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**The issues of employment relations and human resource management  
impact on expatriate manager from United States of America to Australia  
at Qantas airline**

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### **Executive Summary**

This report is discuss about the issues of the expatriate US manager to Australia of airline (Qantas). The main purpose of this report to find out the factors that affect to manger's working life in Australia. The finding of this report is Alan Joyce (Qantas CEO), in 2011, had power to freeze the bargaining between three unions that were involved (ALAEA, TWU and AIPA) even had some actions from FWA. Alan Joyce had use downsizing to save cost regarding to return the profit in 2011 and this strategy is still happing in current situation at Qantas and will be continued in the future as Alan Joyce wants to get \$2 billion of cost-cutting in 2016/17. Some recommendations will be given at the end of the report.

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## **1. Introduction**

### **1.1 Background**

Every country has different regulation, different culture and different style of management and also different perspective; and the situations are always changed over time. As Qantas had trouble in 2011 about the enterprise bargaining with the unions and fuel price increased. To have a good decision-making manager should know about the industrial relation system in the country that manager will manage there in order to get the right decision and easy to deal with the unions or employees when manager knows well about the regulations.

### **1.2 Aim**

The aim of this report is to tell what was happening on Qantas on previous and current and what will be happened in the future to the expatriate manager from United States of America (USA) to Australia.

### **1.3 Scope**

This report will discuss about the diversity management in Australia, the Industrial Relations in USA and Australia, the previous issues on Qantas in 2011-2012 and the current issues on Qantas. This report will also address about what are the issues in the future of Qantas and some recommendations will be given at the end of the report.

## **2. Diversity Management**

Diversity Management (DM) is a concept from the America by outlines the number of elements like demographics of the population and workplace (Kramar, 2012). DM is the strategy for using the best practice and supporting multiple behaviour and individual style within the group in order to get the effective result. DM relates to recruitment and selection the employees and training them. Diversity training and development must be balance to all employees; and it is the challenge for labours in the workplace that can improve their knowledge (D'Netto et al., 2014). DM can be understood in different ways like economy, social arrangement, culture or gender. However, according to Kramar (2012), DM in Australia context is to be understood in term of national factors like

government policy, legislation, the workforce, demographic of population in workplace and especially human resource management.

### **3. Comparison between Industrial Relations in United States of America (USA) and Industrial Relations in Australia**

#### **3.1 Employment-at-Will system (EAW) in United States of America (USA)**

Employment-at-Will is the term of labour force used in USA that it allows manager or employer has right to fire its employees with any reasons (either good or bad) or with no reason (Harcourt, Hannay & Lam, 2013). In other words, employer has rights for dismissal its employees without any causes. Moreover, freedom of contract between two parties (employer and employee) occurs in USA, which means employee and employer have free agreement (negotiation) that fit their situation (Harcourt, Hannay & Lam, 2013) or, in other words, there has no standard contract like without written contract. Therefore, it influences to the job security of employee and can affect to increase the unemployment rate in the country. However, to increase the profit, company uses several strategies to reduce cost like downsizing. Freed (2014) reported that Qantas had already cut 5,000 jobs and will cut another 2,000 or 3,000 jobs. Hence, employees have no right to bargain with the employer if they are in that situation.

#### **3.2 Non-Standard Employment in Australia**

Non-standard employment is very popular in Australia and it is talked about employees who work as casual, temporary job or part-time. It helps to reduce the unemployment rate or increase GDP of the country. According to Hosking & Western (2008) stat the part-time employees raised up to 28 per cent of the labour force in 2008 in Australia. On the other hand, gender gap of working hours is inequality between male and female. For instance, mother takes care children and does housework more hour than husband because husband works more hours in paid employment (Hewitt, Baxter & Micklejohn, 2012). Even casual jobs or temporary jobs are popular in Australia; employees want or need the fixed term of contract to ensure that their position is secured. Buddelmeyer, McVicar & Wooden (2015) found that labours (casual and labour-hire workers) have less satisfied with their jobs comparing to full time workers. However, working hour influences to income of employees because of less working hour, less income; therefore, many non-standard employments had moved to full employment because they can earn

more income (McKeown, 2005). Besides working hour and gender gap in workplace, there is another factor (increasing fuel price) which influences to labours' wage including part-time and casual jobs as well.

#### **4. 2011-2012**

##### **4.1 Issues in 2011-2012**

There were some issues between unions and Qantas airline about the protection the industrial action. In October 2011, Qantas' dispute was with the pilots and engineers after Qantas bought Airbus A380 and Boeing 787 aircraft because of maintenance and long term operation. Moreover, to operate is, Qantas had 35,000 employees and 16 unions (up to 48 agreements) (O'Neill, 2012 & Forsyth & Stewart, 2012). Unions were urged its members to sustain its perspective about the job security agreement otherwise union will not have a successful negotiation with Qantas airline (Hannan, 2011). The same author also added that, however, Qantas airline claimed that most of employees have applied another job so having successful business is the best action to protect the job security (long-term) for pilots and engineers. Moreover, Alan Joyce, Qantas chief executive in 2011, announced that none of Qantas' staffs were straight away engaged in argumentation of the grounding of the Qantas domestic and international (O'Neill, 2012). The reason behind this action was because of Qantas wanted to end the unions' activities. In addition, 447 flights were cancelled and nearly 70,000 passengers (domestic and international) were affected by this action (Bleby, 2011); and Qantas lost revenue approximately \$15 million per week (Qantas Corporate Communication 2011). Beside the influence from unions (employees), fuel price had impacted to Qantas as well. Qantas had spent on fuel from \$4.3 billion up to \$6.5 billion; therefore, Qantas lost \$21 million in 2011/2012 compared with 2010/2011 (Qantas Corporate Communication 2012). At that period, Qantas met two main issues that impacted to Qantas' profit (lost).

##### **4.2 Fair Work Australia's role**

Unions were trying to get the agreement about job security with Qantas but none of the outcome was agreed. Fair Work Australia (FWA) had some actions to protect or to save the employees' job; because of unions will not have enough power to take Protected Industrial Action (Purvinas & Cousins 2011). FWA had a meeting regarding to job security of the next Enterprise Agreement like wages and the duration of the agreement, and FWA urged employees (pilots and engineers) to become Australian Licenced

Aircraft Engineers Association (ALAEA) before offering them to Qantas (Purvinas 2011). Additionally, FAW was to protect industrial action which means unions had power or right of enterprise bargaining with Qantas, hence, Qantas were not able to lockout its workers anymore (Forsyth & Howe 2011). Moreover, three unions, which are The Australian Licensed Aircraft Engineers Association (ALAEA), The Transport Workers' Union of Australia (TWU) and The Australian International and Pilots Association (AIPA), were involved in the enterprise bargaining, that was protected industrial action against Qantas (Sangkuhl, 2011); and these three unions issues were about the job security (Brigden, 2012). Even the parties above had involved in dispute with Qantas but none of them succeed in the negotiation.

#### 4.3 Productivity Commission

Australian Government was creating the Productivity Commission Act to work with government to make better regulations for the Australian company in the long-term run; and to give advice on microeconomic policy, environment problems and regulation. Productivity Commission Act deals to improve the economic as overall through increasing productivity in both (private and public) sectors for increasing living standards and to reduce regulation of industry (Sloan, 2011). Moreover, Rainford (2015, para. 1) reported that Productivity Commission is to protect the labours' pay and condition. Productivity Commission was introducing Code of Conduct for the commercial negotiations. Qantas Group Response (2011) supported Code of Conduct that develop a set of binding and implement codes of conduct help commercial negotiations between Tier 1 (Sydney, Melbourne, Brisbane, Adelaide and Perth) and Tier 2 (Canberra, Cairns, Darwin and Hobart) airports and airlines.

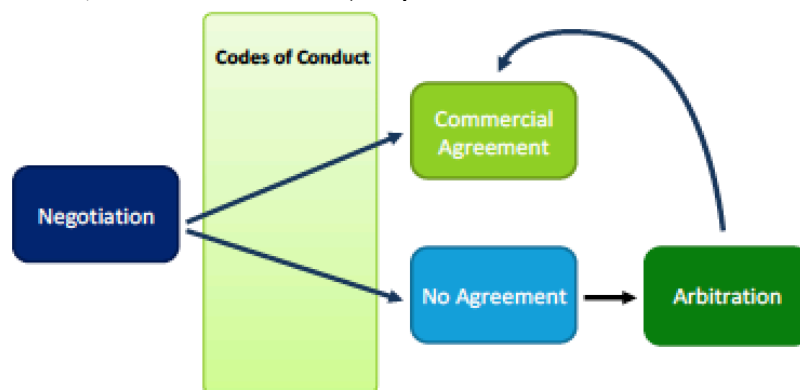


Figure 1: Proposed dispute resolution process



According to figure 1, the starting point of negotiation can be codes of conducts between airlines and airports. Hence, Qantas Group thinks that code of conducts might be a further build up effective of the negotiation between the two companies (The Qantas Group Submission 2011). The advantages of code of conduct such as benefit sharing, develop regulatory modelling process and binding independent dispute resolution.

Therefore, the three unions' members had been lock-out by Qantas until the bargaining agreements are reached.

## **5. Current Issues**

In the issues that this report have mentioned above about downsizing is still continued to Qantas current issues. In order to save the cost for increasing the profit or return the profit, Qantas had already cut down 1,000 jobs full-time jobs because Qantas lost nearly \$3 billion in 2013/14 (Creedy 2014 & Janda 2014). This action affects to Qantas' reputation become lower and affects to the life of the workers, who had been cut down; moreover, it makes other employees, who are not slash yet or will be slashed, cannot concentrate on their current work as they are thinking about their job security. Moreover, Qantas also used the wage freeze to give the employees a minimum wage, or in other words, Qantas reduced the employees' wage. It is a good action to save the cost, however, it also influences to the labours' live and unions. Unions had warn strike action after Qantas announced about the downsizing. However, according to Higgins & Hannan (2014), Alan Joyce (Qantas) and the Australian government had a response that they do not care about safety of Qantas, workers and about Australian industry; and it was what to end the unions' strike because Alan Joyce believes in himself that his actions can help Qantas to return profit.

On other hand, Qantas had found another way to reduce its cost. As Qantas' profit lost in 2013/14, Qantas wanted to use another strategy which is borrowing plan. Qantas had negotiation with Australian government about borrowing money, for instance, to buy new planes, however, the negotiation between Qantas and Australian government did not reach (Crowe & Creedy 2014) as the Australian government wanted Qantas to find any solutions to filling its gaps before asking the debt from the Australian government. It is one of the element that urges the Qantas use downsizing.

## **6. Future**

After the rejection of the negotiation between Qantas and the Australian government about borrowing money, Qantas is still continuing using downsizing strategy to return the profit. Qantas announced that its target is \$2 billion in cost saving in 2016/17 so Qantas had set a plan for cutting down (downsizing) 5,000 workers out of 30,000 workers will be cut as full-time employed at Qantas (Janda 2014) and will be replaced by casual workers or part-time workers. So, for getting the full-time jobs, they need to be honest with the company and work harder than the other, hence they will get a secure job.

However, Alan Joyce is still a CEO of Qantas airways until his agreement is ended in 2017. The reason is because if Qantas wants to break Alan Joyce agreement, Qantas needs to him the full amount that have been written in the contract. For instance, Telstra had ended Sol Trujillo (Telstra CEO) contract in 2009 with the amount about \$30 million as compensation because of Telstra had broken the contract with Sol Trujillo (Kehoe 2015). Therefore, Alan Joyce might have much amount, if Qantas breaks the lease with him, to buy a large amount of shares at Qantas to become the biggest shareholder then Alan Joyce still have rights to make the decision. Once again, Alan Joyce is still a CEO at Qantas until his agreement is complete.

On the other hand, the next election of Australian will be on the coming June, it will affect to the Fair Work Australia, if the liberal party lose, as Australian government is the biggest shareholder at Qantas; hence, the regulation will be more difficult for Qantas. Another thing is the duration as Qantas CEO (Alan Joyce) will be finished in 2017. Moreover, Alan Joyce wants to stay until his strategy is reaching, which is saving \$2 billion of cost-cutting (Hyland 2016).

The future of Qantas, Alan Joyce is still have power to make decision-making and unions and FWA cannot get any influences on Qantas.

## **7. Conclusion and Recommendation**

This report have mentioned about the diversity management, the different between Industrial Relations in USA, which is employment at-will and Industrial Relations in Australia, which is non-standard employment. It has also discussed about the previous

issues and current issues that happened to Qantas; and the issues of Qantas in the future will be.

Here are some recommendations:

- Should not consider about employment at-will in Australia
- Should think about non-standard employment like casual or part-time jobs
- Australian government is the biggest shareholder at Qantas so your decision will impact to Australia, not only impact to the company
- Unions in Australia have power to negotiate about the enterprise bargaining based on FWA act 2009
- The next election in Australia is coming soon (in June) so the regulation will be more difficult
- Alan Joyce (Qantas CEO) agreement will be ended in 2017

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