

Airlines Fearing a Vicious Circle of Weak Finances and Low Morale

By CLAUDIA H. DEUTSCH

It is a management truism that low morale among workers inevitably results in low productivity, low quality, erosion of customer loyalty, and ultimately, lower profits. And US Airways employees, who have seen their pay cut by more than 20 percent and their health insurance and pension plans shrink, are certainly an unhappy lot.

"People are still giving 110 percent, but they are being totally beaten down," said Francis I. Smith, 53, a 24-year employee who handles spare-parts inventories in Pittsburgh.

Even if they were slouching on the job, would it matter? These days, passengers are more likely to comb the Internet for cheap, convenient flights than to patronize a favorite airline. Thus, if smiling employees and squeaky-clean planes no longer woo repeat business, would scowling employees and dirty planes drive it away?

"I'm not sure that employee morale is so important anymore," said Timothy M. Ghriskey, chief investment officer of Solaris Asset Management. "Air travel has become a commodity, and passengers make their decisions on who's got the cheapest fare, not on whose employees are the friendliest."

Still, management experts say the miasma of gloom will probably take a toll, not just at US Airways, but at Delta, United and at most other airlines.

"Passengers can sense the attitudes, the emotion, the stress, and it carries over to their tangible impression of the company," said John D. Kasarda, a professor of management who specializes in airlines at the Kenan-Flagler Business School of the University of North Carolina.

The biggest question for US Airways is whether it can survive the bad morale before the bad morale helps do it in. Company executives say they are taking steps that will improve working conditions and profitability.

For now, the airline seems to be hanging on. On a recent Monday afternoon, for example, Barry S. Levy flew the US Airways shuttle from Boston to La Guardia. The flight, he said, was remarkable for its unremarkability. It took off on time, flight attendants were pleasant, and customer service representatives in New York helped him book a contingency return flight on Delta, in case he missed the last shuttle home.

"Everyone was professional, everyone was courteous," Dr. Levy said. "You would never have known the airline was in bankruptcy."

Indeed, US Airways employees seem almost proud that they are keeping their personal woes from the outside world. Dianne Fogarty, a US Airways flight attendant with 33 years of service, has lost pay and vacation days and said she was resentful

that, in her view, management sees her as only "a dollar sign." Nonetheless, she said, "they will not take my work ethic, my sense of humor or my smile."

While service may not be slipping, worker productivity may be a thornier issue. It is difficult to quantify - flight times and schedules are out of employee control, as are delays at congested airports. Still, there is anecdotal evidence that some pilots have slowed their planes and that some employees have been calling in sick more often, either out of anger or a practical desire to use up sick days before they lose them.

Moreover, pilots, flight attendants and tarmac workers express a mounting anger at a management they say blames employees for the company's woes at the same time that it hampers their productivity by scheduling flights that keep them waiting for hours, often without pay.

Some contend that the airline left the field open to low-cost competitors when it eliminated direct flights from La Guardia to Florida in 2002 - flights the airline may reinstate.

Kevin Cogley, a maintenance mechanic in Pittsburgh with 15 years service, argued that programs US Airways has installed to reorder parts automatically, keep track of employee time and outsource maintenance have all served to reduce efficiency, not enhance it.

"The hourly employees have told management for years that there was waste, but management has always taken the attitude that 'father knows best,' " he said.

US Airways officers vigorously dispute that. Christopher L. Chiames, senior vice president for corporate affairs, said management had used employee meetings, newsletters, Web casts and intranet chats to keep employees informed and to solicit suggestions.

"I go out in the field, and I hear employees saying, The company never tells us anything," Mr. Chiames said. "Well, we try, in every way, to explain that we're not just looking to employee pay cuts as the answer."

Still, airline experts say employee complaints are not totally unfounded. Many note that even though labor costs at Southwest Airlines are a high percentage of operating costs, the airline is solidly profitable.

These experts say that Southwest employees are generally younger, less demanding on compensation or on the privileges of seniority, and most important, more willing to accept management work rules, largely because they do not feel that management is clamping down on employee freedom to cover up its own incompetence or on compensation to pad its own pockets. "Southwest treats its employees as a source of value, not of cost, so they work to turn planes around faster and are flexible," said Jody Hoffer Gittel, an assistant professor of management at the Heller School for Social Policy and Management at Brandeis University, who has written extensively about airlines. "US Airways' biggest mistake is to view employee costs as the reason for its current troubles and the primary method to extricate itself from them."

With airlines cutting jobs, many US Airways employees say they see few alternatives to picking up the slack for those who have quit or call in sick. For example, US Airways has been shuttling members of a slimmed-down maintenance staff among airports. Employees are angry, but acquiescent.

"It was either take the layoff or go where your seniority will hold," said Norbert Schwartzmiller, 31, a maintenance worker from Pittsburgh who is now assigned to the Philadelphia airport.

Few employees have the luxury of quitting. Take Mary Blosser, who has spent 19 years as a US Airways flight attendant. Without much technology training, Ms. Blosser said, changing careers is not easy. "We still enjoy the job," she said, "but everything has made it more difficult."

For others, the enjoyment is long gone, along with the high pay. "Management is real bad," said Eyob Gebremedhin, 29, a ramp worker at Reagan National Airport with six years of service. "They don't do nothing."

Some things, of course, are out of management's control. In addition to soaring fuel costs, US Airways and the other airlines are also facing fare-shopping passengers who fly low-cost start-ups like JetBlue. Moreover, greater congestion at hub airports like O'Hare in Chicago and La Guardia has forced planes to waste fuel in taxiing and circling and has slowed the turnaround of planes.

US Airways also has problems beyond those of its rivals. It concentrates on short domestic flights, rather than more profitable international routes. Four years ago, when other airlines were installing electronic passenger counters and other upgraded systems, US Airways was pursuing a merger with United Airlines; when that merger fell apart, US Airways was left with antiquated systems that it never replaced. The airline also gave up some lucrative routes to assure the government that the merger would not reduce competition.

In fact, some employees say that their concessions to management have made things worse. Without "the economic sword of Damocles" hanging over them, "management will rise to the lowest level of performance and not schedule efficiently," said Eddie Hoffman, 50, a pilot who has worked at US Airways since 1978. He said his time was "not carefully husbanded but carelessly wasted."

Mr. Hoffman acknowledges that the airline is trying new strategies, like adding profitable Caribbean routes. But he remains angry. He says his questions for management is, What took you so long?

Management experts say US Airways apparently has done a poor job of internal communications. "It would help if they say, 'Here's what we've done to improve things before cutting pay, do you have ideas for what else we can do?'" said Austan D. Goolsbee, professor of economics at the University of Chicago Graduate School of Business.

US Airways insists it has been doing just that. Mr. Chiames said the airline had reworked its schedules to add 200 daily flights in February without adding more

planes and had identified more than \$100 million in ticket distribution savings, by replacing travel agents and sales clerks with Web-based ticket sales.

He said that US Airways was asking only for things that employees at low-cost rivals provide. "We'd be crazy not to acknowledge that our employees are frustrated and angry, and that their jobs aren't as glamorous anymore," he said. "But they have to understand, JetBlue hires ticket agents for \$9 an hour while many of ours already make \$20.05, and Southwest's flight attendants have always cleaned planes between flights."

In interviews, employees often complained about what they saw as gaping discrepancies between their paychecks and those of management, even after a recent 20 percent pay cut for managers. Although business experts say US Airways needs to maintain current levels of executive salaries to attract and keep talent, employees are not mollified. They are particularly angry that Bruce R. Lakefield, the chief executive, is keeping his \$425,000 salary.

"I can't handle someone who makes \$400,000 telling me to take a 21 percent pay cut," said a flight attendant who said she made about \$24,000 last year and now lives paycheck to paycheck.

Not all employees blame management exclusively for their plight. Kirk Conners, 57, a customer service representative in Detroit with 36 years seniority, say he is also mad at President Bush for not dipping into the strategic petroleum reserves to curb fuel prices, and at the industry as a whole for not raising ticket prices.

"The price of airline fuel has gone up, but the price of tickets has not," he said. "How much can they cut employees' wages to subsidize fuel costs? When does it end?"

Reporting for this article was contributed by Jeremy W. Peters in Detroit, Eric L. Dash in Pittsburgh and New York and Kristen A. Lee in Washington.