

**Negotiation from “in the air” to “on the ground”  
Employment relation between pilots and C Airlines in China**

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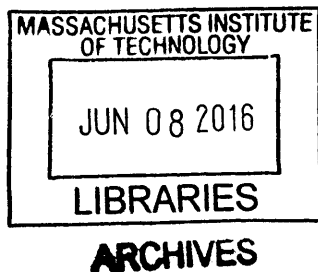
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Management Studies

**Abstract**

Employment relations in China’s airline industry has received considerable public concern for a long time as there has been no effective solution for the pilot employment dispute. Emerging in a peculiar industrial and social-political context, the research of employment relations in the airline industry, particularly in the respect of pilot employment relations with increased vulnerability to the shortage of pilots, presented a completely different picture in comparison with research on other industries in China. Changes of business mode and external labor market in the competitive market since gradual deregulation have significantly shocked the outdated coordination mechanism of employment relationships in dominant state owned airlines, which were playing a critical role in influencing productivity, quality of service and customer satisfaction. In this paper, negotiation as a basic method for dispute resolution at workplace level and a breakthrough point for setting up inherent coordination mechanism in SOEs has been discussed in respect of harmonizing the relationship between pilots and airlines. The contingent negotiation on daily issues within the workplace was considered as a constructive and realistic way to facilitate positive outcomes by applying value creating skills. Being a practical approach to wedging the employees’ voice into the rigid and paternalistic management and then to promote equity, efficiency and voice at workplace, this micro level and problem solving oriented negotiation needs to be advocated and embedded within current employment relations management in considering both pilots’ and airlines’ interests.

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This thesis is dedicated to my mum, Shi Xiujun 1946 – 2010.

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## **Introduction**

The growth of labor disputes is now recognized to be one of the most noticed features in employment relations in China. Contrary to the immense amounts of concrete employment relations research on the private manufacturing sector and corresponding migrant workers, for a long time, the research of China's airline industry hasn't received much due attention. Given its human and capital intensive nature, its major players of State Owned Enterprise (SOE) airlines (Zhang, Q., Yang, H., Wang, Q. & Zhang, A., 2014), its increasing shortage of pilots, and its continuously growing market competition resulting from deregulation was challenging the current pilot-management employment relationship. In the past decade, airlines pilots' alleged disputes with their employers, particularly those SOE airlines, have been reiteratively in the spotlight of public concern (Liu, 2013), becoming a problem on the other end of the spectrum of labor disputes in China, which is evidently necessary to pay attention to and further study.

With reform and opening up, China's airline industry has experienced a series of major changes and rapid development. In 1985, the civil aviation sector established its own organizational system from People's Liberation Army Air Force. In the following two decades, by continuously separating government functions from enterprise functions, simplifying administration and decentralizing power, the state government vigorously deepened and widened the reform in the airline industry to meet the enormously growing demand for air travel. In 2005, the Civil Aviation Administration of China (CAAC) declared further deregulation by introducing "Domestic Investment of Civil Aviation Regulations" and issued an operation permit to Okay Airways Company. For the first time, a private airline was allowed to enter into the continuously expanding market of the airlines industry, and this implied a profound change to the planned economy. Between 2010 and 2015, 13 new airlines came into service, mostly competing in intense origin-

destination markets with about 0.3 Herfindahl-Hirschman Index (HHI), which is the traditional market of legacy airlines like C Airlines (Xu, Z & Gan, 2011). In the past 13 years, under the government's promotion of the reform of the airline industry, with a record annual growth rate of 13.8% in terms of passages (Civil Aviation Administration of China [CAAC], 2003-2014), fierce competition among airlines spread from the business market to pilot labor market. Given that it took at least 6-8 years to train out a captain in their internal labor market, the shortage of senior pilots was a longstanding concern of upstart airlines, which didn't usually have a well-established pipeline of pilots as SOEs airlines did. The start-up airlines therefore lured pilots from big SOEs airlines by offering higher wages, while the SOEs airlines impeded their resignations by protracting the transfer of their flight records and requiring pilots to pay back the training expenses incurred along their careers. All these have made the resignation process extremely hard for pilots and airlines also suffered from financial losses.

The termination of pilot employment contracts was not the same story as other occupations in China. Several specific regulations currently regarding how pilot employment disputes should be settled and resolved in terms of compensation, procedure and quota of turnover for each airline. Since 2004, CAAC and its regional administrations have issued more than ten normative documents, regulating pilot mobility in the labor market in terms of capped turnover rate and consent of ex-employers (Xu, L., 2014). The state's desire to promote airline industry development was subject to maintaining stability and cohesion within Party/state (Dogan, 2002), therefore the industry regulators had a strong tendency to prevent vicious competition in pilot labor market, which was made evident by enacting continuous intervention policies for restricting the mobility of pilots. In 2005, CAAC, the Ministry of Personnel, Ministry of Labor and Social Security, the

State-owned Assets Supervision, Administration Commission of the State Council (SASAC), and the Legislative Affairs Office jointly issued "Opinion on the Specification of Pilot Mobility Management to Ensure a Stable Pilot Labor Market", which conditioned the pilot resignation with certain range of compensation fees and the tripartite agreement (Supreme People's Court, 2005). In addition, each regional authority also introduced specifications of pilot flow management so as to standardize dispute handling procedures. In 2014, CAAC issued a management advisory of "Transport Pilot Registration, Recording and Operation" which only allowed pilots to switch employers with records of resignation lower than certain number. In 2015, the China Air Transportation Association (CATA) and China Airline Pilots Association (CALPA) jointly signed the Convention on Airline Pilots' Orderly Movement. This convention made it clear that except in cases of internal transfers between branches of the same company, pilot turnover rate should be restricted to less than 1% (CATA, 2015). There was considerable controversy over the legitimacy of this convention, which was bolstered and pepped up by the CAAC holding the authority of issuing and validating pilots' licenses. This convention was widely followed by the airline industry.

Pilots have always been in demand in China's airlines industry, and their non-substitutability of position in cockpit, the immediate and direct impact on operation in industry action, and tightness of labor market, arguably have had a significant influence over their relationship with airlines (Harvey, 2007). However, the restrictions both on pilot mobility and the lack of collective representation not only paralyzed pilots' potential bargaining power, but hindered the work commitment of pilots and more importantly blocked up the promotion of organizational change. Thus, it is foreseeable that if the managers of pilots in airlines, don't seriously consider the quality of employee relations and solely rely on strict management practices, the increasing conflicts between pilots and airlines will intensify.

Pushed by constant tension between pilots and airlines, the concepts of labor relations and human resource management were carefully mentioned by the CAAC in a conference on pilot management (CAAC, 2014), implying that it was the first time in airline industry, official concerns of management were beyond tackling rigid political and ideological mass work of the Party system. It showed that the evolution of China's airline's industry was moving from the exterior institutional changes and market competition toward the adoption of micromanagement of the enterprises. The competition among airlines was not only confined to route structure, cost structure, revenue management and schedule optimization, but also in the way of managing people. Therefore, in responding to changes in the internal and external environment, harmonizing employment relationships through effective negotiation on available platforms plays an important role in resolving conflicts of pilot management in C Airlines, even in the whole industry. The benefits to China in bringing any form of procedure for the resolution of workplace disputes are significant. “[In China] A more peaceful and promising way to get to dispute resolution is, as is the goal universally, by talking about and negotiating differences.” (Zack & Kochan, 2015).

Taking C Airlines' pilot management practices as a study subject in assessing and interpreting the current situation that had been existing in a representative enterprise in terms of SOEs and also airlines since the beginning of economic reform of China, this paper employed theoretical frameworks adapted from theory of three layers of decision making in employment relations which extracted and depicted the key interactions among activities at progressive levels of the institutional structure (Kochan, Katz & McKersie, 1986). Combined with findings of relevant researches on SOEs and airlines industry, the study in this paper then dug further in evaluating determinants of employment outcomes (Budd, 2004), human resource management implementation strategy and in-depth case discussion to analyze the basic forms of employment

relationship in typical Chinese airlines, and to explore how to set up a compromise mechanism—negotiation between pilots and management. The study methodology is largely qualitative. The purpose of this paper is to invent a practical and innovative way in which the employment relationship can be improved under current the political environment, government policies and management structure and corporate culture. The related theories will include contemporary employment relationship theory, negotiation theory, labor relation research in China’s airline industry and the transformation of employment relationships in SOEs of China. The data that appears in this research is derived in large part from operational reports of relevant departments on a monthly and annual basis, in addition to interviews and field observation.

## **Theoretical Background**

### **Models adapted to analysis of employment**

Differing from labor relations focusing on the relationships that exist between an employer and the employees collectively through their union, “The employment relationship is the legal link between employers and employees. It exists when a person performs work or services under certain conditions in return for remuneration” (International Labour Organization [ILO], n.d.). Employment relationship was the generic term of social and economic relations formed between employees and employers in the labor process. Due to various forms of modern employer-employee relationship, including both forms of unionized organizations and non-unionized organizations, employment relationship research has been extended to all issues of employees and employers related to workplace and work, such as performance, occupational safety and health, employment discrimination, employee satisfaction and employee participation in management (Cheng Y, 2011).

Dunlop's model identified three key factors to be considered in analyzing the employment relationship: 1. the environmental forces, 2. the characteristics and interaction between labor, management and government, and 3. working rules (Dunlop, 1993). In this model, the greatest significance was given to environmental forces. For study in social political context of China, the lack of stability in the environmental forces and a shared consensus among key actors in reality made this model not applicable.

In the social condition of drastic changes of economic and political aspects, the theoretical framework for analysis of employment relationships needed to consider the dynamic constraint relation among external environment, values, business strategies, institutional structure, and

history (Kochan, Katz and McKersie, 1986). This model regarded the result of employment relationships as the interaction process of environmental and behavioral individual internal needs, feelings and thoughts. The advantage of this model laid in the integration of an analytical framework of human resource management theory and industrial relations theory, regarding employment relations as an interactive organism of its own internal structure and external environmental factors, which focused on mutual exchange, impact, checks and balances of employment relationship at different environmental levels. For studying employment relations in China, specifically in giant SOEs, this systematic framework with three layers of assessment is precisely applicable, even though some actors need to be added on due to the peculiarity of China. In addition to an exchange to gain economic profit, employment was an activity with humanity characteristics, in which employees focus on equality, justice, fairness, right to speak, and social norms, rather than only self-interest maximization, and the objectives of employment relationship were efficiency, equity and voice (Budd, 2004).

### **Transformation of employment relationship in SOEs**

Unlike the struggling employment relations within the private manufacturing sector which has been told often with great detail, the employment relations in SOEs presented a different picture in the respects of employment relations management structure, social responsibility and social governance. Before China's "reform and opening", the coordination units, including the union and Staff and Worker Representative and Congress (SWRC), were supposed to empower workers to exercise their authority as "masters" of SOEs (Estlund, 2013). Though the government administration-oriented nature of the employment relations mechanism in the old days withdrew from the historical stage, the coordination units at least nominally have survived as a badge of

ideology as well as a tool for advancing productivity. Researchers have also noted that China's SOEs have a tradition of management participation in employment relations.

The “worker democratic management”, known as a political legacy in regulating workplace employment relations in the age of the planned economy, and called the management system of “Angang Constitution” derived from the internal charter written by the Anshan Steel Company in 1960, was to a great extent similar to the “co-determination” mechanism in Germany (Yang & Wei, 2014). The centerpiece of this management practice was embodied by three principles: (a) two participations: executives of the company must participate in production, and workers must participate in management; (b) one reform: reform improper regulations in the workplace; (c) three combinations: managers, workers and engineers should be organically combined (Cui, 1996). Thus the workers’ congress system was designed in a way to achieve the institutionalized expansion of enterprise democracy, workers’ participation in the management, supervision and administration, and finally to overcome the problem of bureaucracy. This democratic management model was once very popular but was gradually thrown away by new generation of managers in spite of social and political status divergence among those organization's members (Li Q, 2003).

SOEs employment relationships under the traditional socialist system were established based on the enterprise's economic, political, and social functions, which ensured stable employment relations. As reform of state-owned enterprises weakened their social and political functions, employment relationships in the old age started to lose its’ foundation (Li Q, 2001). There were two basic characteristics of employment relationship of state-owned enterprises in transformation, transitivity and complexity. First, the transition state appeared that the formation stakeholders were still in process, and continuously adjusted state regulations and administrative means of each enterprise played significant roles in shaping employment relation. Workers were also confused



about whether they were enterprise's honorable masters or employees under management (Song, Liu J and Yu, 2007). Second, the complexity of employment relationships in state-owned enterprises was indicated by personal networks with a protection function built upon personal dependence relations, clientelism relationships, and a sophisticated structure of social networks. Employees in enterprises had no tendency to claim their interests by collective action, instead, they were more willing to seek their interests through the channel of personal relationships within the power structure (Feng T, 2010).

There was a tacit understanding between workers and managers. By reducing labor quotas and pay-performance sensitivity for groups of subordinates, managers increased marginal benefit and improved total well-being for workers in exchange for their cooperation. Since employees were rarely dismissed, managers were sensitive to workers' grievances to prevent disrupting the normal order of production. State-owned enterprises were social - political organizations, and managers were not only responsible for the organization of production, but also for the improvement of employee benefits. As the promotion of managers depended on assessment by both superiors and subordinates, managers can get mass base by increasing workers' tangible and intangible income (Li Q, 2001).

From the perspective of social governance, SOEs were the smallest units of national social governance, so called the "unit." In addition to the pursuit of increasing the value of state-owned assets, managers also played a role in mitigating the conflicts within the "units" and maintaining social stability. This multi-functional role of state-owned enterprises determined the distinctive functions of trade unions from abroad. The dependence of unions on dual authorities of enterprises and the Party in terms of finance, staffing, and organization, drove unions to strengthen the role of promoting production and adopt monism practices to do with the employment relationship (Guo Q,

Liu J and Li T, 2007). In contrast to previous studies, recent research analyzing 15 years of provincial-level data under the unique institutional environment of China, showed that the appearance of unions in China was not associated with higher wages while associated with higher productivity, which indicated that “labor unions act as agents of the enterprise and the state in delivering productivity enhancements at the expense of, rather than through the cooperation of, workers” (Budd, Chi, Wang and Xie, 2014).

From a broader perspective, the employment relationship has been reshaped in three aspects since the economic system’s reform. Firstly, the ministerial concept underpinning government governance has shifted from quasi-totalitarian to fragmented authoritarian. Secondly, to some degree the employees were being deprived of the status of master which was once legitimated by the state and the Party before the reform. Thirdly, the state was gradually exiting from the process of coordinating employment relationships substantially, while the relevant external public supporting policies were still a work in progress (li J, 2013). Moreover, the All-China Federation of Trade Unions (ACFTU) recently concentrated their work on facilitating the collective wage negotiations for solving the increasing disputes between rural migrant workers and private enterprise owners (The Central Committee of the Communist Party of China & the State Council, 2015b).

### **Employment relationship of airlines pilots**

The quality of the employment relationship was evidently important for the civil aviation industry, evidence showed that employees played a critical role in improving service quality and productivity (Gittell, Nordenflycht & Kochan, 2004). Research on labor relations, remuneration levels and operating performance of American airlines suggested that the employment relationship

played to a great degree a constructive role for the development of airlines, either for low-cost airlines or for legacy airlines. The level of conflict and work culture in the workplace had a crucial impact on the airlines' business performance (Gittell, *et al*, 2004). Analysis on the U.S. airlines industry suggested that the quality of the employment relationship determined organizational performance, and clearly showed that it was the quality of the relationship deciding organizational performance rather than the popularity of unionization. (Gittell, 2004). The effectiveness of human resource management (HRM) usually depended on the existence of a high quality employment relationship. The commitment-based HRM approach had more potential to effectively coordinate the groups in the complicated operation network of airlines (Gittell, 2016). Research suggested the operational strategy of an airline, either no frills strategy or full service strategy, did not and should not determine the style of HRM for pilot employment relationships (Geraint, 2007). A higher degree of job satisfaction and organizational commitment was identified among pilots at airlines in which the feelings and sentiments of pilots and professionalism of pilots were given a greater credence, and pilots were more engaged with collective representatives (Geraint, 2007). From the sociological research of commercial pilots, the findings argued that airline should seek to avoid alienating pilots, for more consultation with pilots in the process of management decision making, while unions and airlines should encourage closer working between pilots and management via platforms like joint consultative committees (Simon, 2006).

In contrast with significant research of the western airlines, the study of employment relationships in China's airline industry is still in its initial stages and rather plain. In relevant research with perspective of HRM practices, pilots were considered as the core talents of key personnel positions in companies, so the airlines should establish career ladders to retain them. (Yao, 2006). Airlines should explore more reasonable incentives in the pilots' salary system by

management innovation (Wang Y, 2010). “Equity Theory” and “Two-Factor Theory” could be considered to implement redesigning pilots’ compensation and benefits packages, strengthening the role of performance appraisal, and providing promotion channels (Pan, 2008). One piece of research in China’s airline industry clearly indicates that the low degree of emotional attachment and loyalty to the company in terms of values, goals and job dissatisfaction were two dominant factors in pilots’ decision of changing employer (Zhu & Qin, 2010).

In return for the significant out-of-pocket expense incurred training pilots to get licenses, the recruiting model of C Airlines asked the trainees to sign contracts with a lifelong tenure. In “Labor Contract Law” the inadequacies of the provisions regulating the service period of employees covered by company-sponsored professional education caused potential conflicts of interests between pilots and employers (Feng Y & Wang T, 2009). Concerning the public interest, *Labor Contract Law* should be more updated to deal with the breach of contract and the right to terminate the contract, to prevent pilots from becoming indentured servants (Xu Y, 2013).

Studies in labor relations discussed mechanisms that coordinated pilot labor relations, focusing on aspects of legislation, industry self-regulatory mechanism, tripartite consultation, and pilot labor market supply-demand balance (Wang Q, Jia Y, 2008). On-going studies of labor relations in the airlines industry in China were very limited. Research involving employment relations in workplace were mostly confined to a few areas of HRM, such as salary and career planning. Compared with abundant studies in employment relations of the airline industry in western countries, studies in China had a relatively narrow scope, lacking analysis of vacations, insurance, location, qualifications, training, examination, promotion, and work and family balance.

On one hand, the situation of insufficient theoretical research and implementation of modern employment relations practices in the industry was in part because the management practices in China were long conducted without dealing with challenges from collective labor rights (Chang, 2008). Moreover, the role of human resource management also depended on the political debate and a power struggle between the company's internal HR executives and line managers. Only when the idea of human resources was deeply rooted in the values of senior executives of enterprises could human resource managers then have sufficient influence and strength to play their roles (Kochan, 2008). On the other hand, in the process of digesting and absorbing HRM theory from other countries, the utilization of existing system resources inherited from traditional Chinese collaboration culture was easily overlooked by scholars whilst emphasizing the divergence in interests of labor and management (Feng T, 2012).

### **Theoretical Framework of Analysis for Negotiation in C Airlines**

The negotiation studies in China regarding employment relations were mostly focused on facilitating collective negotiation, therefore the progress of advancing negotiation is to a great extent relying on the trends of policy in Party/state governance. An important consequence of this external approach of pushing negotiation forward is the negligence of developing individual levels of negotiation skill and the mindset of value creation. In case government policy becomes unfavorable to advocating collective negotiation, it is becoming increasingly urgent to substantially enhance the ability to negotiate at workplace level.

Regarding the conflicts that negotiators feel in making tactical decisions, the framework based on three tensions of negotiation was helpful to find out what was important in process of negotiation for a better outcome. These tensions were between creating value and distributing

value, assertiveness and empathy, and principal and agent (Robert, Scott & Andrew, 2000). In considering how to manage these tensions skillfully other than confronting directly, parties should consider seven elements as important variables embedded in three tensions: interests, options, criteria, alternatives, relationship, communication and commitment in unequal power structure of negotiation (Fisher, 1985).

Asymmetric power negotiations, contrary to perceptions of equal power among negotiators, tending to end up with more effective negotiation and more mutual benefits, exerted an influence favorable for more productive conditions for negotiation, whereas perceived equality actually interferes with efficient processes and satisfying results, and by exercising tactics as mice and elephants, distracting the more powerful by discussing a number of unimportant issues, and utilizing the relationship among negotiators, the less powerful were able to acquire better results more efficiently than people used to think (William, 1997). To do with the opponents not willing to play the game, in addition to emphasizing interests, options and standards, negotiators were advised to channel negotiation into exploring interests, inventing options for win-win, and seeking independent standards supporting common ground (Fisher, 1981).

Researchers in the field of contemporary employment relationships, no matter whether following pluralism or monism, shared one thing in common that was admitting the existence of conflicts between the interests of employees and employers. Although negotiation was one of the most popular ways to reach an agreement, in practice, participants of negotiations usually got stuck in a spiral of both sides considering that interactions of organizational behavior was a zero-sum game, especially in China. Not only were there apparently different cognitions of negotiation as part of cultural differences between the east and the west (Graham & Lam, 2003), but also to some extent the last few generations of Chinese people were lacking a tradition of negotiation and

compromise throughout political transition from the longstanding class struggle to social reform (Doyle & Zhang 2011).

In the scope of Internal Labor Market Theory (ILM), employees in high road companies like Toyota and Southwest essentially engaged in informal negotiations with management over issues of management control, work consent, labor effort, no matter whether employees were unionized or not. Moreover negotiated order theory (Strauss, Schatzman, Ehrlich, Bucher & Sabshin, 1963) described as to similar professional groups, negotiations were contingent rather than institutionalized in certain structural contexts of the organization, and the relationship between the structure of the organization and the micro-politics of the negotiated order was reciprocated. Contingent negotiation was a problem-solving approach promoting the construction of contingent agreements, regardless of the organizational level of representativeness. The importance of interest-based negotiation had been evidently shown in the case of similar industries (Kochan, 2016). There were four types of interests at stake in negotiations, substantive interests, relationship, interests in principle and process interest, either intrinsic or instrumental (Lax & Sebenius, 1986). Compared to the objective value in negotiation, the subjective value contributed more to the outcomes with which company was seriously concerned, such as enduring satisfaction, long term commitment and desire to negotiation in the future, and was only moderately correlated with objective value (Curhan, Elfenbein & Kilduff, 2009).

This chapter summarizes findings in literature on various dimensions of employment relationship and practicable form of negotiation. The case study will be conducted with the analysis framework of employment relationship, contextual factors affecting employment relationship, characteristics of employment relationship in SOEs, and specificity of employment relationship as to airline pilots. In the scope of negotiation theory, review is focused on three areas, general

negotiation theory guiding practices and exploring tactics in unequal power structure of negotiation, contextual constraints in conducting negotiation in China, and tactics facilitating breakthrough of negotiation on unfertilized ground.



## **Analysis of Pilot Employment Relationship in C Airlines**

### **Overview**

C Airlines, governed by SASAC, was a major player in China's airline industry. In 2014, it served more than 100 million passengers and operated above 2,000 daily flights to 195 destinations in 40 countries. Combining the capacity for passengers of four hubs in the first and second tiers of Chinese cities, the capacity concentration of four major hubs reached 67.9% (Annual Report, 2014). Additionally, fifteen key airports of C Airlines are scattered across more than half of the first and second tier cities in China. Corresponding subsidiaries operate in each key airport, and are either wholly owned by C Airlines or jointly owned with governments, with its' own fleets, crew, ground staffs, administrators and facilities.

As a legacy airline providing full service with over 5,600 pilots operating more than 600 aircrafts every day, its network demonstrated a hybrid of point to point structure of domestic market and hub-and-spoke structure connecting international and domestic market. The point to point structure had a positive impact on utilization of pilot resource capital in terms of productivity and flexibility, and negative impact on management cost of pilots, while the hub-spoke structure had the opposite impact (Belobaba, 2016). This hybrid structure of operation network as well as stationing of pilots with a high level concentration of flights on hubs neither got higher pilot utilization nor lower management cost.

With the strategy of maximizing pilot resource utilization, the annual average flight hours of pilots in C Airlines in 2014 amounted to 860 (Li. H. Manager, personal communication, November 23, 2015), almost reaching the limitation of 900 hours for individual pilots in upcoming regulations of 2016. In contrast, the average monthly flight hours of airline pilots in the U.S. in the same year

were 47 hours (The Airline Data Project, 2015), which was 64% of the productivity of C airlines pilots.

On one hand, the rapid growth of airlines has triggered a pilot shortage in China's airline industry, which increased incentives for job-hopping, particularly for those who worked in C Airlines, with an uncompetitive remuneration package. In 2015, with no successful recruitment from inland China, 56 captains were recruited from overseas labor markets while 133 Chinese captains resigned. However, the more favorable treatment of foreign pilots in compensation and working arrangement has led to friction among flight crews.

Although with the back up from CAAC, pilot turnover rate among airlines was manipulatively restricted to less than 1% by the airline association, in the long run, depending merely on suppressive means to control pilots will undoubtedly worsen the employment relationship between pilots and airlines, and eventually lead to the deterioration of flight operations and service quality. In 2015, the number of resigned captains accounted for 50% of captains whom C Airlines had taken average 7 years to train out. The number of pilots has therefore inevitably lagged behind that of airplanes in recent years.

On the other hand, since 2010, C Airlines have aggressively started their strategic international market expansion. Despite the favorable changes in per unit expenses, crew costs continued to rise with high growth rates as expected since 2011. This factor seemed to have a trend to become one of the main costs in the future (See Table 1 in Appendix). For any airline to survive and prosper under the ever fierce competition for pilot resources and the current suppressive management means, the establishment of a collaboration mechanism between the employer and pilots is crucial, C Airlines is no exception.

## The Organizational Actors in Pilot Employment Relationship

Within the divisional structure of C Airlines, the flight division is a functional department for pilot management at headquarters and every subsidiary scattered around whole country. The biggest flight division, G division, responsible for managing pilots flying 118 aircrafts daily at main hubs, is chosen to be the subject of this research. There are in total 1,696 pilots including 788 captains at this division. The captain resignation statistics of C airlines and G division are shown in table 1. They are grouped into six pilot fleets by different types of aircraft they fly. Pilots were mainly recruited from the two largest colleges of flight training in China. They are the only pipelines for massive pilot recruiting due to an underdeveloped general aviation industry constrained by the restrictive regulatory environment, airspace access, and an underdeveloped infrastructure.

Table 1.

### *The resignation statistics of C airlines and G division*

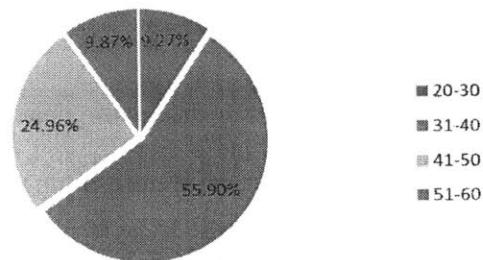
	2013	2014	2015
Total resignation headcount in C airlines	22	33	133
Resignation headcount in G division	4	6	18

*Note.* Data source: internal company documents

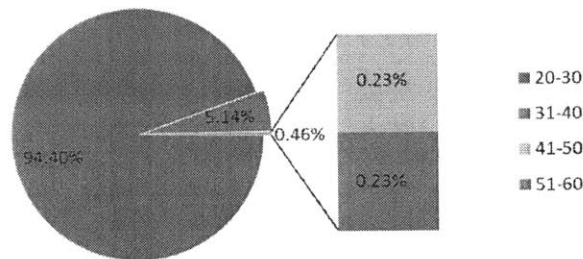
The shortage of human resources with rapid business growth accelerated the cultivation process of captains, so the average age of pilots gradually tends to be younger. In comparison with airline captains in U.S whose average age are 49.8 years old (General Aviation Manufacturers Association, 2015), the average age of captains in G division was around 39 years old, and 94% of the co-pilots were at the age of 30 or less (shown in Figure 1). Rejuvenation brought both vitality and diversified demands of their own interests, and a unique problem for Chinese airlines is, with

limited potential for career progression in the profession, how to plan those young big jet aircraft captains' professional career in the next 30 years.

Figure 1.  
*The age structure of pilots in G division*  
 Captains



First officers



Note. Data source: internal company documents

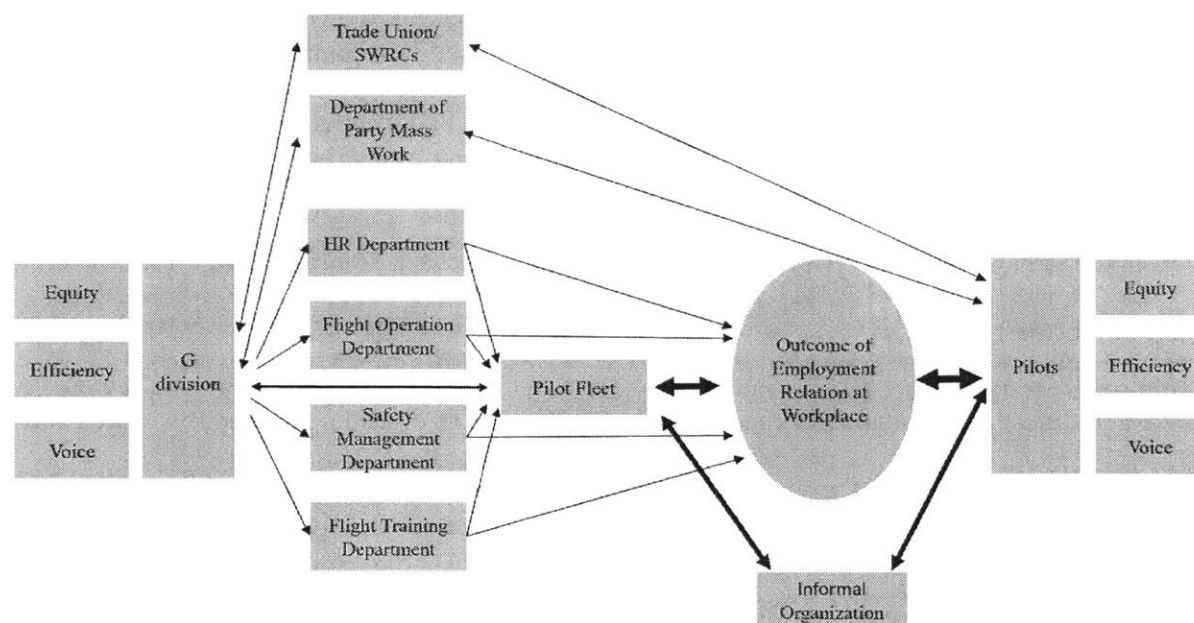
In G division, the departments which played the role of pilot management in the workplace mainly included pilot fleets of each type of aircraft, safety management department, training department, department of Party mass work, trade unions and Staff and Worker Representative Congress (SWRC), and the HR department. Pilot fleets and the last three played a role in effecting employment relationship. Part of operational reports from certain departments were analyzed in this paper for identifying actual impacts on employment relations management. Considering that most elements of HRM related to pilots such as appraisal, promotion and Human Resource (HR), policies were embodied in management practices in pilot fleets and other departments and the HR

department merely took responsibility for accounting and distributing wages and was excluded from discussion.

For gaining insight into the interaction of pilot-management at functional level, the framework developed based on the extension of Dunlop/Kochan, Katz and Mckerisie was contextualized into a specific one (Budd, 2004), which incorporated several influential or peculiar actors such as the Department of Party mass work, the SWRCs, and informal organization featured by social capital of alumni and pro-clientism.

Figure 2.

*The functional level employment relation structure*



*Note.* Adapted from “Employment with a human face: Balancing efficiency, equity, and voice” by Budd, J. W. 2004, Cornell University Press. P49

### **Pilot fleet.**

In addition to enforcing working rules, the fleet as a line operation department was responsible for getting pilots organized at work for flight operation, scheduling the roster, arranging crew training, ensuring flight safety, completing flight quality appraisal, organizing working teams of pilots, making internal promotions, participating in the investigation of safety incidents, managing vacation and leave, doing political thought work, and carrying out trade union activities in fleets. Cooperating with the branch secretary of Party, the role of fleet manager was similar to line manager at production lines. Except compensation and pension, insurance and individual contract, HRM and operation management practices in pilot fleet were within the management scope of fleet managers. Unlike those in many Western countries, the main body of rules governing terms and conditions of employment was not in collective agreements, but in the way of management on a daily basis. The supreme authority in management had deep historical roots in this organization which had evolved from an Air Force squadron, although there has been reform in the past 20 years.

Regarding the dominance in management structure of G division, the ways in which the management team of fleets exerted their authorities had a broad and direct influence on employment relationships. For instance, at the management level, it was believed that the maximization of the utilization of human resources with maximized flexibility was the primary goal of management, without adequate long term concern of external impacts of the employment relationship on pilots' families, health, psychological state and the future of this profession. Unlike most airlines around the world, without adopting bidding system for flight scheduling and vacation arrangement, the airline had arbitrary power to reschedule pilots' flights for any reason like safety, larger scale flight delay, and others, without compensation. No rules here were able to ensure the

predictability of the job. In this case, the strategy of managers in directly communicating with pilots was quite crucial in concern of the impact on the employment relationship. From the observation of fleet operations management on a daily basis, some of them just formally notified the pilot of concerned flight being canceled or changed without showing any empathy, while some tried to be as a negotiator discussing with the pilots about how they could accept it in exchange for commitment of a better shift next time, apparently at expense of others. Vacation arrangements were based on the principle of the supremacy of efficiency as well. One fleet required pilots to have a vacation at a fixed period, whereas another asked pilots to have a vacation less than 10 days. One fleet even canceled the vacations schedule just on the grounds of lack of crew for flights, without concerning the consent of pilots. The management seemed to be largely motivated by their personal moods, daily attitude, individual preferences or whatever dislike or fancy struck them. The pilots in fleets were not encouraged to discuss grievances to anyone else other than managers, even the branch secretary was not a proper one to report grievances to. This shows both the struggle for power, and the reality that the professional quality of Party mass work cadres was not sufficient to handle that problem of maintaining good labor relations.

#### **Department of Party mass work.**

Party's work within SOEs was facing the potential challenge of conflict between corporate governance and functions of the Party committee (Han, 2014), SASAC, the actual controller of C Airlines defined the role of Party in SOEs through the upper Party committee, promoting business development, assisting enterprises to deepen reform, and maintaining the important role of keeping harmony and stability (Zhang, 2016). In addition to this, the mass base was another longstanding interest of Party, which in struggling was treated at least to some extent as the foundation of Party (Wang, 2014). Given the positioning of SOEs in China's social economy and the social governance

responsibilities that is imposed on them, the underlying interests of C Airlines were far beyond the public company, additionally including social harmony, meeting public expectations, and state will (Lin, 2010; Fan & Nicholas, 2013).

The department of party mass work was to ensure that the line, principles, policies of the Party, laws and regulations of the country and industry were effectively implemented by governing the operation of the G division. The mission of this department lay in the extension of social governance in the corporate structure which was part of Party's job at workplace level. Under the leadership of party committees of G division, this department was more like a tiny government in G division, having its subdivisions scattered in each flight fleet. It timely detected latent liable factors to help flight division resolve disputes related to employment relationships in advance or when this happens. Through home visits, heart to heart talks and tea forums, this department and its branch in pilot fleet often desired to probe the risk of industry action and nip the conflict in the bud, creating favorable conditions for the company's management, and providing unitized support for social stability. If the signs of mobilization in the pilot community or hearsay of upcoming wildcat strikes was seen, party mass work system cooperating with the management team would immediately launch intensive talks individually with potential activists among pilots, and management also started to release certain positive signals regarding being concerned about pilots' demands to alleviate the tension. Party mass work was more likely to serve as a self-adaptive buffer in the pilot employment relationship, in consideration of dispute solving. This governance model attempted to make a large number of workplace disputes less noticeable, although it is not entirely in favor of the management. But for employees, it tended to be more a means of social governance, passively solving problems at the bottom as much as possible, thereby avoiding any formal



negotiation at a collective level. Even though there was an element of communication accidentally, it was not a platform for compromise and negotiations for both employers and employees.

### **Trade union.**

As subordinate to the Party Committee, trade union was described nominally as liaising closely with pilots, listening to and reflecting their views and requirements, caring for their livelihood and assisting pilots in overcoming difficulties. In addition to holding a few charity condolence activities at times, organizing competitions to improve productivity, Work Team Building (WTB), and arranging the Staff and Worker Representative Congresses (SWRCs) were three major organizational activities of the union every year which interacted with management of the pilot fleet. The work skill competition and WTB were inherited from the old socialist system. In facilitating the work skill competition the trade union was acting as agents of the airlines and the state in delivering productivity enhancements. WTB intended to introduce in pilot fleet a group of 8-20 pilots with an apprenticeship function and mutual cooperation. The goal of that was, with the team comprised of at least one flight instructor, two captains and a number of first officers, to inspire a passion for the work, creativity of team members and to improve flight skills and overall safety by team building activities. This was the most in-depth part of union intervention in the management of pilot fleets.

The trade union had for a long time the same functions with company administration, and in fact, became an institutional arrangement that maintained links between pilots and the company. It was the only one stakeholder with the ability to arrange consultation and bargaining among parties, but subject to its attached status and historical synergic role of management, its propensity in promoting negotiation heavily relied on top-down motion, although the introduction of

"Collective Contract Regulations of Guangdong Province" provided a great opportunity. Evidenced by content of recent annual work reports of the union, it did not seem to proactively exercise its legitimate rights in accordance with the "Labor Contract Law" to seriously negotiate collective agreements, nor had the intention to restrain several obvious incidents of management arbitrariness on pilots at the workplace. No voice was heard in making rules involving remuneration, working hours, vacation and rest, flight operations, safety investigations and disciplinary procedures at the fleet level.

#### **Staff and worker representative congress (SWRC).**

G division held SWRC annually, and the election of worker representatives every three years. SWRC was the primary vehicle of "democratic management" of the enterprise and was supposed to enable workers to participate in management as "masters" of the SOEs and to raise employee morale and productivity. One of major tasks of SWRC was negotiating and signing collective contracts with the employer. Although collective consultation legislation specified that collective contracts must receive the approval of the SWRC, the process of approval was practiced more on paper than in practice.

Limited by a specific allocated number of representatives, the election which was supposed to ensure that the SWRC was broadly representative of the pilots as a whole, appeared to be a deliberate strategy aimed at keeping SWRC not very engaged with pilots to challenge the management of SOEs. The composition of representatives of the 2014 SWRC was management representatives 51%, captain representatives 29%, and first officer representatives 20%. Taking into consideration that first officers' chances of becoming captains was totally in hands of fleet management, they were unlikely to speak up at meetings. With less than one third of the

representatives, captains rarely had an effective voice in the SWRC. No matter what kind of and how many proposals were put forward by the pilot representatives, the executive committee of SWRC had the final decision on whether the proposals were sent to senior management.

In 2014, SWRC filtered and reported to senior management of the airline five proposals related to working conditions and benefits of pilots. Increasing the travel privileges of pilots, and replacement of badly designed flight cases were two concerns addressed by the airline afterwards, while the other three: providing closets for pilots at airports, lowering the threshold for first officers to qualify for company provided spa vacations and adding a long-term disability insurance plan, were either rejected or dragged into an abyss of bureaucratic delay. In analyzing the feedback of proposals of the company's SWRC in 2013, there was a common feature that the departments with feedback were lateral functional departments (those that deal with employment matters). The aphasia of higher level authority in the dialogue, and inconsistencies between sectional interests easily led to mutual prevarication to some extent in terms of the proposal feedback, and the uncertainty of the final implementation. A proposal about effective compliance with the pilot vacation schedule and compensation for pilots with non-voluntary non-compliance with the vacation schedule had been stuck for a long time in several rounds of wrangling among different functional departments: the operations department, human resources department and pilot training department. At last, a reply in a jointly assigned response from those sections said "On principle, company will ensure the compliance of pilots' vacation". This was a very general response which didn't describe how the company proposed to ensure compliance with the vacation schedule in the future. The most important finding was that the SWRC in G division of the last four years did not involve much modification of the collective pilot contract. The few papers produced were of a highly abstract nature when mentioning the collective contract covering all ground employees and

pilots and just noted “about any specific provisions, please refer to the relevant national laws and regulations.”

It can be seen that in C Airlines, the management still doubted the benefit of pilots' autonomous collective participation in the management, and guarded against bottom-up construction of collective consciousness at expense of pilots. Employment relationships in C Airlines were derived from the complete system of the planned economy era, when there was no so-called opposite stakeholder of labor and capital, and employees were "owners" of company. At that time, the company offered employment security for pilots, and the administrative, union, and SWRC functions participated in management more equally, to build a collaborative organizational culture. Now, since the company's internal stakeholders have become increasingly and significantly divergent, the original set of representatives and dialogue system is wholly concerned with trying to handle the contradictions amongst the stakeholders. Research noted that largely due to being subordinate to the Party, SWRCs only enjoyed broad powers on paper (Estlund, 2013), however, from observation of the present situation, this alienation of SWRCs more likely resulted from the joint effects of intervention from management, indifference of party/union and the insufficient desire to participate of pilots.

### **The Informal Organizations**

The internal governance network can be perceived not only as a formal management network but also as an informal one which played an important role in the domain not covered by the management hierarchy, thus also inevitably influencing the employment relationship. Without formal shape within the organization, this network was determined by the efficiency and frequency of information exchange. This informal organization was identified by finding out to whom people

talked every day, to whom people turned to for help when they came across issues, and whom people believed they could share with and keep secrets at work. (Ancona, Kochan, Scully, Van Maanen, & Westney, 1996). Social capital diffused in the informal networks of people under Chinese social economic circumstance entailed reciprocity, obligation, and indebtedness among people (Vanhonacker, 2004).

### **Flying College Alumni networks.**

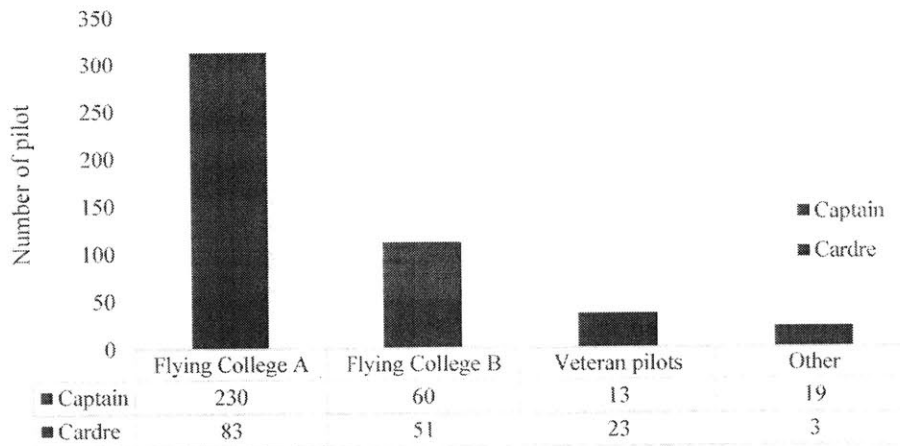
One thing was unique among those pilots that there was a superior-subordinate relationship at the workplace while alumni relationship between older and younger flying college alumni in the pilot community. As previously described, pilots of C Airlines almost entirely came from two major flying colleges, therefore the informal organization of the pilots built upon alumni relations could play an important role in coordinating the employment relationship. The coordination and negotiation mechanisms embedded in the informal network in the pilot community were vital to both personal development and resolution of disputes in employment relationships. In fleets, every time nerves about a possible walkout were starting to set in, the pilot alumni in management were agitated by their superiors to exploit their personal relationships in the informal network to calm things down. In doing so, those pilots in management usually were allowed to provide better scheduling, more flexible leave and even hints of promotion opportunity in exchange for those activists' cooperation. Exchanging social capital and paying back the resulting indebtedness became the essential characteristic of employment relations at this level. From another point of view, this informal network in some cases became a hotbed of collective action if no one in that group of pilots connected by alumni relationships was a manager, helping management harmonize with pilots.

**The administrationization of the pilot group.**

In C Airlines, a large proportion of the pilots have an administrative role. .It was found that among all 788 captains in G division, 31% of them were also cadres at different levels of management (shown in Figure 3).

Figure 3.

*The source of the captains and ratio of cadres among captains*



*Note.* Data source: internal company documents

On one side, the great degree of administrationization in pilot groups could be interpreted as an expedient by setting up an internal labor market (ILM) to retain talent, or blurring the boundary of management and employees to dissolve the formation of employee collective identity. Compared to an average of 880 flight hours of annual productivity per ordinary captain in 2014, the annual productivity of entry level managers and secondary level managers were 880 and 850 flight hours respectively (Li. H. Manager, personal communication, November 23, 2015), almost reaching the annual limitation of 900 flight hours prescribed by CAAC in forthcoming industry regulations CCAR121-R5 (China Aviation Daily, 2015). This convergence of flight productivity between

pilots and managers can only be explained, by speculating that in spite of the extra duty of administrative work on the ground required, this group of pilots either sacrificed their balance of work and family to meet their responsibilities, or sustained their work and life quality by reducing their efforts on management. Consequently, very few qualified pilots appreciated this kind of career ladder, and the vacancy rates of entry level and secondary level managerial positions only open to pilots respectively reached 11% and 14% in 2015 (Xie Y., Supervisor of HR, personal communication, 2016), indicating that the company's attempt to build up company-specific ILM didn't have the desired effect. With respect to the higher wages of flight duty relative to the salary of managers and the disruption of the balance of work and family caused by taking a managerial position, being a manager was substantially losing its luster, particularly for those young captains caring more about quality of life and having diverse dimensions of social comparison. This unusual vacancy rate of management positions could be an illustration.

On the other side, research on SOEs in China suggested that organizational structure was shaped by social connections, and exchange of social capital which relied on a certain degree of reciprocity between employee and manager. In pilot fleets, these semi-institutionalized attempts to individually acquire personal interests for both managers and pilots were indicated by intense social activities outside of the workplace and the exchange of interests at workplace. Informal dense social networks imprinted by personal relations not only altered the way in which pilots interacted within bureaucracies, but also reshaped the bureaucratic structure itself (Ma, 2012). And this structural change had to be taken into account when assessing employment relations. The contingency-based interest exchanges between obedience of managers' order and better scheduling, loyalty to a specific manager and the promotion from captain to low level management and so on were heavily at the expense of collective interests and the equity in employment relations.

The cross-boundary groups of pilots in some sense deconstructed the collective common identity of being pilot and employee while strengthening the exchange of social capital in a direction to pro-clientism, hence grouped pilots on the basis of attaching to a variety of powerful managers. The preferential treatment of in-group members at the workplace in terms of flight scheduling, promotion and training exacerbated the perceptions of unfairness of those who did not involve in taking side (Lai Y. Pilot resigned, personal communication, March 24, 2016).

### **Evaluation of Current Situation of Employment Relationship**

After the pilot compensation package reform in 2014, the wage gaps between C Airlines and new entry companies were dramatically narrowed by a 20% wage increase for pilots in C airlines, however, this remedial measure didn't restraint a resurgence of resignations as expected. Turnover in 2014 was double the year before. From conversation with managers, it was clearly indicated that they firmly believed that problems could only be solved by non-monetary compensation. A questionnaire designed to tentatively understand the cause of the resignations in 2014 indicated that beside dissatisfaction with wages, the most prominent grievance was frustration with their inability to change the status quo of tough working condition in terms of scheduling and operation support, etc., and lack of perceived fairness in opportunities for career development. The employment relationship stayed at the stage of labor control, which was reflected in three aspects of the employment relationship.

#### **Equity and efficiency**

Equity in the employment relationship is aiming at reasonable wages, working hours, safety, vacation, advance notice, non-discriminatory management and so on. Efficiency in G division was indicated as the effective use of limited pilot labour, referring to the productivity and flexibility in



scheduling. Compared to the industry-wide monthly flight hours publicized in U.S., the productivity either of ordinary pilots or frontier managers in G division was startlingly higher. In contrast to a hundred pages of collective work agreements of major airlines in the world, so far no negotiated work agreement ensuring pilots get fair and consistent treatment was seen as a guideline of employment relationship in china, not even a simple protocol concerning work arrangements, disciplinary treatment, and so on. Management had indisputable flexibility in the control of workplace arrangements at the expense of fairness on pilots. The arbitrariness in safety investigation and the punishment of grounding pilots caused a few controversies. Fleet management had a greater discretionary power to dispose of pilots in unsafe incidents, as a result the adding of penalties at every lower level without restrictions was very normal to see. In a paternalistic organizational culture, arbitrariness in managing pilots was often not constrained by agreement, and then created grievances of which could not be pursued through official channels. No matter how many tea events the department of party mass work held, or how many SWRCs the trade union hosted, no individual pilots confronting the stern reality at workplace would directly challenge the authority of management except through submitting their resignation, even this took two years to wait for the resignation quota and would be followed up with a lawsuit from the company.

### **Voice**

The soul of collective contract systems lies in the establishment of a consultative mechanism to determine labor standards, working conditions and benefits through consultation, which must be set up based on the element that the unions or SWRCs become an independent body to some degree from management. Although many complaints were reflected by a variety of channels, the absence of collective aspirations means that these complaints can't actually generate strong,

effective voice, and pilots feel powerless to improve working conditions and wellbeing. Though their jobs seemed glamorous, on the flip side they had to face all kinds of adverse weather, aircraft malfunctions, fatigues, endless delays, punishment for unintentional negligence, and deep remorse for not taking filial responsibility and caring for family, and to bear the risks brought by mismanagement. The absence of such a voice not only increased risks and pressures to the pilots, but also, more importantly, pilots felt no one would speak for them, so that they could only seize the power to become respectable people, a manager, or quit. As many pilots who resigned said: "We believe we will suffer unfair treatment everywhere in this industry, why not to find a company that pays more?"

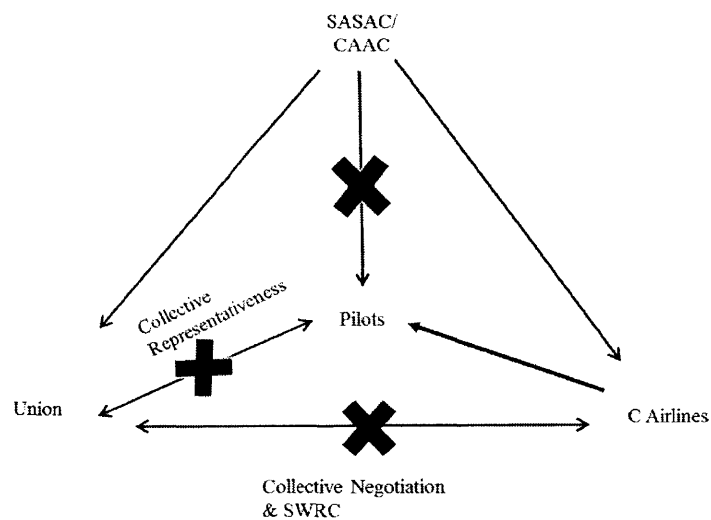
It could be concluded that institutional interventions on employment relations from legislation and government regulation were seen to be in favor of industry-wide market expansion at the expense of the pilots' labor capital and their freedom in choosing a job. The strategic level indications evidently showed that in order to keep the pace with the state five-year plan, C airlines limited the mobility of pilots by agreeing a convention with other major players and pilots association. The sector union, like others, avoided engaging in the coordination of labor relations in which pilot employment disputes should be handled as an overarching problem.

On the social cognition level, without advocacy of a trade union, collective negotiation was still a completely unfamiliar concept for both employer and employees in field observation up till now, although regulations clearly specified that in accordance with the relevant law, enterprise trade unions shall represent employees in conducting collective negotiations regularly, "signing a collective contract, and safeguarding the legal rights and interests of employees" (The Standing Committee of the Twelfth People's Congress of Guangdong Province, 2014). Given the dominant position in China's airline industry, C Airlines, like most of other major players, concerned with

the potential for social instability induced by a possible impasse in collective negotiations, was not interested in pushing forward collective negotiations and collective agreement. Neither negotiation nor agreement was practiced industry-wide appreciably. After evaluating the employment relations in a highly representative organization, the G division in C airlines, the position of pilots in the employment relationship is illustrated as Figure 4.

Figure 4.

*The situation of pilot employment relationship*



At a functional level, the way selected to delay the progress of advancing collective negotiation by companies was to cripple the collective representativeness of the union by certain systematic arrangements. (Wu Q, 2012). The pilot employment relationship of G division in C Airlines had complex characteristics and diversification, as the role of trade unions, SWRCs were seen as alienated towards the role of G division's administrative assistant, and pilots' rights and interests were fragmented by various sub-organizations and in large part tied with private relationship network.

Effective dialogue and negotiation were not formed and able to be conducted formally by engaging pilots in rules over working conditions, compensations and so on. In the employment relationship, not so much regarding fairness and right of pilots, management control which embodied a style of paternalism through C airlines administrative, political organizations, trade unions and substructures, was the main theme with support of public policy.

In conclusion, in two of the three levels where the interactions of employment relations existed, the strategic level and the functional level had expended to effort to advance the collective right/representation in employment relations, and the ways left for pilots to engage with management that could be possible were the work team and social capital at workplace level (shown in Table 1).

Table 1.  
*Three Levels of Employment Relation Activitiy*

Level	C airlines / G division	Union / Party mass work	Government	Informal organizations
Long Term Strategy	Continuous fast expansion SASAC as big shareholders Maximizing human resource utilization	Delivering productivity enhancements No collective representation Attaching to management	Five-years economy Plan Social Stability Social Governance	
Collective Contract	No collective negotiation	No collective negotiation/ Formality of SWRCs	Limited progress on advancing collective negotiation	
Personal Policy	Administrationization of pilot	Interchange between union cadre and management	Restriction on mobility of pilot market	
Workplace Individual / Organization Relationships	Paternalism management Clientism relation with manager/ Work team	Labor emulation Work team /Home visits, heart to heart talks and tea forum	Industry regulations	Social capital In-group / Outgroup

*Note.* Adpated from “The transformation of American industrial relations” by T. A. Kochan, H. C. Katz & R. B. Mckersie, 1994, Cornell University Press. P17.

Considering that the social capital network in fact worked in an unethical way of unfairly slicing the fixed pie, there were not many choices for pilots, particularly for those young generation of pilots who placed a relatively huge value on personal and working autonomy, dignity, personal mobility and the standard of living, to collectively protect their rights in a system which was still smoldering, except resignation at the huge expense of either pilots or C airlines.

## **Analysis of Negotiation between Pilots and C Airlines**

### **Strategic thinking in current context**

Under conditions of mounting pressure of maintaining social governance and heightened market competition, C airlines came to place much greater emphasis on stability and flexibility in all its human resource management practices, and saw increasingly individualized employment relationships between management and pilots as the manner in which it could enhance productivity and controllability at workplace. In the current institutional circumstances, it seems unrealistic either to expect trade unions or SWRCs to make a major breakthrough in promoting negotiation, or to anchor pilots' hopes on active of management acknowledgement of pilot demands. Although, contrary to coordination mechanisms under way in private sector, the particular political legacy of democratic management—the full set of union and SWRCs that was inherited by SOEs from the planned economy, the collective representation and negotiation mechanisms were in place but intentionally ignored, and government authorities rarely had an interest in introducing specific measures for rights protection of pilots at the legal and policy levels. The pattern of interactions in employment relations at strategic and functional levels had significant implications for patterns of the gaming process of labor and capital.

In the light of the conditions for successful collective bargaining described by the International Labor Organization (International Labor Organization, 2014), within C Airlines, collective negotiation between pilots and managements was perceived infeasible due largely to a lack of conditions for observance of agreements, support of labor administration authorities and pluralistic outlook among the parties involved. Despite numerous research on enhancing collective labor rights represented by trade unions, there were very few discussions about how to collaboratively conduct collective negotiation with respect to achieving mutual benefits and thus

change the longstanding rigidity of the parties' understanding of distributive negotiation. Without a collaborative relationship, the collective bargaining between pilots and managements did not necessarily lead to a constructive outcome, especially in the airline industry (Gittell, Kochan, and Nordenflycht, 2013).

While G Division of C Airlines had a formal and authoritarian management structure, the implementation of HRM policy to great extent was influenced by interpersonal relationships between pilots and management. The fact that personal ties with managers played a key role in management had a double edged sword effect on pilot-management relationship. On one side, this relationship not just channeled the vast communications covering a wide spectrum of issues from small household affairs to clique conflicts, but acted as a big brother undertaking the task of monitoring and controlling mobilization of pilots without any concern over management ethics. On the other side, this tacit pro-clientism pilot-management relationship easily hindered the tentative institutional construction advocating an open, fair and impartial manner in coordinating pilot-management relations, because anyone who tried to solve the problem for collective interests instead of getting personal promotion had to inevitably challenge the latent managers' authority and reputation built on personal ties. Therefore, here is a dilemma that for those who were willing to promote pilot-management relations reform structurally in the organization, the way of acquiring influence by getting management power other than joining paralyzed union had been destined to be full of internal conflicts between ends and means in terms of personal value and ethics. So, for people in this kind of political ecosystem, it is hard to expect some day in the future a great manager will jump out as a redeemer to actively involve people in decision making and improvement of pilot-management relations.

The professional workforce of pilots both fissured by management of bureaucratic structure and informal social network created another problem about the cohesiveness of pilot community, which used to be firmly rooted in the longstanding airman culture. People have needs for validation and similarity to others and countervailing needs for individuation and uniqueness (Brewer, 1991). Since long time ago, the collective identity of pilots fairly met these needs and therefore became the foundation of cohesiveness of pilots with pride of being specially privileged person being able to soar in the air. The prominent dimensions of cohesion in reinforcement of occupational norms and value include the commitment to pilot community, communication among the peers, cooperation in flight duties. When the social relations of pilots become more detached from the pilot community and start seeking individual interest opportunistically, the weakening cohesion will make pilots less likely to stand out calling for changes at the risk of being the victim of “the shot hits the bird that pokes its head out”.

However, the social media like WeChat is evidently playing more and more important role in uniting people with broad issues beyond the time and space limit. As a tool of rallying pilots around issues as to salary, working rules and grievances, the popular usages of social media had showed its significant effects on mobilization. By facilitating the formation of a collective identity of pilot which was supportive of collective action, the online groups of pilots on social media could to some degree rebuild the cohesiveness either on the daily basis or in sharing mobilized element of hot-button issues, such as the case of sudden cardiac death of pilot in duty. Even though in an environment with media controls, particularly on those highly emotional mobilizations existing online, the social media could notwithstanding be used most effectively and less confrontationally in a long run, to raise the awareness of the issues negotiable but severely overlooked by pilots. For quite a long time, the improper way of cultivating consciousness of rights in traditional social



activities narrowly focusing on monetary benefit to improve their life, to a large extent, inhibited the pilots' consciousness of mobilization in terms of the scope of issues and the way of getting supports. In contrast, with a wide range of issues circulating and being reinforced on social media, making a gradually substantial progress of mobilization day by day without spurring awareness of resistance from the management level, would be a considerable way to forming the basis of negotiations.

When a significant event is looming or happened in company, no matter whether it is a safety issue or an operation issue, it might be a suitable occasion to embed pilots' claims into subsequent corresponding problem solving process through negotiations. In other words, for pilots, it is subtle to seize the right time, holding up an event-driven negotiation collaboratively in doing with urgent safety and/or operation events that are most worrisome for managers. As a relatively weak side, "punching with nudging" in Tai Chi is a strategic way to utilize the external or even opposed side's resources to help get benefits for own side. Taking the incident investigation for instance, the findings about flaws in safety management such as fatigue from unreasonable scheduling, excessive workload from exploiting pilots in a way of "draining the pond to get all the fish", mental stress from fearing heavy punishment and so on, all imply that framing the pilots' claims in more broad and significant concerns of safety might receive unexpected results.

Although insufficient allocation of rights for employees becomes the biggest bottleneck of the achievement of better relations, it could also be seen that there were conflicts of interest in the pilot fleets, where flight safety, flight operations, crew training, vacations and leave and other management activities occurred simultaneously. The exchange of interests between both groups might occur in different dimensions, and the improvement of one side does not necessarily refer

to the loss of the other side. It is more feasible to take the idea that negotiations could be integrated into problem solving scenario for improving common interests at the workplace level.

In doing so, there are two things that need to be acknowledged by pilots and management: what can practically constitute an acceptable level of collective representativeness or platform for both parties in the context of C airlines or more broadly in SOEs of China, and which approach to negotiation is feasible at workplaces where at least one party-powerful management group is willing to sit down with those weaker pilots out of collective consciousness. Without a certain level of association of pilots themselves, it's hard to bring their needs to the attention of the management, even when some of them are trying to seek shelter from those influential managers.

### **Strategies to Establishing Negotiation**

Facilitating negotiation is not to figure out changes in who is working and who is managing. Focusing on a specific problem-solving mechanism as a breakthrough rather than system construction is a realistic strategy of activism. The quality of employment relationship heavily relies on the degree of cooperation between employee and employer. Endless confrontation will eventually be bound by a social functional adjustment mechanism at the expense of both. The greater collective rights, the greater ability needed to mature organizing and coordinating, democratic consultation, and the greater understanding of both struggle and unity. In consideration of actual conditions of the achievement of negotiation, the following strategies are suggested:

1. The establishment of negotiation needs bottom-up implementation. The emergence and integration of the interests will be realized at the workplace level by the use of existing

organizational resources in a flexible and diverse way. On one hand, it is easy to eliminate concerns and reduce uncontrollable risks. More importantly, the establishment of a compromise mechanism is not only the process of system construction, but also the learning process for laying the foundation of rationale to support further high road strategy.

2. Interest demands are more focused on working conditions, rules and the consistency with interests of frontier managers. The formation of interest demands needs full discussion and consultation to a certain extent to develop proposals understood and accepted by managers, creating conditions for dialogue. If starting from issues related to the inconsistent and even contradictory interests of pilots and the frontier managers, in the existing tension in relations, the attempt to negotiate will certainly face greater resistance. The emphasis on the establishment and operation of negotiation is not ambitiously to solve root problems easily, but is in line with the current internal and external environment of pilot management.
3. Representatives of SWRCs in fleets should be more specific to issues in detail on a daily basis. When it comes to affairs related to the interests of pilots and the company, representatives could conduct timely intervention to become the integrator of mutual interests and channel of communication at the micro level of management.

### **Platform for Negotiation**

Unlike formal collective bargaining, at the frontier level negotiation in dispute resolution between employees and managers is more flexible in terms of the form and contents. Less formal organizations of workers such as a work team participating in management ought to be considered as part of the employment relations system. The distributed not distributive negotiations scattering around many line operation workplaces can safely push pilot's own interests without confronting the authority from airline and the Party. From the practical materialism perspective, to some degree

the negotiation practice activity itself is able to change the cognition affecting acceptance of negotiation among parties, even of those pilots who were devoid of experiences about voice or mobilization.

C Airlines unions had been putting a lot of efforts in advancing WTB where each work team had 8-20 members. The WTB was established for the purpose of achieving mutual learning and training, safety enhancement, democratic management, and performance management. Each fleet was divided into several teams, which were not only the basic units of unions in the fleet, but also basic platforms for implementation of day to day management. Senior captains entailing certain managerial responsibilities generally were appointed as team leaders and served as the reserve personnel for management. Work teams discussed and formed management advice in the name of democratic management, providing a platform for dialogue and consultation between pilots and managements. The consistency of interests of both employees and employers was embodied in collaboratively hammering out a solution to solve problems encountered at the workplace. Taking the issue of scheduling fairness as an example, both parties have consistent interests in the predictability of scheduling, with which the fleet manager could shed the work load of ground duties on informing the pilots of schedule changes frequently. It is being considered to introduce a bidding system for allocating differentiated individual preferences to achieve certain degree of fairness and efficiency in scheduling and pairing. In Delta Airlines' High-Level Employee Involvement project, the implementation of Continuous Improvement Teams (CITs) described (Kaufman, 2003) was very similar to WTB of C Airlines in terms of size and content, and the distinction of CITs from WTB was that CITs were more concerned about the optimization of workflow, while WTB in G division facilitated problem solving on individual issues in training, operation and safety.

In general, for pilots the work team is a suitable and operable platform for establishing a relationship with managers that permits value creating trade. On the platform of the work team, through reframing issues of interests and rights into contingent difficulties confronted by both in work, both parties may enter negotiations without a zero sum and adversarial mindset. And this platform, in an even artificial collaborative micro-culture, has enough room for a broader talk over issues and creative options which may result in parties outside the scope of original dispute getting a better deal. The G division should be inclined to support such an implementation only when they do not threaten the management processes most crucial to accomplish flight tasks and to maintain social stability.

### **Approach to Negotiation**

In this part, the way of exploring latent interest and creating value will be further discussed, particularly on the aspect of managing tension between creating value and distributing value. This tension embodies a mixture of potential conflicts and shares common interests and value that need to be resolved or improved. Without an institutionalized and in some sense routine collective agreement, is there any possibility of motive of negotiation? Under the negotiated order theory (Strauss et al, 1963) described as to similar professional groups, negotiations were contingent rather than institutionalized in certain structural context of the organization, and the relationship between structure of the organization and the micro-politics of the negotiated order was reciprocated. Contingent negotiation is a problem-solving approach promoting the construction of

contingent agreements, regardless of the certain level of organizational of representativeness required.

In the light of negotiated order theory, though the pilots of C Airlines cannot collectively negotiate the wages and other issues as those pilot unions in the American and European airline industries do, it is to some degree anticipated that pilots and managers can work together on the platform of the work team to implement the business strategy effectively and consistently, since broad issues such as compensation, scheduling, seniority, vacations, etc. are still negotiable with low level management on a basis of contingency. Moreover, in terms of value achieved in negotiation, the subjective value acquired in employment negotiation is more significantly correlated to job satisfaction rather than objective value. This set of approaches can be applied to wide range of issues associated with issues at the workplace level.

#### **Analysis of stakeholders' interests.**

By identifying interests and creating value for both parties, a further study will be conducted with the approach to managing rather than resolving the tension between creating value and distributing value. For doing so, the managerial tasks relating to pilots and the key issues which seriously concern pilots must be available for seeking respective interests. The importance of interest based negotiation has been evidently shown in the case of a similar industry (Kochan, 2016). A successful negotiation consists of the vision and ability to reorganize the interests and engage both parties more productively toward business goals and employee well-being.

Lack of understanding upon where value comes from and how to capture it is the barrier that both parties have to step over. Disclosing issues which are more likely to create value is the

crucial part in preparing for value creating negotiations. Identifying the negotiable interests in employment relations between pilots and C Airlines cannot be solely conducted either from the perspective of pilots or the airlines. Nevertheless, finding out the underlying interest of each party is the first step without taking for granted the dyad structure. Who are the potential stakeholders in the negotiations about front-line operations? Not only are the airlines and pilots parties involved, but the pilots-turned-fleets managers as the agents of airlines responsible for pilot management also are stakeholders who are not necessarily in line with the latter. Moreover, the Party having involvement with both management and pilots needs to be considered as a behind-the-scenes stakeholder whose prioritized concern is social stability.

The management responsibilities of different departments are categorized into five sections, flight operation, training, safety management, compensation, harmony and stability of pilot community. The pilot manager group is primarily composed of senior pilots promoted after around 20 years of hard work, implying there is a large overlap in interests regarding their professions. As is shown in table 1, the interest of stakeholders are categorized by four distinctive parties, pilots, managers, C Airlines and the Party.

Table 2

*The interests of stakeholders*

Stakeholders	Pilots	Managers	C Airline	Party
Substantive interests	Benefit and compensation	Benefit and compensation	Completion of flight plan	Social stability
	Health	Health	Social stability	Productivity
	Flight safety	Flight safety	Public image	
	Work and family	Work and family	Flight safety	
	Promotion	Promotion		
	Relationship with managers	Productivity	Relationship with pilots and senior management	
	Profession	Prestige	Relationship with pilots	Social harmony

Relationship interests	Dignity Fairness		community within airlines
Interests in principle	Voice for the right	“Face”	Adherence to the Party’s leadership Mass base
Process interests	Voice for the right	“Face”	

Among these four groups of interests, overlaps could be found easily. Most of the managers were once common pilots who got promoted from the bottom of the ladder. This process usually takes about 20 years. Since monetary interests, working conditions, and professional reputation all are common interests of both pilots and managers, in past negotiations, distributive and informal, they directly went together to pass on those issues to headquarters. Without an equal saying in these matters, the company only made concessions when the foreseeable threat of a strike was acknowledged by the top of company. Except for the common interests of pilots and managers, the rest of them such as dignity and authority in this dyad are more divergent. It doesn’t necessarily mean they have to see their interests fundamentally in conflict, rather than in differences for creating value.

There are also four types of interests at stake in negotiations, substantive interests, relationship, interests in principle and process interest, either intrinsic or instrumental (Lax and Sebenius, 1986). The substantive interests of pilots include financial issues, working conditions and quality of life, which to a great extent overlap with managers’. However, for management, productivity, unlike the others, is a relatively rigid and distinctive interest of company, and generally treated as a fixed sum by both sides. The manager’s interest of promotion embeds the comprehensive interests of company in management appraisal.



From the view of the principle, C Airlines, through the problem solving negotiations, the substantive interests were more focused on productivity, enterprise image in public and the so called social stability—the stability of not having collective action. However, as social media becomes more and more widespread and popular, disputes between airlines and individual pilots increasingly have negative effects on the company’s public image. Thus, the public image as a substantive interest of the company becomes more than compelling than ever. The Party’s interests in this part are unsurprisingly aligned with C Airlines’, regarding the role of Party in social governance.

The relationship interests of pilots to C Airlines and the Party in problem solving negotiations are achieved through agents and the managers. All of the four stakeholders weigh the relationship a lot with respective considerations. On one hand, the asylum in the pilot-manager relationship inherited from authoritarianism organization culture of Chinese traditional SOEs is still popular to certain extent (Li Lulu, 2013). The arbitrary management style prevailing in the industry is troubling the pilot-manager relationship seriously (CAAC, 2014). On the other hand, the long period of apprenticeship in the airline pilot training system and only two flying colleges providing primary pilot training have made the personal relationship and social network in the pilot community the foundation of an acquaintance society, in spite of the fact that one third of captains play various managerial roles. The Party is also actively facilitating a harmonized relationship within airlines, as directed by the Central Committee of the Communist Party of China (The Central Committee of the Communist Party of China, the State Council, 2015 a).

Among those interests in principle, profession, dignity and fairness are very typical. The first two have a long history in pilot professional culture (Simon, 2006), whilst the concern of fairness in workplace is increasingly becoming a stimulus of employment disputes in this industry

(CAAC, 2014), particularly in C Airlines. The greatest fear of managers in negotiation is losing their prestige when bargaining with subordinates. For this reason, labeling the negotiation as a problem solving exercise in favor of boosting their prestige rather than compromising needs to be deliberately conducted.

With the nominal responsibility of coordinating employment relationship, the Party has her own interest in principle that all negotiations must be taken under the leadership of the Party and as a host, the Party is able to acquire the constituency of masses—the pilots. Given the problem solving negotiation, the only practical form embeddable to organization structure, pilots will have relatively strong process frame that regards the repeatable scenario of problem solving negotiation as the voice for their rights in workplace, or even the chance of management participation.

#### **Value creation.**

In the absence of substantial collective representativeness of pilots from either union or SWRCs, and under regulations issued by CAAC restricting annually pilot turnover rate to 1% for every airline in China, at this stage there is no perceived opportunity to balance the unequal power between airlines and pilots. Given the significant positive correlation between the quality of employment relationship and operation performance in the airline industry (Gittell, et al., 2013) and the negative impact on public image owing to potential disputes circulating on social media, C Airlines does not confidently have more cards than pilots, except for financially satisfying the growing desire with the decline of marginal utility. However, research suggests that even with unequal power of Best Alternative to a Negotiated Agreement (BATNA), the dyad consisting of party with low BATNA and party with no BATNA realized better joint benefit than those which have an equal one (Pinkley, Neale and Bennett, 1994).

Based on the substantive interests of stakeholders, to overcome the “Fixed Pie” assumption, pilots and managers can share more of their information by communication by constructing certain platforms such as quality circle, safety committees, and work teams. Through exchanging their differences in subjective value and objective value, the pie can be expanded far beyond the size derived from previous rigid mindsets.

For instance, the issue of compensation and benefit is a longstanding sensitive topic in negotiation. The low level informal negotiation certainly does not have the capability to carry this topic out because of limited authority delegation, nevertheless both parties still have a chance to expand the pie. A simple demographic analysis of different generations of pilots provides one clue to the break-through of the barriers in practice.

In consideration of social transformation from welfare state to state of welfare austerity, the fact that a large percentage of pilots were born under the One-Child Policy (OPC) strongly implies this group of pilots have a relatively distinctive perspective on the balance of compensation, benefits, and work-life from the managers who have a number of siblings and seldom think about the balance.

Thus the pie, for instance, can be expanded by optimizing the benefit package and the roster of flights both for pilots and airlines. As shown in Table 3, taking the issue of reducing unauthorized leave for example, the negotiation based on problem solving could be conducted in a creative way by creating value through providing multiple options for differentiated valuation, building up legitimacy of proposal, having interest-based rather than issue-oriented communication, setting interlock commitment, and improving relationship in jointly designing rules.

Table. 3

*The seven elements in negotiation*

	Pilots	Managers
Issue	Reducing of the false sick or family leave	
Option	Constraints on arbitrariness of changing schedule Compensation for reserve and on-call  Publicity of all scheduling data and changes Preferential bidding system (PBS) The flexibility of swap and drop rotation	Acknowledgment of the preference of individual pilot by survey Incentive for reserve and on-call by monetary or non-monetary method  Swap and drop rotation addressed by pilot themselves
Interest	Improving the predictability and fairness of schedule; Better work and family balance	Maximization of crew satisfaction and minimization of crew costs; Reducing the workload of managers; Better work and family balance for managers
Legitimacy	External criteria: Provisions in collective agreement worldwide airlines Fairness as a governing consideration  Cost and benefit analysis  Work and balance critical to spouses born under OCP	Scheduling advantages compared with domestic counterparts
Commitment	Internal self-discipline on the principles of participation, publicity and fairness	Commitment of timeframe and steps to implement the agreement
Relationship	Using “guanxi” to establish rapport; Concentrating on substantive rules other than a debt of gratitude. Participation of pilots in design scheduling system	
Communication	Understanding the key concerns and interests on the other side then integrative framing,	Using empathetic approach,

For airlines, integrating the pilots’ preferences of vacation and roster into crew scheduling systems is a practical way to reduce the probability of contingent leave of pilots. At the same time, for pilots, the “customized” roster and vacation arrangement will effectively increase the value of those benefits.

In contrast to parties bargaining substantive interests, all stakeholders in fact weigh the relationship or social harmony a lot, instrumentally or emotionally. Beside a few rigid metrics about financial interests and working conditions, the feelings about relationship, fairness, dignity,

and mutual trust about negotiation process all are subject to subjective evaluation of both pilots and managers. It appears that by increasing the subjective value of pilots in negotiation C Airlines can accordingly harvest desirable objective value.

Compared with the objective value, it was suggested that the subjective value contributes more to the outcomes with which company is seriously concerned, such as enduring satisfaction, long-term commitment and desire to negotiate in the future, and is only moderately correlated with objective value (Curhan, Elfenbein and Kilduff, 2009).

What the fleet managers usually neglect in talking about compensation and benefits with pilots is about how the compensation meets their needs of having a reasonable living standard, how far the package is beyond the average income of SOE employees, and how the numerous investments in training, safety, diversity of career ladder converted to intangible human capital of pilot to overcome the noncompetitive wage package relative to start-up airlines. The negotiation itself needs to be considered as a communication platform with the good faith of both parties to facilitate positive subjective outcome. There are some advantages that high level collective bargaining can hardly achieve whereas the low level one can easily get by face to face interactions at workplace. 'Giving face' to individuals, helping them feel good about themselves, giving them voices in specifying working rules and in contingent scheduling, and institutionally establishing a certain kind of rapport, those are all able to be actualized elaborately in collaborative negotiations. What needs to be made clear is that, to solve underlying interest problems rather than only superficial stance problems, a transformation of both pilots' and management's mindset is important, particularly under the circumstance of intense competition in the airline industry and the awakening consciousness of rights among new generations of pilots. The nature of employment relationships in pilot management is generally defined by interests and the most important interests

depend on the most basic needs of people. Based on the current structure of industry relations in the airline industry, the frontier-level and problem solving level-like collaborative negotiation on a suitable platform is a realistic way to break through the rigid and less human contact based relationship. Applying the interest-based approach to find out opportunities to expand the pie, and to explore the possibilities for improvement through increasing subjective outcomes for pilots is a practical and acceptable management innovation in the current political and economic context of China.

## **Conclusion**

The transformation of the institutional landscape of employment relations in C airlines took place through both the paralyzed union / SWRCs and the shift to pragmatism of the Party mass work. Since the economic reforms in china, the lack of collective voice had become a feature in airline industry.

“Freedom is participation in power”, as Cicero said, the claim of right only can be actualized by engaging pilots themselves in power, whether it is unionization or management participation. The path to management participation is, in the uncertain and changing environment of the workplace, innovatively creating value through negotiation as pilots and management collaboratively solve problems related to work. In the scope of airline competition, this implementation of negotiation is evidently consistent with those high road practices in the airline industry or others, like what happened and is still persisting in Southwest Airlines. But admittedly, the attempts to subtly promote negotiation for the purpose of win-win are more like "Making a way out of no way" rather than head-on challenging the impediment of formation of collective consciousness and collective right.

The tensions among equity, efficiency and voice at the workplace constitute concrete manifestations of the employment relationship. Negotiation as a method for managing those tensions has its own tensions of creating value and distributing value in practice, which are the barrier of taking insight of underlying interests and preference, the barrier of contemplating the options available for opponents, and the barrier of valuing outcome of relationship and fairness as infinite and long term fortune for both pilots and managements. The emphasis on efficiency in management often appears in a compelling and unsustainable manner at the expense of pilots' wellbeing and scarce pilot resources. The accumulated conflicts easily turn into the inextricable disputes between the pilots and managements and then directly lead to increasing turnover in C Airlines. That's true, as one reason for many experienced pilots quitting, uncompetitive compensation offered by C Airlines, an issue which caused a lot of unhappiness, but was not unbearable, and did not cover all the resentments stimulated by inhumane management. There is a larger unexpanded pie out of sight of management and pilots as well, meeting a variety of interests hidden from the focus of attention on seeming contradictions. To explore this potential value, the industry does not have to and it is not feasible to rely on an already hallowed-out collective representativeness in the current institutional and political context. Both for dispelling managers' biased cognition about negotiation as distributive bargaining tool and for cultivating the collective consciousness and the ability for claiming pilots' rights in a scope of high road, negotiation practices need to be done from the bottom-up over the issues that happen in the working environment, particularly on a platform which can fit in power structure of micromanagement.

Pilots bear the real cost of the current situation. It was not a glamorous life: numerous weekends and holidays away from family, night and foul weather flight, irritable passages,

constantly changing rules, endless delay, increasing anxieties, fatigue, malfeasance from management and always the threat of losing their careers for relatively minor illness or error. Improving the employment relationship in C Airline and even in China has been urgent for years. Not only for accommodating the basic wellbeing of existing pilots and new arrivals of rights conscious young pilots, but also for having high standards and working practices that could achieve competitive business performance and an enhanced social contribution. Negotiation as a process of workplace problem-solving is one way to embed broader concepts, cooperation skills, and the perspective of mutual interests into a productive employment relationship.



## Appendix

Table 1

### *C Airlines operating costs change statistics*

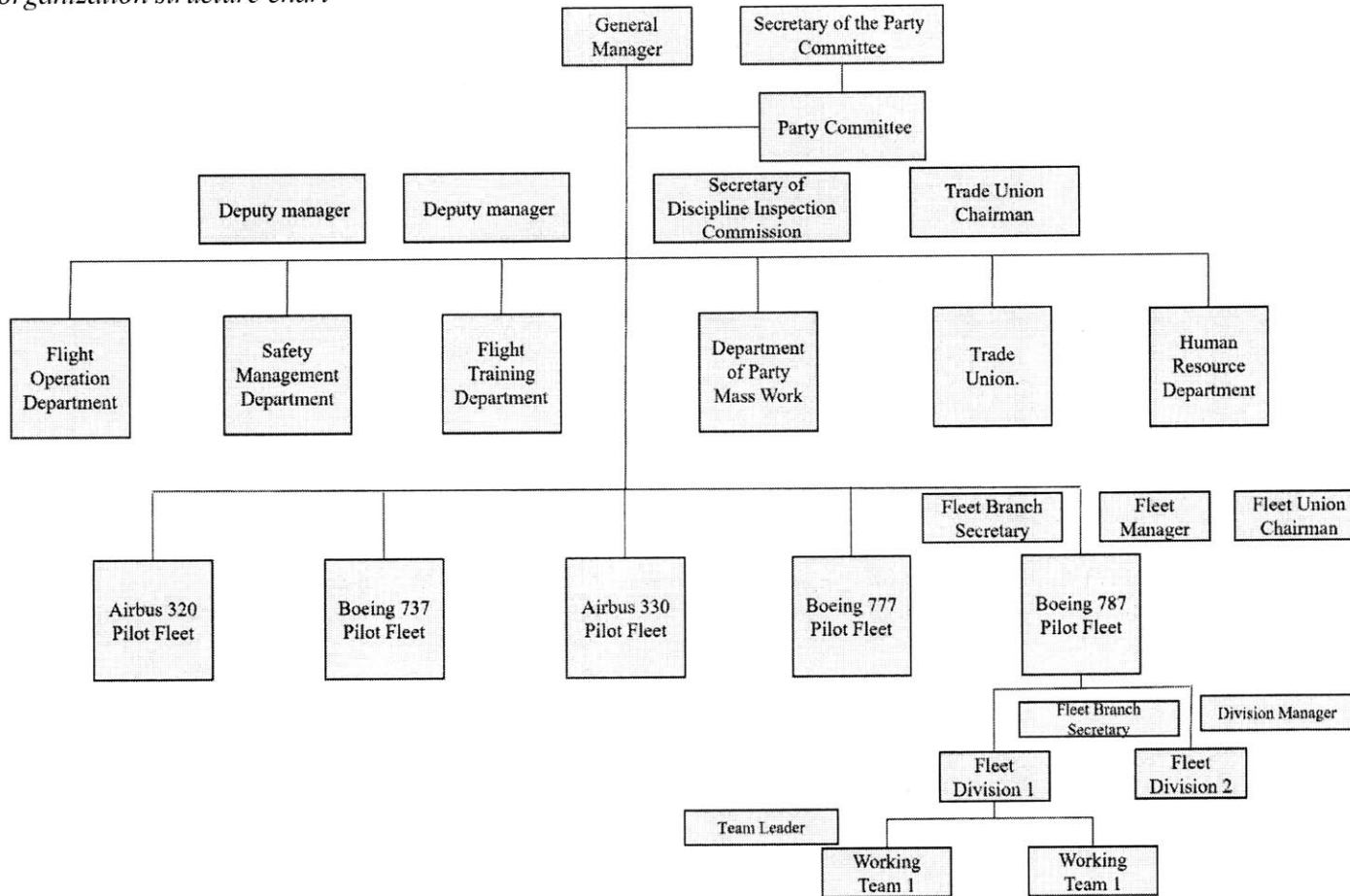
	2010		2011		2012		2013		2014		2015H1	
	Growth	Percentage	Growth	Percentage	Growth	Percentage	Growth	Percentage	Growth	Percentage	Growth	Percentage
Flight operational cost	31.73%	54.60%	25.27%	55%	13.13%	57%	-1.24%	55%	9.06%	55.55%	-11.96%	51.20%
Fuel	43.33%		39.09%		14.46%		-4.98%		6.16%			
Lease	3.42%		-12.16%		5.22%		-2.65%		12.92%			
Crew	30.43%		29.01%		14.48%		14.81%		17.31%			
Maintenance	25.64%	7.90%	34.82%	8.70%	5.84%	8.30%	-2.08%	7.90%	6.39%	7.83%	13.71%	9.06%
Aircraft & Traffic servicing	19.62%	15.50%	12.48%	14.20%	14.06%	14.70%	7.24%	15.40%	8.69%	15.47%	5.18%	16.80%
Sales cost	33.21%	7.90%	18.24%	7.50%	8.62%	7.50%	8.69%	7.90%	1.12%	7.40%	-2.90%	7.25%
General administrative	22.89%	3.20%	23.87%	3.20%	-13.61%	2.50%	1.86%	2.50%	-5.38%	2.20%	5.74%	2.39%
Depreciation, amortisation	18.32%	10.00%	8.83%	8.80%	7.48%	8.60%	13.11%	9.50%	15.84%	10.21%	9.75%	11.94%
Impairment on property	715.38%	0.30%	175.47%	0.70%	-100.00%			0.50%	-59.89%	0.20%		
others	3.50%	0.60%	170.95%	1.40%	9.81%	1.40%	-4.09%	1.30%	-5.45%	1.14%		1.35%
Total	27.71%	100%	23.16%	100%	10.12%	100%	2.51%	100%	7.88%	100%		100%
ASK	13.80%		7.50%		12.20%		10.16%		12.32%		14.79%	
RPK	19.70%		9.90%		10.80%		9.50%		12.27%		17.80%	

*Note.* ASK = available seat kilometers, is a measure of an airline flight's passenger carrying capacity. It is equal to the number of seats available multiplied by the number of miles or kilometers flown; RPK = revenue passenger kilometers, is measure of traffic for an airline flight, calculated by multiplying the number of revenue-paying passengers aboard by the distance traveled. Data source: Annual report of C Airlines.

Appendix

Figure 1.

*G Division organization structure chart*



*Note.* All members of senior management including trade union chairman are members of the Party Committee.

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