

Massive wage cuts imposed on American Airlines workers

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Using the threat of bankruptcy as a hammer, union officials and American Airlines executives this week collaborated to push through \$1.8 billion in wage cuts and other concessions on employees at the world's largest airline. The deal reached by the unions representing pilots, flight attendants, mechanics, baggage handlers and other ground workers will cut wages between 16 and 23 percent, impose further benefit and work rule concessions and slash thousands of jobs.

The takeaways are part of the massive cost-cutting and restructuring campaign being carried out by the airlines—with the full backing of the Bush administration—to restore profitability at the expense of their workforces and the traveling public.

Both company and union officials threatened that American would seek bankruptcy protection and void its labor contracts if workers did not accept the company's demands.

Don Carty, chairman of American's parent company, AMR Corporation, warned that he would seek another \$500 million in concessions from each union if the company went into bankruptcy.

American Airlines lost \$3.5 billion in 2002, bringing its losses to \$5.3 billion for the past two years. The airline is currently incurring losses of \$5 million a day.

There was widespread opposition from rank-and file workers, who have never recouped the give-backs they granted in the early 1990s despite the record profits and multimillion-dollar pay packages that followed later in the decade.

Officials from the Association of Professional Flight Attendants (APFA), whose members were the last to hold out against the concessions demands, repeated management's bankruptcy threats. Union spokesman George Price warned that concessions would be "much worse than what's in this proposal" if the company were to go under. John Ward, the union's president, sent an email earlier in the week to members, saying, "We are angry with the company for taking this approach and we're sure you are as well. But we can't afford to let that anger dictate our actions."

Despite the browbeating, by Tuesday afternoon flight attendants had voted by a 51 percent margin to reject the concessions. Instead of filing for bankruptcy as American executives had threatened, the company said it would extend

the deadline by one more day and union officials announced that they would allow members who had already voted to change their ballot during telephone polling.

About an hour after voting ended Wednesday evening AFPA officials announced they had achieved the vote in favor of the concessions—by a 52 to 48 percent margin. The chief executive of AMR immediately thanked the union leadership and all those "who recognized the urgency of our financial crisis and rose to meet the challenge." Shares of AMR Corporation jumped as much as 27 percent on Wall Street Thursday in response to the vote.

Under the six-year deal American's 26,000 flight attendants will give up \$340 million and allow the layoff of 2,000 workers. In addition to the 16 percent pay cut—which begins May 1 and lasts for the duration of the contract—the airline is seeking work rule and scheduling changes to increase workloads on already overworked flight attendants.

Earlier on Tuesday, both the Allied Pilots Association (APA) and the Transport Workers Union (TWU) announced that members had ratified the so-called Restructuring Participation Agreement. In an effort to ensure ratification, both unions had allowed union members to change their vote during telephone polling after the company added a tiny sweetener, a 4.5 percent bonus in 2006 on the condition that the company's credit rating improved. Before that it was clear, workers were rejecting the pact.

Under terms of the deal, wages for pilots will be cut by 23 percent during the first year, starting May 1, and 17 percent for each of the next five years. American will also lay off 2,500, or about 20 percent, of its pilots over the next year.

Cuts for 34,000 workers represented by the Transport Workers Union total \$620 million and include the layoff of 2,400 workers. Wages for 16,000 mechanics will be cut 17.5 percent in each of the six years and the 16,000 baggage handlers will see pay cuts of 16 percent. The company was also granted scheduling and work rule changes to increase productivity. Another 2,000 ground workers also represented by the TWU will see their pay cut from 6.6 percent to 19 percent.

While workers have been forced to accept massive concessions, American's executives and big investors have

assured that they will continue to prosper. According to the *New York Times*, a security filing Wednesday by the company shows American set up a trust on October 15 to protect its top executives' pension funds from the bankruptcy courts. As part of its "negotiations" with its employees, American had threatened to wipe out the pilots' pension funds if it had filed for bankruptcy.

The blackmailing of American Airlines workers follows a similar pattern throughout the entire industry. This past December, unions at US Airways approved a second round of concessions for a total of \$1.8 billion in yearly savings for the carrier. The concessions include cuts in wages, benefits and changes to work rules and scheduling. In addition, pilots saw their pensions cut from 25 to 50 percent.

On April 11, the Air Line Pilots Association announced it had approved \$1.1 billion in takeaways at the number two carrier in the US, United Airlines, as part of the company's drive to obtain \$2.56 billion in annual concessions from its workers.

Industry experts expect that other big carriers, including Northwest, Delta and Continental, may also seek bankruptcy protection to wrest further concessions from their employees.

The airline industry continues to pile up billions in losses since the onset of the recession in March of 2000 and the September 11 terrorist attacks. Air travel has been further slowed by the war against Iraq and the spread of the Severe Acute Respiratory Syndrome (SARS) virus, costing airlines tens of billions in lost revenues. The carriers have responded with additional attacks on jobs.

In the US, airlines have cut 10,000 jobs and may cut as many as 70,000 jobs if the impact of the war continues. Northwest Airlines is cutting 4,900 of its 39,000 workers, down from 53,500 at the beginning of 2001. Last month, Air Canada, the largest airline in the country and one of the ten largest in North America, joined United and US Airways and filed for bankruptcy after cutting 3,600 jobs.

The Bush administration, working through the Air Transportation and Stabilization Board, has demanded massive concessions and layoffs in exchange for loan guarantees to keep the big carriers and their wealthy investors afloat. The ATSB directly precipitated the United bankruptcy when it rejected a \$1.8 billion loan request this past December despite the union granting more than \$1 billion a year in concessions. At US Airways the ATSB demanded the concessions as a requirement for \$900 million in loans so that the company could emerge from bankruptcy.

In face of mounting losses, the US airline industry has lobbied in Congress for between \$4 billion and \$9 billion in additional aid. In the days following the September 11 terrorist attack, Congress approved a \$15 billion aid package to the airlines.

Last week, Congress approved a \$2.9 billion aid package. This was cut down from \$3.5 billion after the Bush administration came out in opposition to any aid, blaming high

costs—a euphemism for employee wages and benefits—and overcapacity for the industry problems. Jeffrey N. Shane, undersecretary of transportation, told a Senate committee that nonunion Southwest Airlines and JetBlue are doing fine and referred to concessions obtained at US Airways as a "prime example" of how airlines can "fix" their own problems.

Shane made clear that the administration wants airlines to use the present crisis to make the workers pay through job losses, wage cuts, speedups and the destruction of benefits. Aid to airlines, he added, would just be a "perpetuation rather than a solution to the problem." The administration's hostility to the workers was made especially clear when they specifically targeted a provision in the Senate version that granted laid-off airline workers additional weeks of unemployment benefits and got it removed from the final bill.

Unemployment among airline workers is a staggering 15 percent, more than two-and-a-half times the national average, and the Senate provisions would only have amounted to \$275 million out of the total \$2.9 billion package. Nevertheless this was too much for the administration, which sees the desperation caused by long-term unemployment among airline workers as a useful means of extracting concessions from those still working.

The Bush administration is using the airline crisis to impose massive concessions upon workers and set the stage for a broader attack on the entire working class, similar to what followed the firing of the air traffic controllers by the Reagan administration in 1981.

For its part the union leadership has shown that it functions completely as an arm of management. The struggle to defend jobs, living standards and the right to safe and affordable travel requires the development of a political movement that rejects the profit motive and the anarchy of the "free market" and calls for the public ownership of the airline industry.



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