### FORDHARRISON FH SOLUTIONS GROUP

# Addressing Employee Demands and Combating Pattern Bargaining

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### What's Happening With Unions?

- The entitlement mentality has never been higher
- Expectations far exceed any airline's ability to pay
- Many union negotiators have little to no experience at the bargaining table, which complicates the ability of the parties to reach agreement
- Unions are worried about getting tentative agreements ratified which makes reaching an agreement that much more difficult





#### Welcome to NASHVILLE

### What are Unions Demanding?



- Boarding pay only exists at Alaska, American, Delta, and SkyWest
- There is a major push by AFA to negotiate boarding pay at other mainline and regional airlines and to "close the gap" between mainline and regional airline pay scales
- More time off
- Paid Parental Leave



- Pattern bargaining has emerged between American, Delta, and United on pay and retirement
  - However, unlike pattern bargaining in the past, airlines are matching each other's pay scales and not exceeding them
- There is an aggressive push by pilot unions to deadhead in First Class
- More time off, getting more rest, and fatigue are now at the forefront of pilot negotiations
- Paid Parental leave





#### Welcome to NASHVILLE

### What are Unions Demanding?



- Some mechanic unions are still reluctant to embrace apprenticeship programs
- Mechanic rates have skyrocketed as the skilled mechanic is getting harder to find
- Unlimited shift swaps



- Disruptive customers and what to do with them continues to remain a focus of unionized passenger service agents
- Like other airline employees, these unions want significant pay increases
- More time off
- More leniency in dependability programs





### What are Unionized Employees Seeing?

- The media has glorified strikes and labor leaders like Sean O'Brien (IBT), Shawn Fain (UAW), and Sara Nelson (AFA) are "media darlings"
  - This emboldens employees to have their union leaders be more militant











### What are Unionized Employees Seeing?

- The thinking is, if Hollywood actors and writers can strike, we should be able to do the same
- Starting with the "Great Resignation," companies were unable to hire enough employees, which resulted in unions having more leverage at the table
  - Recently, there has been a shift in hiring, but airline labor appears to have not gotten that memo!





# How "Elastic" is the Airline Labor Market?

- In economics, "Elasticity" means a larger increase in an employee's standard of living in exchange for a small price change on a product or service
- The industry always has some type of external event that rocks the industry
  - It isn't a matter of if an external event will happen, it's a matter of when it will happen
- When will the industry collapse?
  - Remember Doug Parker's famous quote in February 2018? "American will never lose money again" thanks to industry consolidation
  - Frontier, Southwest and Spirit are reinventing themselves to better compete with the legacy carriers
  - Avelo and Breeze are the latest new entrants and by some estimations, are profitable





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# What are Strategies for Responding to Employee Demands and Pattern Bargaining?

- 1. Understand this is not a "one size fits all" industry
- 2. Cannot compare airlines generating \$1 billion to \$12 billion in revenue to airlines generating more than \$30 billion annually
- 3. Unions are insisting that smaller airlines come close to matching wages and have similar contract provisions of the Big 4
  - Approach is not sustainable in the long term
- 4. It is critical for airline management to constantly reinforce the financial and business differences between them and the legacy airlines
- 5. Work with the union to help them prioritize their demands and see how the company can meet those demands, which will result in a higher percentage of tentative agreements being ratified





### What are Strategies for Responding to Employee Demands and Pattern Bargaining?

- 6. Do not accept cherry-picking by union negotiating committees
- 7. Matching the pay scales and retirement are not the answer
- 8. Airlines must do what is best for their company if they are going to stay in business long-term
- 9. Company negotiators at smaller airlines have to do a better job of combatting union demands for the same or similar contracts at the larger airlines
  - Every time a union negotiator brings up a comparison to a larger airline, remind them your airline is different and cannot compete with larger airline labor costs
  - Keep the focus on the long-term success of your airline, constantly telling the union profitability is the key to a growing, successful company
  - Listen carefully to what the union is saying this is critical for ratification



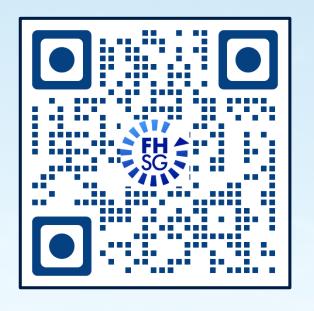
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# What Does the Future Hold for Airline Labor Relations?

- Unless there is financial discipline, these unsustainable contracts will continue
- Future airline CEOs will eventually have to take strikes as this may be the only way to manage the escalation in labor costs



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## Thank you!

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