



# Report on the Aviation sector

## An analysis of EIRO articles

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The aviation industry supports some million of jobs in Europe today and includes airport-related activities, airline carriers and air traffic control. There is a big number of European airlines operating small and large aircrafts in Europe and worldwide. Over the last years the sector has been facing challenges on profitability, earnings, financial balance, competitiveness, etc. Many airlines have been struggling with the privatisation plans while others witnessing periods of extremely poor financial turnovers. Some of them have already made the industrial relations news (SABENA) due to their financial situation. Within days of the attacks in the USA, European airlines responded immediately by shedding drastically jobs and by reducing the number of routes. Therefore, the already bad financial situation in some of the airlines have forced them to plunge into red following the 11th of September attacks.

Overall, statistics indicate that air transport has witnessed strong growth in recent decades, intra-European passenger traffic grew at an average annual rate of 7,8% in the 1989's and by 6,7% per annum between 1990 and 1997.

The European air transport sector numbered more than 2,5 thousand enterprises in 1997 and generated turnover in excess of 75,9 billion ECU<sup>1</sup>. The air transport companies tend to be larger than other in the transport industry. Average employment for the sector exceeded 100 persons while the average turnover per company was equal to 21,2 million.

It was expected as early as in the end of 1990s that the airlines would be influenced by the liberalisation and privatisation of the EU air transport sector which is a fact. This tendency was followed by the formation of large alliances. Among the European airports London Heathrow was ranked first with more than 62,3 passengers. Other European airports such as Frankfurt, Paris Charles de Gaule and Amsterdam were in excess of 30 million passengers per annum.

While analysts noticed rising trends in employment in the second half of the 1990s, from 265 thousand employees in 1995 to 310 thousand in 1999<sup>2</sup>, a higher than average proportion of atypical work patterns existed in the sector.

On the other hand, the profitability of the sector was rather modest; value added represented approximately one-quarter of the turnover generated by the EU's air transport sector (25,7% in 1997). It was estimated that as much as 85% of the value added was accounted for by personnel cost, one of highest proportions in all services activities. The EU gross operating rate was low at 3,9% in 1997<sup>3</sup>.

## Overview

During 2001, the aviation sector has faced a major challenge, not merely that of increased profitability as it was in the past but survival. Already in the 1980s some European airlines have been incurring substantial losses and their costs have been extremely high. Privatisation and plans to increase profitability had been introduced in many companies. In the early 90s the European and worldwide market changed significantly,

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<sup>1</sup> EUROSTAT, Panorama of European Business, 1989-1999

<sup>2</sup> EU airlines

<sup>3</sup> EUROSTAT, Panorama of European Business, 1989-1999

the deregulation opened up competition within Europe. In addition the Gulf war had had implications on all markets. Extensive take-overs and acquisitions have been registered the last decade shaping up the aviation sector. A number of airlines were grounded by strike actions over pay disputes, working time cut and restructuring plans. Privatisation, outsourcing, departmentalisation initiatives launched by the management have been opposed in the majority of cases by the unions. Consequently, industrial unrest has been a common feature of the sector.

Airlines are a world wide industry which have been suffering from growing financial problems. The recession in the Far East had depressed passenger numbers, which are predicted to face further downward pressure if the US also moves into a downturn. Higher fuel costs and a fragmented industry with overcapacity have also meant that the prospects over the years have not been promising. With privatisation plans underway, overcapacity and hard competition ravaging airlines it is not a surprise that the sector has been significantly shaken up by the attacks in the USA on 11 September 2001. The events of 11 September 2001 were unlike any other shock experienced in the history of civil aviation. They have had a unique, unprecedented, devastating and immediate effect on all segments of the air transport industry<sup>4</sup>, namely, the airlines, the air navigation, airports, aerospace, catering, traffic control, and other aviation-related services.

Companies experiencing previous difficulties (i.e. Aer Lingus, LTU, SairGroup or Swissair, AOM-Air Liberte, etc) have been hit by severe financial crisis while others have been quick to respond with a view to impose broad cost-cutting measures and push through restructuring plans (British Airways, IBERIA, etc). The crisis has enabled the latter to undertake redundancies swiftly and with little reaction either by the trade unions or across the population generally.

In terms of numbers the European aviation crisis has had dramatic developments; a moderate estimate brings the number of announced redundancies (and redeployments) in the year 2001 to more than 45,000 (including the aerospace industries). Similarly, the financial loss of various companies varies, early estimates of the SABENA case indicate that the company losses for the year 2001 may exceed 15 billion BEF (or EUR 372 mill) while the entire Sair group registered EUR 1,89 billion in the year 2000. Air Europa Express, a Spanish airline indicated a ESP 6,4 billion (EUR 38,5 mill) the last 10 months of the 2001. IBERIA estimates a ESP 46,7 billion (EUR 281 mill) loss for the year 2002 already. The total losses of the sector are far greater as someone may need to add to those the lost revenues, payment guarantee schemes, etc. Apart from the redundancy plans the airlines took additional measures to address the problem, including reduced flights, cancelling of contracts to rent planes and crew, negotiations on delaying the delivery of new planes (ordered before the crisis), partial sell-offs, etc.

In 2001, industrial action was reported at Lufthansa, Aer Lingus, Alitalia and it was well supported; pilots, co-pilots, cabin crew, operation and clerical workers participated in the strikes. Aer Lingus alone estimated that the four one-day stoppages called by the two main unions (IMPACT and SIPTU) had incurred a cost of EUR 1,2 million for each day of the industrial action. However, the wave of mergers, privatisation and restructuring had given rise to major industrial unrest even before the attacks of the 11 September in the previous years.

Among all reported cases, the SABENA is the worst one as it led the company to bankruptcy and shed thousands of jobs. The last three years there have already been a number of signs indicating that SABENA

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<sup>4</sup> ILO, 2002, Tripartite meeting on civil aviation: social and safety consequences of the crisis

would run the risk to file for bankruptcy but the appropriate measures have not been taken by the management to avoid such a situation. Overall, the SairGroup which has been the dominant partners in SABENA, LTU, LOT, Austrian airlines, and three French carriers have been facing enormous financial difficulties.

The French airline industry has been shaken up by both the competition and recent terrorist attacks. For the time being the AirFrance group is still recovering. Following crisis management measures, other French carriers may remain viable (i.e AOM/Air Liberte, Air Littoral) but a long term plan may include also possible take overs as overcapacity and increased competition would require fewer and healthier airlines.

In an attempt to compare the situation in the sector we would maintain that IBERIA appears to be far better off than any other European airline as the company relies a lot on domestic flights and South American markets. There has been no substantial reduction in the number of passengers; 6,5% fall is reported for the international flights and 2% for the domestic ones; on the contrary the South American flights show an increase by 0,5% in September. Therefore IBERIA not only did it keep its market share in the area but increased it! Experts believe that the strong tourist sector in Spain will help the airlines to offset the negative effects in the civil aviation sector.

A rescue package has been put in place for several companies in an effort to avoid critical situations.

The airlines responded to the crisis in the following way:

- Redundancy plans (including voluntary resignations, early retirements, etc) (in the majority of cases)
- Restructuring plan (i.e. Aer Lingus, Alitalia, IBERIA)
- Wage freeze (in the majority of cases)
- Re-organisation of work and services (i.e TAP, Aer Lingus)
- Reduction of working time (in the majority of cases)
- Geographic and functional mobility (i.e IBERIA)
- Reduced flight traffic activity (in the majority of cases)
- Funding for redundancy programme (i.e Aer Lingus)
- Cancelling contracts for renting aircrafts (with or without crew) or reducing the fleet (i.e IBERIA, AOM/Air Liberte)
- Renegotiation of orders for new planes (i.e IBERIA)

On the other hand some aerospace industries (i.e UK-based) have been quick to shed jobs running the risk to face a major skills crisis in the future.

### **The governments' response to the crisis**

The European governments have been in the middle of the dispute of the two sides of the industry and the European Commission over the demand for government support for compensating airlines. In cases where the state is the major stakeholder of an airline then its responsibilities is greater and the pressure for intervention much stronger. The reaction varies, as follows:

- General intervention for the entire air transport sector (Alitalia)
- Airlines support measures (UK)
- Changes in work practices (Aer Lingus)
- Development of business model
- Wage guarantee (i.e. the North Rhine Westphalia local government for the LTU staff)
- Commitment to redeploy redundant staff (i.e. AOM-Air Liberte)
- Company sell-offs (i.e. Aer Lingus)
- Retraining of personnel (UK aerospace)

### **The views of the trade unions**

In the wake of the terrorist attacks and the airlines' response to the crisis the trade unions have been defensive and agreed wage concessions and other unpopular deals with a view to ensure company viability. The aim of the unions is to limit the detrimental consequences for their members. They have also been trying to explain that the intensity and breadth of the measures taken is not justified by the crisis; pre-existing problems, such as overcapacity, low levels of profitability, reached a crucial stage (ie UK trade unions, IBERIA).

Disputes between the management and the unions have been expressed in a number of cases. For instance in the French airlines, trade unions at Air Littoral and AOM/Air Liberte were against the plans of the Swissair Group and asking for redeployment of staff to Air France. The Irish Aer Lingus unions, SIPTU and IMPACT distrust the management and accused it of adopting a short-term accountancy-driven exercise. The industrial relations climate is really poor as the measures have been developed unilaterally without prior consultation and negotiation. Furthermore, the two unions have differing approach towards the privatisation of the airline.

However, because of the severity of the crisis unions in some airlines played a role, which has gone beyond their traditional bargaining demands. They have thus made themselves essential partners for the company's future management although they have to justify to their members the unpopular decisions being made. They have made proposals for drawing up new company development plans based on improving the efficiency, cutting the cost, development of new commercial options and improvement of services. This would be the case for the unions at AOM/Air Liberte while the Italian transport workers' federation (Cisl) have been active in proposals to end the crisis. Despite the early disputes over pay and industrial action at Lufthansa unions and management agreed later in the year on a package to rescue the company.

In the case of Lufthansa the unions (Ver.di) felt that there is no pressing need for far-reaching measures and other alternatives such as unpaid leave of absence shift to part-time work, days off banked in special accounts, ending overtime work. The pilots' union (VC) have been sceptical about the 20% reduction of working time without compensation. As nobody seems to have adequate estimates of the length and depth of the global crisis in this particular industry, the unions seem to be well advised not to agree to long-term concessions but rather to define measures on a short-term basis. Yet, the Lufthansa pilots automatically made remuneration a major focus for crisis adjustment when they earlier negotiated an agreement which makes substantial parts of their income contingent on the company's performance. Thus, Lufthansa's pilots will now face a wage cut without even being asked to come to the bargaining table. Other unions, some of them currently considering making parts of employees' income contingent on companies' performance, will watch VC's experience closely.

In some cases, unions have taken a harder stance; called strikes to manifest their oppositions to the airlines redundancy plans (i.e Alitalia, Aer Lingus, Lufthansa).

Tensions have been noticed among unions while trying to minimize the results of the crisis; so for instance the SABENA company unions have had some disputes with the national unions over the supporting role of the latter.

### **Positive practices**

Among the positive measures and practices taken by the airlines to respond to the crisis we can refer to some good initiatives, such as the Lufthansa case. The company has reached an agreement with the Vereinigung cockpit (VC) pilot's union and the Ver.di service sector union on a package of cost-saving measures which along with other measures are expected to improve the company's finances. As a first step the company will not fill vacancies, will reduce paid overtime by asking people to take leave and will suspend any recruitment for a limited time.

LTU, the other German carrier was engaged in wage concession agreement, saving thus the company from bankruptcy; wage cuts, wage freeze and more flexible working hours were among the measures introduced.

The Dutch carrier KLM agreed on postponing a scheduled pay increase, reducing some of the staff time off and trim jobs. The company and the unions are working together to work out a viable solution for all in the year 2002.

Finally, the European airlines are subject to the EU Directive on European Works Councils which covers all countries. Additionally, the Directive on worker information, consultation and participation in the European company, as adopted by the European Council in autumn 2001 aims to give employees more rights to be informed and consulted about a range of developments which affect the workforce, including redundancies and restructuring. It still remains to be seen how many companies will register as European companies.

## **Restructuring and redundancy plans**

### **SABENA**

The Belgian national airline, SABENA (Société Anonyme Belge d'Exploitation de la Navigation Aérienne), has continually had financial problems in the past. There have been very few years since the Second World War in which the company has made a profit. In view of the continuing precarious financial situation of SABENA, a great deal of effort has been asked of ground staff and air crew in the past. After making a profit in 1998, SABENA then registered a loss of around BEF 8 billion in 2000, and for 2001 a loss of around BEF 15 billion is expected. Restructurings have followed one after the other, coupled with pay cuts and greater flexibility and productivity. The Blue Sky plan, which management presented to staff for the first time in September 2000, is no exception to this.

The total recovery plan, which was supposed to have yielded BEF 30 billion, consisted of two sections - a "management measures" section and "personnel measures" section:

- the management measures of BEF 12.2 billion consist of closing unprofitable lines, selling buildings and equipment, further transfers to subsidiaries, and renegotiating existing contracts with third parties (eg contracts with BIAC, which operates Zaventem airport, Virgin Express, which operates some flights for SABENA, and City Bird, from which SABENA rents aircraft); and

- the personnel measures of around BEF 2.2 billion mainly consist of increasing productivity and flexibility. At the same time, staff levels will be reduced by around 700 from the current 11,000, though without “uncushioned” redundancies.

Matters became uncertain again due to a change of direction by the SAirGroup, brought about by the departure of chief executive at the end of January 2001 who pursued a more modest strategy, aimed directly at products, based mainly on concentrating on the group’s profit-making operations of the group, such as catering, maintenance and cargo. A capital injection of BEF 10 billion in the beginning of the year seemed insufficient to cover the losses for 2000.

In February 2001 the results of the audit by the unions and pilots showed that management (the SAirGroup and the Belgian state) had made manifest management mistakes. The negotiations between unions and management, conducted under considerable time pressure, did not lead to a complete general agreement. However, a general personnel agreement was required to be reached, through which the Blue Sky restructuring plan would have to be implemented.

An announcement in April 2001 unveiled that all components of Swissair turned out to be loss-making (AOM, Air Liberte, Air Littoral and the German subsidiary LTU). SABENA made a loss of around BEF 13 billion and fresh money thus urgently had to be put on the table. Therefore a new agreement was signed in July 2001. The main points of the July 2001 agreement are as follows:

- The two main shareholders will together inject around BEF 17 billion, or EUR 430 million, into SABENA. The new capital injection will be spread over two years and will be made in four instalments. Swissair will account for 60% and the Belgian government for 40% of the new capital.
- The new agreement cancels the earlier agreement signed on 25 January 2001 in which Swissair undertook to become the majority shareholder in SABENA by raising its holding to 85% over time. The Swissair holding thus remains at 49.5%.
- The Belgian government and SABENA will immediately cease all legal action against Swissair.
- Swissair will take over nine Airbus that were to be delivered to SABENA in 2002.

Following these dramatic developments, a new restructuring plan was being drafted, which should yield EUR 410 million. The plan also provides for the sale of assets. In particular, it involves the sale of profit-making subsidiaries such as hotels, catering, SABENA-Technics (the well known maintenance operation) and air-freight operations. SABENA’s business plan aims to make the company profitable again by 2005.

The plan has since been presented to the SABENA board of directors, but because of the new agreement between the two shareholders it now has to be revised.. It is, however, clear that SABENA has yet another change of course in store for SABENA - smaller aircraft with a higher seat occupancy and more expensive seats that mainly fly to European destinations. Apparently, the plan also provides for a further reduction of personnel of 1,500 to 2,000 units.

As to the reactions from the unions, the national secretary of the Public Services Christian Union (Centrale Chrétienne des Services Publics/Christelijke Centrale van de Openbare Diensten, CCSP/CCOD) affiliated to the Confederation of Christian Trade Unions (Confédération des Syndicats Chrétiens/Algemeen Christelijk Vakverbond, CSC/ACV), believes that the deal comes down to no more than a limited financial input from

Swissair to compensate for the non-observance of earlier commitments. The possible sale of profit-making divisions has also been strongly criticised by the unions. This 'clearance sale' would make SABENA a company that is withdrawing into its core activity - ie air travel. The unions state that this 'core business' is very sensitive to the economic climate, while it is the very profit-making subsidiaries which are to be sold off that can provide a buffer in times of economic downturn. Moreover, the unions wanted the past efforts and sacrifices of staff, for example contained in the Blue Sky plan, ultimately to be respected and appreciated.

SABENA has been in severe financial difficulties for some time leading finally to bankruptcy, with high levels of unpaid wages and mass redundancies.

### **German aviation (LUFTHANSA, LTU)**

#### ***LUFTHANSA***

The German air carrier Lufthansa AG has been hit by a severe crisis and a rescue package had already been put in place as early as 1992. Among others, the package included wage cuts, redundancies, extension of working time and reductions in overtime pay. This year (June 2001) before the 11 September crisis the VC pilots' trade union engaged in a pay dispute whose rationale was related to the concessions all Lufthansa employees agreed to when the airline experienced difficulties in the early 1990s. As the company was performing well in the first half of the year, substantial pay raises were granted to the pilots. In the wake of the events of 11 September the number of the airline's daily passengers has declined by 30,000, which has resulted in a loss of revenue of DEM 20 million per day. In a first reaction, Lufthansa grounded 43 aircraft but also suggested a 'three-step plan', of which parts are to be negotiated with ver.di, the union representing ground crew and flight attendants. In a first step, which is already on the way to being implemented, the company will not fill vacancies, will reduce paid overtime by asking workers to take leave, and will suspend any recruitment for a limited time.

While these emergency measures have provided some relief, Lufthansa's chief executive believes that more substantial initiatives are needed to bring Lufthansa back to profitability. He also suggests a second step which mainly involves a 20% reduction of working time without wage compensation. This change, however, would require a revision of Lufthansa's collective agreement for cabin and ground staff, which was negotiated in March 2001. Should ver.di refuse to come to terms, the chief executive sees no other choice but to enact step three of his programme which includes short-time working and dismissals. The union, however, takes a different view on this point. According to Jan Kahmann, a member of ver.di's executive council, there is no pressing need yet to implement such far-reaching measures as working time reduction without wage compensation. Rather, ver.di suggests offering Lufthansa's employees more opportunities to: take unpaid leave of absence; shift to part-time work; or take days off which are banked in special accounts. In addition, the union demands that Lufthansa ends overtime working.

The VC pilots union, which has a separate agreement with Lufthansa, shares ver.di's scepticism about a 20% across-the-board working time reduction. According to a VC spokesperson, it would be difficult to introduce a four-day working week due to organisational reasons. The pilot's union maintains that its members always have a seven-day working week and that, at least prior to the crisis, qualified pilots were in short supply. In contrast to its agreement with LTU, VC does not see any pressing need to agree any further wage cuts at Lufthansa. Because part of pilots' pay at Lufthansa is based on the company's performance, the union expects that in 2002 pilots will completely lose their bonus worth some 16% of their annual income.

### *LTU*

LTU a Dusseldorf based airline has been experiencing serious financial problems. Five years ago Swissair bought LTU with high hopes of improving LTU's market position and performance with the help of a powerful partner. Even before the 11 of September crisis LTU had lost about DEM 500 million during the previous two years. With the majority of shareholders being in trouble, Swissair was forced to file for bankruptcy protection, the REWE retail group and CLK were unable to save the company's finances, LTU is plunging into red.

In an effort to save the company from filing for bankruptcy the local government (North Rhine Westphalia) provided a payment guarantee worth DEM 240 mill. and negotiated the transfer of Swissair's stock to Sparkasse Dussldorf (local savings bank partly owned by the municipal government. Its competitors, Lufthansa and Condor consider this payment guarantee as unfair competition.

A wage concession agreement concluded in November 2001 saved the company from bankruptcy. The agreement for the 360 pilots provides for the following:

- Wage cuts of 10%;
- Renunciation of the annual bonus;
- A general wage freeze; and
- More flexible working time arrangements.

Another agreement affecting 2,300 LTU employees provide for a 5 % wage cut until the end of 2003; and a 50% cut in the annual bonus.

### **Portuguese aviation**

#### *TAP*

Another European airline facing problems following decisions on privatisations is the Portuguese national airline, TAP. A restructuring process was launched in 2000 but in the early 2001 the TAP management announced a number of new measures aimed at ensuring its survival, including a reduction in staff numbers. TAP has 8,900 employees, and was expecting to shed 700 of them by the end of 2001. The new restructuring measures will mainly affect the administrative and operational departments. Some areas, such as ticket sales, will see increased computerisation, while marketing will be aimed at attracting a wider range of customers.

### **French Aviation**

The French civil aviation industry has also been struggling with the competition as the overseas routes first opened to the competition followed by the domestic routes which gradually open to competition. The development of the high-speed train(Train à grande vitesse, TGV) rail network serving major French cities in the west (Bordeaux, Nantes and Rennes) and the south (Lyons, Marseilles, Montpellier), and the phased restructuring of Air France, bolstered competition on the domestic and DOM-TOM routes. This led, during the 1990s, to a wave of concentration and restructuring in the airline industry. This wave of mergers and restructuring gave rise to major industrial unrest in the earlier years. So, the developments have been the following:

- Air Outre-Mer merged with Minerve to create AOM (financial banking Credit Lyonnais)

- Corse Air was renamed Corsair when it became a subsidiary of Nouvelles Frontières.
- UTA and Air Inter were taken over and merged into Air France
- British Airways acquired TAT, a regional carrier and Air Liberté, a charter airline, and made them the spearhead of its push into France
- British Airways eventually sold them both off to the Swiss-owned SAirGroup<sup>5</sup> (the parent holding company of Swissair) and the Dutch-based holding company Taitbout Antibes BV<sup>6</sup> for an estimated EUR 91.5 million-EUR 106.7 million
- SAirGroup is currently the dominant partner in SABENA (Belgium), LTU (Germany), LOT (Poland), Austrian Airlines (Austria) and three French carriers: Air Littoral, Air Liberté and AOM. This external growth strategy has proved to be a risky business for the entire SAirGroup, and has ushered in “unprecedented losses” (EUR 1.89 billion for the 2000 fiscal year).
- SAirGroup, which has been renamed the Swissair Group, set out its blueprint for pulling out of Air Littoral, Air Liberté and AOM (together these three airlines have around 7,400 employees)
- Swissair and the holding company, Taitbout Antibes BV, have agreed to invest FRF 500 million (over EUR 76 million) to prop up AOM/Air Liberté until 30 June 2001. The AOM/Air Liberté chief executive, announced the main lines of a “rescue plan”, which will reduce the aircraft fleet by almost 50%, from 50 to 27, cut some routes, reduce staffing levels and cancel collective agreements in the companies operated by the group (TAT, AOM, Minerve and Air Liberté).

The trade unions at Air Littoral and AOM/Air Liberté, which have formed a united front, have already come out against the Swissair Group plan. They are calling for the 7,400 employees at AOM/Air Liberté and Air Littoral to be kept on, possibly by redeploying them to Air France. The trade unions consider that any potential buyers should be required to submit their business and redundancy plans to the companies’ works councils. They are also asking the current shareholders to put the various companies “back on a sound business footing to ensure their survival” before pulling out

- AOM-Air Liberté<sup>6</sup> was taken over by Holco (a Canadian bank which was led by an Air France pilot and former chair of the National Airline Pilots’ Union) in July 2001. A month later a redundancy plan was drawn shedding some 1,400 jobs through redundancies and voluntary agreements. AOM-Air Liberté works council members and the official receivers took more than 10 days in August 2001 to agree on the criteria for redundancies following the Holco takeover. Initially, the Holco plan involved 1,853 redundancies, voluntary resignations and early retirements. In the end, only 1,405 people in the group will be affected, or just under 1,400 not including those employed in subsidiaries.

In deciding which employees were to be kept on, priority was accorded to the factors of length of service with the company, workload, and seniority in a particular position. In addition to these initial criteria, Holco

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<sup>5</sup> the parent company of which is the Marine-Wendel investment company, headed by Ernest-Antoine Seillière, who is also president of the Movement of French Enterprises (Mouvement des entreprises de France, MEDEF) employers’ confederation.

<sup>6</sup> Its current (before take over) shareholders are Swiss air and Taitbout Antibes BV - a company controlled by the Marine-Wendel investment firm, which in turn is headed by Ernest Antoine Seillière, the chair of the MEDEF employers’ confederation.

committed itself to sharing the potential redundancies fairly between the staff of the two former companies (AOM and Air Liberté). It was thus agreed to divide the redundancies on the basis of the relative size of the workforces of the two firms. Lastly, the employees concerned will benefit from the company collective agreement which offers the most favourable redundancy conditions - ie Air Liberté's.

Moreover, 751 AOM-Air Liberté employees volunteered for redundancy. The Transport Minister, Jean-Claude Gayssot, committed himself to not allowing a single AOM-Air Liberté worker to be 'left in the lurch'. To this end, after meeting the various transport companies in which the state has a holding (whether partial or total), he announced 1,000 job offers for former AOM-Air Liberté staff. These jobs are at organisations including SNCF (railways), RATP (Paris area public transport), ADP (Paris airport authority), Air France and the National Office of Civil Aviation (Direction générale de l'aviation civile - part of the Ministry of Transport).

In the support they have lent to the Holco takeover, their involvement in the definition of redundancy criteria (through elected representatives on works councils), and by putting pressure on the relevant ministry and state-owned companies, the trade unions at AOM-Air Liberté have played a role which has gone way beyond their traditional one of making bargaining demands. They have thus made themselves essential partners for the company's future management, although because of their de facto participation in the firm's management they might have to justify to their members the unpopular decisions currently being made

Within 20 years, the French airline industry has been significantly shaken up by the advent of competition on air routes and the privatisation of Air France. Past management errors aside, creating a second viable French air carrier from a hastily cobbled-together coalition of very diverse companies remains problematic, no matter whether it is or is not backed by a major airline (British Airways in the recent past, SwissAir today). As for the Air France group, which is still recovering, it is hardly rushing suddenly to take on the whole workforce of all the other ailing air carriers.

Nevertheless, there has been a very significant increase in air traffic and whole sections of AOM/Air Liberté and Air Littoral operations remain viable. Consequently, they will doubtless end up being taken over, but the consequences for the workforce are unknown.

### **UK aviation and aerospace**

The response to the USA attacks on 11 September has been almost as rapid in the UK, with a number of airline and aerospace companies announcing substantial redundancies.

The aviation industry directly supports around 180,000 jobs in the UK and includes airport-related activities, airline carriers and air traffic control. There are around 40 UK airlines that operate larger aircraft, with British Airways accounting for around half of the market. The UK is central to the international airline industry, particularly flights to the USA, with London's Heathrow airport carrying more passengers than any other European airport. Within days of the attacks in the USA, UK airline companies responded by drastically reducing the number of routes being flown and by announcing widespread redundancies. These have included:

- British Airways - 7,000 redundancies;
- BMI British Midland - 600;
- Virgin Atlantic -1,200; and
- Go-Ahead - 700.

The response by the airline companies has been rapid, reflecting the impact of the September attacks on a worldwide industry that was already suffering from growing financial problems. Earlier in 2001, British Airways reported that it would be cutting capacity by 20%, as part of a strategy aimed at focusing on higher-profit routes.

Similarly, the aerospace industry was affected by the crisis and a number of redundancies have been announced even though their financial situation is better than the airlines. The industry includes the BAE Systems and Rolls Royce. It is one of the few growth areas in manufacturing in the UK, with employment increasing from 110,000 in the mid-1990s to over 150,000 in 2000. However, with the threat of orders being cancelled and airline carriers looking to renegotiate existing contracts, aerospace companies have started to reassess their position.

Shorts Aerospace, a subsidiary of the Canadian Bombardier, announced in late September plans to cut 2,000 jobs in Northern Ireland. In October, the US-owned TRW Aeronautical Systems (formerly Lucas Aerospace), based in Solihull near Birmingham, disclosed that it will lose more than 1,000 jobs, including 670 across nine sites in the UK. Rolls Royce, which is the world's second-largest supplier of civil aircraft engines, has also announced that 5,000 jobs will be cut from its worldwide workforce of 43,000, with 3,800 to go in the UK. GKN, the UK-based engineering company, also plans to cut 1,250 jobs, with 70% of job losses taking place in its aerospace business. All these companies have linked the proposed redundancies to the aftermath of 11 September.

It appears that the UK companies have been quick to respond to the attacks on the USA with the announcement of major redundancies, first in the airline industry and then in the aerospace sector. The airline industry was already facing overcapacity and companies such as British Airways were planning major cutbacks earlier in the year. It would seem that the crisis has enabled them to undertake redundancies swiftly and with little fear of reaction either by the trade unions or across the population more generally. Redundancy announcements have taken their usual form in the UK, which is to issue statements to the press, rather than to consult with employee representatives first. With limited legal regulation and little pressure in practice to seek alternative options to redundancy, UK employers often find job cuts the cheapest short-run means to reduce costs and maintain share value.

Despite full order books, it would seem that aerospace companies are pre-empting a short-term contraction in the industry by making cutbacks as quickly as possible. In opting for such an approach, the industry will lose large numbers of highly skilled employees, who may be unwilling to return to the industry following any subsequent expansion. With an ageing workforce, and a failure to replace adequately those skilled workers lost with young people, the industry is likely to face a major skills crisis in the future unless greater effort is made to retain existing employees.

The government was considering a targeted support for the airline industry, including help with insurance and security. It has been reported that the prime minister had no intention to let British Airways go bankrupt although no request had been made by the company for state aid. As to the aerospace redundancies, the trade and industry secretary promised retraining.

The unions in the two sectors (airlines and aerospace) have reacted angrily to the measures taken by the companies. Furthermore, they maintained that the announcements on redundancies.

In addition, over the last five years, there have been attempts in a number of companies to move away from the traditional conflictual industrial relations climate characteristic of the aerospace industry. Any progress that has been made in this direction is likely to be undermined by the prospect of widespread redundancies and a general lack of job security.

### **Scandinavian airlines (SAS, Braathnes ASA)**

SAS has warned of significant staff reductions as a result of the present problems in international aviation. There are indications to suggest that 3,500 employees may have to go worldwide, and almost 1,000 employees in Norway

On 23 October 2001, the Norwegian Competition Authority (Konkurransetilsynet) approved the offer by Scandinavia Airline Systems (SAS) to take over the troubled Norwegian airline Braathens ASA. The decision followed an earlier rejection of the bid by the Competition Authority in a preliminary notice on 20 August 2001, in which it warned of a possible intervention against the acquisition of shares in Braathens by SAS. Employees and trade unions affected by the takeover, as well as the management of Braathens, had given their whole-hearted support to the SAS bid earlier in 2001, as it was seen as the only alternative to bankruptcy. Despite the approval of the takeover, in the light of the recent problems witnessed in aviation worldwide and of its financial situation, Braathens has signalled significant staff reductions in the near future, as a result of a proposed 20% cut in flight traffic activity and provision. Thus, between 600 and 800 of Braathens' 4,000 employees in Norway will lose their jobs.

### **Irish aviation (Aer Lingus)**

Pre-existing difficulties along with the September crisis have caused a severe financial crisis in Aer Lingus. Before the events in the USA, the company employed approximately 7,000 staff and the 'removal' of 700 temporary staff took effect almost immediately. The new senior management team at Aer Lingus, has responded to the crisis by unveiling a restructuring plan, which is set to take effect immediately. The main details of the restructuring plan (November 2001), which was directly communicated to the workforce by the newly appointed chief executive, are as follows:

- IEP 148 million in overall cost cuts, made up of payroll reductions and cuts in direct costs/overheads;
- a permanent staff reduction of 2,026 across all areas and grades (31% of the workforce);
- radical changes in work practices to boost productivity;
- a new business model based on a more efficient delivery of products and service;
- a complete freeze on pay for 2002 and 2003; and
- funding for a redundancy programme.

The proposed staff reductions are broken down throughout the company as follows:

- 38% reduction in managers (23 posts);
- a 33% reduction in clerical grades (563);
- a 33% reduction in operatives (427);
- a 32% reduction in information technology specialists (37);

- a 31% reduction in superintendents (93);
- a 31% reduction in cabin crew (476);
- a 28% reduction in technical grades (50);
- a 27% reduction in pilots (156); and
- a 27% reduction in specialists (19).

Since announcing the planned cuts in October 2001, Aer Lingus has moved from offering minimum statutory redundancy payments only, to an enhanced package of four weeks' basic pay per year of service, which would cost it IEP 40 million.

While this would be significantly below the severance terms on offer during the most recent major restructuring in 1993, the financial difficulties are more serious on this occasion. It is understood that the two major unions involved, the Service Industrial Professional Technical Union (SIPTU) and the Irish Municipal Public and Civil Trade Union (IMPACT), are likely to focus their efforts on achieving some form of early retirement option, rather than improving the 'weeks per year of service' formula.

The government recently approved a partial sell-off of the company to potential private sector investors. The government, at least in the short term, would maintain a majority shareholding, while the employee ownership stake in the company would potentially increase from 5% to 15%. Indeed, the search is now underway for a potential investor. Any private investor would be expected to use part of its investment to fund a redundancy programme for departing staff. However, in the longer run, any private investor is likely to seek greater control and ownership of company operations and corporate governance. This move towards private ownership appears to be the option most politically acceptable to the EU, which seems determined to rationalise European airline operations.

In terms of industrial relations developments, the outlook remains unclear given the severity of the crisis facing the various actors involved. The previous redundancy plan unveiled by the Aer Lingus management towards the end of October without prior negotiation and consultation with the unions. Before that redundancy plan a rationalization plan had been introduced in 1993 when a IER 50,000 (IEP 90,000 in today's terms) was the average redundancy payment. The unions distrust the management team and the crisis has brought a closer relationship and convergence between the two main unions at the air line. The union representing the majority of workers is the Services Industrial Professional and Industrial Union (SIPTU), which predominantly represents catering, cleaning, clerical, and operative staff. The other key union is the Irish Municipal Public and Civil Trade Union (IMPACT), which represents mainly 'front-line' staff in the form of cabin crew and pilots. Although relations between the two unions have been tempestuous in recent months - as a result of cabin crew opting to leave SIPTU to join IMPACT earlier in 2001- now the crisis have brought them together.

On the equally thorny issue of privatisation, the two main unions have taken differing official stances. IMPACT, representing most pilots and cabin crew, is 'positively neutral', with a willingness to negotiate the terms of a partial sell-off if an employee ownership stake could be achieved. SIPTU, representing most other staff, is against privatisation but could take a pragmatic view if a partial sell-off was the only option to save the airline.

### **Italian airlines - ALITALIA**

The crisis in the air transport sector following the terrorist attacks has also hit the Italian national airline, Alitalia, hard. The company has drawn up a restructuring plan which involves more than 5,000 redundancies. On 29 October 2001, Alitalia workers went on strike to protest against the proposals. It is reported that the number of passengers using Italian airports in September 2001 was down by 3.4% compared with the same month in the previous year. The crisis has in particular hit the tourist trade, with numbers down on international and intercontinental flights. The position varies between the main Italian airports, with Milan's Malpensa airport recorded a 14% fall in passenger numbers, while Rome's Leonardo da Vinci recorded a 4.4% fall.

The national airline company, Alitalia, whose major shareholder is the Ministry of the Economy, recorded a 17.1% drop in passengers in September 2001 compared with September 2000. Alitalia management has responded by drawing up a restructuring plan, which provides for some 5,200 redundancies, reductions in the number of flights, cuts in services provided to passengers on board and the reorganisation of development plans, including cancellation of the purchase of new aircraft. It is estimated that the plan will affect more than 50,000 workers at Alitalia and in related businesses. The plan was due to go before the Alitalia board of directors for approval on 13 November 2001, and then to be considered by the government.

The trade unions represented at Alitalia, both the autonomous unions and those affiliated to the three main confederations, called a four-hour strike on 29 October 2001 against the proposed job losses. The strike was reportedly very well supported and a demonstration held at Rome's Fiumicino airport was attended by 2,000 people. The unions asked the government to take prompt initiatives to support the whole air transport sector, given that, according to the unions, the crisis was not triggered by the events of 11 September 2001.

The welfare minister, Roberto Maroni, announced that he would not permit the use in the Alitalia case of the 'social shock absorbers', such as the Wages Guarantee Fund (Cassa integrazione guadagni, Cig), which cushion the effects of redundancies and restructuring in some sector, (IT9802319F). He does not believe that the situation should be dealt with through a special law for Alitalia. The minister asserted the need for 'a general intervention for the whole air transport sector and the possibility of tackling the problem of redundancies by using job-security agreements'. Job-security or job-creation agreements (contratti di solidarietà), are a special type of company agreement, provided for by law, whereby, in order to avoid collective redundancies, the working hours and pay of all the company's employees may be reduced. Compensation of 50% of the loss of pay is provided by the Wages Guarantee Fund.

Claudio Claudiani, the general secretary of Fit Cisl, the transport workers' federation affiliated to the Italian Confederation of Workers' Unions (Confederazione Italiana Sindacati Lavoratori, Cisl), said that the Ministry of Economy, Alitalia's major shareholder, 'must draw up a new company development plan following the logic of efficiency, cost reduction, development of new commercial options and improvement of the services provided'. Mr Claudiani stated that he was sure that the Alitalia workers 'will be willing to cooperate, within a specific framework of commitment'.

### **Spanish airlines - IBERIA (Air Europa, Air Europa Express, Spanair)**

In November 2001, the Spanish airline Iberia announced a redundancy procedure affecting some 10% of its workforce, as part of a series of measures to respond to the downturn in the air transport industry. According to the plan presented on 14 November, the redundancy plan will affect 2,516 workers in Spain - 8% of the 29,124-strong workforce as of 31 December 2000. Of these, 1,857 are ground workers, 465 are cabin crew, 181 are pilots and 13 are co-pilots. Iberia management proposed a series of measures to reduce the workforce

including: pre-retirement (prejubilación); voluntary redundancy; termination of contracts with commitments to redeploy workers within a given period; reductions of working time and wages with a guarantee of returning to full-time employment; a substantial modification of working conditions; and geographic and functional mobility. Iberia convened a bargaining commission for each of the four groups of workers, in order to negotiate the redundancy procedure with the trade unions over a period of one month.

The redundancies will be accompanied by a package of further 'measures against the crisis'. The company foresees losses of ESP 46.7 billion in 2002, and though the causes go back to before 11 September, the company attributes them to the effects of the crisis on the sector. The package includes measures to reduce flights by 11%, the cancelling of contracts to rent planes with crew for certain routes, the negotiation of a delay in the delivery of new planes and the establishment of a plan to save ESP 9 billion in costs in 2002 and ESP 18 billion in 2003.

In terms of industrial relations consequences, the situation is rather complex as the trade unions represented at the company are more than one; in fact there are seven trade unions which also organize workers in the other Spanish airlines, namely Spanair, Air Nostrum, Air Europa. The unions are the following:

- the General Workers' Confederation (Unión General de Trabajadores, UGT), which is the majority union in Iberia, Spanair and Air Nostrum;
- the Trade Union Confederation of Workers' Commissions (Comisiones Obreras, CC.OO), which is the majority union in Air Europa;
- the Commission of Assembly Workers (Comisión de Trabajadores Asamblearios, CTA);
- the Independent Union of Passenger Cabin Crew Members (Sindicato Independiente de Tripulantes de Cabina de Pasajeros, SITCPLA);
- SEPLA, which is the majority union among pilots;
- the ESTABLA cabin crew union, which is the majority union among this group; and
- the Spanish Union of Aeronautical Maintenance Technicians (Asociación Sindical Española de Técnicos de Mantenimiento Aeronáutico, ASETMA).

At the December bargaining round some of the unions agreed on a provisional agreement whose main provisions are the following:

- non-renewal of 700 temporary contracts of flight staff, who may be taken on again according to the development of business. Some of the workers affected will be offered the possibility of a permanent part-time contract;
- pre-retirement, from the age of 58, on 90% of pay until the age of 60 and thereafter 80%;
- voluntary redundancies, with compensation of 35 days' pay per year of service;
- temporary suspension of contracts for one to two years, with payment of 40% of the voluntary redundancy pay and an agreement to redeploy the workers voluntarily at the end of this period, when they will return the compensation or accept the same conditions as a new recruit;

- modification of working conditions to create greater mobility of workers between fleets, with the necessary training to allow them to adapt; and
- reduction of the agreed working time.

The provisional agreement will be valid for one year (until 31 December 2002), and some of the measures laid down in it will be voluntary.

### *Other industrial relations implications*

Another Spanish airline, Air Europa, has announced the introduction of redundancy plans which were justified by the termination by Iberia of a rental contract for six planes and their crew, and by losses of ESP 6.4 billion in the first 10 months of 2001. The redundancy plan involves: the closure of its regional flight subsidiary, Air Europa Express; the dismissal of 337 permanent employees, of whom 197 are pilots; the termination of 450 temporary contracts; and a wage freeze. Some 80% of the reduction of the workforce corresponds to the staff of Air Europa Express

IBERIA's franchisee, Air Nostrum which specializes in regional flights, is likely to be affected by the company's decisions. The Spanish Airline Pilots' Union (Sindicato Español de Pilotos de Líneas Aéreas, SEPLA) has asked Iberia to take over the operations of Air Nostrum with its own planes and crew, and an agreement to this effect was reached.

Despite all this turmoil around the redundancy plan and the losses, the situation in IBERIA appears to be far better than other European airlines. Many experts and advisory institutions, as well as the trade unions, believe that the situation of Iberia in the Spanish and South American airline markets is well consolidated, and that there has been no substantial reduction in passengers after 11 September, as has affected other European companies (down as much as 14%, above all among business passengers), such as British Airways and Lufthansa. Iberia has a 15% market share of flights from Europe to South America; passenger numbers on these flights increased by 0.5% in September, whereas flights across the North Atlantic fell by 17.1%. The share of Iberia's business represented by the routes most liable to lose custom, those to the USA and the Middle East, is 9% and 1% respectively.

The experts state that after the initial negative impact of 11 September, Iberia's air traffic and bookings have begun to pick up. Furthermore, after an 11% fall in Iberia's profits in September, they recovered to 20.9% in November. In contrast, the British Airways' profits were down 77.5% in September. Furthermore, according to figures from the Spanish Airports and Air Traffic Authority (Aeropuertos Españoles y Navegación Aérea, AENA), the number of passengers at Spanish airports fell by 4.7% in October, whereas the number of flights rose by 0.5%. The fall in passengers mainly affected international flights (6.5%), whereas domestic flights showed a far lower fall (2%). Iberia expects to recover the loss in passengers from May 2002 onwards.

Thus, one cannot generalise the crisis affecting carriers such as Braathen Safe ( NO0111125N), Swissair and Sabena ( BE0109362N) to all air companies. Iberia is a well-consolidated company due to its position in the Spanish market (Europe's second-largest tourist market after France) and the South American market (in which the large companies are interested in order to compensate for losses on other routes such as the North Atlantic and the Middle East). In the last few months, the Scandinavian SAS has bought 75% of the shares of the second-largest Spanish company, Spanair (it already has a shareholding of 25%), and there are negotiations for Lufthansa to buy 25% of Spanair shares.

Therefore, the `crisis` at Iberia is just another stage in the restructuring process that the company has been carrying out since privatisation. The labour measures that accompany this process are aimed at achieving greater flexibility in recruitment, working time, working conditions and wage costs. What differentiates Iberia from Spanair and Air Europa is that the use of temporary employment is more limited (20%-25% of the total workforce, compared with 50% in the other two companies, though it is higher in areas of tourist traffic), and the working conditions and pay are significantly better. There is therefore more fragmented and weaker trade union representation at Spanair and Air Europa

## **Industrial conflicts**

Industrial disputes are usually linked with the restructuring and the redundancy plans but there are cases reported by the EIRO correspondents where the disputes are over traditional issues. Despite the acute nature of negotiations in the aviation sector this year there have not been that many disputes leading to strikes. The situation in some airlines has been mutually recognised as bad, especially after the September 2001, that both sides have been asked to engage into concession bargaining.

### **Italy**

At the eve of the year, industrial peace was agreed in the Italian air traffic control following a high level of industrial conflict. Between January 1999 and March 2000 157 strikes were announced (120 nationwide and 37 local) of which 29 (20% of the total) indicating a situation in which the so-called "announcement effect" (whereby travel plans are disrupted by strikes that are called and then cancelled at the last moment) is apparently widely. In April 2000, an agreement was signed between the agency and 11 trade unions which should have guaranteed six conflict-free months, but the agreement could not prevent strikes being held, even in the busy summer months. One of the most controversial issues in relations among the company, workers and the unions has been the conversion of the National Air Traffic Control Agency (Enav) into a joint-stock company, as well as the possible privatisation of the air traffic control system. On 12 December 2000, an agreement was signed by management and trade unions on the conversion of Italy's publicly-owned National Air Traffic Control Agency (Enav) into a joint-stock company.

### **Alitalia**

The trade unions represented at Alitalia protested against the redundancy proposals by calling a four-hour strike on 29 October 2001. The unions took the stance that the crisis was not caused by the USA attack. The transport workers' federation Fit Cisl, affiliated to the Italian Confederation of Workers' Unions (Confederazione Italiana Sindacati Lavoratori, Cisl), maintain that the Ministry of Economy, Alitalia's major shareholder, `must draw up a new company development plan following the logic of efficiency, cost reduction, development of new commercial options and improvement of the services provided (see details above).

### **Germany**

In March 2001, collective agreements were signed by management and the new Unified Service Sector Union (Ver.di) for 55,000 cabin and ground staff at the German airline Lufthansa. The settlement followed a warning strike by 10,000 employees. Negotiations continued between Lufthansa and the Cockpit pilots' union, which was bargaining independently of Ver.di. The failure of negotiations between Lufthansa and the VC pilot's trade union ended up in the use of a joint dispute resolution (schlichtung) procedure and the joint dispute resolution agreement was then accepted by both sides. The dispute was also manifested with warning strikes and - after a strike ballot - two 24-hour strikes which forced Lufthansa to cancel most of its domestic flights

and to suspend temporarily most of its cargo services. More than 200 pilots and co-pilots participated in warning strikes on 28 March 2001.

The conclusion of the Lufthansa agreements represented a first public appearance for Ver.di, which had been founded just two days earlier. Ver.di has pursued the policy that all employees at Lufthansa should be treated equally and therefore receive the same pay increase.

Part of the rationale behind Cockpit's demands for major pay increases was related to concessions all Lufthansa employees agreed to when the airline experienced difficulties in the early 1990s. In 1992, as part of a rescue package for the company, the pilots accepted wage cuts of up to 15%, an extension of working time and reductions in overtime pay. According to data provided by VC, the entire rescue package reduced pilots' income by 28% and also had a lasting impact on other groups of Lufthansa employees. More than 1,000 employees lost their jobs and - sharing the burden with the pilots - flight attendants, sales representatives and ground crew also faced deep wage cuts.

The conflict was particularly notable because the pilots, for the first time in Germany, used explicit international wage comparisons in support of their demands, while other unions openly criticised the pilots' demands as being excessive. Other unions (i.e. Ver.di) used domestic points of reference in the arguments supporting its wage demands at Lufthansa.

One striking example is that one presented in the German case, the Lufthansa pilots' dispute. As explained, Ver.di negotiated a new agreement for Lufthansa's 55,000 cabin and ground staff. After the union had called a warning strike, a settlement was reached on 24 March 2001 which increased employees' wages by 3.5% from 1 April 2001 and also included a lump-sum payment of DEM 250 for February and March 2001. In addition, Lufthansa agreed to pay its cabin and ground staff a bonus of 10% of a month's pay and shares in the company worth DEM 1,100. From the union's perspective, this settlement seemed to be fair, given that other major unions had settled for less: for example, the IG Metall metalworkers' union has agreed to a 2.1% pay increase for 2001, while the current agreement for the chemicals industry includes a 2.0% "linear" pay increase. While ver.di used domestic points of reference in the arguments supporting its wage demands at Lufthansa, VC compared the pay of its members with that of pilots working for other major airlines throughout the world.

The pilots' strike has the potential to leave a deep mark on the history of the German system of industrial relations in two respects. First, the wage dispute in the airline industry, although still predominantly domestic in nature, shows new ways through which collective bargaining strategies can be extended beyond national borders. While in the case at hand, this internationalisation operated in favour of the workers, simple wage comparisons without preparing the ground for collective action might easily backfire. It is not hard to predict that IG Metall, for instance, would not feel very comfortable being confronted by comparisons with the much lower wages of Polish or Hungarian automobile workers. Second, the Lufthansa conflict is the first occasion on which trade unions have openly criticised the bargaining demands of rival unions as being too high. As far as wage solidarity is concerned, it seems to be clear that wage moderation is contingent on the existence of a unified labour movement. If it is true that German wages are relatively compressed (ie there is a narrower spread between the lowest and highest), in particular compared with the Anglo-Saxon countries, less restraint at the higher end of the wage scale might also negatively affect the ability of unions to push through demands which raise the wages of low-skilled and unskilled workers. In this sense, the German trade union movement can hardly afford to let high-paid employees pursue collective bargaining on their own.

## Ireland

### *AER LINGUS*

Other worth mentioning disputes are those reported in Aer Lingus that led to several stoppages and strikes during the year. Early in the year, the cabin crew organized in the Irish Municipal, Public and Civil Trade Union (IMPACT) engaged in two separate one-day stoppages which grounded the airline's fleet. The dispute with the company was settled but following that deal, SIPTU lodged claims on behalf of its operative and clerical members on the basis that they should be treated the same as the cabin crew. SIPTU, despite losing the vast majority of its former cabin crew members to IMPACT, still represents a minority of cabin crew. The dispute involved over 3,000 operative and clerical workers, members of the Services Industrial Professional Technical Union (SIPTU), who were seeking to "catch up" with the pay and conditions of most Aer Lingus cabin crew - formerly members of SIPTU - now organised in the rival Irish Municipal, Public and Civil Trade Union (IMPACT). SIPTU operatives and clerical workers had also staged two one-day stoppages.

A successful Labour Court intervention came averted any further industrial action. However, in a dramatic move following the strike, the Aer Lingus board announced cuts in overtime, a review of all costs and a halt to recruitment, pending an assessment of its staffing requirements. The company also announced that it had lost around IEP 2 million for each day that industrial action occurred. The cost of the pay settlements and similar agreements with other groups are set to push up the company's annual paybill by around IEP 30 million. Aer Lingus made a profit of just over IEP 50 million in 2000.

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