

Pan American Airways, Inc.

B.A. 257

Pan American Background Report
by
Irving Metzner and Zan Myers
April 19, 1950

INSTITUTE OF
INDUSTRIAL RELATIONS

UNIVERSITY OF CALIFORNIA

"A Background Report Considering Management Policy
and the Labor Factor at the Pacific-Alaska Division
of Pan American Airways, Inc."

By
Irving Metzner
and
Zan Myers

April 19, 1950

B. A. 257

INSTITUTE OF
INDUSTRIAL RELATIONS

INSTITUTE OF
INDUSTRIAL RELATIONS

TABLE OF CONTENTS

| | PAGES |
|--|-------|
| PART I - History and Development. | 1-10 |
| General Background of the Corporation | |
| History of the Pacific-Alaska Division | |
| Economic Factors | |
| Labor History | |
| PART II - Description of the Pacific-Alaska Division Activities | 11-14 |
| Operations and Routes | |
| Service Department Activities | |
| The Economic Planning Department | |
| PART III - Personnel Administration Activities. | 15-26 |
| Employment | |
| Indoctrination | |
| Testing | |
| Training | |
| Job Evaluation | |
| Supervisory Training | |
| Suggestion System | |
| Safety | |
| Personnel Records Section | |
| Services Provided for Employees | |
| Employee Benefit Plans | |
| Company Policy Regarding Foreign Assignment | |
| PART IV - Labor Relations | 27-32 |
| Labor Contracts | |
| Contract Provisions | |
| Wage and Salary Scale | |
| General Problem Areas | |

PART I
HISTORY AND DEVELOPMENT

It is felt that it should be said at the outset of this report that a large part of the information contained herein will pertain solely to the Pacific-Alaska Division of Pan American Airways, Incorporated rather than to the company as a whole, with the exception of some introductory remarks on the overall corporate structure, or on airlines in general. Therefore, whenever the phrase "the company", "the firm", etc. is used, it will be solely in reference to the Pacific-Alaska Division and not to the entire corporation unless specifically stated to the contrary.

Immediately after the first interview it was deemed advisable to limit the scope of the investigation to a study of the Pacific-Alaska Division alone rather than to the corporation as a whole because of the following reasons:

1. Of all the persons contacted, no one had the breadth of background or experience with the company to enable him to speak with authority on the overall picture of the company and its operations.
2. Although engaged primarily in the same activity, namely, the furnishing of air transportation, the activities and problems of the Atlantic Division, the Latin American Division, and the Pacific-Alaska Division differ a great deal from one to the other.
3. Finally, each of the three divisions of Pan American Airways, Inc. is treated largely as an autonomous unit with only certain broad policies used as a framework to maintain control and to tie them together.

General background of the Corporation.--Pan

American Airways Corporation was incorporated under the laws of Delaware in June 1928 when it bought out two airlines that had been flying from Miami to Cuba and to and from points around the Gulf area.

This is a holding company whose principal subsidiary is Pan American Airways, Inc. and which to all intents and purposes is the company as we commonly think of it.

The parent organization or holding company is a virtual lawyer's paradise of subsidiary companies controlling interests. In addition to Pan American Airways, Inc., the parent organization owns 100% of the stock of five other corporations which are either airlines or else provide services to airlines; it either has better than 50% of the stock, or at least a controlling interest, in some eight or ten other airlines in foreign countries; and it also owns 20% of the stock of China National Aviation Corporation and has various minority interests in other airlines.

The subsidiaries and affiliates of this holding company are engaged in air transportation over international and foreign routes. In general, the international operations are carried on by Pan American Airways, Inc. and internal services in foreign countries are furnished by foreign subsidiaries. These companies also engage to some extent in other activities related to air transportation, such as the operation of hotels, restaurants, and other passenger service facilities.

Although it will not affect the picture of the corporate structure at all, it might be stated at this point, merely to bring the picture up to date, that a move was afoot last year to dissolve the holding company by selling its stock to Pan American Airways, Inc., its principal subsidiary, in order to avoid confusion of names and to eliminate a certain top-heaviness in its structure. This move was still pending a vote of approval of the stockholders of both corporations and the consent of C. A. A. according to the latest published sources of information available.

History of the Pacific-Alaska Division.--When the trans-Pacific air service was inaugurated in November 1935, the longest over water flight performed anywhere was between Dakar in French West Africa and Natal in Brazil, a distance of 1864 miles, flown only by mail planes. Contrasted with this, the establishment of the trans-Pacific service to Hong Kong involved a route 8,746 miles long including the 2402 mile flight from San Francisco to Honolulu, for the carriage of passengers and express as well as mail.

The Pacific Division, which was to operate the new transocean service, was established in January 1935, with headquarters at Alameda. Preparations for this step began in 1932 at a time when airplanes of a type sufficient to handle such an assignment were not as yet in commercial operation.

In route surveys begun in 1932 and continued until the establishment of bases in 1935, it was apparent that

while Honolulu and Manila offered the type of facilities available in any well-developed center of population, an entirely different problem was presented by the intervening portion of the route. The islands of Midway, Wake, and Guam had to be staffed and equipped to handle the Clippers that would soon be making regular stops.

To establish these necessary island bases, Pan American chartered a ship that sailed from San Francisco early in 1935 with a cargo and complement of passengers that included two villages, five air bases, a quarter of a million gallons of fuel, forty-four airline technicians, a construction force of seventy-four, food to last them for months, and countless other items of equipment and material.

From this initial start, Pan American, by a series of well planned and carefully thought out steps, began to expand and develop its Pacific Empire.

With a few setbacks along the way, the company acquired China National Airways, ~~it~~^{it} began to make route surveys from Honolulu to New Zealand and Australia. It established these runs in 1940, the same year in which it linked Seattle with the two Alaskan airlines which had been purchased in 1932.

This essentially was the picture of Pan American's development and progress in the Pacific up until the time of Pearl Harbor. From the time of Pearl Harbor until November of 1945, Pan American's Commercial operations were at a virtual standstill. A large portion of its personnel were

commissioned by the Navy and the company itself was operated and controlled through Naval Air Transport Service on a cost-plus basis. During this period, the company and its personnel were able to provide the Navy not only with a vast store of knowledge and experience in transoceanic flying, but also with a ready made communications network which proved to be invaluable.

When the war was ended, Pan American's long range operational experience put it in a strong position for post-war development and once again it began to fly survey routes aimed at new and further extensions of its transportation network.

By 1946, the company was using land planes entirely and by 1947 had extended its routes to Tokyo, Okinawa, Hong Kong, the Dutch East Indies, Bangkok, and on to Calcutta, where connections were made with Clippers operating out of the Atlantic Division, to complete the company's "around-the-world" objective.

Economic Factors.--Pan American, and all other commercial airlines, have problems similar to those which are faced by the railroads in that the industry is controlled to a large extent by government regulation.

The airlines have a framework of rules and regulations which are set forth under the Civil Aeronautics Act of 1938. These regulations specify and control all aspects of aircraft operations, such as safety requirements, maintenance requirements, load factors, licensing of aircraft, levels of pro-

iciency of air crewmen and mechanics, etc.

The watchdog of the industry, who enforces the Act, grants route privileges, and in general keeps its thumb on the whole field of commercial air transportation, is the Civil Aeronautics Board. This agency holds the key position in industry and wields a whip over the heads of airlines, large and small. Its position is so strategic that it can either make or break an airline by granting or denying route increases, fare increases, or (and most important) by granting or denying increases in rates of pay for carrying the mail.

This mail pay feature is the key to understanding many of the industry's actions and problems, for without it, it is extremely likely that not a single major airline in the United States could avoid going into the red.

As will be shown farther along in the report, it is almost a foregone conclusion that those airlines who do carry the mail will show a profit at the end of the year, and it is a relatively rare instance when this does not hold true.

In addition to C. A. A. and A. A. B., the airlines are also controlled by the Federal Communications Commission with respect to the use of radio telephone and other communication devices.

Pan American, being an international carrier, must secure the approval of the State Department for any changes or additions in overseas routes or destinations. If the State

Department approves of such changes, it then negotiates with foreign governments on behalf of the company for landing rights and rights of way across such countries, in conformance with its bi-lateral trade agreement policy.

Pan American, at the present time, is awaiting a decision by the C. A. B. on its proposal to absorb American Overseas Airlines, a subsidiary of American Airlines, Inc. This absorption has already been approved by the stockholders of both companies and awaits solely on the C. A. B. If the consolidation goes through, it will be directly in line with Pan American's policy of advocating the "chosen instrument" principle. Juan Trippe, the president of Pan American, has been championing this policy for years, because of the competitive situation faced by the company. Pan American not only must compete with several U. S. competitors such as A. O. A., T. W. A., and Braniff on its transcontinental flights, but must also meet the competition of foreign "flag line" competitors along these routes.

The foreign competitors such as B. O. A. C., K. L. M., P. A. L., and B. C. P. A. are called "flag line" airlines because they are the chosen lines of their respective countries. That is, Britain, as an example, allows no other airline to fly from London to New York except B. O. A. C.

Pan American's argument is that having to compete with one's own countrymen and against foreign monopolies as well is extremely inefficient, just as would be the case with

competing public utilities. This argument, needless to say, has stirred up a huge controversy amongst aviation circles and has resulted in any number of hearings.

On the one hand, American Airlines is willing to sell out its control of A. O. A. to Pan American because Pan American has been hounding C. A. B. for domestic routes. American Airline fears this possibility of increased domestic competition and feels that if Pan American has its own way on overseas operations, it will forget about the domestic picture.

On the other hand, T. W. A. is fighting Pan American tooth and nail on the consolidation because, as Pan American's principal American competitor overseas, it does not care at all about Pan American's domestic maneuvers, but fears that it will be swallowed up next if Pan American is allowed to have its way this time.

Labor History.--Prior to the war, practically the only employee groups in the company which were unionized were the pilots, who belonged to the Air Line Pilots Association organized in the 1920's. Unionization did not play any role of importance until the latter part of the war because of the small size of the company and the consequent close relationships which existed between labor and management.

Unionization made its most startling advances during the post-war years, when as the company expanded, one group of employees after another demanded union representation. This movement continued until the present degree of organization

was reached, the company being approximately 90% organized. Even its accountants and clerical workers are unionized; their bargaining representative being, strange to say, the Brotherhood of Railway Clerks.

Pan American's relations with unions do not fall under the jurisdiction of the Taft-Hartley Act as might be expected, but are governed by the Railway Labor Act.

An amendment to the Railway Labor Act was made in 1936 that brought under its control the labor relations activities of all commercial airlines engaged in interstate commerce, in transoceanic air transportation, or in carrying the U. S. mails under contract.

In accordance with the provisions of this act, Pan American and/or the unions involved in any dispute must give thirty days notice of any intent to open negotiations in order to provide a cooling off period. The services of the National Mediation Board are available if so desired and have been resorted to quite frequently by Pan American.

Arbitration is not compulsory, but provision for such a procedure is made if both parties desire it and agree to abide by the decision which may be handed down.

No union security clause exists. Instead, the unions operate under open shop conditions. The company, however, must treat union and non-union employees alike in any given group and the union, on the other hand, must bargain for all employees.

One possible indication as to the value of the cooling-off provision is the fact that Pan American has had only two work stoppages in the past four years. One was a six-hour stoppage in September 1947, by the mechanics and ground-service employees at the Miami Base, which was caused by a disagreement regarding the status of the local Chief Steward and was settled by direct discussion between management and the local unions. The other work stoppage was of eighteen hours duration in April 1949. This was a walkout on the part of the flight radio officers in the Atlantic Division and the Pacific-Alaska Division in which the principal issue was the effect of discontinuance of job classification for technological reasons. This issue was resolved by means of the mediation procedure.

PART II

DESCRIPTION OF PACIFIC-ALASKA DIVISION ACTIVITIES

Operations and Routes.--The Pacific-Alaska Division has four ports on the Pacific Coast: Seattle, Portland, Los Angeles, and San Francisco, which is the Division's headquarters.

Flights out of Seattle are made to Portland or to points in Alaska only. Transoceanic flights are made only from Portland, San Francisco, and Los Angeles and all focus at Honolulu. From this focal point, the routes again branch out going either south to Sydney, Australia, and Auckland, New Zealand, via various Pacific islands or westward to Tokyo, Hong Kong, Manila, and Calcutta. These constitute the major routes, but different combinations of various portions of these routes are flown as well. These main routes are merely mentioned here to give some idea as to the extent of the Division's operations.

Pan American must compete with United Airlines and Northwest Airlines on flights to Honolulu. It must also compete with Northwest on flights from Honolulu to Tokyo, Okinawa, and Manila. Its foreign competitors are Philippine Air Lines for flights to Manila and beyond and the British Commonwealth of the Pacific Airlines for the flights to Australia and New Zealand.

These foreign competitors are allowed to fly routes in competition with Pan American under the terms of the bilateral agreements made with the countries concerned by our State Department. Under such agreements, any authorized representative firm of this country is allowed to make as many flights per week into their countries as we allow their airlines to make into ours.

Service Department Activities.--The Service Department of the Division performs some very important and highly interesting activities, which are complementary to the actual flying operations.

This department consists of some forty people, and its activities cost the company a little over \$2,500,000 last year for the Pacific-Alaska Division alone.

Under this department come the pursers, stewards, stewardesses, and all personnel whose job it is to see that each outgoing plane is fully equipped to give a maximum of service to its passengers. This department is responsible for supplying all outgoing flights with cooking and eating utensils, food, blankets, linen, magazines, liquor, etc. It maintains extensive kitchen facilities wherein research in new recipes and new methods of preparing foods is conducted. It pre-cooks all food, one day ahead of departure time, so that it is within fifteen minutes of being fully cooked. It works out master menu schedules for all Pacific stations so that no passenger on any possible flight route is in danger of receiving the same menu on two consecutive days. When one con-

siders that Pan American's meals are full course affairs with entrees such as French lamb chops or filet-mignon steaks, he soon realizes that this is no small task in itself.

The department helps to train stewards and stewardesses in rendering company services to the public. It operates and manages company stores, laundries, and other service facilities for the benefit of company personnel at various island stations and furnishes them with accommodations. It also has the responsibility of furnishing accommodations for passengers who may be held up involuntarily at some station enroute to their destination.

The Economic Planning Department.--Tariffs and rate structures are highly important to airlines because they must be filed with and passed on by the C. A. B. Once these rates are set and published, it is an extremely difficult task to get them changed (particularly in an upward direction).

To determine these rate structures, the Economic Planning Department conducts market surveys from which it attempts to estimate the demand for air transportation for the coming year. It converts these estimates into terms of passenger miles and cargo-ton miles and projects them forward to be coupled with the budget estimates of the Division's expenses. The department then attempts to project estimates of the amount of mail which it will be carrying during the year.

Armed with these figures, the company then goes to the C. A. B. and negotiates for its mail pay. By means of informal, "extra-legal" conferences, company representatives and C. A. B. officials attempt to balance the books, the usual

arrangement being for the government to grant a mail rate sufficiently high to offset the customary deficit as shown by the estimates and to give the company a profit of seven percent.

These mail rates are usually called "temporary" mail rates because no airline wants itself saddled with a "permanent" mail rate that cannot be revised if the estimates prove to be wrong. A Supreme Court ruling has made it very difficult for permanent rates to be adjusted. To circumvent this distasteful possibility, the airlines will, immediately upon hearing that a certain rate has been granted, apply for further upward revisions of the rates (whether justified or not) in order to maintain under a temporary rate.

If upward revisions are granted, C. A. B., typically, will penalize the airline concerned by setting its rate at such a figure that it only makes a profit of six instead of seven percent.

PART III
PERSONNEL DEPARTMENT ACTIVITIES

The industrial relations work of the company, for the purpose of this discussion, will be divided into personnel administration and labor relations. We will first consider some of the department's activities in the area of personnel administration.

Employment.--The company has established an Employment Section concerned primarily with recruiting, testing and evaluation of the applicants qualifications, hiring, and terminating. During the past year, the company has not found it necessary to do any recruiting as there have been more applicants than job openings. Employment activity has now dropped to a new post war low of less than ten new employees hired per month, on the average. In conjunction with this decrease in employment, all sections of the company are making an effort to reduce their labor costs wherever possible and the total number of company employees has been steadily decreasing since 1947, despite the company's expanding scale of operations. This is partly due to improved flight and maintenance equipment.

The Employment Section has not made the practice of using "exit interviews" for all terminated employees. They do make an attempt to interview all those employees who

quit for other than normal causes such as marriage, pregnancy, going into private business, etc.

The Employment Section is also responsible for processing employee transfers, insurance claims, claims for hospital benefits and disability compensation, etc. These employee and supervisory services are becoming a more and more important phase of the Section's work as employment activities decrease.

The company's employment policy has been formally stated and will be presented below in condensed form:

1. Only those vacancies which cannot more properly be filled from within the company will be filled by employment. Before filling a job by employment, it must be determined that:
 - a) There is no qualified and interested employee available at the particular station or other stations.
 - b) No other method of filling the job is specified by an applicable labor agreement.
2. Applicants should be selected who plan to stay with the company and it is preferable to select those who have a liking for aviation generally and P. A. A. in particular.
3. No person shall be employed for or assigned to a position in which he will work with or be supervised by a relative.
4. No person shall be induced or encouraged to leave the employ of a competitor.
5. Every employee is subject to a six months probationary period.
6. A maximum hiring age of 55 and a minimum age of 18 should be observed. The policy of promotion from within makes hiring of young people desirable.

In addition to the above general employment policy, the company has formally drawn up an employee selection policy containing specific employment standards for many jobs.

Indoctrination.--The Employment Section is also responsible for seeing that each new employee is given the following indoctrination.

1. On the first day at work, the employee's immediate supervisor should introduce him to persons with whom he will work.
2. He shall be briefed on company organization and general personnel policies and given a copy of the "Welcome" booklet.
3. He shall be given complete information regarding his pay rate, hours of work, days off, and other conditions of employment.
4. He shall be given a clear statement of the general nature of his job and of his specific duties and responsibilities.
5. He shall be given a copy of the labor agreement that applies to him, if any, and advised of the provisions of the Railway Labor Act as regards union membership.
6. He shall be advised of the general physical layout of the facilities.
7. He shall be advised of the "Safety First" policy thru interview with the Safety Supervisor, warned of specific dangers, and briefed on smoking and other safety regulations.
8. He shall be advised on the company insurances and other benefits available to him.

Attached to this report is a copy of the "Welcome" booklet.

Testing.--During the first three years following World War II when Pan American was active in recruiting and hiring they used several aptitude and interest tests to help

them in screening and placing applicants. Since 1948 this practice has been completely abolished.

Training.--The training function is very important to Pan American Airways, and a Training School is in operation at the San Francisco station. Since many of the functions of the aviation industry require specialized, technical knowledge and since the industry is rapidly changing due to technological advancement, the Training School performs a very necessary function in training and retraining.

The Training School was described by its director as a "glorified trade school". The school uses both professional teachers and technical specialists from the shops to instruct the classes. The curriculum contains over seventy different courses covering such subjects as welding, engine repair, stewardess training, and training in industrial relations and personnel administration. The department's staff has twelve permanent instructors with more being added when the need arises.

The Training School, in line with the other staff activities, has shown a decreasing amount of student hours since 1948. This trend has taken place despite the fact that a new airplane has been put into use. A partial explanation of this may be found in the more stable work force as well as in crew reductions achieved through the use of the new planes.

Job Evaluation.--The Job Evaluation Program was started

about three years ago in all three divisions of Pan American. Each division was given considerable freedom in its interpretation of the basic plan, a modification of the National Metal Trades Plan, in the early stages of the program. In the Pacific-Alaska Division, job evaluation has been applied to all non-contract jobs up to and including the level of department head. It has also been extended to many contract jobs and is still in the process of expansion.

The write-up of the job description is done initially by the worker and then the job analyst goes over the description with the worker and again checks it with the supervisor. The job description is then evaluated in accordance with the scale adopted from the Metal Trades Plan. By committee action the evaluation is approved and the points assigned to the job determine its bracket on the salary scale. There is no merit rating associated with this plan.

The salary ranges for the various classifications of jobs have been set by the New York System offices. These ranges apply to all three divisions of the Pan American Airways System. Within the past year, an attempt has been made to bring common jobs within the three divisions to a common basis, and about fifty company-wide jobs are now being used as guide posts for the plan.

In administering this plan the company does not allow the points assigned to the various jobs to be known. It is their feeling that publishing this information will simply

cause trouble.

Supervisory Training.--The company has no formal supervisory training program but within the past year has initiated a Supervisory Appraisal Form, offering all supervisors the opportunity to rate supervisory personnel within their jurisdiction. The purpose of this form was to point out to the supervisors their weakness with the hope they would attempt to improve themselves. In accordance with this plan courses were offered by the Training School intended to give training in supervisory problems.

The Appraisal Form has not been used as a basis for salary increases or promotion. It is new and further uses of this and other techniques are proposed for the future to improve the quality of supervision.

Suggestion System.--The Suggestion System, in its present form, has been in existence about three years. The Suggestion System Section is composed of two full time employees whose sole duties are to promote suggestions, investigate them, and make recommendations as to their adoption and reward or their rejection. A committee is used to approve or disapprove these recommendations.

All employees are eligible to submit suggestions, except that supervisors and other personnel whose regular duties involve making suggestions are not eligible for a cash award when the suggestion pertains to matters within the scope of their normal activities. Prior to investigation,

all identification as to the suggestor is removed from the suggestion. However, the employees do not seem to regard this system as anonymous and frequently question the investigator as to the disposition of their suggestion. The average time required to process a suggestion and make the award is about four months. Awards are made on a basis of 10% of the first year's savings to the company or to the System if the suggestion is adopted by the other divisions. The minimum award is \$5.00, and the maximum is \$500.00.

The following figures indicate the extent to which the Suggestion System is being supported.

| | <u>1947</u> | <u>1948</u> | <u>1949</u> |
|---|-------------|-------------|-------------|
| Total No. of Suggestions Recd. | 476 | 965 | 1225 |
| Total No. of Suggestions Adopted | 99 | 227 | 297 |
| Total Cash Awards (10% of estimated first year's savings) | \$4040 | \$4540 | \$5452 |

Safety.--The company attempts to achieve flight safety through extensive maintenance and inspection of its equipment as well as through thorough training of flying and operating personnel. It has made safety history as a result.

The Safety Section at the San Francisco station is concerned with promoting safety in the ground operations. The responsibility for making the organization safety conscious, for investigating all accidents, and for removing accident

hazards has been assigned as a full time duty to a member of the Industrial Relations Department.

This man has been very active in promoting safety during the last two years in which he has held this position. The following data indicate the division's improved safety record.

| | <u>Frequency</u> | <u>Severity</u> | <u>Days Lost</u> |
|------|------------------|-----------------|------------------|
| 1947 | 40.00 | 4.82 | 30,897 |
| 1948 | 20.37 | 2.18 | 13,938 |
| 1949 | 20.11 | 0.26 | 1,571 |

Formulas:

$$\text{Frequency} = \frac{\text{No. Lost Time Acc.} \times 1,000,000}{\text{Hours Exposure}}$$

$$\text{Severity} = \frac{\text{Days Lost} \times 1,000}{\text{Hours of Exposure}}$$

Personnel Section.--This section is concerned with keeping employee records and with wage administration. It also works in close cooperation with the Job Evaluation Section.

Services Provided for Employees.--The "Welcome" booklet gives a brief but adequate description of many of the services which the company provides for its employees. Examples of these services are the library, credit union, PAA "Clipper", special travel rates, the "Trading Post" or Panair Store, Panair Club, and eating and housing facilities where necessary.

Another service provided for the employees is that

offered by the Medical Section. The principal activities of this department are:

1. Complete physical examinations.
2. Consultation with partial examination.
3. Laboratory tests.
4. First aid dispensory treatments.
5. Immunization procedures.

The company has found that by operating its own medical department it can realize a saving over the cost of obtaining equivalent medical services from outside private sources.

The saving during 1949 was estimated at \$59,230.

Of special interest are the "Trading Posts" or Panair Stores, which are operated at San Francisco, Wake Island, and Canton Island. These are non-profit stores which are operated by the company for the convenience of the employees. Any profits which are realized from the operation of these stores are turned over to the Panair Club, to which all employees may belong. The money may in turn be used to provide recreational facilities, etc. The size of these stores is indicated by their gross sales figures.

Gross Sales for 1949

| | |
|-------------------------|----------|
| San Francisco | \$91,877 |
| Wake Island | \$50,507 |
| Canton Island | \$36,305 |

At San Francisco and other stations it has been

necessary for the company to provide a cafeteria. These cafeterias are operated at cost and as a convenience for company employees. Also, it is necessary for the company to furnish housing at some of its foreign stations. These housing facilities, where company owned, are gratuitous to the station employees. Some other personnel problems arising from the operation of foreign stations will be considered later. In general, it can be said that the company's policy in regard to foreign stations is to provide all facilities needed by the employees at no cost to them.

Employee Benefit Plans:

The Pan American Airways System has provided three cooperative benefit plans:

1. Retirement Income Plan
2. Group Life Insurance Plan
3. Group Hospital and Surgical Expense Insurance

In addition to these benefits, the company has offered the California employees an opportunity to substitute a Voluntary Plan in place of the State plan under the California Unemployment Insurance Act. The company feels the Voluntary Plan is superior.

These plans have been described in a simple but complete manner in the pamphlets which are enclosed in this report. These pamphlets are the same ones which are given to the employee during his indoctrination period. No attempt will be made to give the details of these plans in the text

of the report.

Company Policy Regarding Foreign Assignment.--The company is making a strong effort to encourage employees in station manager jobs and other ranking administrative jobs to look upon their foreign assignments as "careers". While the company normally contracts for a minimum of six months and maximum of three years, the men at higher supervisory levels are actually assigned, wherever possible, on a career basis, i.e. a tenure of fifteen to twenty years. The company's purpose in this plan is, of course, to reduce the cost of moving their employees around and to obtain better performance from the foreign station personnel.

The company also has the policy of using native help in foreign stations as much as is possible. This plan often affords a cheaper labor force as well as a permanent force.

All employees upon going to work for the company must sign a statement that they are willing to go on foreign duty. The normal transfer procedure is to post the vacancy and the interested qualified employee with the longest seniority is transferred. If no one is interested in the transfer, the qualified employee with the least seniority is given the job. The duration of duty depends upon the location of the station and the living conditions there.

The transferred employee is moved to the foreign station at company expense. He is paid a cash bonus for foreign service, which varies with the station and type of

work. As previously indicated, the company furnishes all necessary living facilities as well as some recreational activities. The company does not have any schools at its foreign stations, however. A typical vacation plan provides for two weeks vacation each year for the first two years, to be spent in the foreign country, and two month's vacation in the U. S. after the third year, the company paying transportation expenses. For contract employees the above provisions for vacations may be slightly different under the various contracts.

There is no formal policy limiting how frequently an employee can be assigned to duty or how long the employee must be allowed to remain in the U. S. before he can be re-assigned to foreign duty. The company does, however, reserve the right to refuse foreign service to employees who have given evidence that they are not well suited for the particular type of association required by duty on foreign stations. And, of course, the employee on foreign service who is dissatisfied can quit at any time and the company has adhered to the policy of paying his expenses back to the U. S.

It should be apparent, then, from the above discussion why Pan American is putting so much emphasis on its career program for foreign service, is offering extra cash bonuses and other benefits, and is attempting to use foreign labor wherever possible. Dissatisfaction among the foreign based personnel could be a very serious and expensive problem.

PART IV
LABOR RELATIONS

The provisions of the Railway Labor Act and the history of unionization within Pan American have been earlier described, and, as previously stated, the employees are now about 90% organized. The 10% of employees which are not organized are composed mainly of nurses, teachers, and supervisory personnel.

Labor Contracts.--The Pacific-Alaska Division now operates under thirteen collective bargaining agreements. These agreements are:

Ground Personnel:

1. Mechanics, inspectors, cleaners, janitors, laborers, chauffeurs, drivers, automotive dispatchers and fleet servicemen. (Transport Workers Union-CIO)
2. Stockroom clerks (International Association of Machinists)
3. Dispatchers (the Airline Dispatchers Association, A. F. of L.)
4. Guards (Transport Workers Union-CIO)
5. Commissary workers (Transport Workers Union-CIO)
6. Port Stewards (Transport Workers Union-CIO)
7. Clerical employees (Brotherhood of Railway & Steamship Clerks, A. F. of L.)
8. Meteorologists (Air Line Meteorologists Association)

Flight Personnel:

9. Pilots (Air Line Pilots Association, A. F. of L.)
10. Flight Stewards and Stewardesses (Transport Workers Union-CIO)
11. Flight Engineers (Flight Engineer Officers Association - TWU, CIO)
12. Flight Radio Officers (Flight Radio Officers Association - TWU, CIO)

The thirteenth agreement is with a New Zealand union and covers personnel doing company maintenance work in New Zealand. Eleven of the above contracts are negotiated on a System-wide basis, the two exceptions are the commissary workers contract and the New Zealand contract which are negotiated by the Pacific-Alaska Division.

It should be noted that the T.W.U. negotiates six of the Pan American contracts, and it is this union which the company regards as the most aggressive. The A. L. P. A., an old and well established union, is also powerful.

Contract Provisions.--Included in this report are copies of two of the labor agreements, in booklet form as distributed to the company employees. These contracts cover the airline mechanics and ground service employees and the flight service personnel. Each of the thirteen contracts is, of course, different in certain respects and, therefore, no attempt will be made to discuss the contract provisions in detail. Two examples which have been included are representative and an examination of these booklets will indicate

the subject matter covered by the contracts. Certain general characteristics of these agreements do deserve special attention, however.

First, it should be noted that seniority is the basis for all promotions, transfers, layoffs, etc. The company operates on a strict seniority basis, with seniority qualified only to the extent that adequate performance and qualifications are also requisite to promotion. The only contract jobs which are not covered by strict seniority rules are chief clerical jobs classified as X-1. Within this classification the company is free to promote, transfer, and layoff personnel without strict regard to seniority. Under the job evaluation plan, job classification for these X-1 jobs is also flexible.

The company-union position with regard to the benefit plans offered by the company has been that they will be continued as offered, unless changed by mutual consent or by resort to the processes of the grievance procedure and Board of Adjustment.

The general grievance procedure is composed of the following steps:

1. An employee may present his grievance in person, or through his representative, to his supervisor, who shall evaluate the grievance and render a decision.
2. If the grievance is still not settled, it may be resubmitted to the higher ranking superior designated by the company, who shall evaluate it and render a decision.

3. If the grievance is still not settled, it may be submitted to the appropriate Board of Adjustment for a decision.

All grievances and decisions handled by the above procedure must be in writing. The Board of Adjustment shall be composed of two members selected by the company and two members selected by the union. If the four man board cannot agree, a fifth impartial judge is selected by the four members and his decision is binding. Each union contract differs slightly with respect to the details of presenting grievances, but the above procedure follows the general pattern.

The labor contracts which have been included are given as reference for the detailed provisions regarding working conditions, vacations, foreign station allowances, hours of work, overtime, termination, transfer, etc.

Wage and Salary Scale.--It is difficult to determine what the wage structure within the company is due to the wide fluctuation within job classifications as well as the complex system of foreign allowances and bonuses based on the nature of the particular job. In considering the wage structure, however, a logical division seems to be between flight and ground personnel. The flight personnel pay scales are substantially higher than the pay scales covering ground personnel. Beyond this it is difficult to make generalized comparisons.

It is interesting to note that master-first pilots make a base wage of \$920 per month plus \$2.50 per hour bonus for flying the Boeing Stratocruisers. This brings their top monthly

earnings to about the \$1200 mark. The top wages for the other crew members, however, is around \$600 per month. Representative wages for stewards or stewardesses and pursers are \$282 per month and \$352 per month, stewards and stewardesses being paid the same wage. In addition, all flying personnel are paid at the overtime rate for all flying hours in excess of 340 for each four month period.

A representative wage for ground operating personnel may be considered to be the \$1.88 per hour or \$326 per month paid to first class mechanics. In addition to this, there may be a shift differential and other allowances, as previously pointed out.

The wage scale of Pan American's foreign competitors is uniformly lower than Pan American's scale. Pan American's wages and salaries are approximately comparable to those paid by the domestic U. S. airlines, with the possible exception of the master-first pilot salary. The domestic airlines pay their pilots a base rate of \$300 plus extra bonuses for each hour flown. The amount of the bonus varies with such factors as speed, terrain, night flying, instrument time, etc. It is difficult to pick an average or representative wage for domestic pilots, but if such a value could be computed it would probably be lower than the wage drawn by Pan American's master-first pilots.

General Problem Areas.--Before closing this section, it should be pointed out that the position of the flight radio

officers is one peculiar to transoceanic airlines. The transoceanic flight radio officers were formerly required to send and receive Morse Code telegraphic messages; this system has now been replaced by improved radio-telephone transmission and the flight radio operators are no longer necessary. The domestic airlines have long used radio-telephones and are, therefore, not now faced with this problem of technological displacement. This problem as well as others which result from the rapidly advancing technical improvements in the industry cause the necessity of operating widely dispersed, small scale, foreign stations; and the highly specialized knowledge required by this operation contribute to the complex nature of personnel administration and labor relations in the airlines industry.