

# The Northwest, Air Canada strikes and the globalization of the airline industry

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4 September 1998

The strikes by Northwest Airlines and Air Canada pilots are the latest in a series of struggles by airline workers throughout the world. In the last year alone pilots have struck British Airways, Air France, All Nippon Airways, Cyprus Airways and Philippine Airlines. Flight attendants and ground crews have also walked out in Mexico, Spain, South Africa and other countries.

In each of these disputes airline workers are confronting an increasingly globally coordinated effort by the carriers to suppress wages, increase productivity and outsource jobs to lower-cost subsidiaries. In the past decade, the major airlines have established transnational alliances which enable them to exploit a global pool of labor and bring down wages and working conditions.

The airline industry, by its very nature, has long been international. By the 1980s, however, the growth of transnational manufacturing and global financial transactions, and the resulting increase in air travel and cargo shipments, led to a greater international integration of the airlines and the development of cross-border ownership.

This process accelerated in the 1990s, primarily due to the crisis facing US carriers. Early in the decade US airlines lost \$8 billion due to a combination of factors, including economic recession, rising oil prices and the reduction in air travel during the gulf war, and the competition to lower fares caused by overcapacity in the industry. By 1993, companies like Northwest Airlines were facing bankruptcy and sought global partners as a low cost means of expanding their operations in the world market.

In addition, US carriers were anxious to penetrate the European market and not be shut out as the European Community established a new, single aviation market for EC members.

Until the 1980s national governments had heavily regulated the airlines and controlled such questions as routing, pricing, taxation, passenger and cargo limits, repatriation of profits, and gateway access, or the number of slots available at airports. In some countries there were also limited guarantees for collective bargaining for employees. Many European airlines, as well as those in lesser developed countries were state-owned.

But vast changes had been introduced into the US airline industry, the world's largest, with the 'free market' policies introduced in 1978 with deregulation. A wave of bankruptcies, mergers and hostile takeovers, coincided with the destruction of tens of thousands of jobs, the smashing of union rights, and the replacement of full-time jobs with part-time employment. In order to benefit from the same policies, capitalist nations throughout the world began adopting these methods for their airlines to 'compete.' Soon scores of government-owned airlines were privatized, beginning with British Airways and Japan Air Lines in 1987, state regulations lifted, and the ownership and management of airlines was no longer restricted within national borders. This coincided with US-style attacks against airline workers internationally.

To aid US airlines' penetration of global markets, the US government led a campaign to further break down national regulations. The Bush administration negotiated the first 'Open Skies' agreement with the

Netherlands in 1992, allowing unrestricted air service by airlines of both countries between and beyond the other's territory, eliminating restrictions on how often carriers can fly, the kind of aircraft they can use and the prices they can charge.

This facilitated the first transatlantic partnership in 1993 between Northwest Airlines and KLM Royal Dutch Airlines. The pact was designed to have the two carriers operate as if they were one, including a 'code-sharing' agreement that allows an agent of one airline to issue a passenger one ticket for a trip, even though some legs of the trip will be with the other airline.

The Clinton administration has negotiated 30 more 'Open Skies' agreements, all in the past three years, spanning countries in Europe, the Middle East, Asia and Central America. More liberal bilateral agreements have also been signed with Canada, France and Japan. At the same time the US Department of Transportation has granted anti-trust immunity to major carriers which have established global alliances.

The increasingly complex web of cross-border airline ownership further undermined national regulation, particularly since government representatives in bilateral negotiations increasingly found it difficult to identify what their 'national' interests were. More and more national governments simply tailored their policy to the profit demands of the huge transnational airline companies.

## Global alliances

The airlines established global alliances as a means of circumventing remaining national controls, and expanding their market share, without incurring the costs of purchasing more planes, marketing or hiring more workers. These 'mergers without mergers' spread throughout the industry following the Northwest-KLM alliance. According to a recent survey of airline corporate financial officers it is expected that five to ten airline alliances will dominate the world market by the beginning of the next century.

At present the three major global airline alliances are:

**Star Alliance:** United Airlines, Scandinavian Airlines, Lufthansa, Air Canada, Thai Airways, Singapore Airlines, Air New Zealand and Ansett Australia

**Delta Alliance:** Delta Air Lines, Sabena, Swissair, Finn Air, Austrian Airlines, Air Portugal, Air France and Aer Lingus

**British Airways-American Airlines:** BA, AA, Qantas, Finnair, Iberia, Cathay Pacific, Japan Air Lines, Lan Chile, Argentinean Airline, and Canadian Air Lines

Every airline has reacted to sharply increased international competition by seeking to drive down their labor costs. Last June striking Air France pilots were told that they had to compete with Lufthansa pilots who had accepted a 24 percent pay cut in 1992, and that they had to increase the number of hours in the cockpit on par with the German airline and British Airways. This method of 'bench marking' has been used to bring down

conditions to the lowest common denominator.

In 1997 the International Transport Workers Federation commissioned a worldwide study on the impact of globalization on airline workers' jobs and conditions of work. The study involving unions representing a half million workers showed that 78 percent faced increased work intensity while 40 percent reported a wage decrease or freeze. Two-thirds reported loss of job security. Over half reported having experienced permanent outsourcing of work to sub contractors. Sixty-eight percent reported loss of job satisfaction.

In 1997, Stuart Howard, the Civil Aviation secretary for the International Transport Workers Federation, wrote about the emergence of 'virtual airlines' which have set up low-cost subsidiaries, contracted out aircraft maintenance, data entry and other groundwork to lower-cost regions of the world, and spread cross-border employment of cabin crews. Using British Airways as an example he said, 'Already many passengers booking BA tickets do not actually fly on BA aeroplanes. BA operates a whole network of feeder routes flown by low cost carriers who paint their aircraft in BA colours and whose cheaper non-union crews are in BA uniforms. BA's latest plan is to franchise some routes from Gatwick to Tampa to a company called Airline Management Limited (AML) which has no aeroplanes and no crew. Aircraft and crew will be leased to AML by BA!

'Code share agreements link up BA with alliance partners around the world. Any BA passenger booked on a BA flight from London to Sydney, for example, will in fact end their flight on Qantas. The ticketing information for the flight booking will no longer be logged in a ticketing centre in London. In March this year BA moved its passenger revenue accounting department to India.

'Qantas, in turn, is considering outsourcing some international routes to low cost Asian carriers and has told its cabin crew it has to compare their labour costs with those of its Asian neighbors. Swissair outsources all flights using less than 100 seats to nonunion Crossair.

'Ten years ago all BA's cabin crews were from Britain. Now the company has clusters of crews based around the world in Delhi, Buenos Aires, Hong Kong and elsewhere. United Airlines is setting up new bases of cabin crews almost every month from Hong Kong to Seoul to Paris. Lufthansa has set up bases in India and Thailand and Swissair has announced it will set up bases in India, Thailand and Korea.'

#### Globalization and the unions

To boost their profits, the airlines have pit workers in one region of the world against those in others. Rather than resisting this, the unions in the US, Europe, Japan, Australia and elsewhere have signed one concessionary contract after another, arguing that jobs could only be saved if workers undercut 'the foreign competition' and made 'their' employers more profitable.

However, it has become increasingly clear to airline workers that it is not possible to defend their jobs and conditions on a nationalist basis. As one Northwest pilot recently wrote on an Internet forum hosted by the Professional Pilots Rumors and News Network, 'The NWA pilots are now carrying the banner for all pilots in the world and we carry it proudly and with conviction. Pilots around the world should have no country boundaries. We are all in the same boat. We must stick together for the common good of all.' Expressing this same sentiment, KLM pilots in the Netherlands have threatened sympathy strikes in support of the Northwest pilots and refused to overfly NWA routes.

So strong are these feelings, and so transparent are the aims of the airlines, that pilots' unions around the world have been forced to establish some form of international cooperation. At a meeting in Tokyo on August 27, unions representing 24,000 internationally-based pilots formed the Alliance Coalition. The organization said it would share collective

bargaining information, 'to avoid any action that would undermine another member association or pilot group in the alliance' and support the raising of wage levels so that airlines do not have an incentive to shift flights to lower wage crews.

However, this trade union alliance, along with previous ones, in no way challenges the underlying cause for the assault on airline workers wages and conditions: the capitalist profit system. In fact the Air Line Pilots Association in the US has threatened to veto proposed alliances between domestic carriers to press for seats on corporate boards of directors, where it can collaborate with management to lower labor costs.

The destruction of hundreds of thousands of workers' jobs, and the worsening of their conditions over the last two decades, has demonstrated the irreconcilability between the interests of those who labor in the airline industry and the billionaire owners and Wall Street speculators who control it. The political outlook of the union officials, of defending the profits of big business, while exerting pressure on national governments to regulate the transnational giants, has proven a failure. Such a program, despite the occasional references to internationalism, can only lead to a further competitive struggle between airline workers within these alliances and between them over a dwindling number of jobs.

The attack on Northwest and Air Canada pilots is indicative of what airline workers can expect in the coming months and years as the airline industry restructures in response to its crisis of overcapacity, and the fallout from the deepening world economic crisis. In the face of this assault, a genuine industrial and political struggle can only be waged on the basis of a socialist strategy which challenges the capitalist ownership of the airline industry, and defends the right of every airline worker throughout the world to a decent job and working conditions.

The needs of airline workers and the provision of high-quality, safe and low-cost transportation for the public must take precedence over the private accumulation of profit. This is only possible if the human, technological and financial resources of the global airline industry are placed at the disposal of humanity as a whole, by running it as an essential public service under workers' control.

See Also:

Clinton's transportation secretary intervenes in Northwest pilots' strike  
[2 September 1998]

Changes in airline industry behind Northwest pilots strike  
[1 September 1998]



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