Summary

Introduction

This summary recapitulates the main conclusions of a study carried out by ECORYS Netherlands concerning the development of direct employment and the working and wage conditions in the EU air transport labour market in the period since 1997. The objectives of the study were:

- To evaluate the principal tendencies of the development of air transport within the European Union since the full opening of the market, in 1997, and its impact in terms of direct jobs (on board staff, jobs in the airport, air traffic controllers, air transport companies).
- To determine the developments in terms of working conditions and of wage conditions over the same period in the EU.
- To determine these tendencies and developments in comparison to major events which could have a positive or negative impact (effects of competition, external events, and perspectives related to the agreements with 3rd countries).

The study did not aim to give a full account of the three objectives. Rather, the study aimed to present the European Commission with:

- a more complete, detailed and independent insight of the development of direct employment in the EU air transport market;
- a first overview of the main trends and issues on working and wage conditions in the most significant professions in air transport;
- a qualitative evaluation on the relation between these developments and the liberalisation of the EU air transport market.

The methodology used for this study included:

- desk research;
- interviews with stakeholders at the European level;
- an internet survey among trade unions and employers in the EU air transport sector in 27 Member States, focusing primarily on the EU-15;
- interviews with employers and trade unions from the sector in the four largest EU Member States (The United Kingdom, France, Germany, and Spain).

This study has shown the difficulties to find the comprehensive and complete data which would be required to have the most accurate vision of the current market situation. It will certainly have to be completed, in particular by the information provided by Civil Aviation Authorities, and widened to cover the EU-27.

The developments in relation to the EU liberalisation of the sector

In general we can conclude that the developments in employment, wages and working conditions are related to the economic trends that the sector has experienced in the past ten years. It is plausible that the increase in employment in the past ten years is strongly related to the increase in air traffic in the EU. Also it is very plausible that the financial crisis that the sector experienced between 1999 and 2004 through the efforts to increase productivity, has had an impact on employment, wages and working conditions such as operational pressure.

To filter out the extent to which the developments in employment, wages and working conditions were directly or indirectly caused by the EU liberalisation of the sector is virtually impossible since there are many explanatory factors that are intertwined with each other and above all also intertwined with the effects of EU liberalisation. However, it is clear that the new context created by the liberalisation and deregulation gave new opportunities which are an important explanation for the recent developments. New routes, new carriers, development of low-cost sector and more productivity: all these elements have contributed to the important changes and the growth of air transport in the EU.

It is clear that the strong growth of the low cost carriers in the past ten years has had an important impact on the developments in the sector, both economic and social, and on the way that airline companies are organised and managed in recent years. Their operations have changed the sector in many ways, including employment, wages and working conditions.

More generally, by 2007:

- a larger part of airline staff is working at point-to-point carriers;
- the increased competition (and lower fares) on the short haul market stimulated a productivity increase of airlines operating in this market;
- the new business model of the LCC's included an increase in the use of variable wage components in the sector.

Nevertheless, it appears that in the European Union the impact of liberalisation on direct employment was good, with an increase at airlines and ground handling companies and an overall stability in the airports and air traffic control.

Another point which is clear is that the introduction of competition has had an important impact on recent developments in the ground handling market. Moving from a monopoly or duopoly market towards more competition, the position of employees in this part of the sector is changing rapidly. More flexibility is demanded from the companies operating in ground handling and therefore also of their staff. This for instance has a direct impact on the contracts employees are hired under and their job security.

For air traffic controllers the developments in the past ten years most likely have not had a large influence on employment, wages and working conditions.

However, the evolution in the air transport sector does not seem very different to what could be observed in other sectors of the European economy: the improved competitiveness has direct consequences in the type of contracts and working conditions.

Development of employment

Airline employment

The study shows that the air transport sector in the EU-15 has experienced a growth of employment in the past ten years. Employment in EU-15 airlines, by far the largest part of employment in the sector grew by **six percent** over the total period, which can be mainly explained by the growth of air traffic -in the EU and worldwide- in the past ten years. The growth in airline employment was completely realised in the period prior to 2001. In 2001 airline employment decreased by four percent and since then remained stable around 381,000 employees (figure of 2005). The drop in employment in 2001 was undoubtedly linked to the reactions of the public and governments to 9/11, which hit the industry hard. However, even prior to 9/11 the sector was experiencing a financially difficult period. From 1999 to 2004 most major airlines reported negative financial results for four years in a row, making restructuring of their operations inevitable, leading to a strong increase in productivity as from 2002. Finally, the development of employment at airlines has been influenced by the outsourcing of activities by airlines to companies not included in the total employment figures in this report (e.g. Aircraft maintenance, cleaning, IT, et cetera.).

Compared to US airlines the drop of employment in 2001 was relatively modest. This can be explained by the different response of EU airlines compared to their US counterparts. Where in the US airlines soon after 9/11 announced employment cutbacks up to 20 percent, in the EU many airlines implemented alternatives to direct job losses.

Our research shows that the growth in airline employment is concentrated in specific parts of the market:

- The share of employment of point-to point carriers in the past ten years substantially increased from 20 percent in 1996 to approximately 30 percent in 2006. This increase is for a large part caused by the significant growth of the low cost market in EU. Employment of network carriers remained stable in the past ten years.
- Airline employment shows a further concentration in the five biggest air transport markets in the EU-15 in the period 1997-2005[1]. Where the five biggest Member States (in terms of airline jobs) experienced a growth of 12 percent, the other ten Member States together suffered a decrease of employment of 10 percent over the total period. The current growth in new Member States (since 2004) will have to be assessed.

1 UK, France, Spain, Germany and the Netherlands.

Non-airline employment
Regarding the development of non-airline employment the conclusions of the study are less detailed and less concrete than for the development of airline employment due to a lack of available statistics. The following conclusions regarding non-airline employment can nonetheless be drawn:

- The number of persons employed by airport authorities in the EU-15 in the period 1997-2006 seems to have remained stable around 90,000 employees. The introduction of (more) competition in the ground handling market on the larger EU airports on the other hand, is likely to have had a downward influence on employment at airport authorities. This trend was compensated by an upward trend caused by the increase of the number of passengers and cargo transferred by airports as well as by the new airport obligations on security activities.
- The number of persons employed by independent ground handling companies clearly increased significantly in the past ten years. However, exact figures for this trend are not available.
- Employment of Air Navigation Service Providers (ANSP's) at the EU-level is only known as from 2001. In the period 2001-2005 employment in ANSP's remained stable around 37,000 persons.

Development of wages and contractual conditions

The remunerative package

One of the measures implemented by many EU airlines after 9/11 was a temporary freeze of the wages or in some cases a reduction of wages. Despite these measures, wage increases have occurred during the period studied.

The level of remuneration
There exists a fairly broad agreement between employers and trade unions that the total remunerative package of flight crew has increased in pace with or even above the development of the national average pay increases in the past ten years, although trade unions feel that this increase lags behind wage developments in comparable professions.

For air traffic controllers the development of remuneration has seems to have increased in pace with the national average wage increases or exceeded them.

For cabin crew and especially ground handling staff the results of our study on the point of remuneration are inconclusive. Many national employers' organisations report in the survey that in their organisation the wages have increased in line with the national average wage increases. According to trade unions, however, remuneration has lagged behind inflation and the national average wage increases in the past ten years. The -minority of- employers agreeing with them is larger for employees in ground handling than for cabin crew.

Many airlines have introduced two-tier wage scales for cabin crew in particular. For flight crew a secondary wage scale for new employees seems less common.

Variable wage components for flight crew and cabin crew

In the past ten years the share of variable wage components for flight crew and cabin crew has increased. An increasing part of the remuneration of flight and cabin crew is based on productivity and company performance. Both traditional airlines and LCC's use variable wage components. On average the share of the variable wage in the total remuneration is higher in LCC's than in the traditional airlines.[2]

Contractual developments

Overall there is a trend in the sector towards more flexibility in contracts. In this the sector is not unique. Also in many other sectors flexibility in contracts is increasing.

The trend towards more flexibility in contracts is most visible for ground handling staff. The introduction of competition in the ground handling sector means for that service providers need to react faster to changes in the level of their activities. A flexible workforce is an important condition for this. As a result the use of fixed term and temporary contracts for ground handling staff has increased in the past ten years.

For flight crew, cabin crew and air traffic controllers the trend towards more flexible contact forms is less pronounced. In the past ten years temporary agencies and very short term contracts for flight crew have entered the picture. However, these are still exceptions. For cabin crew the use of fixed term contracts seems to have increased, partly as a result of the entrance of new airlines to the market in the past ten years. Also for air traffic controllers there seems a light trend towards the use of more fixed term and part time contracts.

Multibased airlines, labour contracts and collective bargaining

A recent development in the EU air transport market is the introduction of the multibased airline. This means that an airline that originates from one of the EU Member States opens up bases in one or more other Member States. The establishment of multiple bases across Europe by a single airline raises important questions regarding the labour laws which are applicable to staff operating from these bases. Also it has important implications for collective bargaining within the EU air transport sector.

Development of working conditions

In view of the lack of other sources available at EU level, the study for this subject has to rely heavily on the survey and interviews conducted with employer and employee representative organisations. It is to be expected that employers and trade unions often have diverging opinions on such subjects. When speaking about the development of

2 ECA considers that "the time and financial pressure on crews pushes them to work more, quicker and at the limit of operational margins. They fear the consequences of the lack of attention as a consequence of operational pressure."

working conditions in general, this is the case here also. Trade unions generally feel that working conditions have deteriorated in the past ten years. Employers state that working conditions on balance have improved. Nonetheless, the study also shows that the opinions of employers and trade unions amongst themselves vary according to the profession under review and that for certain professions, in certain areas of working conditions, some convergence appears.

The health and safety situation of air traffic controllers has not changed or improved, according to both employers and trade unions. In the other professions employers are positive and trade unions are negative about the developments in health and safety. For the ground handling occupations, however, employers are somewhat less positive than for other professions. This profession also was the ground for much concern for trade unions during the in-depth interviews.

There is relatively strong agreement that in all four investigated profession the amount of operational pressure that air transport employees have to work under has increased. The survey and the interviews also show that the number of duty hours has increased for flight crew and cabin crew. The increase of operational pressure for flight and cabin crew seems to result out of a tighter scheduling of flights, an increase of responsibilities of the crew, and of an increase of duties between shifts. The flexibility of employment contracts and the increase importance of variable wage components contribute also to the operational pressure felt by individual crew members.

For air traffic controllers and ground handling staff not many changes seem to have occurred. Duty hours is also one of the – few- areas in working conditions where some employers see an increase taking place over the past ten years.

Developments in the scheduling of shifts are rated predominantly positive by employers and negative by trade unions. It is worth noting though, that these developments seem to be of particular importance for cabin crew. For air traffic controllers neither side of industry sees a clear change over the past ten years.

The opinions on the development of rest time between and within shifts appear to be similar to those on shift scheduling. However, for flight crew the development of rest time *between* shifts appears to have changed far more than the rest time *during* shifts. For them this constitutes the second main change in the past ten years, after the increase in operational pressure.

Regarding training many important changes have occurred in the past ten years. These changes mainly relate to flight crew. One of the important developments is the introduction of the Multi-Crew Pilot Licence, a licence which allows the holder to perform co-pilot tasks in multicrew situations, with substantially less training hours than in the case of the normal licence. Another important development is that employers increasingly demand that pilots finance (parts of) their own training (both the ATPL-license and the type-ratings) or demand that pilots pay back (part of) the investment made by the employer when they leave the company.