Employee-Ownership in the Deregulated U.S. Airline Industry

Dustin Avent-Holt
University of Massachusetts-Amherst

The deregulated U.S. airline industry provides a useful setting to understand the dynamics of employee-ownership because of the uniqueness of how employee ownership practices were created in the industry. The U.S. airline industry was deregulated in 1978 as an attempt to create a self-regulating market. In doing so, deregulation created an environment in which cost controls were paramount leading to a variety of strategies that airline managers adopted to survive in the early 1980s. Among those strategies were a variety of employee-ownership schemes that were developed to induce wage cuts or freezes among unionized workers. Employee Stock Ownership Plans (ESOPs) were the most common but in some cases outright worker-owned and controlled firms were created. This industry at this moment in time then gives us a window into how employee-ownership is adopted under managerial strain as a lever to cut costs. Thus, it is not workers empowering themselves but managerial-induced employee ownership.

I am using this case to examine how employee-ownership shapes the distribution of income within firms, particularly under such strained manager-labor relations. I coded the adoption of ESOPs (along with other information) across firms from a central trade press (*Air Transport World*) to merge with firm-level profit and wage data acquired from the Department of Transportation for the population of airlines since 1968. In doing this I will be able to model the effects of ESOPs (along with other control variables coded from the trade press) on the distribution of income at the firm level. From this I can tease out the effect of various types of employee-ownership plans on income inequality under managerial-induced employee ownership during a significant environmental shift. This case enables us to better understand the conditions under which employee-ownership is beneficial to workers and worker empowerment.