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Turbulent Skies and Industrial Relations: The Case of Qantas

Qantas is an international airline operating in a turbulent environment with cost, infrastructure and demand pressures forcing a major consolidation of the industry. With a national industrial relations climate which could be labelled as generally 'benign' for employers over the last decade Qantas has had a series of disputes with its unions over recent years. This has been noteworthy in the context of very low levels of industrial disputation. As an integrated and international airline Qantas has a number of strategies available to it to reduce costs and marginalise unions. Drawing on the literature of the industrial relations policies of multinational corporations, the paper considers the options and constraints facing Qantas as further turbulence hits the airline industry.

Introduction

Qantas cannot keep out of the news, usually for all the wrong reasons. In 2007 the company held merger talks with British Airways (O'Sullivan and Rochfort, 2008) and was subject to an unsuccessful Airline Partners Australia private equity buyout. At the same time it has had a number of highly publicised equipment problems on its aircraft, has been subject to a rebuke by the Civil Aviation Safety Authority (CASA) regarding safety standards (CASA, 2008), it was fined by competition regulators in a number of countries for engaging in cartel price fixing arrangements (*Business Spectator*, 2008), an executive was imprisoned in the USA (ABC Online, 2008) and has over the past 4 years been engaged in ongoing industrial disputation with its staff over wages and conditions, from baggage handlers and flight attendants through to maintenance engineers. As one of the largest and most profitable airlines in the Asia Pacific region and as a major employer in Australia Qantas has had to adjust to an increasingly volatile and competitive international aviation market. One of the labour use strategies employed by Qantas has been to increase the flexibility of its labour force. This has been achieved through a number of methods such as partitioning its business, offshoring labour and services, contracting out, selling off non-core businesses and segregating its workforce. In turn, the process has been assisted by the decentralisation of the industrial relations system particularly the non-union collective bargaining and individual agreement-making (Spiess and Bray, 2006). However, these policies have met with resistance from many of the unions represented in the Qantas workforce. As a multinational corporation (MNC) Qantas has a number of options available for generating flexibility in the deployment of labour and in controlling and in excluding unions. It needs to be recognised though that there are limits to the application of such strategies, especially for an Australian headquartered multinational. This paper explores the options and limits to labour flexibility and de unionisation for Qantas. A review of the global airline industry follows. The discussion then examines industrial relations in the airline industry. The choices available for multinationals with respect to industrial relations practices are reviewed, with an emphasis being given to Australian studies. The labour use strategies of Qantas are examined before the article considers the choices and the constraints that are present with respect to those strategies.

The Global Airline Industry

The global airline industry has gone through a turbulent period characterised by industry consolidation, disruption from terrorist threats, heightening competition especially following the emergence of low cost carriers and significant fuel cost increases (*The Economist*, 2008b, 2008c). Despite this industry has seen growing demand for air travel and major congestion at most of the airport hubs (*The Economist*, 2008b). These conditions have also been replicated in Australia. Downsizing has occurred; one estimate is that at least 30 airlines ceased to operate in 2008 (*The Economist*, 2008a) some of which was the result of a number of mergers in Europe (Air France and KLM) and in the USA (Delta and North West). Prospective mergers currently include an attempted hostile takeover of Aer Lingus by Ryan Air. Lufthansa has acquired Swiss Air, Brussels Airlines and taken stakes in Jet Blue and BMI (O'Sullivan and Rochfort, 2008). British Airways (BA) has had merger talks with Qantas, Iberia and American Airways. The consolidation and uncertainty within the industry has been driven by several factors. First there has been the price of fuel which has increased operating costs over the past two years with many airlines introducing surcharges on fares. Second, concerns over security have also resulted in increases in operating costs and generated long delays in passenger loading and off-loading at many airports. Third, low cost or budget airlines are putting pressure on established airlines through aggressive cost cutting supporting low service travel and supported by individual and non union agreements. Fourth, many airports are operating at capacity limits so the only way to increase business is through buying or leasing larger aircraft. Finally, the current recession will affect both the demand for aircraft travel and limit the ability of airlines to access credit in order to finance the purchase of new aircraft (*The Economist*, 2008b). It is estimated that collective profits of the airline sector will turn from a \$5.6USb. profit in 2007 to a \$6USb. loss in 2008 (*The Economist*, 2008b).

While entry into the industry appears to be relatively open, there are considerable barriers present. New entrants require considerable capital and they must meet a variety of operating standards in order to be licensed. In April American Airlines had to cancel 3000 flights as some of its aircraft failed inspection tests (*The Economist*, 2008c). Once they meet these standards they need to be able to access airports in terms of receiving landing slots and service points within existing airports. They also have to negotiate access to routes that are often covered by bilateral agreements between countries. To overcome access and infrastructure problems many of the low cost airlines have taken to flying from regional or outer suburban airports that usually have lower operating costs and spare capacity. In some cases they can receive regional or city assistance packages to fly to particular destinations. The inconvenience of flying to airports well away from capital cities is offset by lower airfares.

The industry has evolved from large national and often highly regulated carriers such as BA, Qantas, Lufthansa and Singapore Air competing alongside newer no frills entrants that offer lower prices and fewer services (Ryan Air, Easy Jet, Tiger Air and

Virgin). While the newer entrants are often short haul, there is competitive pressure on all routes as code sharing and airline alliances have developed. With the intensity of competitive pressures there has been a strong imperative to reduce costs and improve labour flexibility at all levels, and this has generally meant reducing labour costs, increasing labour flexibility and altering employment conditions. In some instances, notably at Qantas and BA, these strategies have met with resistance from unions.

Industrial Relations in the Australian Airline Industry

In Australia IR issues have been prominent in the airline industry despite there being a few operators. Major structural changes in the local industry have included the consolidation of TAA and Qantas, the privatisation of Qantas, the collapse of Ansett and the emergence and subsequent exit of Compass and Impulse. During the Prices and Incomes Accord period a bitter dispute occurred when the Airline Pilots' Federation unsuccessfully attempted to collectively bargaining with the airlines outside of the national wage determination principles. The Hawke Labor government intervened with a range of strategies to break the strike including using the airforce to fly civilian passengers. These, and a major common law award of damages, in effect, destroyed the Airline Pilots' Association (Burgess and Sappey, 1992). Since then the domestic industry has seen the entrance of low cost, non-full service carriers (Virgin and Jetstar). For its part Qantas has engaged in a program of long term cost cutting that has involved the offshoring of both services and staff (especially cabin crew). This has resulted in a two tier labour internal market within Qantas; some cabin crew are employed under ('grandfathered') conditions set within the local collective agreement and offshore staff being employed under inferior pay and conditions. Resistance to offshoring has been strongest among maintenance workers who have regularly engaged in disruptive industrial action over collective agreements and highlighted what they see as the decline in aircraft maintenance standards associated with the offshoring of maintenance services (AMWU, 2008).

Spiess and Bray (2006) have provided an overview of the structural and industrial relations development in the Australian airline sector. Stability and security associated with government employment, a stable regulated industry and a high union density with award coverage has given way to insecurity as structural change has hit the industry, union membership has declined and individual and non-union bargaining developed over the past ten years. The terms and conditions of employment have been under pressure as a consequence of increased competition and through the ability of the low cost airlines to negotiate terms and conditions of employment for its staff below those applying in Qantas. In turn since the late 1990s, Qantas has embarked on an extensive campaign of restructuring the business and cutting costs (Spiess and Bray, 2006). This process has been facilitated by the changing regulation of the industrial relations system with the shift towards individual and non union agreements.

Qantas has had many public disputes with the unions representing the different sections of its workforce. In the face of both increased domestic and international competition Qantas has been able to segregate its workforce between the standard (Qantas) and its subsidiary, the low cost domestic (and international) carrier (Jetstar) as well as segregate its international workforce between Australian and overseas located staff and, accordingly, offer different terms and conditions to these different staff. The former chair of Qantas, Geoff Dixon, engaged in a number of very public confrontations with unions (Spiess, 2005). Overall, the industry, and Qantas remains unionised, although as Spiess and Bray (2006) highlight, for the past decades unions have been on the defensive, forms of union co ordination have disappeared and management have been aggressive in using collective bargaining to generate efficiencies and cost savings.

MNCs and Industrial Relations: Australian Studies

Collings (2008) reviewed the literature on MNCs and industrial relations (IR) and he noted the general neglect of the area of study and its over shadowing by the research interest in the human resource management (HRM) policies and strategies of MNCs. This he attributes to the unitary view associated with mainly US-based MNC research. Collings (2008) distinguished between HRM and IR in terms of a number of dimensions. Specifically, industrial relations studies are generally employee centric; substantive issues are linked to union recognition, bargaining, pay and conditions, employee participation and dispute resolution. The review focussed on a number of key issues, specifically industrial relations systems and MNC location, and international collective bargaining. Collings (2008) highlighted the relative under development in what he termed international industrial relations, in particular the lack of progress on the development of bargaining strategies and structures across countries. While there is an elaborate and substantive literature on MNCs and strategies and policies (see Dowling and Welch, 2004), the issue of employee and union strategies in an MNC context is relatively under researched. Unions are constituted and have legal status within a local or national regulatory context; they have limited options available to them in terms of influencing workplace conditions outside of this regulatory context. While there are international forums for unions, international labour codes and international labour confederations, the actions and strategies of unions take on a very local focus.

In his discussion of MNCs and IR Cooke (2006: 333) suggests that MNCs that have IR advantages will attempt to diffuse these advantages, where no advantages exist there will be no attempt at diffusion. However, diffusion itself is neither costless nor seamless, with legal and contextual barriers eroding IR strategies that are transplanted into subsidiaries. Part of the calculation governing the diffusion of IR practices centres on the role and importance of unions and collective institutions; or, as Cooke (2006: 336) comments, 'deeply embedded workplace cultures and traditions in host locations can impede the diffusion of evenly highly preferred IR strategies abroad'. Cooke (2006) highlights the very different rates of unionisation across MNCs according to industrial sector in Australia and the ability of US based MNCs in Ireland to avoid union recognition, despite the strong collectivist tradition in Ireland. On balance, Cooke (2006) suggests that where possible MNCs will pursue union avoidance strategies wherever possible.

The issue of transfer in linked to the relationship between home countries and subsidiaries, and which of the above influences shape decision making. To a certain extent IR policies will be a mix of strategic and reactive decisions. This applies to Qantas and the focus of the study is on the response of Qantas in the context of the Australian IR system. The interest is in how the changes the system have changed the approach of the organisations to IR or whether they maintain a stable approach that reflects such factors as country of origin or dominance effects. The research is confined to an examination of the public record, what has been reported in the media or is available on web sites. The focus is on management strategy, union recognition and bargaining; - we do not address union strategy.

Australia has a long history of MNC presence and the fundamental research questions pertinent to the IR policies of MNCs are, accordingly, very relevant. The study of MNCs in Australia has been sectorally specific and has focussed on overseas owned MNCs operating in Australia. Sectoral studies include those by Davidson et al (2006) and Timo and Davidson (2005) on the employment relations (ER) practices of MNCs in the luxury hotel sector, McGrath-Champ and Carter (2001) examined the ER practices of Australian MNCs in the Malaysian construction sector and Rodwell and Teo (2001) analysed the impact of country of ownership on HRM practices in the hospitality sector. Purcell and Nicholas (1999) examined the HRM practices of Japanese MNCs in Australia; McGraw (2004) studied the relationship between head offices and local subsidiaries in the development of HRM policy and found a strong degree of organisational turbulence in the development of policy as organisations responding pragmatically to environmental change.

The findings suggest very different outcomes by sector and country of MNC origin. The studies of the hotel sector found an almost uniform adherence to cost minimisation and labour flexibility strategies regardless of the country of origin of MNCs. The workplaces were highly segmented and dominated by low wage and non standard employment (Davidson et al, 2006). In this sector union density is low and there has been a long tradition of using casual, part time and agency staff, especially for supporting operations (cleaning and catering). In contrast, in the manufacturing sector there are relatively high rates of unionisation and the use of collective agreements to facilitate productivity improvements (Purcell and Nicholas, 1999). However, there are local variations to host country IR conventions. Japanese and German MNCs are present in manufacturing, yet it is very unusual in Australia to see bonus payment systems (Japan) or works councils (Germany) – see Purcell and Nicholas (1999).

The analysis of the IR policies of MNCs has largely been sectoral specific. One sector where there are both foreign and local MNCs operating is mining. There are several studies of the mining sector where both Australian based and overseas based MNCs have engaged in an ongoing campaign to de unionise workplaces and to offer employees individual non union contracts. In some cases MNCs have been able to use Greenfield sites to bi pass unions and collective agreements. Waring (2003) outlines the IR policy of US based Peabody Coal in the development of its Bengalla mining site. In other cases the confluence of weak demand conditions and new IR instruments allowed employers to significantly alter employment conditions of mining workers (Waring and Barry, 2001). The two largest mining companies, BHP Billiton and Rio Tinto, have both attempted to de unionise mining operations and shift workers to individual agreements in the iron ore sector (Peetz, 2006, ch.6). There are however, limits to de-collectivisation, as world commodity prices have increased the mining companies are now more concerned about retaining and attracting skilled employees in the face of growing demand (Barry and Waring, 2006). While BHP followed Rio

Tinto in developing individual contracts in the 1990s, since the expansion in demand and commodity prices until 2008 there is evidence of a shift back towards collective agreements over the past five years (Barry and Waring, 2006).

In the whitegoods sector (Lambert, Gillan and Fitzgerald, 2005) have outlined the consolidation of the sector in Australia to the point where all Australian owned manufacturers have disappeared. They outline the global strategy of the Swedish based Electrolux in dealing with unions and in realising cost savings. In Australia the company was able to use IR laws to limit union activity and change employment conditions. According to Gillan and Lambert (2006: 147) in the case of Electrolux 'it is the integration of Australian production facilities into a global production and marketing network with the consequential corporate strategic interests and priorities of local managers that have underlined a significant weakening in the bargaining capacity of unions and workers…'. For Electrolux the developments in IR laws in Australia enabled the company to introduce extensive changes to work practices in the context of integrating its Australian operations into its global supply chain. For manufacturing MNCs always have the opportunity to relocate production to sites that offer strategic and cost advantages. This has become easier to sustain with falling tariff protection following multilateral and bi-lateral trade agreements.

For international airline operations similar possibilities are open, but there are differences. As service providers airlines cannot separate production and customers. Internationalisation does offer the possibility to restructure and relocate; however, there still remains the need for a major local presence to service domestic routes.

Qantas: In Search of Flexibility and Cost Savings

Qantas is a major player in the domestic air travel sector and on selected routes between Australia and other continents. It is a member of the One World global alliance. The industry is heavily regulated across an array of conditions including flight routes, airport access, operating times, aircraft safety, immigration and quarantine, environmental codes and security requirements. As part of its cost cutting and strategic re-alignment it has its own low cost domestic and international carrier (Jetstar) and has relocated many staff and services offshore. This not only has cost advantages but enables Qantas to avoid domestic unions as its Australian operations are characterised by a high union density and collectivised employment arrangements. The mix of a strong collectivist tradition and the pursuit of cost cutting strategies have invariably led to major confrontations between Qantas and domestic unions (Spiess, 2005). In 2008 there has been a series on ongoing industrial disputes with maintenance and engineering workers over conditions of employment and the conclusion of a collective agreement. What we can observe is that while Qantas is forced to deal with unions and to negotiate collectively, it has been pursuing strategies that reduce its exposure to unions and collective agreements in Australia. Nevertheless, and ironically, it has been through collective agreements that it has been able to introduce flexibilities into its deployment of labour.

Qantas runs an integrated passenger and freight air service in Australia and between Australia and the rest of the world to 37 countries. It operates over 5,000 flights per week and has over 200 aircraft. It has support divisions in catering, engineering, airports and defence. Total employment in the group exceeds 36,000 persons, of whom about ninety percent are based in Australia (Qantas, 2008). Qantas has a tradition of collective bargaining and engagement with unions across the sector (Spiess and Bray, 2008). In recent times, the Australian airline industry has faced significant challenges. Of particular note is the increased level of global competition (with the arrival of 'low-cost' operators such as Virgin Blue and Tiger Airways), rising fuel prices, as well as dealing with non-controllable events such as terrorism and SARS. These changes have forced the industry to re-think its strategic and operational approaches, resulting in the adoption of 'leaner' low-cost modes of operation. As the largest Australian based carrier, Qantas has been significantly affected by these changes, and sought to insulate itself against these external pressures as suggested by CEO Geoff Dixon:

> During the first six years of this century, the aviation industry confronted the challenges of war, terrorism, fuel prices, the SARS virus and a massive industry downturn. However, Qantas remained focused on long term growth, developing an innovative two brand strategy and investing billions of dollars in fleet, product and customer service, while also working hard to attack inefficiencies, change work-practices and lower our cost base (Qantas, 2007).

In terms of cost cutting, its aim has been to reduce its expenditures by up to 20% or $1.5 billion dollars (Boyle, 2003). To this end, Qantas has launched its low cost carrier 'Jetstar', scaled back both international and domestic routes and restructured its labour force. So far, the cost cutting measures seem to be successful, having in part attributed to an increase its pre-tax profitability by 200% since 2003 to over $1billion (Qantas, 2007). In May 2008 Qantas announced cost cutting measures in response to the escalation of fuel costs including moving to retire older, high fuel consuming aircraft, the closure of some routes and to reallocate routes to Jetstar. CEO Geoff Dixon's announcement was met with some cynicism from industry observers. Michael Sainsbury (2008), for instance, commented in *The Australian*:

> Dixon's hand-wringing performances in Canberra during the Howard era were Oscar worthy. 'We'll all be rooned,' was Dixon's line. This is despite the company's 70 per cent market share in Australia courtesy of the Ansett collapse it helped precipitate, and the lion's share of the world's most profitable international route - east coast Australia to Los Angeles - and a swelling bottom line.

Labour costs have comprised a significant portion of Qantas's expenses, so not surprisingly at the heart of Qantas's cost cutting strategy has been labour rationalization in selected parts of its business. For many of its other major operating costs (aircraft and fuel) it has very little control (Spiess and Bray, 2006). This rationalization has involved a significant reduction in labour costs – one 2003 estimate being in the order of $1billion- $1.5billion (Boyle, 2003). To achieve this, Qantas has implemented a policy to reduce its total workforce by 10% or 3,500 jobs via a three pronged approach. Firstly, the strategy called for 2000 redundancies - the company has recently launched an accelerated leave program to mitigate the requirement for redundancies. Further reductions in the labour force have been planned via natural attrition (up to 800), and the remainder through the casualisation of another 600 jobs. In addition to this, Qantas is reducing costs by outsourcing more labour offshore (Rochfort, 2006).

As well as a reduction in labour force, Qantas has implemented a number of other industrial relations measures, including the 'freezing' and 'capping' of wages. For instance, the company has frozen the pay of its executive and capped the wages of other workers at 3% (this was one of the major reasons behind it dispute with maintenance workers). These measures have been implemented despite the assertion by CEO Geoff Dixon that a 'restructure' would protect workers jobs at Qantas '[decentralization]...will greatly improve our performance in all areas, allow us to compete more effectively, protect jobs at Qantas and importantly, deliver better service to our customers and more fulfilling jobs for our people...' (Barnett 2003). But, unions have argued that Qantas is not interested in finding other ways of cost cutting whilst protecting worker jobs through the creation of more efficient work practices, but is intent on slashing the wages and conditions of its employees '...they talk about spreading the love and rewarding customers' loyalty with their frequent flyer points, but when it comes to rewarding loyalty from their own employees - zero...rather than pay their own employees who have worked for them loyally for years and years enough money to even keep up with inflation ...' (*Workplace Express*, 2008b). Unions argue further that Qantas is in a position to increase pay consistent with inflation, having posted record profits in the 2006/07 financial year of $1billion (Qantas, 2007)

Qantas has also identified a need for a flexible maintenance workforce for it to be able to manage the peaks and troughs of the industry. Therefore, it proposed to implement a strategy called 'overtime banking' aimed at giving it the funds and flexibility it needs to 'lay-off' workers during 'down times'. 'Overtime banking' involves workers accumulating overtime pay of up to 38 hours for this purpose. Also proposed is the 'averaging' of a worker's 38 hour week over a 6 month period rather than the current 4 week period. This policy effectively abolishes overtime pay and reduced job security, so unions have feared that these policies mean workers '...work extremely long hours with no overtime during busy periods and few hours in quiet times ...[and] lose well over $10,000 a year in overtime on average ...' (Rochfort, 2006).

Given its aggressive policies, Qantas anticipated industrial action and has prepared itself accordingly. For instance, in a memo to staff in 2003, CEO Geoff Dixon communicated that Qantas had contingencies in place to hedge themselves against industrial action 'We reserve the right to ensure that our customers are not disrupted by industrial action....we have contingencies to maintain our operations, including the training of some Qantas staff in Los Angeles...' (Boyle, 2003). As recently as May 2008 unions accused Qantas of having a contingent maintenance workforce of up to 100 people and of planning lockouts in response to planned industrial action over pay disputes. But, Qantas has refused to confirm (but not denied) whether they have a contingent workforce, but, at least publicly, rejected claims that they were planning lockouts. Rumours had the company recruiting engineers from Malaysia and being offered an additional $40,000 to work in Australia as strike breakers (West and Rochfort, 2008). Analysts have predicted more disputes, and suggested that the upheaval is something that both the airline and unions will have to adapt to '...the harsh reality is both will have to come to grips with it if they want to be around in three to five years…' (Boyle, 2003).

While in the main Qantas has used collective agreements with trade unions to deliver labour flexibility strategies it has either directly or indirectly resorted to AWAs and individual bargaining with ancillary services. This could involve contracting of services to organisations that use AWAs or resorting to AWAs for related services. The Australian Services Union made a submission to the Senate regarding the erosion of employment conditions through the application of AWAs for staff employed by Equity Services parking, a company contracted to provide valet parking services to Qantas (Australian Services Union, 2008). The Australian Pilots' Association highlighted the use by Jetstar of section 457 work visas to employ 75 pilots; the same article reported that Jetstar had approval for 80 cabin crew on section 457 visas to work on Jetstar's international flights (Emerson, 2008).

As conditions in the airline industry become more uncertain, especially with the fluctuating price of aviation fuel, airlines such as Qantas were under pressure to reduce costs. While oil price increases will impact on all airlines the position of Qantas is unusual in that it operates many long hauls flights domestically and internationally. The ongoing tensions with staff over its labour use and cost cutting strategies have led to regular industrial action, especially in its engineering and maintenance operations. In 2004 there was a long dispute with the flight attendants union as Qantas increased casual and part time contracts and shifted hundreds of cabin crew positions offshore. In June 2008 there was a series of strikes and stoppages by aircraft maintenance workers, members of the Australian Licensed Engineers Association, over reaching a new collective agreement over wages and conditions. This resulted in the cancellation of services and disrupted schedules which demonstrated that determined and well organised industrial action can disrupt national and international operations; regular maintenance is essential to the ongoing operation of services and it was possible for the maintenance workers to disrupt services through strikes and overtime bans. An agreement was determined in February 2008 which provided significant pay increases and guarantees over continued maintenance operations being located in Australia (*Workplace Express*, 2008a).

At the 2008 many shareholders were critical of the payout ($12.2million) to former MD Dixon. Dixon suggested that the need for further cost cutting and rationalisation was imperative, and to this end that further mergers in the international airline sector are inevitable. The proposed BA merger has fallen though and a previous attempt to acquire Air New Zealand was opposed by competition regulators. As the global downturn gathers pace airlines will be cutting services, seeking further cost cutting avenues and further mergers will take place (*The Economist*, 2008d).

As an MNC in a volatile market Qantas does have strategies available to confront and avoid trade unions, and introduce labour flexibility measures. This is not necessarily the only approach required in the international airline industry as some of the major established players such as Lufthansa and BA still adopt a collective model of IR. Nevertheless, as market conditions deteriorate, and in the context of a distinct shareholder value model, Qantas been aggressively pursuing cost reduction strategies, it cut 1,500 jobs in July and reduced capacity by the equivalent of 10 aircraft (*The Age*, 2008b).

While product and commodity market conditions are driving the labour use strategies; there are processes available to Qantas, as a multinational that can circumvent unions and agreements. However, the extent of re location and externalisation available is limited. To date Qantas have incorporated trade unions into its efficiency drive and used collective agreements to promote workplace change and reduce costs (Spiess and Bray, 2006). While back office services can be relocated and cabin and maintenance staff can be offshored, as a direct service provider Qantas (unlike manufacturing MNCs) is constrained in its strategies. There are. fundamentally four reasons why Qantas is constrained:

- the majority of routes are in Australia – hence staff and services need to be located in Australia; offshoring is an option limited to international operations and to back office services
- under the terms of its privatisation it must remain an Australian majority owned company (O'Sullivan and Rochfort, 2008)
- reputation is an important competitive element, especially safety – recent aircraft problems have been linked to the offshoring of aircraft servicing (Australian Manufacturing Workers' Union, 2008); for airlines a good safety record remain paramount in terms of reputation
- Qantas enjoys regulatory protection of key routes and of its Australian routes; other carriers would like to enter into the Australian market or the Australia – USA route, but entry is strictly regulated by the government. Once Qantas reduces its Australian presence in terms of staff numbers it can expect that there will be pressure placed on changing these regulatory protections.

With the current downturn in the airline sector Qantas will use agreement making to pursue further labour flexibilities. The advent of the Forward with Fairness measures of the Rudd government are not likely to alter the past practice of using union and non union collective agreements to implement changes to employment conditions. It is clear that Qantas is seeking to merge or acquire with another major airline, this in turn may open up the possibility to further offshoring and relocation of staff and services. However, for this to occur it needs an airline that operates with lower a lower cost structure and or offers considerable synergies for rationalisation – features that were largely absent from the proposed BA merger.

Conclusions

The Australian industrial relations system has undergone significant changes over the past two decades. In this time the legislative intent has been to encourage more decentralised bargaining, reduce the influence of third party tribunals, introduce non union and individual bargaining, and more closely regulate trade unions. At the same time the density of trade unions has declined and the composition of the workforce has shifted towards more contingent employment arrangements (Sappey et al, 2006, ch.2). Employers in the Australian context have always had some choice regarding implementing labour use strategies that facilitate numerical, functional and cost flexibility in the workforce. In terms of the choices available to MNCs with respect to IR the recent legislative changes have expanded employer choices and improved the ability of employers to limit trade union workplace access, limit industrial action and implement individual and non union agreements. In some sectors, such as mining, there was an extensive push by MNCs to de unionise workplaces and move to individual agreements, however, this has been tempered by changing commodity market and labour market conditions (Barry and Waring, 2006). Qantas has been involved in a recent major dispute with engineering and maintenance workers, and it is able to use the pressure for cost cutting and the opportunities for offshoring as a tactic to moderate union demands. Qantas has been able to achieve cost savings and labour flexibility through the use of relational companies such as the low cost airline Jetstar and through offshoring part of its workforce (for example, the relocation of international flight attendants). It has not resorted directly to individual agreement making (AWAs), but in the main has been also able to use collective agreements to modify employment conditions and arrangements. For Qantas it the imperatives of globalisation and various shocks (fuel oil prices, SARS) that have been used to change work practices and moderate wage claims through collective agreements. Cooke (2006) suggests that where possible MNCs will pursue union avoidance strategies wherever possible. While trade union avoidance IR policies are clearly part of the operations of Qantas, however, the choices are constrained and largely opportunistic and pragmatic in the Australian context. Qantas, however, remains very dependent on its Australian workforce, IR disputes within a small component of its workforce such as engineers, can disrupt local and global operations and as such we can see that Qantas is prepared to deal with unions and to utilise collective agreements to achieve efficiency savings.

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Pamela Robinson

International Framework Agreements: Do Employees Benefit In A Global Banana Supply Chain?

The rise of transnational corporations (TNCs) and the development of globalised economies have impacted the ways that employees can reconcile issues regarding their conditions of work, often because such issues go beyond the powers of national legislation. Corporate social responsibility (CSR) policies, which include labour codes of conduct and International Framework Agreements (IFAs) apply throughout the organisation of TNCs, and thus, are more likely to guarantee workers' rights across national borders. Codes of conduct and IFAs force a company to follow-up on commitments, because they are monitored by third parties. However, whilst codes of conduct represent unilateral initiatives, the negotiation of IFAs can be seen as the start of collective bargaining at a transnational level (Riisgaard, 2005). Furthermore, IFAs are a step beyond codes of conduct because they have a labour review process, a system of recourse, which can pave the way for continuous improvement (Frundt, 2005; Riisgaard, 2005). IFAs draw on the International Labour Organisation (ILO) conventions and aim to secure core labour rights, and TNCs, global union federations (GUFs) and local trade unions are party to such agreements (Riisgaard, 2005). IFAs are a relatively recent industrial relations tool, but since IFAs are negotiated at a global as well as a local trade union level, they are an ideal instrument for dealing with the issues raised by globalisation, especially that of freedom of association and the right to collective bargaining (Fairbrother and Hammer, 2005).

An IFA was introduced in the global banana trade in 2002, by Chiquita International Brands Inc., and it's co-signatories the global trade union the International Union of Foodworkers (IUF) and the Central American regional trade union Coordinadora Latinoamericana de Sindicatos Bananeros (COLSIBA). The agreement was described as 'a groundbreaking partnership' based on the fact that it incorporated freedom of association, minimum labour standards and employment standards for workers in Chiquita's Latin American operations (Chiquita, 2001; IUF, 2001). Empirically the