Australian unions back 18-month wage freeze at Qantas

Terry Cook
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Qantas, Australia's largest airline, is moving to capitalise on the continuing crisis in the airline industry and the effective demise of its domestic rival, Ansett. The company is launching an aggressive cost-cutting program to maintain its increased share of the domestic market—over 80 percent following the Ansett collapse—and to gain a competitive edge in the international arena.

The program involves slashing labour costs through a wage freeze, the restructuring of work practices and the shedding of an unspecified number of jobs from its workforce of 33,000. In order to contain the opposition of workers, management is openly relying on the trade unions.

On October 22, 150 officials and delegates representing 11 airline unions were wined and dined by Qantas chief executive Geoff Dixon at the plush Sydney Darling Harbour waterfront Novotel Hotel. By all reports, it was a sumptuous lunch. Dixon informed the gathering that Qantas wanted agreement on an 18-month pay freeze and the abolition of a range of rostering and special allowances.

Citing the sharp downturn in the airline industry globally, Dixon told the unions that the wage "pause" was needed to make Qantas "a low-cost operation to combat international competition". It was essential "to bring Qantas's base cost in line with domestic competitor Virgin Blue and any new competitor that emerges from Ansett's collapse".

In exchange for the pay freeze, which will save Qantas hundreds of millions of dollars, Dixon offered a performance-based bonus equivalent to 3 percent of employees' base salary. The bonus, which amounts to an average of just $1,298 per worker, will be dependent on the company matching last year's pre-tax profit of $597.1 million. Even if the wage freeze is accepted and profit targets met, however, Dixon insisted that "because of what is happening overseas there will still be need for some redundancies".

Dixon's initiative at the Novotel Hotel was timed to cut across negotiations for a new enterprise work agreement that included pay claims of up to 15 percent over three years. The airline unions had earlier put the pay negotiations on hold and called off a series of strikes following the September 11 attacks on New York and Washington.

Prior to the meeting, Qantas executives told the media that, although the company had increased its domestic market share and overall profits, "the grim international market" meant its position could only be maintained by "cuts to match the rates our competitors employ people on". Qantas chairwoman Margaret Jackson warned: "Virgin costs and staffing levels are definitely on the agenda." Virgin Blue costs are 35 percent lower than Qantas and cabin crew are paid $36,000, as compared to $50,000.

Despite a few verbal protests, key airline unions have either accepted the "pay pause" or are preparing to steer it past objections by their members. The Australian Council of Trade Unions (ACTU) called the plan "scandalous" but did not call on its affiliates to reject it. ACTU secretary Greg Combet opened the door for negotiations saying, "We remain to be convinced and are willing to talk".

Some unions have already fallen into line. Transport Workers Union national secretary John Allan indicated that if a number of issues were worked out, the union "would take pay off the agenda". He claimed that his members "like us, like everyone else, realised the airline industry has changed in the past weeks".

National Union of Workers organiser Paul Richardson followed suit, saying that his members were “likely to accept the deal”.

Australian Workers Union head Bill Shorten said Dixon’s approach had been welcome. Shorten praised the airline boss for being “upfront” with his demands. “He did not lose any points putting the agenda up.”

The Flight Attendants Association did not even wait to be briefed. It signed up to the pay freeze days before the Novotel meeting.

Some unions, anticipating opposition from their members, have held off giving their immediate approval. The Australian Services Union (ASU), representing thousands of customer service and ground staff—some of the airline’s lowest-paid workers—issued a mild condemnation. The ASU national secretary Linda White said the union was “sceptical” about the case for the wage freeze but did not outline any proposal to fight it.

The Australian Manufacturing Workers Union, representing aircraft maintenance workers, said this week that industrial action by its members was “inevitable” following a breakdown in negotiations with Qantas over the pay freeze.

There was considerable discontent among Qantas maintenance workers over wage rates, even before the freeze proposal. According to the union, maintenance workers have not had a pay increase in 12 months and an 18-month freeze would cost them $74 to $100 a week. On average, the workers earn about $35,000 a year and the union admits they are the lowest-paid skilled workers it represents.

Qantas remains quietly confident that after some initial huffing and puffing, and even some limited protests, all unions will come into line. At the beginning of this year, Qantas slashed 1,200 jobs to achieve cost savings of over $100 million a year with the de facto agreement of unions.

Only two days before breaking bread with Dixon at the Novotel Hotel the same unions made it clear they were willing to oversee any cutbacks demanded by the airlines. On behalf of the ACTU, Combet endorsed the destruction of thousands of jobs at Ansett, describing the job losses as “tragic but inevitable”.

Qantas management’s confidence is shared by the markets, which welcomed the cost cutting proposals and the initial union response by pushing up the value of the company’s stock by 14 cents to $3.73.