A Case Study of the Role of Collective Bargaining in Corporate Change - Qantas Airways Limited[1]

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Abstract

Against a background in the past decade of significant contextual changes, including the deregulation of the airlines, the privatisation of Qantas, and the merger of Australian Airlines, Qantas Airlines Limited has undergone significant organisational change. This change has not been characterised by a linear progression but by fluctuations between traditional organisational structures focussed around industrial relations and HR functions and organisational units headed by change agents specifically recruited to head the change process. These latter executives integrated cultural change strategies through training functions focussing on customer service with alternative organisational forms such as contracting out and competitive tendering. These changes may be seen in terms of productivity oriented strategies. A further imperative complementing these processes was the objective of reducing labour costs. Many of the issues arising from these change processes are industrially sensitive. Throughout the period Qantas continued negotiating with trade unions. Indeed, collective bargaining played a crucial role in establishing the protocols for putting in place many of these radical changes to Qantas. The present industrial relations climate gives Qantas some advantage, but it also raises the question of whether the airline will continue to support the collective bargaining process in an environment where some corporations are adopting individual contracts and eschewing collective bargaining.

Key words: Collective bargaining; strategy, organisational change; industrial relations; human resource management; change agents.

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Introduction

The world's airlines have undergone significant changes since the early 1980s. The major airlines in Australia have not been isolated from these transformations. Airline deregulation, exposure to the vagaries of international oil politics in the 1970s(Spencer & Cassell 1987, p. 6) and again in 2000, the Gulf War, company mergers, full or part privatisation of government owned airlines, increased international competition, strategic alliances within routes and between regions, two major recessions and the 1997-8 Asian currency crisis have contributed to pressures upon Australian airline companies to become more competitive. While dealing with these contexts, airlines have had to develop strategies to deal with both the longer cycles of the economy as well as seasonal market fluctuations.

The emphasis has been on cost cutting, especially reductions in labour costs through moderation of wage costs, increased productivity, and the introduction of flexibility through a motivated and more versatile workforce (Rojot 1992; Kochan & Verma 1992). Cutting labour costs in airlines both in Australia and overseas have involved measures such as reducing salary and wages bills through downsizing and eliminating expensive work practices. On some occasions and in some airlines in North America these measures have included wage reductions and wage freezes. At the same time, the imperative for airlines was to provide high quality service in order to maintain market share, improve revenues, and to maintain high safety standards in operations and maintenance (McDonald 1992a; 1992b).

Along with most corporations, airlines have a number of strategies available to them to reduce their labour costs and they are subject to a number of moderating influences which might prevent a company within the boundaries of industrial relations law from slashing the benefits of employment in an airline. One of these processes is collective bargaining.

This paper is about the role of collective bargaining in labour cost reduction at Qantas and the strategic choices faced by airline management in dealing with the external pressures for change at the airline and describes the development of change strategies employed by Qantas management.

Methodology

The paper is based on a longitudinal study of Qantas which commenced in 1994 and completed in 1999. Unstructured and semi-structured interviews of second and third level managers were conducted jointly by the authors. Key executives (managers reporting directly to the CEO, Mr James Strong) were interviewed on three occasions and one executive was interviewed on four occasions. Some interviews were also conducted with managers below these levels. In addition, data were obtained from company documents and the public record. The paper is therefore limited by its focus on the perceptions of managers: no non-managerial employees below the indicated managerial levels were interviewed with respect to the topic of this paper.

External Pressures for change at Qantas

Qantas Airways Limited has faced the full range of contextual pressures identified in the introduction. The Australian Government had purchased Qantas in 1947 and was the wholly government owned flag carrier on international routes. Trans Australian Airlines (TAA) was the government owned domestic carrier. From the late 1980s, Qantas experienced significant and complex change. TAA, which was renamed Australian Airlines, had endured continuous and significant change from 1985 at which time James Strong took over as CEO of the domestic operator. Australian Airlines was subsequently purchased by Qantas in 1993. Thus, when many Australian firms began to experience the market pressures of global competition in the late 1980s, Qantas was already an experienced player in a volatile international marketplace and in early 1990 had experienced the difficulties of merging two key operations.

Adjustment to the complex factors which Qantas faced required the organisation to deal with a number of circumstances brought upon the company by government policy. The first aspect of government intervention was the deregulation of the airline industry. Airline deregulation was the least of Qantas's problems, although it affected its domestic operations after merger. The Australian Government deregulated the domestic airline industry in 1990 with a single stage termination of the two airline agreement after a two year period of notice. The objectives of transportation deregulation were to put in place new arrangements designed to promote increased competition and pricing flexibility which were designed to lead to greater economic efficiency in the industry and benefits to the consumer (Australia, House of Representatives, 1990, p. 650). Since then Qantas has faced the increasing possibility of additional competition from some of the regional carriers, especially Air New Zealand. In addition, Ansett also commenced limited international operations in East Asia and Southeast Asia. On the domestic front, Qantas is facing at the turn of the century potential increases in competition arising from the re-vamping by new owners of Ansett, the expansion of the low-cost regional carrier Impulse to major inter-capital routes, and the launch of the cashed-up foreign operator, Virgin Blue.

The second element of government policy was the decision to partly privatise Qantas. This was followed by the sale of 25 percent of Qantas to British Airways in March 1993 and a $1.35 billion capital injection from the Government. Soon after, Qantas purchased the domestic carrier, Australian Airlines. Access to domestic routes gave Qantas the edge over Ansett on Australian routes through increased aircraft equipment capacity. Larger capacity Boeing 767 aircraft, already in Qantas's international fleet, were allocated to domestic routes improving on Australian Airline's market share and allowing for market growth. At the same time the company invested in improved cabin design and passenger seating (Qantas 1997).

Finally, the government decided to float the airline on the stock market and in 1995, shares were offered to institutional and private investors. The full privatisation of the airline was possibly the most significant factor to force change in the airline in order to meet shareholders' expectations of return on investment.

The development of a change strategy in Qantas

Qantas management experienced persistent, internal difficulties in merging the dedicated domestic carrier and an international operator into a single airline[2]. A second task Qantas management faced was overcoming an entrenched public service culture within Qantas and demonstrating to the unions and the staff that 'we need to run a business and costs are critical'[3]. One manager from the private sector noted that

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2 Interview with Executive A, 1 May 1997. The identity of the executives and managers interviewed is protected. We distinguish between 'executives' (second line managers reporting directly to the Managing Director, and 'managers' who reported to them).

3 Interview with Executive B, 1 September 1995

> One of the first things that I noticed when I came across was how slowly everybody walked. I just couldn't believe how they meandered along, and that just typified Qantas[4]

Notwithstanding that Qantas purchased Australian Airlines, a number of senior positions in Qantas had been taken over by former Australian Airlines executives. The appointment of James Strong in October 1993 to form an executive partnership with the new Chairman of the Board, Gary Pemberton, heralded a new era in the history of the airline and a new approach to strategic change. James Strong had been noted for his turnaround of Australian Airlines as Chief Executive Officer in the period of 1985-89. In appointing Strong, the Qantas Board held high expectations for him in the light of his experiences at Australian Airlines. However, they also recognised that Qantas was a much more complex affair to change than the former domestic carrier.

Not the least of Strong's problems was the creation of a unified organisational culture. The differences between the two workforces were quite marked:

> When I asked the Qantas people who they worked for they said the Board or Mr Ward or the government and when I asked Australian Airlines people who they worked for the said "the customer"[5].

For senior management, the challenge to create a new culture for the merged airline involved building up a new partnership between staff and management. This involved a need for 'the staff understanding that it is necessary to make a profit' by contributing to a profitable company[6], reducing costs and building up a customer service focus[7]. The strategy designed to improve Qantas's performance included in 1995-7 an extensive training programme, development of work teams, new classification structures, a share ownership scheme, changes in the management structure, and 'road shows' (where senior managers reported on the company and explained initiatives at meetings of employees), outsourcing, competitive tendering, and downsizing.

With the appointment of James Strong as CEO in 1993, there were various attempts to develop a comprehensive change strategy to deal with external factors and to overcome a perceived organisational inertia in adjusting to the new environment. Senior management

4 interview Manager A, 7 July 1994
5 Interview with Executive C, 7 July 1994.
6 Interview with Executive B, 9 April 1995.
7 Interview with Executive A, 1 May 1997.

made at different stages concerted attempts to transform the company but faced persistent internal difficulties which arose mainly from the merger of Qantas and Australian Airlines[8].

Strong's solution was to implement an integrated approach by appointing a group manager first in 1993, followed by a replacement in 1995, to manage organisational change. Both of these appointments reflected a perspective that strategic change needed to be closely managed from the top and facilitated by specialist change agents to drive the change. Politically, however, the industrial relations executives were in a powerful position to drive change through established industrial relations processes.

Industrial relations was characterised by three major orientations to the management of employees in the decade, 1989 to 1999. These are summarised in table 1.

Table 1: Changing Orientations to Managing Employees and Change at Qantas, 1989-1995

Period	Year of Appointment of Executive	Title
Traditional Employment Relations*, 1989-93	1989	General Manager, Human Resources
Customer/Staff Relations - Frontline Teams, 1993-94	1993	Executive General Manager, Staffing and Customer Services
Traditional Employment Relations 1994-95	1994	Group Executive General Manager, Operations
Employment Relations and Organisational development, 1995 -	1995	Group General Manager Customer Services and Organisational Development
		Group General Manager Human Resources

* Employment relations: i.e., human resource management and industrial relations

The first approach consisted of a traditional separation of industrial relations and HRM. We have characterised this as 'traditional employment relations'. Before James Strong was appointed to head Qantas, the industrial relations structure reflected established bargaining relationships and a pre-deregulation approach to dealing with costs. One executive during the study described this period as one where Qantas bowed to the unions;

8 Ibid.

costs were excessive; and a 10 percent wage increase was granted without resolving many of the issues arising from the Qantas-Australian merger or obtaining flexibilities[9].

The ultimate role for HRM in organisational change, according to the General Manager Human Resources, was to develop human resources as a service department. Paradoxically, however, HR was central to the change processes under Strong's predecessor, John Ward, but struggled to achieve recognition among Qantas managers. An internal survey revealed poor regard for HRM in the airline:

> The early years were trying to establish the credibility and lift the game of human resources in the company to a level where I think human resource management became one of the major drivers of Qantas and certainly there was a major influence through human resource management on John Ward's thinking.[10]

The period 1989 to 1993 was dominated by the industrial issues that arose out of downsizing during 1990, the 1991 enterprise agreement, and the 1992 merger with Australian Airlines. Despite the significance for industrial relations with the unions of these issues, no significant industrial disputes arose out of any of these three events as the company negotiated with the unions. Industrial agreements underwrote the workplace changes and from the company's perspective, the processes were driven by the HR section.

The General Manager Human Resources regarded employee training as pivotal in developing excellent customer service. However, there was a gap between the training and implementation because 'we didn't bother to change any of the procedures to empower them to actually do this.' During this period, the emphasis was upon competency based training programmes and accreditation within the context of the National Training Guarantee Act. Qantas established an in-house MBA programme for senior managers and a postgraduate diploma for middle managers:

> It was all about going along with the national training reform agenda and teaching people the skills, the competencies that we believed we needed for business plan outcomes. It was not hype it was not motivational ... it was trying to impart tangible skills and it was done very, very cheaply.[11]

This was linked to an attempt to develop a more participatory management style, but examples appear to have been isolated rather than permeating the whole organisation.

9 Interview with Executive B, 9 April 1995.
10 Interview with former Qantas Executive D, 12 July 1995
11 ibid.

Consultative approaches to workplace issues were piloted in dealing with customer relations matters such as baggage handling, special in-flight meals, and seat allocation. It was a ‘deliberate, multi-pronged approach in getting the industrial side right, developing employee participation in problem solving and skilling managers at the same time so that they’ve got the competencies to be able to make the most of the new environment faced by Qantas.’

Strong clearly favoured an organisational behaviour orientation, and appointed in 1993 an Executive General Manager Staffing and Customer Services, who had worked with Strong at Australian Airlines. This manager's specific brief was to manage the change process following the Qantas- Australian Airlines merger. Industrial relations and HRM functions were integrated in a customer-staff relations format with frontline management teams developed to manage change. We characterised this approach in table 1 as ‘Customer/Staff Relations - Frontline Teams’.

One of the first changes was the change of name of the division from ‘Human Resources’ to ‘Customer and Staff Services’ (CASS). This was done to register the strategic linkage between staff and customers, and to reinforce the strategy of ‘getting the staff close to the customers and in effect, getting the staff to do the sort of business building by building a relationship between the staff and customers’. At the same time, HR was seen as a service function.

This executive’s involvement with Qantas began with a consultancy project to ascertain staff attitudes to the merger with Australian Airlines and to determine why there were difficulties. The findings indicated that there were significant cultural differences in perspectives on working for the new Qantas organisation, as indicated above. Differences between the two cohorts were also expressed in responses to a “Have Your Say” programme which involved 35 focus groups of former Qantas and former Australian employees discussing the issues arising from the merger. Former Australian Airlines staff ‘thought it (the programme) was the ant’s pants because they are used to having their say about things’, whereas ‘it was anti-cultural to the old Qantas to allow people to talk like that’. When leadership programmes were introduced at the end of 1993 support was more forthcoming from ex-Australian managers than from those in the old Qantas. The problems identified by the former General Manager Human Resources in integrating training with what happens in the workplace as part of a strategic change process were addressed at this time:

> [We] tried to make the point that people had to develop at work day by day and that really the focus was about 'at work', 'on the job' stuff - it wasn't about building a training empire away from work, because that's in effect the way the managers and supervisors all related.[12]

The change of the department's name to CASS incorporated the concept that at the centre of all the HRM activities was the bottom-line of getting staff to 'surprise and delight' customers. Relationships with people, focus on quality service, feedback on performance and on-the-job development were held up as guiding principles around which the normal range of HR functions were to be promoted. The new management brought a view that staff are the best people to consult when it comes to improving quality and restructuring the business. The challenge was to ensure that they were empowered to do this, although this 'empowerment' related only to managerial levels. One of the symbols of this new relationship was the replacement of the titles of managers who reported directly to the Executive General Manager, Staffing and Customer Services with team leader designations.:

> I was trying to get a new cultural message across because the old culture and the previous ones were highly hierarchical and there was no communication and there were Indians and a lot of chiefs.[13]

In addition to these changes to the management structure, there was a move to decentralise the Industrial Relations staff in CASS to the operational areas and retain only a strategic presence at corporate headquarters.

This period came to an abrupt end with the controversial resignation of the CASS General Manager, and the appointment of the Group Executive General Manager, Operations. This represented a return to the employment relations model which held sway before Strong's arrival at Qantas. Under this arrangement, the training and development functions were split from the traditional HRM functions, and industrial relations expertise was centralised and increased. The human resource and industrial relations functions were again strengthened under a discrete structure. This departure of itself did not reflect a power shift, but saw the return of a discrete mainstream industrial relations and HRM

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12 Interview with Executive C, 7 July 1994.

organisational structure and a reversion to an industrial relations driven change process. At the same time, however, James Strong also recruited Executive C whose approach was more in line with the global integration approach in CASS of organisational behaviour, human resources and industrial relations strategies for change.

According to the Group Executive General Manager, Operations, the strategy for cultural change was 'to try and build up a partnership with the staff.' This was underpinned by issuing shares to each staff member. There was a conscious attempt to involve staff, but any participation was management-centred:

> We did a number of road shows. ... We went and talked to all the staff, but really trying to show that as a business we are there to make a profit. ...[T]he way you achieve that is by customer excellence and we also keep driving the issue of the style of management, participatory not dictatorial, involving staff as much as we can in the decision-making.[14]

There was an emphasis on profit which not only drives service delivery but also drives industrial relations strategies. The Group Executive General Manager, Operations saw this as a key task of his group: 'On the industrial front, we are ... trying to demonstrate to the unions and the staff that we need to run a business and costs are critical.' One of the means employed to link these elements in changing the culture of the airline was to introduce performance benchmarks for service delivery across the functional areas of the airline.

This third period contained inherent tensions between what one manager referred to as the 'soft' side and the 'hard' side of dealing with change where the industrial relations managers ran the industrial relations side independently, and was described by the Group Executive General Manager, Operations as having an understanding of how both 'hard' and 'soft' strategies had to modify each other[15]. Under the new Operations model, CASS had been broken up with human resources and industrial relations functions being separated from training and development which particularly focussed on the strategic and cultural changes. However, James Strong was also keen to follow on from the CASS approach and appointed a new manager (Executive C) responsible for driving Qantas's organisational change.

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13 Ibid.
14 Interview with Executive A, 1 May 1997.
15 Interview with Manager B, 2 May 1997

The fourth period commenced with a review in May 1997 of the senior management structure, in which Group Executive General Manager, Operations, who had managed the traditional, discrete functions, was terminated (Thomas 1997c) and the integrated approach reinstated under Executive C who was designated, Group General Manager Customer Services and Organisational Development (CSOD) and is currently Group General Manager Human Resources. In contrast to the rhetoric of participation under the previous employment relations regime, the new approach we characterised in table 1 as employment relations and organisational development, had a much more involving strategy, which the Group General Manager CSOD expressed in terms of shop-floor participation. This was an evolutionary approach which required the breaking down of existing structures:

> [W]e don't have to wait for the top to work, we can actually get into some other places and harness this and do something in the middle or bottom ... of the organisation and start working up. You only need a few adopters, somebody to adopt that sort of thing, and people get excited about it ... and the interesting thing is that even though [the] business is enormously union oriented - there is a lot of strength in unions here - when it comes down to this sort of activity, it crosses union boundaries, it crosses departmental boundaries, and in things like this people will get involved. And by doing that, we do in fact start to break some of the old traditions down. And the beauty of it here [is] we have at least two or three of these groups now.

The clear implication of these approaches is that these innovations will impact on the role of unions, and consequently, on the place of collective bargaining in Qantas. However, notwithstanding the cycle of change affecting organisation of employee management in Qantas, collective bargaining with unions remained a central process in Qantas industrial relations. One example where collective bargaining and consultation with unions played a role in Qantas throughout the decade was in the issue of labour cost reduction.

LABOUR COST REDUCTION

Labour cost reduction was a central plank of employee management in Qantas and Australian during the period. James Strong's predecessor, John Ward, in announcing staff cuts in 1990, observed that 'Our financial position has reached a critical point where immediate action is necessary to contain costs and improve competitiveness' (*Australian Transport & Distribution Management* 1990, p. 15). Likewise, in Australian Airlines, John Schaap, the Managing Director, prior to any public talk of purchase by Qantas, spoke of changes necessary in the airline to 'boost and improve productivity … [and] … work practice changes are the main platform from which we intend to achieve this productivity gain' (Schaap 1991). This message was frequently repeated in pronouncements from Qantas under Strong. The changing emphases of the various executives running employee management in Qantas in common saw this more or less central to a broader strategy of culture change within the company. The ascendancy of the industrial relations focus from 1994 to mid-1997 resulted in a concentration on this factor, although this represented a corporate response to environmental and organisational imperatives.

This emphasis upon labour cost-cutting occurred in a climate of crisis for the airline industry globally. This crisis mode is exacerbated by seasonal fluctuations and longer term cycles. Labour costs in this environment are therefore problematic:

> Finding the correct balance between machines and people is a complex issue, as is finding the right number of machines and people to serve the carrier's needs at various phases of the economic cycle. The problem is that we cannot put people and aircraft in a cupboard during a recession until they are again needed in the next upturn and peak of the market cycle (Gialloreto 1988, p. 191)

Airline managers regard reduced labour costs as one of the significant and necessary features of survival in the deregulated airline industry. It is not the sole means of ensuring profitability (Jenkins 1995, p. 9) and a competitive edge but is part of an overall corporate strategy, the pattern of which is to be found in the United States and Canada, and has been on the agenda in Australian airlines since the pilots' dispute of 1989-90 (McDonald 1992b).

Before deregulation, cost-plus pricing was endemic in the airlines, where wages increases and the costs of working conditions in Australian airlines were habitually absorbed by fare increases (Bray 1996, p. 59). This also characterised collective pattern bargaining in the regulated North American airline industry. In this environment, unions pressed home a bargaining advantage by agitating for the flow-on of gains in one airline into the other. As in the United States and other deregulating countries, the removal of this protective umbrella was a key, but not sole, source of reducing the bargaining power of employees. The coincidence of deregulation, the oil crisis of the late 1970s and the recession of the early 1980s exposed airline unions in the United States and Canada to concessionary demands and airline managements pressed the advantage, notwithstanding the strong unionisation of USA airlines (Cappelli and Harris 1985). In Canada, wages and work rules were also placed on the bargaining agenda as a means to effect airline survival and profitability; concession bargaining was the order of the day (Cassell and Spencer 1986).

Deregulation in the United States was accompanied by substantial impacts on the airline industry workforce. Albert Kahn, the so-called father of airline deregulation in the United States, conceded that ‘Labor unrest and the insecurity and the downward pressure on wages of the pre-existing workforce have been an undeniable cost of deregulation’ (Kahn 1988, p. 317). Robert Crandall, Chairman and President of American Airlines, concluded that there was ‘a massive transfer of wealth from airline employees to airline passengers’ (Crandall 1986, p. 6). However, the shift in bargaining power between management and unions cannot be explained by deregulation alone. The downturn in the airline industry in the early 1980s was almost certainly an ingredient (O'Connor 1989). As a factor interacting with other environmental conditions, airline deregulation could be viewed as a catalyst sparking the upheaval in the airline labour market (Thornicroft 1989). In Australia, there were a range of significant conditions within which Qantas has been able to dictate terms in the later 1990s.

For Australia, there were a number of factors other than deregulation, which impacted on the airline workforce. Downsizing, the weakening of the industrial strength of the pilots’ union, the same recessions which affected North America, the wage restraint written into the Accord, and the Gulf war were some of the contexts for industrial relations in the airlines. Thus, external pressures on labour costs arose in Australia from a number of sources which of themselves had little to do with airline deregulation.

Decisions by the Australian Industrial Relations Commission on productivity bargaining (the Structural Efficiency Principle from 1988-9 and the Enterprise Bargaining decision October 1991) and the 1991 recession had a greater bearing on labour costs than post-deregulation pressures. The Australian airlines began to issue demands on the unions for work rules changes. For example, both Ansett and Australian claimed cost-cutting concessions from the Australian Flight Attendants' Association in 1991 (Davis 1991). The changes sought included standardised and annualised pay rates, increased monthly and daily hours of duty, shortened rest periods, reducing upper respiratory tract infection sick leave without the need for medical certificates, pursers performing flight attendant duties and a number of other conditions (AFAA 1991).

Collective bargaining between management and the unions has been retained as a significant element in the Qantas change strategy notwithstanding a general failure to achieve productivity improvements in earlier enterprise agreements (Bray 1997, p. 62). Qantas undertook in the 1996 enterprise bargaining agreement (EBA) to maintain the existing industrial relationship, that is 'collective bargaining through Unions (and) that as a general position individual contracts will not be applied'. The EBA committed the parties to a recognition that 'good management practice carries with it the responsibility to effectively manage and implement change at the workplace'. The agreement thus bound unions and employees in a legal sense to the process of introducing change in Qantas. Two of the matters the Enterprise Bargaining Agreement III committed unions and management to were:

- (The recognition) that good management practice carries with it the responsibility to effectively manage and implement change at the workplace.
  …
- That the existing industrial relationship will be maintained i.e. collective bargaining through Unions and that as a general provision individual contracts will not be applied (QAL EBA III, pp. 2-3).

Attached to the EBA were individual agreements with the unions. These agreements committed the engineering and maintenance unions, other unions and Qantas 'to work together in an open and consultative way to improve company profitability, job security and to provide career path opportunities'. In the agreement with the Construction, Forestry, Mining and Energy Union, enhanced job security was linked to improved business performance in the Engineering and Maintenance Division. An agreement with the Transport Workers Union specifically addressed part-time employment with a recognition that its introduction 'is intended to increase the efficiency of the port or department'. The National Union of Workers agreement contained a commitment to abide by the settlement of disputes provision in the award on the basis that 'the underlying philosophy of the enterprise agreement is to ensure that Qantas is a profitable and enduring business and (to) increase job security' (QAL EBA III).

THE FUTURE OF COLLECTIVE BARGAINING AT QANTAS

The question for the future is, first, to what degree and for how long Qantas will commit itself to collective bargaining under legislation which provides for an individual contracts system and certified 'agreements' which employers can present to their staff for a vote, without negotiation. Second, Qantas has examples of firms, such as Comalco, which have successfully marginalised trade unions, instituted a 'seamless' workforce with individualised 'staff' contracts and claimed significant gains in productivity, commitment and morale (McDonald & Timo 1997). Third, the equation for decisions about industrial relations strategies have been qualitatively changed by Federal industrial relations legislation which has provided employers with a choice of routes towards avoiding collective bargaining. Indeed, the *Workplace Relations Act* 1996 has been described as encouraging anti-unionism and individualisation of employment contracts (e.g., Lee & Peetz 1998).

While substantial gains might be obtained by the company in adopting individual contracts, there is some incentive for Qantas to subscribe to collective bargaining. The 1996 round provided management with significant leverage in dealing with the 'hard' human resources issues of outsourcing, competitive tendering and compulsory redundancies. There is, however, no guarantee that this largely unionised firm will not still face industrial confrontation over these matters. Changing the basis of employment through the competitive tendering process contains inherent industrial relations risks for management. The call for tenders undermined staff morale (Thomas 1997a) and 'engendered scepticism, uncertainty and some hostility among the unions' (Thomas 1997b, p. 14). Nevertheless, the current climate gives Qantas the balance of power in workplace matters. It may be evidence of a much weaker and more cooperative union movement that Qantas was able to put in place a general protocol for outsourcing and competitive tendering within the EBA.

The industrial relations management regarded competitive tendering as a method of motivating employees to develop their own efficiencies and flexibilities, eliminate restrictive practices, and to become more productive[16], thus relieving management from the necessity to impose change against hostile opposition. The assumption appeared to be that the EBA provided both a moral as well as legal basis upon which the company could refute any industrial opposition.

16 Ibid.

On the face of it, therefore, the EBA was a very successful and 'a fairly aggressive' element in management's change strategy[17]. It not only legally committed the unions and staff to change but also committed them all to specific and radical forms of change, contracting out and outsourcing. Contracting out provides opportunities for internal work groups to tender for work they already perform, a feature which distinguishes it from other forms of outsourcing. The protocol provided Qantas with a very broad scope for initiating contracting out and outsourcing. It dealt with the provision of information to unions, resource training for union representatives, facilitation of attendance of union nominees at reviews or to address union meetings called to respond to company proposals and to prepare in-house bids, and access to expertise for competitive tendering by existing employees. While the unions' opposition of outsourcing and competitive tendering was recognised by the company, it regarded the protocol for competitive tendering as committing the unions. This was regarded both as necessary 'because we just have to pull the costs down' and as a significant process for driving change in the organisation[18].

In its objective of maintaining and improving profit margins, Qantas identified labour cost reduction as one of the key areas where the company expects to improve its performance. The EBA provided a slow release valve for wage increases by phasing in a 4 percent wage increase over two years. At the same time the company addressed some of the HR problems arising from the merger by creating a unified classification structure for white collar workers, and by creating a framework for change in the measures outlined above and specifically through outsourcing[19]. The other area where the EBA strengthened the company's hand was in the inclusion of compulsory redundancy provisions into the Agreement, contrasting with earlier voluntary redundancy agreements.

The outcomes of the EBA process at Qantas may reflect a general industrial relations climate where there is a shift in power towards management giving rise to new management tactics and bargaining structures as companies pursue more aggressive demands in collective bargaining (Cappelli 1990, p. 186) or avoid unions altogether. Qantas thus far has not attempted any union avoidance strategies. At the same time, however, unions have been cooperative, if reluctant, participants in change. The Australian Services Union, for example, adopted a view that while they were extremely

17 Interview with Executive B, 1 May 1997
18 ibid.

concerned about competitive tendering, they could not ignore the process (Thomas 1997a). Qantas has built on the tactical advantages it presently experiences in the power relationship between management and unions to underpin its cultural change programme by tightening its control over bargaining outcomes.

There is a danger in dealing with labour cost issues which arises from a profitability oriented approach to management where employers apparently see enterprise bargaining as the latest opportunity to cut labour costs as a means to securing short-term gains on the balance sheet (Hall & Harley 1995, p. 91). Cost minimisation approaches may reinforce 'traditional confrontationist industrial relations of managers who see the only way to improve their productivity is to lower their costs, and unions who seek to defend their status quo through craft-type job controls' (Curtain and Mathews 1990, p. 73). This might apply to the measures in the Qantas EBA. Cost minimisation takes 'a narrow approach to labour flexibility that focuses on such matters as spread of working hours, use of part-time, casual or contract labour, and lifting of penalty rates, at the expense of the deeper flexibility that derives from a highly skilled and adaptable workforce' (Curtain and Mathews 1990, p. 69).

However, there is an attempt in the Qantas strategy of integrating collective bargaining, organisational development and the human resource elements to adopt a productivity oriented approach, where work is reorganised along with the firm's strategic objectives. Curtain and Mathews argue that the successful implementation of productivity maximisation approach needs the linkage of wages with ‘skills formation, job classification structures and work re-organisation'. The restructuring of the labour process can thus ‘provide a framework within which more cooperative work practices can be implemented, crossing previous rigid demarcations (Curtain and Mathews 1990, pp. 68-9). The framework for profitability oriented approaches also includes a long-term focus on productive capacity and market share and productivity development through maintaining or increasing research and development, investment and training. These broad orientations are linked to a concentration on a high wage, high skilled workforce engaged in value added production (this has been a characteristic of the airline industry in which highly trained and skilled aircrew are complemented by a skilled technical and professional workforce on the ground). These and other emphases in productivity orientation lead to

19 ibid., 1 May 1997.

quite different tendencies in the organisation of work and its consequences for employees (Hall & Harley 1995, pp. 79–80). It is not clear, however, that outsourcing and competitive tendering fit this mould and the extent to which they undermine the key role for collective bargaining in the long run.

One of the biggest challenges facing Qantas is sending mixed messages to its employees by, on the one hand, team building, training, and communications which stress the productivity-oriented, customer-focused culture which the Executive General Manager Staffing and Customer Services set out to generate in 1993, and on which the Group General Manager Human Resources has continued to work towards since his appointment in 1995. On the other hand, downsizing measures such as the termination of apprentices' contracts, outsourcing, and competitive tendering generate an employee crisis which may be counterproductive to their commitment to the ideals for which management team-building and structuring has been aiming.

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