

New normal: An HRM perspective of post COVID-19 in the airline industry

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Abstract

In January 2020, the World Health Organization declared a public health emergency and announced a new coronavirus disease (COVID-19), which would later go on to be declared as a pandemic, changing the global sphere and placing the economies of almost all countries under heavy stress. The airline industry, that had just begun recovering after facing crises one after another in the last two decades, from early 2000 due to 9/11, to the global financial crisis later, is now once again facing an enormous challenge of closed borders and greater lockdowns due to the pandemic. Borders are closed, with very few planes are in the air, while the rest are grounded. The purpose of this paper is to give a conceptual understanding of the current pandemic situation and its consequences on the airline industry. The paper takes a unique perspective of human resource management (HRM) that is rarely used in the airline industry.

Keywords: *Airlines, Human Resource Management, COVID-19, Crisis*

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1. Introduction

The industrial setup is fuel to the economy and a main pillar to run a country; therefore, industries have dense roots in society. However, in the wake of a crisis, its (non)financial effect can be felt in almost every social aspect (Hutchins 2008, p. 301). Crisis – an unwanted occasion which occurs due to recession, economic sanctions, war, or pandemic – is an enormous threat for industry that brings about a higher level of uncertainty in the business environment. In the recent past, when the 2007-08 global financial crisis hit the market and major economies, including US, Europe and Asia, they were severely injured and businesses had to change their methods of operation. In the case of a pandemic, effects on economies may be different because it increases the medical costs and affects tourism and retail businesses. The recent example of an epidemic is SARS, which majorly affected businesses in Asia-Pacific (Lee & Warner, 2006; Qiu, Chu, Mao, & Wu, 2018). Another major difference between a pandemic and other types of crisis is that a pandemic changes lifestyle from a medical perspective, so that people can stay healthy after the spread of disease. Thus, the businesses have to reshape their policies according to this new lifestyle, particularly after a pandemic has occurred.

The world has currently encountered another pandemic named COVID-19, after Ebola and Swine Flu, which brought about a large economic challenge for almost every country on this planet. It has hit almost every business and, amongst others, the airline industry is one of the top sectors that is suffering heavily during this pandemic. In the past few decades, especially post-9/11, air travel has declined, and airlines have undertaken additional passenger safety protocols which increased their cost. Likewise, in the global financial crisis (2007-08), the air industry lost \$8.5 ~ 10.4 billion USD alone in one fiscal year, due to an unprecedented hike in oil prices, drop in passengers, and cargo revenue (University of Pennsylvania, 2009). This financial loss suffering was not limited to one region, but occurred all across the world, with companies

deferring new aircraft delivery and cutting dividends (Done, Wiesmann, Lau, & Murray-Brown, 2009). It took a decade for the airline industry to recover from the global financial crisis – but no later than two years of recovery later, in more than 150 countries, people were advised to stay at home, resulting in a “greater lockdown”. Borders and airspace were closed, in order to reduce the spread of COVID-19. The current crisis overshadowed the previous economic crisis, and this time, the airline industry suffered differently. Fresh statistics of the International Air Transport Association (IATA) for the first quarter revealed that air passenger demand (with global revenue passenger kilometers) fell drastically (52.9%, less than the last year, 2019) (IATA Economics, 2020a). This is due to the global spread of the virus which compelled people and governments alike to begin restricting travel activities. This greater lockdown also disturbed the industrial cargo, due to a fall in manufacturing and a disrupted supply chain. Somehow, shipping of the medical supply compensated the cargo business. The regional (Asia-Pacific, Europe, and North America), as well as global air transport, suffered, and airlines have lost almost 50% of their value (IATA Economics, 2020a).

Due to the lockdown and travel restrictions imposed by the governments, pilots, crew and ground staff are now jobless. And although the governments are announcing bail-out packages for airlines, the airlines are going to have to cut their costs in order to survive in the face of this pandemic. According to the United Nations World Travel Organization's recent report, international tourism could fall by 60-80% in 2020. The World Health Organization has warned that maintenance of social distance and personal hygiene can prevent the transmission of virus. This indicates that travel in the future will demand modern protocols to be followed, and shall be guided by new standards. Thus, airlines will also have to operate with a new set of customers and an updated employees' policy. This paper helps to understand the possible future challenges of

the airline industry, as well as how these challenges can be addressed. We have employed an HRM perspective to address these challenges. It is imperative to study HRM perspective, because every crisis introduces a “new normal” for the industry, in which management has to make hard decisions, and where cost-cutting is a paragon. For instance, during the SARS epidemic, Singapore went through a socio-economic crisis, and companies massively adopted cost-cutting measures for market survival (Lee & Warner, 2006). Decreasing headcounts by retaining the skillful workers is probably the first hard decision that management has to face, in situations like this. Airlines have done the same across the globe, and millions of employees have been furloughed and laid-off. During these testing times, airlines ought to exhaust their opportunities in a dynamic and innovative environment, with risk to change in policy. For example, during the Malaysian crisis, HR managers shifted their attention from general targets to more specific ones by focusing on new opportunities, and emphasized on employees’ training and development (Smith & Abdullah, 2004). Similar strategies were espoused during the global financial crisis by many other countries (i.e., Estonia, Spain, Hungary, and Slovakia) (Fodor & Poór, 2009; Vösa, 2010; Susaeta, Suarez, & Pin, 2013).

HRM is worth studying in an airline, for the very fact that it has been less studied despite its strategic significance; particularly for employees’ training – a core HRM activity. Post-9/11, the health and safety of passengers became a growing concern, and the training of ground and crew staff served to improve the passengers’ health and safety (Boyd, 2001). Moreover, a few airlines (e.g. Singapore airline) gained their strategic position with the help of HRM; particularly, they improved their cost effectiveness and service excellence (Wirtz, Heracleous, & Pangarkar, 2008). Strategic alliance (i.e., OneWorld, Star Alliance, or SkyTeam) is an area where HRM can still further add value, especially in mutual organizational learning (Holtbrügge, Wilson, & Berg,

2006). However, in this case, standardization in policies and procedure becomes quintessential. Therefore, HRM – directly linked with individual and organization growth – typically implements the policies and procedures throughout various systems (i.e., recruitment and selection for the acquisition of a talented workforce) to meet both the organizational and customers' needs (Igbokwe-Ibeto, 2011). The next section briefly outlines the challenges posed by the greater lockdown; how HRM can help airlines? Due to the principal role of HRM in developing strategic goals of the organization and in duly communicating them to the employees that an organization's growth is a main factor for their career growth (Armstrong, 2009; Guest, Michie, Conway, & Sheehan, 2003).

2. Post-greater lockdown challenges and remedies

Unlike that of local buses/trains, the recovery from this unprecedented drop in airline passengers due to the pandemic may begin as soon as the flight operations start, albeit possibly with additional standards or protocols in place. It is equally challenging to operate for airlines, because the risk of exposure to the virus still exists for both the staff and the passengers. Thus far, social distancing – an essential protocol in the workplace, traveling, and even going out for groceries – is the largest challenge for airline businesses, due to the seating design of airplanes. The current design has not complied with social distancing protocols, resulting in less seats for passengers. A few airlines (in Europe and locally-operating) have adopted this protocol, for example, in a typical 3-3 seating configuration, where the middle seat was free from both sides of the aisle. In the 2-2 seating configuration, airlines are compelled to fill one seat per row (see figure 1). IATA calculated that social distancing will reduce the available seats for reservation up to 62% of normal capacity worldwide (IATA Economics, 2020b). It is not yet decided how long

we have to follow this protocol, but it is expected to that it will be followed until a vaccine hits the market. This new arrangement makes airlines financially unrealistic, and costs expensive travel up to 54% more per passenger (IATA, 2020). Likewise, taking care of personal hygiene provides another challenge for the cabin crew, and even for the ground staff. This would increase the pre-flight checks (i.e., passenger screening, including temperature checks, adequate distance, and hygiene), which requires more time before check-in, catering, and plane cleaning. It also affects the flight routes, since planes will be staying on the ground longer. Lesser routes will increase airline expenses and reduce profits, especially for long-haul flights. It is not unlikely to say that the key players of the market, who already have achieved the economies of scale, might face difficulties (i.e., the extra cost involved), but airlines with a small market share – or with low-cost leadership – are more likely to struggle with this pressure.



Figure 1. British Airways flight from Milan to London (picture courtesy of Newsweek)

Concerning social distancing, it is difficult for airlines to alter the seating configuration of the plane for two reasons: first, airlines will bear the cost of this modification, and it will ultimately serve to increase flight costs, due to a reduced seating capacity; secondly, this social distancing is a reaction to virus exposure. It is likely that, once a vaccine is launched, social distancing might not be practiced strictly during flight, but a possibility to follow pre-flight checks (i.e., vaccination or temperature checks) exists. For example, some governments are planning to make COVID-19 tests mandatory before going onboard. Before the discovery of a vaccination, airlines will have to operate in this mode by following additional protocols. Thus, the training of ground and crew staff is also mandatory, in order to make travel possible. This will indeed increase the cost from both ends (i.e., training budget and operational processes), but it is a must-do, to sustain the business. In the current situation, where airlines are in an uncertain environment, cost-cutting is the key remedy – or at least the only one so far. Despite the furloughs/lay-offs, wage level may still be a challenge for airlines. For instance, British Airways announced that their employees can claim 80% of their wages, and pilots can claim 50% of their wages during the lockdown period. This will be a challenge for the airlines because following additional protocols (i.e., social distancing) will reduce the flight operations, and airlines cannot utilize their full employees' potential. The case of reduced salary or permanent lay-off will hit in two ways: first, the survivors' commitment will reduce, and for this, they have to take additional steps to maintain trust, fairness, and commitment; second, effective negotiation with the employees' union will also present a challenge. A possible strategy to work with is a lesser ground staff, to create a local alliance and share the workers. Few airlines are practicing this, but this should be practiced in order to reduce the compensation, training, and development cost (Holtbrügge et al., 2006). A possible anomaly in this strategy may occur because each airline has

its own HRM policy, according to their business model. A standardization of HRM in airlines may help to reduce the cost and make air travel more viable.

Though the HRM is not studied enough in airlines, organization researchers have highlighted that the role of HRM is pivotal during a crisis (Arzenšek & Musek Lešnik, 2016), because it deals with organizational culture and leadership which shapes organization during the period of change (Cooper, 2009; Shen & D'Netto, 2012). Therefore, in the current crisis, airlines should revise/review their HRM policy for the short-medium term to maintain the break-even, particularly right after lockdown, and then begin making profits in the next phase, once things have gone back to normal. We conclude that crisis not only brings destruction, but opportunities, too, in which management needs to rediscover its roles by devising a new policy; and that is where management proves the post-modern symbiosis of management and leadership in the capital market.

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