and Traxler (1995); all of whom identify, albeit in different ways, the importance of a supportive legal framework for the continuance of, and changes in, collective bargaining. This thesis, however, offers a more nuanced account of the impact of labour laws on labour regulation in two ways. First, it explores in more depth how these laws affected labour regulation. Labour law reforms were significant because they handed management a far greater range of choices about how to manage employees. While labour law reforms may have encouraged certain behaviours, they were not all-determining. Indeed, management did not utilise the full extent of the options available to them under the law during the period under investigation. This paradox was explained by arguing that either management were able to achieve their desired levels of change without resorting to individualised processes made available by the new laws, or that the unions continued to be strong enough to resist these challenges. In this way, the changing national system of labour laws was not so much an imperative driving change in the industry patterns of labour regulation. The ‘push’ for change was coming mostly from the product market.

Secondly, Chapters 6 and 7 explored more systematically the impact of labour laws on all the ‘dimensions’ of labour regulation. Thus, this thesis goes beyond those studies chiefly concerned with the ‘level’ of regulation. It revealed, like Sisson (1987), the important connection between labour laws and the scope and status of regulation. Likewise, in a way analogous to Turner (1991), a more holistic account is achieved because this study demonstrates that labour laws provided the parties (particularly management, in this case) with the ability to manoeuvre in different ways reflecting their peculiar circumstances. Hence, this study goes beyond Cappelli’s (1985a) account, which failed to acknowledge that weak US labour laws provided employers with a far greater range of choices about how to manage employees within their enterprises.
The last, but by no means the least, feature of the contextual explanation developed in this thesis is the interconnectedness of many of the contextual changes and their common links with state policy. Deregulation of the airline product market, the merger of Australian and Qantas airlines, the subsequent privatisation of Qantas and the major changes in labour law were all the result of policy decisions of federal governments. Some were industry-specific, such as the removal of regulations governing the conduct of the product market and the ownership of organisations. Others were concerned with broader policy decisions about the role of the state in determining labour law. As argued in Sections 7.3.5 and 8.4, the common theme uniting these diverse decisions was neoliberal ideology. Thus, this thesis draws attention unequivocally back to the importance of the role of the state; a factor, it is argued (Section 3.3 and above), that has been neglected, if implicitly, in recent literature. The findings of this study reinforce previous accounts (Bamber et al. 2009a; Blyton et al. 2001, 2003; Cappelli 1985a/b; and Doganis 2006) that note the diverse (and usually adverse) effects that product market deregulation (for the few studies that examine privatisation, see Small 2002) have on airline employment relations, and which have been discussed throughout this chapter.

This section reveals important theoretical and empirical contributions of this thesis to the explanatory literature. However, this research has also demonstrated the difficulties associated with explaining labour regulation. Explanations are qualified and complex; ultimately there are limits to the explanatory power of such studies. Indeed, this study’s attempt to be more holistic is, in itself, a limiting factor. It creates further complexity by encouraging ‘every conceivable determinant’ (Bain and Clegg 1974, p. 106) to be considered. Relatedly, in no way does this thesis assert that these are the only factors to have shaped the structure of labour regulation in the industry — indeed, far from it. For instance, there is a growing body of literature (see Heery and Frege 2006) that has called for other actors outside Dunlop’s famous ‘three’ to be readily incorporated into explanations. Likewise, other contexts — such as history and the labour market (identified in Chapter 7) — played some role in shaping the patterns of labour regulation, but again they were only cursorily dealt with. These are areas, along with those already identified (such as ‘other’ markets and the more nuanced approach to the product market) as showing potential for further research. However, as Bain and Clegg (1974) assert, it is neither possible nor desirable to recognise all the potential variables.
Accordingly, this thesis has sought to identify the *most* ‘critical and significant relationships’ (Bain and Clegg 1974, p. 106).

### 8.4 The implications of this study for public policy

The focus through most of this thesis has been upon empirical and theoretical analysis. Nevertheless, the findings of this study — without necessarily attempting to generalise from the case study to the broader population — can be used to contribute to the ongoing debates surrounding the structure of labour regulation in Australia. Indeed, as Cappelli (1985) observed several decades ago, case studies, by means of their inductive approach, have a particularly strong connection with public policy debate:

> Induction is therefore a superior method for addressing questions that involve policy issues — where one needs to know a great deal about specific cases, where a variety of potential explanations need to be considered, and where the concern is more with creating explanations than with testing them (Cappelli 1985, p. 96).

In broadest terms, this research contributes to the ongoing policy discussions because it presents a deep, theoretically-informed account of one critical industry in a debate that has otherwise been described as poorly articulated, peppered with rhetoric and empirically and theoretically lacking. For instance, Bray and Waring (1998), Briggs and Buchanan (2006), and Macdonald et al. (2001) have argued (see Chapter 1) that the bargaining structure debate in Australia has lacked conceptual clarity; terms have been poorly defined and often used indiscriminately.

This thesis has attempted to bring some clarity to the analysis of labour regulation, chiefly by advocating — and explicitly defining — the concept of labour regulation over bargaining structures. The benefits of using this broader approach, including the subsequent clarity it brings, have been noted in the introduction to this chapter and throughout the thesis. Similarly, Bray and Waring (1998), Buchanan et al. (2002), Dabscheck (1990), Frenkel and Peetz (1990), and Mitchell et al. (2010) note that, taken as a whole, much of the bargaining structures debate has been surrounded by superficial claims deficient in empirical evidence. Dabscheck (1990) was particularly scathing of the influential report by the Business Council of Australia (1990) into ‘Enterprise Bargaining’:

> Fortunately, or unfortunately, the real world and the evidence they have
gathered, has not fitted neatly into the policy directions desired by the BCA. When confronted by such problems they have been forced to enter into forms of sophistry, to claim the unclaimable, or ignore and downplay the role of evidence which contradicts their case for reform. The problem is that the BCA had already determined the answer it wanted before it had commenced its research (Dabscheck 1990, p. 11).

By delivering a deep, theoretically-informed and conceptually clear empirical investigation it is hoped this research can help go some way towards ameliorating this deficiency. Finally, by conducting industry-level research, this study hopes to support Bray and Waring’s (2009) argument that, although out of favour, industry-level studies are still a crucial site for generating theory surrounding this debate.

Turning more specifically to the content of the debate, this thesis first contributes on the question of the level of regulation. To restate, the core rationale of various Australian governments behind changing the structure of labour regulation was to shift the employment relations system to the level of the enterprise, if not to the individual employee. This shift, it was claimed, would ‘inject greater flexibility’ into the labour market (Abbott 1997). Fundamentalist advocates of this doctrine take the argument to the level of the individual employee, arguing that a completely ‘deregulated’ labour market is most desirable. Slightly less strident supporters instead insist that it, at the very least, requires ‘genuine’ enterprise bargaining where each organisation makes autonomous decisions about wages and working conditions. For example, the Federal Treasurer in 2007 stated:

It is very, very important that wage outcomes be based on an individual basis. It is very, very important that we don't have pattern bargaining that takes one settlement and then by pattern tries to take it across the board (Costello 2007).

This cult of the enterprise lies behind provisions passed by both Coalition and Labor governments either banning or making extremely difficult any attempt by parties (mostly trade unions) to engage in ‘pattern bargaining’ (see Chapter 2 and Section 3.2.3.1). Indeed, the elimination of ‘pattern bargaining’ has been a central policy objective of both sides of government; both have claimed it undermines a ‘genuine’ bargaining system (Briggs et al. 2006, p. 9). In 2000, Peter Reith (the then Minister for Workplace Relations) stated:
Pattern bargaining is a manipulation of the legislative right to enterprise bargaining provided for by the WRA 1996 and by the previous Labor Government’s industrial legislation. Under pattern bargaining, union officials making backroom deals assume control over multiple outcomes (Reith 2000).

In 2002, Tony Abbott (the Minister for Employment, Workplace Relations and Small Business) claimed:

Unions use pattern bargaining to conduct their negotiations across a range of employers or an industry and do not genuinely negotiate at an enterprise level. Pattern bargaining ignores the needs of employees and employers at the workplace level (Abbot 2002).

Wooden (2000) argued that this would have dire consequences for unions (and employers) because they (the unions) are:

likely to be rewarded not by increased union membership, but by a growing number of firms seeking to marginalize unions through increased use of non-union collective agreements and individual employment contracts (p. 124).

Despite these vociferous criticisms, however, federal labour law still allowed pattern bargaining until the Work Choices amendments in 2005, which introduced provisions (WRA ss. 421 and 439). These ensured that industrial action by unions was not ‘protected’ in claims arising from pattern bargaining (Forsyth and Sutherland 2006, p. 194). Although the Labor government repealed this law when it came to victory in 2007, the 2009 Fair Work Act still does not support pattern bargaining:

…a bargaining representative of an employee who will be covered by the agreement must not engage in pattern bargaining in relation to the agreement (Fair Work 2012).

At the same time, a minority of scholars and policy commentators have claimed that decentralisation, particularly ‘pure’ decentralisation, is not necessarily desirable or attainable (Bray 1996; Bray and Waring 2009, p. 625; Briggs et al. 2006; Buchanan et al. 2002). They argue that the advocates of ‘pure’ decentralisation have based their often-impassioned arguments largely on rhetoric, with little empirical evidence to support their claims (Bray and Waring 2009; Briggs and Buchanan 2006; Briggs et al. 2006). As Briggs et al. (2006, p. 10) contend:

The case presented for “fully” decentralised wage-setting in Australia is conceptually and empirically flawed. There is not a single bargaining system in the OECD which corresponds to these fictitious notions of a ‘real’ enterprise-bargaining system. All bargaining systems combine elements of multi-employer regulation and workplace bargaining.
Further, Bray and Waring (2009, p. 625) argue that empirical evidence is mounting that enterprises, despite these reforms, are not acting autonomously; various forms of centralisation are emerging above the level of the enterprise.

The research reported in this thesis supports the latter case, in that there is evidence that coordination redeveloped above the level of the enterprise within the industry despite the legal impediments (Section 3.2.3.1). Most interestingly, this coordination emerged in various forms, mostly through informal channels and by both employers and unions. Employers were actively engaged in industry benchmarking and cross-company comparisons. As the only surviving legacy carrier Qantas was the main perpetrator, seeking to drive down employee terms and conditions to match those of the new entrants. This occurred initially by comparisons with Virgin Blue, and then, unhappy with the rate of progress, by comparisons with their own subsidiary Jetstar. Airline unions also openly admitted their intention to pattern bargain across the industry, despite the legal barriers. Chapter 6 showed how the TWU, for example, endeavoured to achieve comparable wages and conditions in the different airline companies where they had members. In addition, as noted in Section 8.2.2, a certain level of cooperation re-emerged between the disparate unions. Thus, these findings, particularly since both management and unions were involved, add weight to the debate that pure enterprise-level ‘bargaining’ is difficult to achieve in reality. This is because both unions and employers will engage in cross-company coordination of different sorts when it suits them.

The airline case study reported in this thesis also offers insights into the effects — and thereby the ‘desirability’ — of Australian government efforts over recent years to reform the labour market. Still, it is difficult to establish the separate effects of labour market reform from the broad range of policies designed to increase the competitiveness of the economy. While not the main subject of this thesis, it was noted in Chapter 3 that governments around the world have been adopting ‘neo-liberal’ or ‘economic rationalist’ ideals. As some researchers have argued, the impact of these types of policies varies significantly between industries (see Bray and Underhill 2009). In Australia, these policies created an almost perfect storm in the airline industry, where deregulation of the product market came at almost the same time as the privatisation of Qantas and radical changes in labour market regulation.
There is no doubt that these policies, on the one hand, have forced greater economic efficiency on the airline industry, including significant improvements in productivity and reductions in cost per passenger and per employee, as reported in Chapter 5. This undoubtedly benefited many airline customers. Prices fell and huge increases occurred in the number of passengers travelling — again reported in Chapter 5. On the other hand, this research suggests that to privilege market forces as the main imperative determining the rules of work has serious negative consequences for workers. The once well-paid and secure fulltime pattern of employment that typified the industry is on the decline. In its place are working arrangements that are increasingly non-standard and insecure. They are dominated by constant managerial pressure to drive down wages, increase productivity and strip away conditions. Importantly, however, and more than just consequences for workers, this assault on employee terms and conditions has come at a cost to the airlines: service levels and employee morale are plummeting (as Chapter 5 indicated). The sustainability of such an approach is highly questionable. This thesis, as with a growing body of literature, highlights the need for a new approach to the management of airlines — not just within Australia, but around the world.

8.5 The way forward

The structure of labour regulation is a deeply important topic within employment relations — one that raises many fundamental theoretical issues. It has significant implications for public policy, the efficiency of enterprises and economies, and the welfare of workers and their representative organisations.

It is to be hoped that the approach adopted in this thesis will find sympathy among researchers. It is to be hoped that future analysts will see value in a broader approach that focuses on labour regulation rather than on bargaining structures, and on the holistic, explanatory framework developed here and applied to the airline industry.


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Appendix 1 - Cover Page to Participant

Faculty of Business and Law
Newcastle Business School

For further information:
Supervisor: Professor Mark Bray
Tel: 02 49215073
Fax: 02 49216911
Email: mark.bray@newcastle.edu.au

Changing Bargaining Structures in the Australian Domestic Aviation Industry

Dear Potential Participant,

I am a postgraduate student supervised by Professor Mark Bray and Doctor Peter Waring of the University of Newcastle. I am researching the impact of changes to industrial relations policy and airline deregulation on Australian domestic aviation. The focus of my research is examining what changes have occurred to the formal bargaining processes and what have been the implications of these changes. The aim is to better understand the policies and practices that form the framework of employment relations within the industry.

The attached project information sheet outlines the aim of the study.

I would like to invite you to participate in the above project. For your information the following are attached:

i) A project information sheet (this outlines the project aims, background and details what your participation in the project would entail. It is anticipated each interview for the project will take between 30 to 60 minutes).

ii) A form asking for your consent to participate in the study.

If you have any further queries once you have read these documents, please do not hesitate to contact either myself, or one of the supervisors of this project, on the numbers provided.

If you are interested in participating in the study, please contact Leslee Spiess on (02) 49215081.

Yours sincerely,

Leslee Spiess
PhD Researcher
Newcastle Business School
Phone: (02) 4921 5081

Professor Mark Bray
Research Supervisor
Newcastle Business School
Phone: (02) 4921 5073

Dr Peter Waring
Research Supervisor
Newcastle Business School
Phone: (02) 4921 6748

The university requires that all participants be informed that if they have any complaint concerning the manner in which a research is conducted, it may be given to the researcher or, if an independent person is preferred to: University’s Human Research Ethics Officer, Research Branch, Chancellery, University of Newcastle, NSW 2308.Tel: 02 49216333
Appendix 2 – Information Statement

Faculty of Business and Law
Newcastle Business School

For further information:
Supervisor: Professor Mark Bray
Tel: 02 49215073
Fax: 02 49216911
Email: mark.bray@newcastle.edu.au

Information Statement

Changing Bargaining Structures in the Australian Domestic Aviation Industry

Aims of the study

Research is being conducted into the impact of changes to national industrial relations policy and airline deregulation/privatisation on/in Australian domestic aviation. More specifically, this research is seeking to understand better the changes since 1996 to the structure of bargaining. Issues include the shift towards enterprise and individual bargaining, the changing role for unions, changes to the scope of issues being bargained for, and changes to the legal status and coverage of bargaining. The implications of these changes for employers, unions and employees will also be examined.

Conduct of the study

This study of changing bargaining structures requires interviews with key stakeholders within [organisation] and these will be held with consenting participants. Interviews will be scheduled with the aim of causing minimum disruption to work. Interviews will take between 30 to 60 minutes with the length of responses to suit participant’s time commitments. Interviews can be conducted at a location outside the workplace, if requested. Participants will be asked in these interviews to share their knowledge and experiences of bargaining within the industry.

You are invited to participate in this research. Participation is voluntary and confidentiality will be assured. The HR Manager [or appropriate organisational representative] has distributed this invitation and your organisation/employer will not be notified of who takes up the invitation. You will not suffer from any penalties or adverse consequences if you choose not to participate in the study. Should you choose not to participate, your decision will not have any effect on your employment.

With your permission, your interview will be tape-recorded. You may review, edit or erase the tape recording at any time. Additionally, on request, a copy of the transcript of the interview will be provided to you for final approval, amendment or erasure. All tapes and transcripts of interviews will be kept in a secure place.

In addition to interviews, the researcher may request access to organisation documents or records. Where you deem it appropriate, you may agree to provide the researcher with access to documents and records, which are not in the public domain. For example, these documents may include: policy and procedure documents, minutes of meetings or industrial agreements. You are not obliged to provide access to such documents and/or records. You may also
withdraw access to documents and/or records at any time and do not have to give any reasons for doing so.

Protecting anonymity is important; therefore, steps will be taken to ensure that no individual will be identifiable from the thesis or publications generated. Stringent ethics requirements will ensure that this occurs. While the study is in progress, interview data will be stored on a computer software database with a secure code. Steps will be taken to ensure that responses cannot be accessed by anyone other than the researcher or her supervisors. All material will be securely maintained at the University for five years after the study. Interview data will be coded and hard copy data and the key to the codes stored in a locked filing cabinet. Access to the cabinet will only be possible to the researcher. The coded information will be retained for five years as per university guidelines.

The study and all the interviews will be conducted by a postgraduate student of the University of Newcastle, Leslee Spiess, as a key part of meeting higher degree requirements. It is intended the research will be published in a thesis. An ‘Executive Summary’ will also be made available to interested participants. The research supervisors, Professor Mark Bray and Dr Peter Waring, may be contacted at the University on the numbers below if you have any questions regarding the study.

Dr Mark Bray
Professor
Newcastle Business School
Phone: (02) 4921 5073

Dr Peter Waring
Lecturer
Newcastle Business School
Phone: (02) 4921 6748

The University requires that all participants be informed that if they have any complaint concerning the manner in which a research project is conducted it may be given to the researcher, or, if an independent person is preferred to:

The Human Research Ethics Officer,
Research Branch, The Chancellery,
University of Newcastle,
NSW 2308
Tel: 02 49216333

If you consent to participating in this study please sign the attached consent form. It must be emphasised that there are no penalties for non-participation. Additionally if you agree to participate you may withdraw, without notice, at any time.

Yours sincerely,

Leslee Spiess
PhD Researcher
Newcastle Business School
Phone: (02) 4921 5081

Professor Mark Bray
Research Supervisor
Newcastle Business School
Phone: (02) 4921 5073

Dr Peter Waring
Research Supervisor
Newcastle Business School
Phone: (02) 4921 6748

A self-addressed return envelope is enclosed for the return of the consent form
Appendix 3 - Organisation Representative Consent Form

Professor Mark Bray  
Foundation Chair in Employment Studies  
Head of NBS  
Newcastle Business School  
Faculty of Business and Law  
The University of Newcastle  
0249215073  
FAX 0249216911  
Mark.Bray@newcastle.edu.au

ORGANISATION REPRESENTATIVE CONSENT FORM

Changing Bargaining Structures in the Australian Domestic Aviation Industry

I agree to [ORGANISATION] participating in the study on changing bargaining structures in the Australian domestic aviation industry. I have read the project information sheet relating to the research project and all queries have been answered to my satisfaction. I accept that the nature of the research project makes it impossible not to identify my organisation.

I understand that employees of [ORGANISATION] will be invited to participate through interviews in accordance with their designated position, that their participation is entirely voluntary and that they can withdraw their participation at any time without reason or penalty. I also understand that their responses will remain confidential and any documentation that makes it possible to identify employees will be stored securely in a locked cabinet. Further, the identity of participants will not be revealed without their consent to anyone other than the researcher conducting the project or her supervisors.

I also understand that in addition to interviews, the researcher may request access to organisation documents, records or other documents pertaining to the structure of bargaining. Where it is deemed appropriate, the delegated organisation representative may provide the researcher with such documents after signing the appropriate consent form. I understand that there is no obligation to provide access to such documents and/or records and access may be withdrawn at any time without giving any reasons for doing so.

Name __________________________  Position __________________________
Signature __________________________  Date __________________________

A self-addressed return envelope is enclosed for the return of the consent form.
Appendix 4 - Release Form Non-Public Documents

RELEASE FORM

Changing Bargaining Structures in the Australian Domestic Aviation Industry

ACCESS TO NON-PUBLIC DOCUMENTS AND RECORDS (where applicable)

Where I deem it appropriate, I agree to provide the researcher with access to organisation documents and records, which are not in the public domain, and of which I have the delegated authority to grant access. I give this consent freely. I understand that the study will be carried out as described in the project Information Sheet, a copy of which I have retained.

I realise that whether or not I decide to provide access to non-public documents, my decision will not affect my employment or any current or future relationship that I may have with the University of Newcastle.

I also understand that I can withdraw access to such documents at any time and do not have to give any reasons for doing so. I have had all questions answered to my satisfaction.

NAME: __________________________________________________________

ORGANISATION REPRESENTATIVE: __________________________________________

SIGNATURE: __________________________________________________________

DATE: ________________________________________________________________

A self-addressed return envelope is enclosed for the return of the consent form.
Appendix 5 - Participants Consent

Faculty of Business and Law
Newcastle Business School

For further information:
Supervisor: Professor Mark Bray
Tel: 02 49215073
Fax: 02 49216911
Email: mark.bray@newcastle.edu.au

Consent Form For The Research Project:

Changing Bargaining Structures in the Australian Domestic Aviation Industry

I agree to participate in the above research project and give my consent freely. I understand that the project will be conducted as described in the Information Statement, a copy of which I have retained.

I consent/ do not consent (please circle) to the interview being tape-recorded. I understand I may review, edit or erase the tape recording at any time.

I understand that my personal information will remain confidential to the researchers. I understand that the nature of this study is such that it is impossible to ensure anonymity of my organisation.

I understand I can withdraw from the project at any time and do not have to give any reason for withdrawing. I have the opportunity to have questions answered to my satisfaction.

If you are prepared to participate in this project, please sign the attached statement of consent and return it to the university, via the following address:

Professor Mark Bray
Newcastle Business School
University of Newcastle
Callaghan
N.S.W. 2308

NAME: _______________________________________________________

SIGNATURE: ___________________________________________________

DATE: _______________________________________________________

A self-addressed return envelope is enclosed for the return of the consent form

The university requires that all participants be informed that if they have any complaint concerning the manner in which a research is conducted, it may be given to the researcher or, if an independent person is preferred to: University’s Human Research Ethics Officer, Research Branch, Chancellery, University of Newcastle, NSW 2308. Tel: 02 49216333.
Appendix 6 – Interviews Conducted

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Person/Position</th>
<th>Date/Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACTU</td>
<td>Greg Combet ACTU Federal Secretary</td>
<td>25 August 2004, Melbourne</td>
</tr>
<tr>
<td>AFAP</td>
<td>Terry O’Connell Executive Director</td>
<td>26 August 2004, Melbourne</td>
</tr>
<tr>
<td>AFAP</td>
<td>Lawrie Cox Manager - Industrial Relations</td>
<td>26 August 2004, Melbourne</td>
</tr>
<tr>
<td>ALAEA</td>
<td>Chris Ryan Industrial Manager</td>
<td>12 October 2004, Sydney</td>
</tr>
<tr>
<td>ALAEA</td>
<td>David Kemp ALAEA Federal Secretary</td>
<td>12 October 2004, Sydney</td>
</tr>
<tr>
<td>ASU</td>
<td>ASU Delegate</td>
<td>03 May 2004, Sydney</td>
</tr>
<tr>
<td>ASU</td>
<td>Linda White Assistant National Secretary</td>
<td>16 August 2004, Sydney</td>
</tr>
<tr>
<td>FAAA</td>
<td>John Playford Manager Industrial Relations</td>
<td>06 August 2004, Sydney</td>
</tr>
<tr>
<td>Jetstar</td>
<td>Rohan Garnett Head of Human Resources</td>
<td>22 October 2004, Melbourne</td>
</tr>
<tr>
<td>Jetstar Consultant</td>
<td>Barry Robinson</td>
<td>22 October 2004, Melbourne</td>
</tr>
<tr>
<td>NUW</td>
<td>Paul Richardson Senior Industrial Officer</td>
<td>25-26 October 2004, Melbourne</td>
</tr>
<tr>
<td>Oldmeadow Consulting</td>
<td>Ian Oldmeadow Consultant to Qantas</td>
<td>22 January 2004, Sydney</td>
</tr>
<tr>
<td>Qantas</td>
<td>Sue Bussell Head Qantas IR</td>
<td>16 March 2004, Sydney</td>
</tr>
<tr>
<td>Qantas</td>
<td>IR Manager</td>
<td>21 November 2003, Sydney</td>
</tr>
<tr>
<td>Qantas</td>
<td>IR Manager</td>
<td>02 February 2004, Sydney</td>
</tr>
<tr>
<td>Qantas</td>
<td>IR Manager</td>
<td>02 February 2004, Sydney</td>
</tr>
<tr>
<td>Qantas</td>
<td>IR Business Manager – Strategy</td>
<td>21 November 2003, Sydney</td>
</tr>
<tr>
<td>Qantas</td>
<td>Employee</td>
<td>21 November 2003, Sydney</td>
</tr>
<tr>
<td>Qantas</td>
<td>Employee</td>
<td>21 November 2003, Sydney</td>
</tr>
<tr>
<td>TWU</td>
<td>John Berger Branch Assistant Secretary</td>
<td>25 October 2004, Melbourne</td>
</tr>
<tr>
<td>TWU</td>
<td>John Allan Federal Secretary</td>
<td>21 October 2004, Melbourne</td>
</tr>
<tr>
<td>TWU</td>
<td>Hughie Williams TWU State Secretary (Queensland)</td>
<td>14 December 2004, Brisbane</td>
</tr>
<tr>
<td>Virgin Blue</td>
<td>Bruce Highfield Head of People</td>
<td>13 December 2004, Brisbane</td>
</tr>
</tbody>
</table>
Appendix 7 – Questionnaire


General Profile Questions
What is your official position?
How long have you been working in this capacity?
What is your major role [within this organisation]?

THEME ONE - The extent of change explained by the goals and strategies of management and/or unions in the industry

Has the role of your organisation changed/evolved over time? How?
What have been the forces driving this?
What has the role of airline management been in these changes?
What is the role of the ACTU in airline negotiations?
How has ACTU’s relationship with the Unions/management changed over time?
How has the power relationship/balance between the airlines and the unions changed?
Since you have been in this position, what were the objectives or goals that your organisation hoped to achieve?
Have these goals changed over time? Why?
How were your desired objectives determined? (e.g. what decision-making processes went on?)
What compromises arose/arise in order to determine these goals?
In terms of where the airline/unions are today, to what degree has this been determined by articulated, pre-planned strategies or is it more reactive?
How strategic do you think the airlines/unions are? Do they have a particular strategy?

Has any organisation (airline/union) been particularly difficult to work with? In what way and why?

What has been the role of HRM in determining arrangements?

Do you think that HRM practices and policies has extended or increased managerial prerogative?

Do you perceive that the negotiated arrangements have been fairly or equitably arranged?

Who is generally the main instigator in changing the bargaining arrangement?

THEME TWO – ‘Bargaining Structure’ Questions

Did the introduction of the WRA 1996 (Cth) have a major impact? If so, why and in what context?

Since you have been in this position, how has the level of decision-making, bargaining or negotiation changed – for example has the focus shifted between industry, organisation (enterprise wide), or workplace level (when geographically/functionally separate)?

Have you noticed whether there been much change in the scope of issues that are subject to the bargaining process? Increased, decreased, stayed the same? Why?

What the processes [if any] that determine what issues are suitable for EBA and some are airline policy? – i.e. increase in managerial prerogative?

Do you think there has been an increase in managerial prerogative over the last few years? Why?

Has there been a change in the legal status of the outcomes of bargaining since 1996?

Have procedural/substantive terms of employment changed from being written or verbal agreements?

Has the precision and specificity of bargaining outcomes changed – more specific, general?

Has there been a change in the number of issues that are based on custom and practice as opposed to clear legal regulation?

In a broad sense, what do you believe is/are the major force(s) driving the change?
Do you think that since 1996 there has been a change/trend in the coverage of employees covered by union negotiated collective agreements?

What has been the impact of ‘Award Simplification’?

Has award simplification given either airline management or unions greater scope for strategic planning?

Do you think award simplification has been good or bad for the ability of unions to influence the bargaining process?

**THEME THREE – The implications of the changing structure of bargaining for companies and employees in the industry**

To what extent do you feel that agreements today have delivered profound or radical change in organisations?

Do you feel that the changes have had a positive or negative impact on:

- ACTU?
- Other unions?
- Airlines?

Do you feel that the changes to the bargaining arrangement have had a positive or negative overall effect on employees? For example:
- Relative pay rates
- Working conditions
- Hours
- Leave arrangements
- Security

What do you feel is the level of satisfaction with the main workplace agreements currently in place?

What do you see as the possible future direction bargaining arrangements will take?

In terms of the airline industry, what do you see as the major challenges facing management/unions today?

Do you think the ACTU has an important role?

What would you say would be your preferred direction?

Any other comments?