

Labor in Focus by Marianna Wertz

The Eastern Airlines dilemma

Another major airline is caught by the big banks, deregulation, and the stupidity of the union.

Eastern Airlines, facing \$2.5 billion in long-term debts, recently announced the layoff of 1,010 flight attendants and lowered the wages of its remaining 6,000 flight attendants by 20%. The airline, under intense pressure from its creditor banks, including Chase Manhattan and Citicorp, has also demanded a 20% wage cut from its pilots.

The airline is caught between falling profits, losing \$355 million in the last five years, resulting from intense low-cost competition and chaotic market conditions created by deregulation; and creditors who are demanding draconian wage and benefit cuts from the airline's employees. The banks have threatened to impose a technical default on the airline should such cuts not go through by Feb. 28.

Also pressuring the company are Eastern's three unions, representing the pilots, machinists, and flight attendants, who so far have refused the banks' demands, but are pursuing instead a plan to "buy out" the airline.

Negotiations are currently underway between Eastern and its 4,200 pilots, represented by the Air Line Pilots Association, which has threatened to strike against the nation's third-largest carrier. The strike could come as early as Feb. 26, when a mandatory 30-day cooling-off period ends.

On Feb. 9, the Air Lines Pilots Association told its members to "sit tight and expect nothing" from the negotiations. "Your affirmative vote on the strike ballot is still the only tool we

have to ensure that unreasonable wages and, perhaps just as importantly—working conditions—are not imposed on us unilaterally by management."

Eastern's flight attendants, represented by the Transit Workers Union, are free to strike at any time, the Jan. 20 deadline for the federally imposed cooling-off period having passed. But the union said it would not stage a walkout before March 1. In these negotiations, management is demanding a 32% wage cut, while the union wants an 18% increase.

The three unions, under the leadership of the International Association of Machinists, are urging the company's 38,400 workers—who already own 12 million of the more than 60 million company shares—to buy as much Eastern stock as possible, to gain control of the company. They are also seeking the ouster of Eastern's chairman, former astronaut Frank Borman.

Borman told the *New York Times* on Jan. 22 that the stock purchase plan "won't make an awful lot of sense unless the airline is restructured. . . . Who controls the airline makes little or no difference. They will still have the same problem."

Borman is right. This corporate socialism, called corporativism when it was tried in Mussolini's Italy, is lauded in "Sharing Power at Eastern Airlines," an article by Robert Kuttner in the November-December 1985 *Harvard Business Review*. Kuttner is economics correspondent for the ultra-liberal *New Republic* magazine. He

argues that the 1983 contract with Eastern's machinists "saved" the airline, inaugurating a new era of labor-management cooperation in which employees felt "involved" and "listened to." That contract provided for employee stock ownership, "contracting-in" of work previously assigned to outside companies, and wage and benefit sacrifices made with the pledge that profits derived from productivity increases based on workers' suggestions would be distributed among Eastern's employees.

Such plans are a mere veneer of self-determination which makes the austerity being demanded by banks and other creditors more palatable to the labor force. The conditions which are rendering Eastern—and most other American airlines—bankrupt are not addressed simply by changing owners.

The kind of employee collaboration from which Eastern could most benefit now would be a strong demonstration of disgust by the unions at the policies dictated by Chase Manhattan and Citicorp. These bankers' willingness to destroy one of America's largest airlines, and to break the living standard of its employees is no different from their willingness to destroy whole nations in Africa and Ibero-America which cannot pay debt service because it would mean committing genocide.

Indeed, Eastern flight attendants tried to organize a potent demonstration in Atlanta late in January, but were prevented from doing so on orders from the top of the AFL-CIO. President Lane Kirkland sits on the same Trilateral Commission as Fed chairman Paul Volcker and Chase Manhattan's David Rockefeller. When it comes to pointing the finger at the real enemy of labor—and of business—Kirkland knows who butters his bread.