Aquino government blocks strike at Philippine Airlines

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The administration of President Benigno Noynoy Aquino blocked an impending strike this month of Philippine Airlines (PAL) employees. Cabin crew members of the Flight Attendants and Stewards Association of the Philippines (FASAP) were set to strike after negotiations for a pay agreement bogged down.

The previous three-year agreement expired in 2007 and PAL has dragged out negotiations for a new deal covering 2007 to 2010. Management has offered just $US1.7 million to cover a retroactive salary rise and another $560,000 to increase the rice allowance over the same period. It also offered to increase the retirement age from 40 to 45 and augment maternity benefits.

The annual salary for cabin crew, including productivity pay, transportation allowance and rice allocation, ranges from $US9,231.72 to $19,618.68. The PAL offer amounts to just $354 on average for the 1,600 staff—a rise of between 1.8 to 3.8 percent. The average annual inflation rate over the past three years was 5.6 percent. Thus, the “pay rise” is in fact a cut in real wages.

PAL, with an estimated combined loss of $350 million from 2008 to 2009, is bent on implementing cost-cutting measures, including job cutbacks and increased workloads. According to the union, the airline has already reduced the cabin crew complement on its international flights from 18 to 16, netting the airline an extra $3.1 million a year.

Immediately after the breakdown of the negotiations, Labor Department secretary Rosalinda Baldoz issued an assumption of jurisdiction (AOJ) order. The order—according to Baldoz issued for the sake of the “nation’s interests” and the “interests of the riding public”—bans the cabin crews from taking any industrial action under pain of immediate dismissal. It ostensibly also prevents PAL management from taking any adverse action against employees.

The AOJ order is a clear gain for PAL as it forces the cabin crews to continue to work under existing pay and working conditions. It also allows PAL to profit over the upcoming months from the October fiestas, staged in various cities in the south for tourists, to the November All Soul’s Day and finally the Christmas season when many overseas workers return to spend time with their families.

PAL expressed its gratitude to the government. According to *Business World*, PAL spokesperson Cielo Villaluna stated: “PAL is grateful to Labor Secretary Baldoz for putting the public interest ahead of any particular group. FASAP’s repeated strike threats are a cause of grave concern for PAL passengers whose travel plans are being unfairly disrupted.”

The ability to issue a jurisdiction order is part of the labor code crafted by the dictator Ferdinand Marcos in 1974 at the height of his martial law regime. Years later, even after his ouster and the formal restoration of democracy, this anti-worker measure continues to operate. According to a 2008 congressional report, 15 such orders are issued every year on average by the Labor Department, to either block industrial action or forcibly end it. An AOJ order authorises the Labor Department to impose a settlement and to call out security forces to suppress any labor resistance.

Aquino himself benefitted from an AOJ order. In 2004, workers stopped work at the Cojuangco-owned sugar estate—Hacienda Luisita. President Gloria Arroyo, then a close political ally of Aquino’s mother, Corazon

Cojuangco Aquino, and the Cojuangcos, issued a jurisdiction order. Security forces were then sent out to violently disperse striking workers. By the government's own estimate, 7 people, including 2 children, died in the clashes.

The order against PAL cabin crews follows a similar AOJ order issued in April by the Arroyo administration to block a strike by ground crews. The staff opposed a plan to spin off 3,000 jobs in airport services, in-flight catering and call center operations to corporations believed to be owned by Lucio Tan, PAL's billionaire owner, or his close associates. When implemented, the plan will reduce PAL workers to contract staff on reduced pay and benefits. According to the GMA 7 TV web site, the airline claims there will be savings of over $22 million a month from the scheme. The Labor Department has already issued its "settlement," declaring in June that the contracting scheme was legitimate and "a valid exercise of managerial prerogative."

The Labor Department made its decision just days before the end of Arroyo's term of office. The incoming Aquino administration ignored appeals by the ground crew's union, Philippine Airlines Employee Association (PALEA), for reconsideration. Instead, it signaled that it backed PAL against its workers from the onset, warning that it would also issue an order against any strike action.

From its founding in 1941, PAL has been a cash cow of one or more of the country's dominant families. Partially owned by the government, it had a monopoly on domestic air services. In the 1970s, the dictator Ferdinand Marcos took control. After Marcos was ousted in 1986, President Corazon Aquino and her successors moved to integrate the Philippines into the global economy. PAL was privatized in 1992 and in 1995 Lucio Tan, a former Marcos business crony, emerged in control of the airline.

In 1998, after Tan's close ally Joseph Estrada won the presidential election, Tan took advantage of the deepening Asian financial crisis to launch a systemic assault on the jobs, benefits and conditions of PAL workers. The airline announced cutbacks to aircraft, flights and jobs and threatened to declare bankruptcy if workers resisted.

The PAL unions blocked any joint struggle against Tan's plans and promoted the illusion that President Estrada would come to the assistance of airline employees. The Estrada administration, however, backed Tan and issued a series of AOJ orders against any industrial action. When PAL pilots, in desperation, defied an order and struck for three weeks in June 1998, the strike was declared illegal and the union virtually destroyed.

Blaming that pilots' strike for its financial difficulties, the airline retrenched more than a third of its workforce under a rehabilitation plan designed by the Securities and Exchange Commission to prevent bankruptcy. In response, ground crew struck in July 1998. However, the union quickly capitulated after four days of pressure from the Estrada administration. In exchange for its continued official recognition and a seat on the airline's board, PALEA acceded to a 10-year suspension of its pay agreement and allowed nearly 2,000 members to be retrenched. The union covering cabin crew likewise capitulated and over 1,500 of its members were subsequently sacked.

Having defeated the unions, Tan proceeded to carve up the airline. In 2000, PAL spun off its maintenance and engineering department, with an estimated 1,800 workers, to Lufthansa Technik Philippines, a joint venture between Lufthansa Technik and Tan's own MacroAsia. Last year, while PAL itself declared a loss of $14 million, MacroAsia received dividends amounting to over $9 million.

More than a decade later, a virtual replay of 1998 is unfolding. PAL is again utilising the threat of bankruptcy to batter down the resistance of workers. PALEA and FASAP are again leading PAL workers into a dead end. Utterly incapable of conducting any independent political struggle, they have already bowed to the Aquino administration's order and are promoting the dangerous illusion that the president can somehow be pressured to act in the interests of workers.