cause the work place to be more open, more safe, more equitable, less authoritarian and less stressful; reduce supervision; and give workers greater influence, responsibility and input into day-to-day operations." Where appropriate, such input includes "planning, scheduling and administrative functions not traditionally performed by the bargaining unit."

To equip our local union leaders to handle their responsibilities under the new Program, the union has conducted a series of seminars at which we have taught such subjects as the function and formulation of business plans and the interpretation of profit and loss statements and balance sheets. There is special emphasis on problem-solving techniques as well.

In design, the partnership structure does have the potential for improving both productivity and the quality of work life. But in truth, the Program draws mixed reviews on the union side. The fear persists that partnership committees are being manipulated by management at some facilities to bypass the established local union structure. I suspect some management representatives may harbor their own reservations. Unless the parties can resolve these issues and win the continuing support of workers on the mill floor, this experiment cannot succeed in the long run.

SESSION II—TRANSPORTATION

INTRODUCTION TO THE ROLE OF WORKPLACE EFFICIENCIES IN THE AIRLINE AND TRUCKING INDUSTRIES

ROBERT O. HARRIS*

Efficiency in the workplace in the two industries our panelists will be discussing presents unique problems, because in both airlines and trucking, the workplace is a collection of small, moving sites. Although each of these industries has a number of large, fixed locations, the primary business in each case is the movement of goods and/or individuals from one place to another. In both industries, an individual or several individuals are directed to go from point A to point B.

Whether the employees are pilots or truck drivers, their hours of work are regulated to a much greater extent than those of individuals in more sedentary occupations. The U.S. Department of Trans-

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portation has set limits on the hours of service of an individual pilot or driver. However, to the individual employees or their union, such limitations are merely a floor on which to build further quality of life protections.

To employers involved in these industries, labor costs are a critical element of profitability. Getting employees to perform their functions more productively is one of the ways companies improve the bottom line. This is nothing new. Years ago, so-called time and motion studies—engineers with stopwatches—were the bane of employees' existence on the shop floor. Modern technology has changed that. Now it is possible to monitor what an individual does on the job in ways that were not even dreamed about before. Computers combined with communications technology have allowed supervisors to be in constant contact with employees who heretofore were "out on their own." This has allowed for weather and traffic to be more than an excuse, and has allowed for more efficient utilization of equipment.

The use of technology is not without cost to the companies involved. It is easy to see the direct costs in equipment. But there are important hidden costs. The correct use of sophisticated equipment requires training. Were this a one-time expense and were all the equipment identical, the problem would not be as troubling to these companies. However, to give one example, training costs associated with shifting from one type of jet airplane to another can be as much as $50,000 per pilot. With every employee desiring to increase take-home wages, companies are having to look more carefully at the real costs of a wage system that is based in part on the size and type of airplane.

For United Parcel Service (UPS), which according to the latest figures handles more than 12 million packages per day, anything that will move that many packages more efficiently can create greater profits for the company and its shareholders. UPS has 308,000 employees in the United States and 36,000 overseas. It has 149,000 vehicles and owns or leases 575 airplanes. It is famous for its time and motion study approach to the manner in which it requires its employees to work.

Recent technological change has enhanced the ability of airlines and trucking companies to develop new approaches to increase employee productivity. Our panelists will be asked to address the basic question of whether new efficiencies are being undertaken at employee expense or for the mutual benefit of management and employees.

Possible questions include: (1) Is the increasing use of common type ratings for airplanes destroying job opportunities for junior pilots? (2) Does the installation of global positioning systems (GPS) destroy the discretion over-the-road drivers have traditionally had, thereby reducing their self-esteem and job efficiency? and (3) What happens when a new communication system created by the employer does not work properly and an employee is disciplined?

Now let me introduce our panelists.* Seth Rosen is the Director of Representation for the Air Line Pilots Association (ALPA) and has been involved in negotiating collective bargaining agreements for the various pilot groups represented by ALPA for more than 29 years.

Michael Campbell has been Senior Vice President for Labor and Human Resources at Continental Airlines for the past five years. In his former life, he was a partner in the Atlanta law firm of Ford and Harrison.

Chuck Mack has been involved in both national and local bargaining, representing drivers in the San Francisco Bay area. He has been the elected secretary-treasurer of his Teamsters local for 34 years, and is now a Vice President of the International Brotherhood of Teamsters.

Ed Lenhart is a Corporate Labor Relations Manager at UPS and has been intimately involved in both local and national bargaining.

The Role of Workplace Efficiencies in the Turnaround at Continental Airlines

Michael H. Campbell**

Let me tell you briefly about the turnaround at Continental Airlines, then I will address the role that efficiency in the workplace has played (and continues to play) in that turnaround.

In late 1994, Continental was on the brink of its third bankruptcy. The airline had not made a profit in more than eight years. It was operating a failed product named "CAL-Lite." It was operating a hub—Greensboro—that needed to be closed. It was

***Editor's Note:** Although equally informative, some of the panelists' presentations in this breakout session were relatively informal. Accordingly, they are not all included here.

**Senior Vice President, Human Resources & Labor Relations, Continental Airlines, Inc., Houston, Texas.

operating far too many aircraft types. Continental employees had no job security, and they were receiving pay and benefits far below industry standard. Continental was ranked number ten among ten airlines in all the Department of Transportation rankings. In short, Continental had managed to alienate all its major stakeholders—its customers, its shareholders, and its employees.

Life has changed. For the past four out of five years, we have received the number one ranking in the airline industry by J.D. Power & Associates for long-haul customer service. This year, we were ranked number one for both short- and long-haul service. For the past two years, we have been rated by *Fortune Magazine* as one of the "100 Best Companies to Work For" in America. The first quarter of this year was our twentieth straight quarter of profitability, and today we have more than $1 billion in the bank.

Has improving efficiency in the workplace played any role in this turnaround? You bet. Will our drive to continue improving efficiency play a role in sustaining the success? You bet. Several examples vividly illustrate this point. The first is our move to reduce the number of aircraft types we operate. In 1994, we operated nine equipment types, including the B-747, B-727, and DC-9. Today we operate five, and we are moving toward operating only three aircraft types, the 777, the 767/757, and the 737. We estimate that reducing the number of aircraft types will save us more than $70 million per year in reduced pilot and flight attendant training costs. We will have less inventory, lower maintenance costs, and lower associated overhead. We also estimate being able to generate an additional $50 million in annual revenue by scheduling the right size aircraft to correlate with the bookings we project on particular flight segments.

Another example of efficiency is our move to replace paper tickets with electronic ticketing. You can save any paper tickets you may have for the museum. Paper ticketing, with all the attendant requirements of handling and reviewing the paper by hand, belongs to a bygone era. We should have 100 percent electronic ticketing within three years, with estimated savings of more than $20 million per year.

Yet another example of improving efficiency in the workplace is our increased use of technology to schedule, assign, and reassign our flight crews. I can remember when all these assignments were done by paper and pencil. Technology has allowed airlines to optimize crew productivity. At the same time, crews have been able to maximize their days off and improve their lives by using computers to trade and drop trips. We are currently testing software that will permit us, within minutes, to pre-cancel flights and reassign crews in anticipation of severe weather conditions such as snowstorms and hurricanes. This state-of-the-art technology, available shortly, will reduce the time needed by crew schedulers to recover the system and bring flight schedules to normal. This will not only significantly reduce the costs associated with flight cancellations and weather delays, but also will provide our customers with a higher level of service, greater confidence in our dependability, and more information about their own travel plans.

These are examples of process and technology changes that drive efficiencies in the airline industry. They are typical of productivity improvements in other industries in our "new economy." But beyond process and technology, real gains in efficiency and productivity can be achieved and sustained only through dramatic changes in organizational culture. Continental's turnaround demonstrates the primacy of such dramatic cultural changes.

As I noted, in 1994 our employees were underpaid and underappreciated. They were largely embarrassed to admit that they worked at Continental. Our service was terrible, our performance lackluster, our profitability nonexistent. What happened next made history. Gordon Bethune and Greg Brenneman took over. They developed a four-point "Go Forward Plan," a cornerstone of which was the simple yet fundamental idea of "Working Together." This meant frequently and openly communicating with our employees, treating each other with dignity and respect, and recognizing and rewarding performance. Beginning with the CEO and continuing all the way down through the ranks, we started informing, explaining, answering, and most important, listening and responding to our employees. We abandoned the "old school," autocratic style of management; we adopted the notions of leadership and fair treatment. And we stopped trying to make money on the backs of our employees. Instead, we began paying them on-time performance and profit-sharing bonuses. As a result, the average pay for our employees has increased 40 percent since 1994. Our employees receive 15 percent of our pre-tax profit and have earned almost $500 million in profit sharing over the past five years. By giving incentives for on-time performance, we have gone from one of the worst airlines in terms of on-time arrivals to one of the best. At the same time, our employees have earned more than $119 million in on-time bonuses over the past five years.

We have implemented "process" initiatives to overhaul our route structure, revenue stream, debt service, and financial position. We have replaced outdated aircraft and equipment. In concert with these initiatives, the idea of "Working Together" has taken Continental, in merely six years, literally "From Worst to First."[1] This transformation was not, at its heart, a matter of improving processes. It was really a matter of changing our culture. We created a place where people enjoy coming to work, where they are proud to tell people they work for Continental, and where—most important—they trust the people with whom and for whom they work.

Many of the things that Continental did were touched on in the preceding presentation about "The Relentless Drive for Efficiency." For me, it was interesting to see Professor Shaw's approach to the same types of issues we deal with from a practical human resource perspective. Her theoretical analysis of "best practices" mirrors what we at Continental have put into practice over the past six years as part of our "Go Forward Plan." We have not only improved efficiency, we also have dramatically and substantively improved our bottom-line profits by actually practicing open communications, respect for individual employees, and incentivizing and rewarding performance.

I have focused here, in keeping with the Academy's role in industrial relations, on the employee side of the equation. But allow me to suggest that the interests of the employees are not at odds with the interests of either the customers or the shareholders. Indeed, true efficiency comes from aligning the interests of employees, customers, and shareholders. Our employees benefit by receiving on-time bonuses when our customers benefit by arriving on time at their destinations. Our shareholders benefit, because our employees enjoy a profit-sharing incentive program that encourages them to do their jobs well and spend our money wisely. Everyone benefits because Continental is one of the "Best Places to Work" in America, which means that our employees are happy and they provide great service. That means our customers keep coming back. In the end, for any company to be successful, the interests of customers, shareholders, and employees have to be aligned. When the customer wins, employees have to win. When shareholders win, employees have to win.

We always ask ourselves at least three questions when reviewing how money is being spent at Continental. The first question is: Will the customer who buys a ticket and sits in row 22, seat E, continue

[1]Bethune & Huler, From Worst to First: Behind the Scenes of Continental's Remarkable Comeback (Wiley 1998).

paying for the things on which we spend money? The second question is: Will our shareholders want their money spent in that way? The third question is: Will our employees (who, remember, receive 15 percent of our pre-tax profit in profit-sharing bonuses) want us to continue spending their money in that way? A large measure of the efficiency in our workplace comes from having the interests of the customer, shareholder, and employee aligned, so that we find the answer upon which they all agree.

SESSION III—PUBLIC UTILITIES
EFFICIENCY EFFORTS IN THE PUBLIC UTILITY INDUSTRY: THE IMPACT UPON THE COLLECTIVE BARGAINING RELATIONSHIP

MARGARET R. BROGAN *

Introduction

The analysis of employer efforts to increase efficiency in the workplace raises certain unique issues in the public utility industry. The current state of the industry is one of flux, due in large part to the dismantling of the previous regulatory structure. As individual states make deregulation decisions within the context of federal legislation affecting the industry, utility companies face increasing competition. Companies supplying residential customers in deregulated states, such as Pennsylvania and California, are fighting for the public's business by offering savings. At the same time, those companies must provide a reasonable rate of return to their investors and comply with the price caps of state public utility commissions. Finding ways to provide electric and gas service more efficiently helps achieve those goals.

Against this backdrop, unions are striving to retain their hard-won contractual rights. They are making their voices heard in regulatory hearings, in negotiations, and in arbitration. Their success in the arbitral forum is often based upon whether the collective bargaining agreement contains job protection rights that can withstand large-scale employer restructuring. Unions argue that efficiency should not be achieved at the expense of union jobs, which may result in less reliable service.

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