

# INDUSTRIAL RELATIONS ADAPTATIONS IN AER LINGUS 1993-2008: AN IRISH VARIANT OF EMPLOYMENT PACTS

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## **INDUSTRIAL RELATIONS ADAPTATIONS IN AER LINGUS 1993-2008: AN IRISH VARIANT OF EMPLOYMENT PACTS**

The term Employment Pacts (EPs) was coined in the 1990s to describe the phenomenon of adaptive approaches to industrial relations restructuring in a number of European Countries. They mirror the social pacts prevailing at national level in some European countries. Employment pacts come in a number of different types with the series of adaptations in Aer Lingus since 1992 being of the defensive type. It has been suggested that they involve a move away from adversarial bargaining and towards partnership relations and more integrative bargaining. The Aer Lingus case provides comprehensive evidence that the adaptations were handled by adversarial relations and that partnership was actively avoided and even distrusted. However, we also show that this adversarialism included problem solving and integrative trade-offs. We suggest that the paradox of coexisting adversarialism but integrative outcomes is only an apparent one, which arises from the strict dichotomy sometimes alleged to exist between these processes. Finally, we note that, while the agreements have allowed adaptation in the airline, these adaptations are sub-optimal from both a union and management perspective and that the airline now faces major challenges which the previous employment pacts type arrangements may not be able to meet.

# INDUSTRIAL RELATIONS ADAPTATIONS IN AER LINGUS 1993-2008: AN IRISH VARIANT OF EMPLOYMENT PACTS

## INTRODUCTION

This paper examines industrial adaptation in Aer Lingus, the former Irish state airline, since the early 1990s. Aer Lingus, like other legacy carriers has experienced turbulent times in recent years. It has responded to these by negotiating a series of adaptation agreements. We examine these agreements using the recently developed theoretical framework of employment pacts. These are a European phenomenon designed to match the needs of competitiveness and employment. We document the key features of the agreements and the extent to which they have involved a move away from adversarial relations towards integrative bargaining. Finally, we consider the extent to which such agreements have met the needs of Aer Lingus and its workforce.

## BACKGROUND TO EMPLOYMENT PACTS

The term Employment Pacts, or Pacts for Competitiveness and Employment (PECs)<sup>2</sup>, was coined in the 1990s to describe adaptive approaches to industrial relations restructuring in a number of European Countries (Freyssinet *et al.* 1999). They have been defined as “mutual accords between management and workforce representatives that resolve company-specific problems related to employment and competition” (Seifert and Massa-Wirth, 2005:218). The earliest noted such pact was the agreement between Volkswagen and IG Metall in 1993, although, of course, a collaborative approach to issues of employment and competitiveness is not new (add ref). Employment Pacts were seen to mirror the social pacts prevailing at national level in some European countries. They were of special interest to social democratic governments faced with the dilemma of meeting the expectations of workers while allowing for industrial adaptation to new economic circumstances promoted by globalisation and economic liberalisation. In particular it is suggested that they involve a move away from adversarial bargaining and favour a more proactive approach and partnership relations (see European Foundation for the Improvement of Living and Working Conditions 2007).

The term Employment Pacts is not one in general usage in Ireland; however agreements which match the description of pacts are readily identifiable in the Irish context. These agreements on adaptation and change mirror the objectives of employment pacts and come within the definition of employment pacts advanced by Seifert and Massa-Wirth (2005). Employment pacts represent an attempt by management and workers to come to terms with the competing demands of efficiency and security. Typically, they involve cuts in costs and increased labour productivity although there are considerable variations in agreements across countries. This is evident from a set of 43 case studies in 11 EU states edited by one of the current authors for the European Foundation for the Improvement of Living and Working Conditions. Agreements can involve adaptation to immediate pressures or may be concluded in the absence of any immediate threat. They may involve a “promise to forgo planned dismissals, protect threatened jobs or even create additional ones, and to preserve or even expand the production site affected” (Seifert and Massa-Wirth, 2005:218). Thus, PECs may be adaptive or preventive in nature. Pacts which are adaptive are designed to address acute problems such as insufficient product demand or capital shortages while those that are preventive are aimed at increasing flexibility and efficiency where there are no immediate problems (Berthold *et al.*, 2003 cited in Massa-Wirth, 2005). Rehder (2003) advances a four-

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<sup>2</sup> The term Employment Pacts and PECs is used interchangeably in the literature and that convention is followed here.

way classification of employment pacts. Two are defensive, the first of these involve wage reductions in return for employment enhancement and the second wage reductions in return for investment, while the others do not. Those PECs providing for wage reduction she suggests resemble US-type concessionary bargaining (cited in Massa-Wirth, 2005)<sup>3</sup>.

In the Irish context there has been limited, if any, evidence of agreements with promises to maintain current levels of employment. While agreements on the protection of employment had been used in the 1970s, the inability of such clauses in agreements to prevent job losses during the recession of the 1980s saw them fall into disuse as they had little if any reality. In fact, agreements on employment and competitiveness in Ireland have usually been accompanied by reductions in head count, albeit often with the intention (if not the promise) of attempting to preserve remaining employment. The extent of agreements involving wage reductions is unclear but such agreements were negotiated, even during the height of the Celtic Tiger and such agreements are now common, given the impact of the Irish recession.

## **METHODOLOGY**

This is the second of two papers on Aer Lingus which we are presenting at this conference and the methodology is the same as in the paper on management approaches. Our preliminary research involved building a detailed picture of developments in Aer Lingus since the 1970s. In order to do this we relied on a range of secondary and primary sources. The online Labour Court recommendations provided details on the disputes that proceeded to full Labour Court hearing. This allowed us to build a detailed database of industrial relations developments in the company. From the secondary research we developed a detailed questionnaire. The questionnaire was used for qualitative in-depth interviews with senior human resource managers in the company, representatives of the three main unions – the Irish Airline Pilots Association (IALPA), IMPACT representing cabin crew and the Services Industrial Professional and Technical Union (SIPTU) representing a wide range of workers including cabin crew, administrative and general workers. In all cases we spoke to both full-time union officials and elected worker representatives (senior shop stewards). In addition we met and interviewed the former chairperson of the Central Representative Council (CRC) – a sub board participation structure established under the terms of the Worker Participation (State Enterprises) Act 1988. The account below covers the same period as our management approaches paper and can be read together. As this account is focused explicitly on the agreements reached in Aer Lingus, and not just management approaches, it includes greater detail of these agreements and the views of the respondents to our survey.

## **ARE LINGUS: THE BUSINESS AND INDUSTRIAL RELATIONS CONTEXT**

Aer Lingus was founded in 1936 and became an international legacy airline from the 1950s onwards. In common with other legacy carriers Aer Lingus flew to large primary airports, offered transfer connections and operated a Frequent Flyer Program. They provided a high quality of service with an emphasis on the friendliness of the airline, with the air hostesses (initially all cabin staff were female) to the forefront of this corporate image. This high quality service inevitably involved high costs, with these being met through high but differentiated fares (Wallace *et al.*, 2006). The company operates in a multi-union environment, with some 92 per cent of employees belonging to one of the representative unions. The main unions are the SIPTU, IMPACT, IALPA and a number of craft unions. In addition to the normal collective bargaining arrangements, workers had elected representation on the board

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<sup>3</sup> The other two types, are 'pacts for investment and productivity enhancement' and 'pacts for employment and worksharing' and do not involve wage reductions.

following the introduction of the Worker Participation Act (1977) until privatisation in 2006. The Employee Share Ownership Trust now nominates two members to the board of the company; however their brief is different from that of worker directors having a primary fiduciary responsibility, rather than a representative brief. There is also a sub-board Central Representation Council of some 50 members which management are required to consult on business and employment matters.

Aer Lingus operated as the sole Irish international carrier until the advent of Ryanair in the mid-1980s. As with other airlines internationally, it was subject to periodic slumps in the industry. Both of these developments placed great pressure on the airline from the early 1990s and resulted in a series of adaptation agreements, which mirror defensive employment pacts rather than thoroughgoing concession bargaining. We set out to examine the anatomy of the three main agreements, paying particular attention to the extent to which the series of agreements represent a move towards more cooperative relations. In this regard we examine the extent to which partnership rather than adversarial mechanisms have been used and examine the extent to which there has been a move towards more integrative as distinct from distributive bargaining, as has been suggested accompanies employment pacts.

### **The Cahill Plan 1993: The First Agreement for Adaptation and Change**

Aer Lingus experienced major difficulties in the early 1990s due to a confluence of factors but chiefly because of a downturn in the airline industry associated with the first Gulf war. In addition the airline faced a requirement for investment for fleet renewal and government was only prepared to supply this if the company was placed on a sound financial footing (Weldon, 2002). Government demands required a retrenchment in the airline and reordering of employment and work organisation. Such retrenchment was common within the airline industry in the US, often taking the form of concession bargaining or union givebacks. Within the Irish context there were two main factors that made a thoroughgoing concession bargaining approach unacceptable. Since 1987 Ireland had developed a system of consensus industrial relations at national level, which by the early 1990s was transmuting into a system of national social partnership (Wallace *et al.*, 2004). This social partnership required a negotiated approach to industrial adaptation. Secondly, over the years well-established ways of handling restructuring have developed in both the private and public sector and these are observed as a matter of course in the commercial semi-state sector of which Aer Lingus was a part<sup>4</sup>. Key elements of this approach include:

- No compulsory redundancies - only voluntary;
- High levels of redundancy pay (in the region of 6-8 weeks pay per year of service being normal in the public sector and somewhat lower but still high in the private sector);
- Pay freezes/cuts;
- Catch up in pay increases on return to profitability.

Within Aer Lingus a major effort to agree a survival plan was launched to address the company's difficulties. Against the backdrop of bruising industrial relations a package, termed the Cahill Plan<sup>5</sup> was eventually agreed, which ensured a Government capital injection. This involved job losses and changed working

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<sup>4</sup> It would be wrong to see this approach as being confined to the state sector as even non-union multinational companies have paid high levels of redundancy compensation. Indeed this is seen as essential to their ability to remain non-union.

<sup>5</sup> The Plan and was named after the Chairman of Aer Lingus, Mr. Bernie Cahill (a political appointee) who was responsible for its negotiation.

arrangements but also involved concessions to employees in return. Among other items it contained the following:

- A pay freeze /cuts for staff;
- Government investment of €222 million over three years;
- 1,200 voluntary redundancies leading to cost reductions of €63.4 million;
- The introduction of profit sharing;
- The granting of 4.6% of company shares to employees;
- Generous severance compensation;
- The divestment of non-core assets

This agreement followed the established way of managing industrial restructuring in Ireland in that it involved trade-offs based on the priorities of the parties. Management achieved cost reductions through cuts in staff and a pay freeze. In return the trade unions maintained the principle of voluntary redundancies and enhanced severance payments.

### **The Cahill Plan Evaluated**

The package was moderately successful and ensured the survival of the airline<sup>6</sup>, however, it also contained notable weaknesses that became apparent over time. Firstly, the redundancy payments were expensive and placed a financial drain on the company. Secondly, the divestment of the non-core assets meant that the company lost the financial ballast which these companies provided during a downturn in the airline business (Weldon 2002:278-279). In addition to these inherent weaknesses, both management and union representatives noted during our interviews that over time the benefits of the 1993 job cuts and efficiencies were eroded. This is succinctly summarized in the following management observation:

“... we made a number of mistakes as an organization in terms of just chasing growth and launching additional routes and not having the focus on cost that we should have. ... seven years later we were in a massive restructuring again in 2001”

(Interview Management Representative, 2006).

The slippage in the Cahill plan was due to a confluence of factors, only some of them arising from industrial relations. To take advantage of the buoyant Celtic Tiger economy the company decided on an expansionist strategy and this raised employee expectations. The expansionist strategy was derailed by a series of events in 2001, chiefly the attack on the World Trade Centre. This led to a drop in the transatlantic load factor of 40% within two weeks and the company was identified as facing closure if radical and permanent change was not initiated (White 2006). An operating surplus of €80 million in 2000 became a loss of €64 million in 2001 and net losses totalled €140 million (Weldon 2002:299). This led to a two-pronged survival plan being drawn up by management. The first involved a decision to move the airline to a low cost model to counter competition from Ryanair and the second set out a requirement for major cost cuts.

### **The Move to a Low Fares Model: The Second Set of Agreements 2001-2005**

It was clear that a low cost business model could only be accomplished with the cooperation of staff requiring yet another employment pacts type arrangement. The company initially indicated it required 2,500 redundancies and, although they wished to achieve these through voluntary means, they did not rule out forced redundancies

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<sup>6</sup> From 1995 to 2000 inclusive Aer Lingus made profits in each year, with the exception of 1997 when it posted a loss of €63.5 million

if required. In the event the threat of forced redundancies did not materialise. Settlement involved a pay freeze and 2,200 voluntary redundancies, with severance payments of some €50 million paid by the end of 2001 (Weldon 2002; Sheahan, 2004a). Severance payments of nine weeks pay per year of service were available to employees opting for redundancy and remaining employees were granted an addition to their shareholding of 10.3% bringing their total holding to 14.9% in an Employee Share Ownership Plan (ESOP), with an Employee Share Ownership Trust (ESOT) being established to administer the shares (Sheahan, 2004b). Thus it can be seen that, as with the previous occasion in 1993, this settlement did not conform to a “pure concession bargaining” model.

Following the agreement the company proposed 1,300 further redundancies at the end of December 2003. The company indicated these were to be achieved by the outsourcing of certain functions and changes in work practices. This again became an issue for dispute, with agreement only reached following a Labour Court hearing<sup>7</sup>. Although the company claimed these redundancies were oversubscribed there were difficulties in achieving them and with the composition of workers opting for redundancies (Sheahan, 2005). Pilots were unwilling to apply for, or accept, relocation to cabin crew duties which the company proposed. There were few applications for redundancies in catering – a division the company had targeted for outsourcing. Furthermore, the unions warned that the work could not be completed with the reduced staff. There followed a drift upwards in hiring, with over 500 employees being hired. The unions insisted these be made permanent as part of negotiations on the business plan for privatisation in 2006.

#### **Evaluation of the Restructuring Agreements 2001-2005**

The agreements were achieved against an exceptionally fraught industrial relations climate. An independent consultant expressed concern “at the almost non-existent bargaining relationship between the parties” (Sheahan, 2002; Wallace *et al.*, 2006). At the same time, however, there emerged a consensus between the parties on the need for Aer Lingus to operate efficiently in order to meet the challenges posed by the individualist model in Ryanair and to implement the low cost strategy (Wallace *et al* 2006). The disagreements were over *how* this could be best achieved with much disagreement on the details. For instance, management favoured the outsourcing of certain functions, notably catering, while SIPTU proposed certain efficiencies with catering and other functions being retained in-house. In the event, to date the union position on outsourcing has prevailed. Management achieved their main objective of a reduction in numbers employed. The total number of employees fell from 6833 in 2001 to 3475 in 2005 and there was also a dramatic reduction in the executive and management team from 76 to 34 in the same time period (White, 2006). Overall, the company gained significant productivity gains as illustrated in table 1.

**Table 1: Staff Productivity Gains in Aer Lingus 2001 to 2005**

	2001	2002	2003	2004	2005
Staff costs per passenger carried (€)	38.29	37.01	36.59	35.31	31.0
Passengers flown per Full-time employee (FTE)	1,033	1,336	1,540	1,782	2,315

Source: Aer Lingus (2006)

<sup>7</sup> The company proposed paying nine weeks pay per year of service with a maximum of 78 weeks for those aged 54-56, 65 weeks for those aged 57-58, and 52 weeks for those aged 59 or over being available to employees availing of early retirement and a maximum of 130 weeks pay to other employees. Following referral of the company’s proposals to the Labour Court, the maximum payable under the plan was raised to 145 weeks pay, and the maximum lump sum for early retirees increased to 78 weeks pay for all employees, regardless of age.

## **PRIVATISATION AND THE ACCOMPANYING BUSINESS PLAN - 2006**

Following the move to a low cost model the continuation of Aer Lingus in state ownership emerged as a live issue. In 2004 the Government received a report on the ownership options for Aer Lingus, which they had commissioned from Goldman Sachs International. This report, while not providing any recommendations on future ownership, stated that keeping the status quo (state ownership with no new capital) would leave Aer Lingus at a disadvantage compared to competitors. Aer Lingus management had ambitious expansion plans that required a 50 per cent increase in its shorthaul fleet and a doubling of its longhaul fleet from 7 to 14 planes (Aer Lingus 2006a; Mannion, 2006). The cost of this was put at €2 billion, an amount that could not be funded from company cash reserves and could only come from either private capital or Government investment.

The trade unions opposed privatisation and favoured the retention of the airline in state ownership. They did not resort to industrial action, however seeing that as outside the industrial relations framework. Just as thoroughgoing concession bargaining was not an option within a system of social partnership, neither was strike action to oppose a decision that was seen as within Government competence. An IALPA representative drew attention to this consideration as follows:

“I think also it would not have sat well with the social partnership camp, in the sense that governments govern, government is elected and has a democratic mandate and certainly, I would say the philosophy of people like David Begg (General Secretary ICTU) would say it was the wrong type of battle to pick ” (Interview IALPA representative December 2006).

This meant that when a Government decision to privatise the company, via an Initial Public Offering (IPO), was eventually announced in April 2006, the unions focused on job security and conditions of employment for the future. This can be seen from the following extract from a SIPTU submission to the Dáil (Parliamentary) Sub Committee on Transport in April:

### **Job security**

- No compulsory redundancy
- Agreement on core numbers
- 90:10 Ratio of Permanent to non permanent staff
- No outsourcing

### **Terms Conditions and Procedures**

- Maintenance of Agreements going forward

Source: SIPTU (2006)

These SIPTU demands were echoed in the position adopted by other unions representing airline/Aer Lingus employees. The trade unions also placed great stress on achieving an injection of funds into the pension scheme, which was under-funded. Management, for their part, focused on competitiveness issues. The failure of the unions to oppose privatisation, and the clear understanding that privatisation could only proceed following agreement with the unions, meant there was a need to work towards a further Employment Pacts type arrangement. There followed intense negotiations with public protests, involvement of the Labour Court and an independent tribunal that led to a proposal to be incorporated into the business plan. The ballots within the individual trade unions were carried by a large majority and union representatives identified a number of key points which led to the acceptance of the business plan, which in effect gave *de facto* approval for the proposed



privatisation. Representatives of all the different groups highlighted the input of €104 million to cover a possible pension fund deficit. Employee contributions to the pension fund were increased by 2 per cent (to be met from a 4 per cent pay increase) and this was matched by a 4 per cent increase in the employer contribution. These measures, which made the company pension scheme more secure in the event of a future takeover, were central to acceptance of the agreement (Interview IALPA Representatives 2006). IALPA representatives highlighted improved welfare agreements for pilots who run into licensing problems for medical or psychological reasons. Key elements of the agreement identified by SIPTU included the following:

- Assurances in relation to outsourcing, outsourcing wasn't part of the Business Plan for 2010;
- Agreement on the ratio of permanent to fixed term contract staff of 85:15, consistent with the ratios elsewhere within the organisation as per the cabin crew;
- The conversion of roughly 500 fixed term contract jobs to permanent ones (these were people who despite cut backs had been recruited between 2004/2006).

(Interview SIPTU November 2006).

From the Aer Lingus management perspective a key concession achieved was the implementation of a Cabin Crew "Fly Anywhere" Agreement, which became effective as part of the agreement. Management told us "the new agreement allows for any route, anywhere in the world and we already know exactly what our costs are going to be around that" (Interview Management Representative, November 2006). Not only was this important but it came on top of productivity improvements detailed in the IPO document (Table 6). These productivity improvements have been made possible by the cuts in in-flight service, which has allowed the airline to reduce the cabin crew complement on short haul flights to the legal minimum safe level of four (Interview management November 2004). Pilots also spend longer flying now than previously, with an IALPA representative indicating that pilots now spend about 850 hours in the air (close to the 900 maximum allowed) by comparison with some 550 hours in the past (Interview IALPA Representative, November 2006).

### **Implementing the Business plan: The need for Further Agreements**

As with previous agreements in 1993 and from 2002 to 2005 the negotiations on privatisation involved trade-offs between union and management priorities. The key objective of the agreement from a management perspective was the need to secure an agreement without which there was no prospect of a successful IPO. SIPTU, in recommending that the business plan be accepted, highlighted ... the fact that outsourcing has been 'abandoned' and it would not be on the table before 2010 (Sheahan, 2006; Sheahan, 2007a). In the event, outsourcing was back on the table as early as 2007. Shortly after privatisation Ryanair launched the first of two bids for Aer Lingus and quickly built up a holding of 25 per cent of the company<sup>8</sup>. The company responded with a defence document, which the CRC and the trade unions supported. On foot of this in early December 2006, management presented the unions with a "Programme for Continuous Improvement" (PCI-07), which involved a plan for €20 million savings. The justification for the change, so soon after the agreement reached prior to privatisation, was the need to match the much lower costs of Ryanair. The airline's then chief executive, Dermot Mannion said (in an obvious reference to Ryanair), "in some critical areas, we continue to be out of line with our competitors and comparator organisations. Given our significant growth and

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<sup>8</sup> The second bid was launched in December 2008 and both bids failed following government and union opposition.

expansion plans this is no longer sustainable” (Sheahan, 2007b). When this was not accepted, management sought to unilaterally implement changes and this led SIPTU to serve official strike notice.

The Labour Court intervened but, free from the requirement on semi-state companies to use the labour relations institutions, the company was reluctant to use the state institutions, although they eventually attended a hearing. The Court in its recommendation strongly criticised the company for the attempted unilateral change and breach of the agreement reached at the time of privatisation. “The Court must conclude the Company’s decision to depart from agreed conditions of employment in respect of new and existing staff without agreement was inconsistent with the spirit and letter of the collective agreements to which it is party” (Labour Court Recommendation (LRC), 2007). However, it backed, in principle, a number of the work practice changes sought by Aer Lingus but recommended employees be compensated. In other words this would have represented a continuation of the sophisticated modern approach, involving integrative trade-offs. It recommended negotiations take place to agree the changes and that these should be concluded within a tight time frame. Despite the tight time frame specified in the recommendation, and further attempts by management to act unilaterally, the dispute dragged on until May 2008. Again on this occasion, agreement was reached only after further involvement of two state agencies, the LRC and National Implementation Body (NIB)<sup>9</sup>. The agreement provided for a range of work practice changes, changes in rosters and other changes in work organisation. In return the company paid two frozen national pay increments, which they had made conditional on securing agreement on the PCI-07.

Almost immediately, faced with the increase in oil prices and a general economic downturn, management announced their intention to achieve further cost savings of €74 million to be achieved by outsourcing 1,300 jobs in ground operations. SIPTU put forward an alternative proposal involving a novel, but somewhat controversial, “leave and return formula”, which formed the basis of an eventual agreement reached in December 2008. This involved voluntary redundancies with enhanced redundancy pay<sup>10</sup>. These workers were then entitled to be rehired but on lower wage rates and different conditions. In this way they were able to access state redundancy payments of two week pay per year of service. The agreement was controversial as there were questions as to whether these constituted real redundancies and, as a result, whether they qualified for payment from the state redundancy scheme<sup>11</sup>. In the event it was determined the leave and return did constitute redundancies, as the jobs to which employees were rehired were different jobs. As a result this allowed another PECs type agreement to come into place.

### **Analysis and Conclusion**

The broad concept of the agreements over the years can be seen as conforming, in part, to an employment pacts model. Containing, as they have on two occasions, reduction/freezes lie towards the concession bargaining end of Rehder’s (2003) typology of employment pacts. However, the identification of concession bargaining is itself problematic as, even in the US context, concessions by workers can be

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<sup>9</sup> The National Implementation Body is a high-level employer-union trouble shooting body established under the national social partnership agreements.

<sup>10</sup> There were a range of options depending on length of service. Short service employees could opt for a package offering a minimum of €30,000 and long service employees nine weeks basic per year of service subject to a maximum of 156 weeks pay (Sheahan, 2008).

<sup>11</sup> This was important as if they did not constitute redundancies, workers would not have been entitled to any statutory redundancy pay. Furthermore, the company would not have been entitled to a 60 per cent rebate on this statutory payment.

accompanied by compensatory employer concessions. In this regard the *mechanisms* in the agreements are largely rooted in Irish industrial relations practice (enhanced compensation for voluntary redundancy etc) with, paradoxically, US influences. The latter comes in the form of the use of shareholding/profit sharing in Aer Lingus to compensate for pay reductions/freezes. Interestingly this mirrors developments derived from the airline industry in the US. In this and other regards, the series of agreements in Aer Lingus were based on trade-offs rather than pure concession bargaining. Such trade-offs are representative of a form of integrative bargaining known as logrolling (Lewicki, 2001). However, although representing integrative trade-offs the processes involved were largely characterised by distributive tactics and the use of adversarial bargaining. The adversarial nature of the bargaining is evident by the extensive use of the third party dispute resolution machinery of the state. The distributive tactics are evident from the use of "positional" as distinct from interest-based bargaining and the widespread use of threats to unilateral action by management and threats of strike action by unions. However, neither unilateral change was actually implemented nor strike action used. We suggest that the paradox of coexisting adversarialism but integrative outcomes is only an apparent one, which arises from the strict dichotomy sometimes alleged to exist between these processes (see Fisher and Ury, 1997).

Completely absent from the negotiation process was any use of workplace partnership, which has been promoted since the mid 1990s. A management representative dismissed any suggestion of a partnership process noting "the employees here, they had a partnership arrangement in the past, it was a negative experience so they don't like that word partnership, - so they won't use that word partnership" (Interview, Management Representative, 2006). The CRC did have a role in receiving information as did the worker directors; however neither of these were central to any of the agreements, which were negotiated through collective bargaining. Overall, then the Aer Lingus experience is quite far from those PECs which a proactive approach and involve greater partnership.

Finally, we note that, while the agreements have allowed adaptation in the airline, these adaptations have been sub-optimal from both a union and management perspective. This is characteristic of a logrolling process as it does not deliver a fully Pareto optimal outcome (see Thompson, 2009). Unions have seen a progressive deterioration in terms and conditions. For management they continue to seek further concessions as of April 2009 in order to match their main competitor Ryanair (see parallel paper on management approaches). For the unions, agreeing to terms and conditions along the Ryanair model has been unthinkable. Indeed this has been the main reason why the workers trenchantly opposed the Ryanair take-over bids. There are pressures for further adaptation and change but the time may have run out for employment pact type agreements in Aer Lingus, with the new chairman and chief executive threatening yet again unilateral action (Hancock, 2009:5). For both unions and management the economic crisis and competition from Ryanair have greatly reduced the room for manoeuvre.

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