

American Air Freezes Pay, Hiring for Nonunion Workers

By Mary Schlangenstein
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American Airlines, the world's second-biggest carrier, froze hiring and general pay increases for nonunion workers as it struggles with a drop in revenue and travel demand.

The airline, a unit of AMR Corp., told employees of the moves yesterday in a letter from Jeff Brundage, senior vice president of human resources. The Fort Worth, Texas-based carrier last year cut about 8 percent of its management and support jobs. American has about 19,000 nonunion workers.

American's decision comes as airline traffic reports indicate the slide in demand linked to the recession may have stemmed in March. Still, the decline in revenue per seat for each mile flown worsened as carriers cut fares to try to lure travelers.

"In today's economic environment, to say that we're freezing your pay, not cutting your pay, and they didn't announce any layoffs -- that's not the worst outcome," Jerry Glass, president of Washington-based F&H Solutions Group and a former US Airways Group Inc. labor executive, said in an interview today. "No one is thrilled about it, but it sure beats the alternative."

Traffic, or miles flown by paying passengers, in American's main jet operations fell 11 percent in March, the 13th straight drop from a year earlier. American doesn't provide monthly figures on revenue from each seat flown a mile. Continental Airlines Inc. and US Airways each reported drops of at least 19 percent in the so-called unit revenue last month.

'Decline in Revenue'

"We are experiencing a decline in revenue, a decrease in bookings, lower demand for cargo services and increasing costs for items such as pension expense and medical insurance," Brundage said in the letter.

American faces the prospect of higher labor costs as it negotiates new contracts with its three major unions. The airline has cut about 6,800 jobs since July to match capacity reductions that began last year. American is trimming capacity an additional 6.5 percent this year.

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The carrier's workers had been receiving 1.5 percent annual pay increases since 2004, after AMR narrowly avoided a 2003 bankruptcy filing by securing wage and benefit concessions from all employees. That increase won't occur this year for nonunion, management or support positions, Brundage said.

Some of those employees still will get "pay progression increases" of 40 cents an hour if they aren't already at their job level's maximum compensation range, he said.

The airline is working to refinance \$1.1 billion in debt due this year and to fund aircraft deliveries in 2009 and 2010.

'Tough Time'

"Companies of all types, including our own, are having a tough time borrowing money right now, given the turmoil in the financial markets," Brundage said in the letter.

AMR is scheduled to report first-quarter results on April 15. The company is expected to post a loss of more than \$396 million, or \$1.42 a share, the average of 10 analyst estimates compiled by Bloomberg.

The Dallas Morning News reported American's pay and hiring freezes earlier today. Delta Air Lines Inc. is the world's largest carrier.

AMR dropped 4 cents to \$3.99 at 4:15 p.m. in New York Stock Exchange composite trading. The shares have fallen 63 percent this year.

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