Deregulation of the US Airline Industry: A Labor Retrospective 30 Years Later
Deregulation was advertised as a solution that would bring:

- Lower barriers of entry for new airlines
- Lower fares, democratizing travel for all Americans
- More flights, for greater service options
- More competition on service, improving quality
- Higher productivity, lower costs and leaner companies, resulting in a profitable, self-sustaining industry

Bankruptcies and a “shake-out” were envisioned; job losses and worker displacement were to be expected, but the Act would mitigate these problems with preferential hiring and income protection. A “better” [profitable?] airline industry was advertised for all Americans in a post-regulation world.
Deregulation also brought us uncertainty and upheaval that are still with us today…

• Predatory pricing, fare wars, and overcapacity
  – Industry losses were largely self inflicted by poor management strategies such as these
  – Concessionary contracts funded low fares
• Hubs to be more efficient led to fewer non-stops, longer travel times
• Dozens of bankruptcies, downsizing
  – Broken promises of employee protection
    • Layoffs and unemployment for thousands; furlough “bump and roll” meant tens of thousands of families uprooted or separated
• Poor overall service resulted from cost cutting, disenfranchised workers, and understaffing

Airlines supported irrational capacity and often sold seats well below their costs. Revenue shortfalls from these lower fares were largely subsidized from the pockets of airline employees.
Employee Protective Provisions of the Airline Deregulation Act (Section 43)

• Designed to protect employees impacted by deregulation. Two facets:
  • “First Hire” provision – furloughed employees would be given first rights to vacant positions at legacy airlines; mechanism was to be in 6 months (by May 1979)
    • It took five years, not 6 months for the Secretary of Labor to establish rules. Provision was found unconstitutional for technicality in 1984, resolved in 1985 but never implemented.
  
  – Financial Compensation provision (three elements)
    • Monthly compensation for job losses or income reduction for up to 6 years after deregulation
    • Reasonable moving expenses covered for displaced workers
    • Restitution if residence sold below fair market value
  • In May 1982, the CAB found that nine carriers had actually experienced “major contractions” of over 7.5%, which should have triggered benefits for affected workers. Airlines argued that the contractions were the result of fuel prices, economic weakness and the PATCO strike, not direct result of deregulation.
  • Due to administrative delays, legal entanglements, and disagreements concerning employee eligibility, financial benefits were never paid under the EPP.
In retrospect, airline employees became “the disenfranchised” of deregulation

- “EPP [employee protection program] was created, first, to compensate airline workers who lost their jobs or received lower pay as a result of bankruptcies or major contractions whose major cause was airline deregulation and, second, to grant such workers first-hire rights. However, the Department of Labor delayed the establishment of regulations to administer these rights, Congress did not appropriate funds to compensate displaced employees, and airlines fought the requirements in court. On August 7, 1998, the statute authorizing the EPP was repealed. No compensation was ever provided to displaced employees, and the first-hire right was never enforced.”

_Airline Deregulation_. GAO Report GAO-06-630. Conclusion regarding Section 43 of the Airline Deregulation Act of 1978

The EPP was intended to protect employees with four or more years of service at certificated air carriers as of 10/24/78. Eligible employees were to be protected if their employer went bankrupt or if there was a “major contraction” of employment exceeding 7.5% at a carrier that was a result of deregulation.
“Major Contractions” in jobs following deregulation and estimate of workers impacted (largest carriers only)

<table>
<thead>
<tr>
<th>Major Carrier Furloughs Following Deregulation and Estimate of Workers Eligible for EPP Assistance (TWU analysis of DOT data)</th>
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<tbody>
<tr>
<td>Furlough Year / % Furloughed / # Furloughed / Est. # Eligible for EPP Assistance*</td>
</tr>
<tr>
<td>American 1980 8.3% 3246 517</td>
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<tr>
<td>Braniff 1980 18.2% 2691 1307</td>
</tr>
<tr>
<td>Continental 1980 13.6% 2088 1154</td>
</tr>
<tr>
<td>Pan Am 1980 11.1% 3992 2984</td>
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<tr>
<td>TWA 1981 9.0% 2861 2861</td>
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<tr>
<td>United 1980 9.0% 4633 3389</td>
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<tr>
<td>United 1981 9.2% 4296 4296</td>
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<tr>
<td>United 1982 7.5% 3201 3201</td>
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*Many carriers tried to grow, but subsequently laid off workers in the first year following deregulation, and the 1979 new hires are included under column heading “number furloughed”. The final column factors out these employees hired after 1978 who would not be eligible for the EPP.
Reality: “Boom or Bust” industry performance wreaked havoc on the lives of airline families

  - Layoffs and outsourcing
  - Two, even three tiered pay (A, B, and C scales) created caste systems
  - Part time jobs conceded for “efficiency” meant fewer full time opportunities. Many downgrades to part time status resulted
  - Acrimonious bargaining climate; worker dissatisfaction is “normal”

- Self help was defused due to RLA - protracted “mediations” now last years
- Declining, rather than improving quality of life for career airline workers that remain
  - Less time off, more hours worked to make ends meet
  - Lower quality jobs were evolving
    - Pay erosion, pension freezes, medical cost escalation

In a 1992 article, the NY Times reported: “In the 1980’s, the airline industry went from being the third highest paying industry to the 17th.” The US Industry remains hyper cyclical and unable to sustain profits or raises, a direct result of deregulation.
Today high oil prices are being replaced by slack demand as the next in a long line of deterrents to profitability. Workers remain in constant jeopardy.
Deregulation was responsible for major job losses and instability, with no true safety nets for workers.

**Legacy carriers unable to survive after deregulation included:**
- Braniff (1928-1982) 10,678 jobs
- Eastern (1926-1990) 19,797 jobs
- Pan Am (1927-1991) 26,137 jobs

“Pre-1978, bankruptcies were extremely rare…. Since 1978, there have been well over 100 bankruptcy filings, although not all of these have resulted in liquidation.”

_Air Transport Association_
ADA-inspired industry “improvements” required
counter to the mission of Organized Labor

• Our primary objectives continue to be tested:

  – Job protection and growth
    • Deregulation cut jobs in the name of costs and uprooted families. With fewer employees performing the same work, quality and reliability have suffered in the name of “worker productivity”
  
  – Fair compensation
    • Boom, bust, bankruptcy and concessions became the industry watch words after 1978. If your airline was to survive, you had to take a pay cut – period.
The next chapter:
What will be the human cost of global deregulation?

• Will open skies be the “new wave” of deregulation? Will US workers bear the brunt of a new cost spiral in an already dysfunctional industry?
  – Low cost competition will be defined by the lowest cost labor and will translate into a competitive advantage across borders.
  – Government assurances and “protections” have proven to be illusions
    • Work going to off-shore MRO’s already confirm this direction.
• History’s lessons precludes labor embracing the globalization tide – we cannot simply sit back and watch while the next wave washes over American airline workers
  – Lessons of deregulation are clear - open skies negotiators on both sides of the table must look beyond low fares and more service
    • The workers that provide that service must be considered, protected and valued as an integral part of civil aviation’s future.