

Work Package 5: The Development of Branch Agreement for Ground-handling Staff

Section I: Context

As discussed in detail in previous work packages, the EU promotion of market liberalization of the aviation industry changed radically the nature of German industrial relations in this branch. Although the effects of greater competition might be considered to have been less severe for ground-handling staff (GHS) than airline employees. This is due to the fact that the airport represents an infrastructure with a fixed abode. Unlike in the case of aircrew staff luggage handlers and push back operators cannot be flown in and out. From a German perspective this part of the value chain has become home to new industrial relations practices.

On the surface many key aspects of the German industrial relations model can still be observed, specifically plant level representation in the form of works councils as well as recognized trade unions. One factor remains quite unique, though, the overarching presence of *Haustarifverträge*, plant and company level collective bargaining. This often involves, as in the case Munich, many different agreements. In Munich, for example, 5 *Haustarifverträge* are currently in place. With the exception of Berlin, which has an agreement that covers all employees irrespective of their employer, the tendency at other airports is far more complex.

Of course, decentralized collective bargaining is neither unique to ground handling nor a new phenomenon in Germany. Many unions have resorted to either signing such agreements or agreeing to open-clauses in branch level agreements, i.e., offering the option to customize working conditions at the company level to stem the decline in collective bargaining. What remains quite distinctive, however, would appear to be the magnitude of such an arrangement in ground handling. Currently, the wages and employment conditions of around 50% of GHS, i.e., 15,000 employees, are determined by plant, and in some cases company level collective bargaining procedures. As the following quote suggests, this is the result of the EU strategy to promote market competition in the area of airport services:

Then came all this pressure from the EU. The fact that each airport was required to ensure that at least its own subsidiary provided ground handling services as well as two other competitors with it. (Ver.di officer)

It is worth taking a closer look at the last quote because it outlines that there are three labor markets in the area of airport services. This is quite different to the situation prior to 1996, then all employees working at German airports were covered by the public sector deal, which involved Ver.di's predecessor, the ÖTV, negotiating a branch

agreement with the Vereinigung der Kommunal Arbeitgeberverbände (Association of the Municipal Employer Federations). Firstly, staff working directly for the airport, for example Fraport in Frankfurt, are covered by the public sector agreement. In contrast, subsidiaries, in the case of Fraport this would be Fraground, don't apply the public sector agreement in its entirety but use this as a point of orientation. This has the consequence that salaries of Fraground employees are around 30% lower than their counterparts working for Fraport. Finally, there are third-party providers such Wizag, AHS and Swissport Losch. As the next quote indicates, such a construct promotes a race to the bottom, a situation whereby each company is maneuvering, often at the expense of wages and employment conditions, to outcompete their competitor. As a result, it is not unusual for employees to work between 40 and 45 hours per week:

Yes, last year my colleague Neumann referred to this [current arrangement] as the rat race to find the most favorable terms and conditions, and somehow these are the result of collective agreements. You permanently undermine your [Ver.di's] own standards by repeatedly concluding collective agreements elsewhere. (Ver.di officer)

The arrival of this new value chain model, especially in relation to third party service providers, was made possible by access to a wealth of unskilled labor. Often this concerned workers with a migration background, a group susceptible to exploitative practices often due to their limited command of German and knowledge of their rights under German legislation. The fact too that Germany was quite late in passing minimum wage legislation, 2015, as well as the fact that it did not invest in resources to ensure employers complied with the law, favored a business strategy built on wage competition. In many respects, however, even the existence of a minimum wage did not greatly improve the standard of living of GHS. For example, Ver.di claims that 40% of GHS profited by an increase in the minimum wage to 12 Euro in October 2022.

In addition, the diverse character of the ground-handing market was not only the result of increased competition with the arrival of third-party service providers but also because this important segment in the value chain involves a multiplicity of different tasks:

Basically, as the passenger goes through there is the so-called passenger list, the check in, [someone] will then sit there, will receive baggage. And then you have the boarding directly at the gate, doing boarding pass checks and so on, sort of escorting or escorting the passengers into the aircraft. They are part of it... This also includes all those who are now loading baggage at the bottom of the aircraft. They do the baggage transport, they do the push back, but they also do the towing of airplanes on the so-called ramp, i.e. those who check the airplane at the end to see if everything is okay... So, all together this is ground handling. (Ver.di officer)

The implication here is that such complexity has posed, and still poses, a major challenge when it comes to trade union organization. Unfortunately, as outlined in the

quote above Ver.di eventually became, this was around 2015, that in some respects it has been complicit in this process of social dumping. A fact that has angered many employees who left the union, some even deciding to set up competing structures:

These are often colleagues who have been frustrated with Verdi or its predecessor organization in previous years. It is not uncommon for the frustration to date back 20 years, i.e., ages ago. And in the aviation industry, Verdi has also made a lot of bad collective agreements in the past 20 years. Born out of necessity, born out of fear of jobs, and so on. You probably know this too when colleagues fear for their existence, for their jobs. Then there is also the pressure on unions to make pretty stupid collective agreements, even to the point of lowering them [conditions]. (Ver.di officer)

One example proffered to describe poor working conditions, ones that are not unusual when it involves smaller firms, concerns working time arrangements. The issue at hand involves the prevalence of a double shift system whereby employees' working day is split into two periods, 5.00 to 8.00 and 13.00-17.00.

The prevalence of three competing labor markets, in which half of the GHS are reliant on *Haustarifverträge*, just over 40 in total, required Ver.di to consider ways of reestablishing the pre-1996 arrangement, that is, branch level collective bargaining. Since 2015, Ver.di has been committed to merging the 40+ individual collective agreements together with the public sector agreement. As the following quote suggests, this represents quite a new departure for German trade unions:

This [campaign] is something that has never been seen in Ver.di before and is probably hard to find within the DGB unions. It is exciting. What is very exciting is that we are dealing with very different groups of employees [different tasks].

The fight for a branch level agreement would prove fruitless exercise if one important ingredient is missing, though. The ingredient in question relates to the issue of a negotiation partner or to be more exact the existence of an employer association. This brings us to the next section, the actors, or rather to be more specific the foundation of an employer association that represents the interests of third-party firms offering ground handling services.

Section II: Relevant Actors

As already outlined, the ground handling market has become extremely complex as a consequence of liberalization, many different firms competing for the same tender. The airports themselves, here we are talking about the main hubs, around 17 in all in Germany, on the whole remain state controlled. For example, in the case of Frankfurt, Hessen, the city of Frankfurt and the Bundesrepublik respectively have a controlling stake of 31.94%, 20.40% and 18.27% in Fraport. At the next level each airport has a subsidiary. Aeroground München, for example, was set up by Münchener Flughafen GmbH in 2011, which until January 2023 offered services in Berlin in addition to those in Munich. The next group of employers involves 6 firms, Losch, AHS, Swissport Losch,

Aviapartner, Wisag and Acciona. These third-party providers employ anything between 900 and 2000 employees at various airports throughout Germany. For example, whilst Losch employs 1650 workers in Stuttgart, Bonn/Köln and Berlin, 1900 people work for the Hamburg based company AHS.

Prior to 2018 only the airports, Fraport, Münchener Flughafen GmbH and Flughafen Hamburg GmbH etc. were organized in an employer association, the die Vereinigung der kommunalen Arbeitgeber (Association of Municipal Employer Associations). As discussed below, Ver.di was aware that it needed a counterpart structure, a body that would speak and negotiate on behalf of the six above mentioned companies:

We always need employer structures for collective bargaining. That is easy with in-house collective agreements, you have the management or the board of directors. But we need employers' associations for a regional collective agreement. So, for the TVöD (public sector collective agreement) and for the application of collective agreements to the TVöD, we have the Vereinigung der kommunalen Arbeitgeber, the Association of Municipal Employers. That has its own group airport committee and this leads the negotiations for the public service side of the TVöD. However, we did not have any employer association structure for the third-party providers in the private sector. We first had to convince employers to form an association. (Ver.di officer)

The existence of the Arbeitgeberverband der Bodensfertigungsdienstleister im Luftverkehr (ABL) since 2018, now means that these third-party service firms are “a committed and reliable negotiating partner for the unions” (ABL homepage).¹ The ABL’s aims make for interesting reading, especially when one considers that the ABL exists to promote the interests of employers:

- Good working conditions and adequate remuneration for employees
- Secure jobs in the long term

In light of these two aims the reader might be forgiven for asking the following question: Is the ABL an employer association or a trade union? Quite clearly as the name implies it is unmistakably an employer association – set up after Ver.di convinced of the likes of Wisag and their fellow competitors to bond together between 2015 and 2018. The main argument involved, one that is always used by the unions, that a Branch agreement, which can only be signed by an employer association, has the benefit that it takes salaries and terms and conditions out of the equation:

In terms of regulatory policy, collective agreements have the function of removing working conditions from competition with one another [firms] as far as possible. And that is actually the justification for the sectoral collective agreement. I have a collective agreement for everyone in an industry, and then you can compete on prices, on quality, on trend... but not about wages. So, and we can't fulfill that with this house

¹ [ABL – Arbeitgeberverband der Bodenabfertigungsdienstleister im Luftverkehr e.V. – Arbeitgeberverband der Bodenabfertigungsdienstleister im Luftverkehr e.V. \(abl-aviation.de\)](http://abl-aviation.de)

collective agreement at all anymore, because of course every employer tries to get some goodies, some advantages in their house collective agreement, be it in terms of working hours [or wages].

At the bottom end of the value-chain the ABL states it is committed to “fairer competition”, which explains the seemingly strange alliance between Ver.di and the ABL. Such a coalition, though, would prove ineffective if the ABL and Ver.di could not bring the Association of Municipal Employers to the negotiation table. A branch level agreement for the six companies in question would only price them out the market, leaving a chink in the value chain to be filled by a new operator. Just prior to the outbreak of Covid-19 all the pieces appeared to be in place to sign a branch agreement, the foundation of an employer association, solidarity amongst GHS and possibly most importantly of all the support of the Association of Municipal Employers. The last point should not be underestimated – after all the political actors, the government instance so to say, remains a key aviation employer.

As will be exemplified in the next section, the pandemic forced the actors to put their plans on hold as more pressing problems had to be addressed, the insolvency of aviation firms, various rounds of concession bargaining as well as the lobbying of government to bail out firms as well as raise short-term working rates. The following section, which considers industrial relations factors that have informed the move towards a new branch level collective bargaining landscape in the area of ground-handling, suggests that far from the pandemic threatening to undermine ABL’s and Ver.di’s pre-2020 strategy, the pandemic highlighted unequivocally the need to move away from beyond such a precarious business model. In fact, the branch agreement is signed commentators might look back and consider Covid-19 to be a catalyst which helped reverse post-1996 practices.

Section III: Industrial Relations

This section will consider in reverse order a number of factors that make the eventual signing of a branch level agreement possible in 2023. These include, industrial action, a tight labor market and pre-planning on the part of Ver.di. As already implied, the lockdown from 2020 through to 2022 proved favorable for each of these issues.

Pre-planning Stage

Once Ver.di had decided to try and reverse earlier bargaining mistakes, in particular to overcome participating in employers’ concession bargaining strategy, the union had to address the problem of collaboration, namely how to overcome the diversity created by the existence just over 40 Haustarifverträge. The issue at hand was not necessarily the different conditions, although this should not be underestimated, more the fact that each contract had a different duration timescale, that is, varying peace obligations

applied.² Consequently, any joint industrial action designed to encourage employers to sign a branch agreement would prove difficult. Added to this was the issue that Ver.di was representing two distinct membership groups, public and private sector employees, whose interests don't necessarily coincide. In short, German legislations relating to strikes proved problematical:

That was one of the biggest tasks [coordination] after 2015 once we had the consensus that we wanted to achieve such a collective agreement [branch]. But the big problem is that, under collective bargaining law, we were not allowed to strike for an industry collective agreement because we had Haustarifverträgen. Our colleagues are all subject to the peace obligation. We had to find a time frame where as many as possible, or as many as possible together, could strike. And we succeeded in passing a resolution in the Federal Air Transport Group in 2018 to say that we all want to terminate the TVöD by August 31, 2020. That was the termination date for the TVöD at the time.

In addition to taking steps to ensure plant agreements would all be up for renewal at a similar time prior to the outbreak of Covid-2019, there was also a need to cancel the public sector agreement. These coordination attempts were made possible by a number of factors. Two, though, are worth looking at more closely: The first involves leaning heavily on the union's infrastructure, i.e., resources and governing bodies. For example, here the GHS national committee played a significant role. The body offered a high degree of transparency amongst the forty something collective bargaining committees in the private sector, keeping them informed about developments as well as ensuring they influenced policy positions. Another structure which has played a key role in in designing a branch level agreement road map concerns the shop steward national body:

So internally there were congresses, shop stewards' conferences, for example, where colleagues from all over Germany got together and discussed with 100 people that we should go this way [branch agreement].

Secondly, Ver.di council has built up very good working relations with works councils over the years. As the following quote indicates, the poor working conditions and aggressive management practices actually helped solidify the positive interaction between these two bodies:

And I am often surprised at how miserably employers deal with their works councils. What I'm trying to say is that this makes it easier for us to find close cooperation with the works councils. Works councils that are not in the union are very, very, very rare. If they are not, most of the newly elected become members very quickly. (Ver.di Officer)

² Under the German collective bargaining law unions and employers are respectively not allowed to organize strike or resort to lockouts before an agreement expires.

Ironically, the signing of *Haustarifverträge*, which involves local collective bargaining committees on which the chair of the works council usually sits, has contribute to the strengthening of union-works council relations. Collective bargaining rounds have time and time again offered Ver.di an opportunity to demonstrate to plant level actors the importance of the union's expertise and power. Due to the negotiation of plant level agreements trade unionism does not remain abstract idea, the union plays the central role in collective bargaining as under German law only unions can organize industrial action and sign deals relating to pay and working time.

A final pre-planning point that needs to be mentioned involves discussions with employers, especially relevant when convincing the likes of AHS to join forces with other companies, their competitors so to say, to set up the ABL. Unlike in the case of the employees' side Ver.di entered into individual negotiations with employers rather than organizing national conferences. Such persuasion, though, was not limited to the private sector. On the one hand Ver.di needed to convince public sectors employers of the advantages of a branch level arrangement, the reasons will be considered in following sections. On the other hand, there was a requirement to quell any fears public sector employees might have that any eventual agreement would negatively affect their current terms and conditions:

[Y]ou have to take your colleagues along with you, convince them that it [branch agreement] will be better for everyone. The difficulty with this process was that we have huge differences [in terms and conditions]... Of course, you also have to take the colleagues who have better collective agreements with you and you have to make it clear to them that they will not lose anything. On the contrary, everyone will win. (Ver.di officer)

More than anything else this case study exemplifies how contextual factors influence the nature of industrial relations, in particular the changing balance of power between the key actors. As will be discussed in the next section, one factor, one that also influences the nature of industrial action, involves the current labor shortage in Germany.

Tight Labor Market

According to our respondent, the Covid pandemic had a major impact on the GHS labor market. Of the 30,000 employees that worked at airports prior to lockdown around 15,000 left to seek employment in other areas. Two factors are offered to explain why this exodus took place. Firstly, employment conditions amongst third-party employees were precarious, 40 % earning less than 12 Euro a hour before the recent rise in the minimum wage in October 2022. The crisis appears have encouraged an already disenchanted group of workers to leave the branch, a branch that not only paid poorly but involved often physical and tedious work as well as unsociable working hours. Then there was the issue of the short-working-time allowance. A picture appears to exist

whereby the further you found yourself down the food chain, the more likely you were not to profit from the government support either because your firm did not apply for state aid or the rate was not high enough both in terms of the real salary but also the overall percentage as say light crews working for Lufthansa classic.

The fact remains that ground handling has not properly recovered. Although the airlines are once again dominating the skies and airports are a hive of activity, there remains a shortage of GHS of around 5000 workers.

So, the number [GHS] is increasing again, but slowly, because it's not so easy to find people. (Ver.di officer)

Add to this an ageing society, which creates a tight labor market across all sectors, employees are spoilt for choice. Certainly, ground handling firms specifically but aviation generally are faced with a huge problem here, that of a poor image. The low-cost era has damaged the gleam once associated with this industry:

One thing that has already been discussed several times is the need to make air transport more attractive as a workplace. Air traffic as a whole must also show that it offers safe jobs, because before the pandemic it was always considered safe. We have had Nine Eleven or volcanic eruptions, for example, where air traffic was restricted on individual days. But there has never been a situation where air traffic has been idle for a year and a half. And that means that air traffic as a whole is no longer necessarily a secure industry. Attractive working conditions is a very big goal. I think we are well on the way to achieving this... (Ver.di officer)

In short, the tight labor market is beginning to force the employers' hand. They increasingly aware that the precarious employment model that underpinned the German aviation industry, certainly on the ground, prior to the pandemic outbreak no longer seems viable. As a result, employers appear to be lining up to sign improved agreements, a fact which further goes to highlight the need to neutralize inflationary wage competition by signing a branch level agreement. For example, in early 2022 Wisag, one of the biggest ground handling operators in Germany, agreed to a salary increase of over 10% for its Frankfurt airport workforce after a period of industrial action. In turn, this ensured Fraground, Fraport's subsidiary, struggled to recruit new employees under the existing terms and conditions they were offering. Consequently, Fraground approached Ver.di to negotiate a new collective agreement even though the current deal in place was still valid, i.e., there was no obligation to return to the negotiation table. The eventual new arrangement saw employees' wage packet rise than more than 14%.

Industrial Action

The final element that has helped encourage employers to consider returning to the pre-1996 arrangement, namely a branch level collective agreement, concerns industrial action. Wisag was not the only firm to strike in 2022, in fact the year represented a

turnaround in the fortunes of trade unions across the whole industry, from baggage handlers through to flight attendants. Although 2020 and 2021 forced trade unions into the defensive, with unions often claiming employers were using the crisis to undermine their power, in 2022 and 2023 unions across Germany experienced a revitalization. The aforementioned tight labor market but also employees' disenchantment with the way employers had treated them in recent years has fortified employees' willingness to challenge their employer:

Of course, this is also noticeable now in the willingness to strike. You also noticed [strikes] this last week in Berlin, on Wednesday and on Friday in Düsseldorf. People are ready to do something and want improved working conditions... You can say that people are also striking so that their work is valued. That is becoming clearer. A colleague said it very, very beautifully in the negotiations the other day: He told the employers "we are the cheap wage slaves".

In addition to a positive change in circumstances, Ver.di has also benefitted from high-density rates at some sites, i.e., at the large airports, Frankfurt, Munich, Dusseldorf, Hamburg and Berlin:

On average, the organizational level in ground handling is relatively high, in total around 40%. We have though organizational levels at the large airports between 70% or 80%, but others 20%. (Ver.di officer)

The fact that Ver.di was well organized is not the only reason employers have increasingly shown interest in negotiating a branch agreement. Ironically, the nature of the old Haustarif system again, decentralized collective bargaining also proved an obstacle for employers in that it strengthened the union's hand. This became quite obvious in 2022 when Ver.di unleashed a series of industrial stoppages across the country:

They want to pacify the labor dispute situation at the airports. Okay, we have these 40 collective agreements today. Theoretically, we could strike at one of these airports in Germany every week. With all the disruptions and all the problems for air traffic that this creates. And that [stop industrial action] is their [employers] biggest interest. Also, the chaos in the summer of 2022 has given us very strong political backing. They [politicians] are really putting pressure on the employers. The federal and state governments are shareholders of many airports. With this leaver, they are pressuring them [owners]... Olaf Scholz [head of the government] himself called Frank Warnecke [Ver.di president] to ask about the status and how far we are with the negotiations [for a branch level agreement].

On the one hand, the strikes of 2022 helped in the short-term to increase the terms and conditions of many GHS. On the other, it highlighted the importance of resurrecting the discussions around the signing of a branch level agreement, these put-on ice with the outbreak of the pandemic. As our interview partner outlined, the current negotiations

are quite well advanced: In principle both parties have agreed to a 37.5 hour working week, and furthermore discussions over job description as well as seniority are well under way. Additional critical factors from Ver.di's perspective concern the starting salary as well as vacation and Christmas bonuses. As for the employers, building open clauses into agreements, a backdoor attempt to reintroduce diversity into collective bargaining by offering plant level flexibility in how they implement branch agreements remains a key aim. However, this is an issue Ver.di is not will to countenance as it would undermine the key characteristic of a branch agreement so important to the union, homogeneity.

Conclusion

After around 9 months of intensive discussions, in which 99% of the most important points have been clarified according to our respondent, the social partners appear hopeful that an agreement will be concluded by the end of 2023. Moreover, with the political establishment, namely local, regional and national authorities firmly in favor of reestablishing branch level collective bargaining, there exists the possibility that the minister of employment might use their legal powers to make any signed deal binding for the whole industry.

In many respects this case study is neither unique nor innovative. This recalibration of collective bargaining involves nothing more than turning the clock back, reinstating tried and tested practices that prevailed prior to 1996. Nevertheless, there remains something quite rare about the narrative that has unfolded in ground handling since 2015 at the behest of Ver.di, the emergence of a strong partnership ideal between the union and certain employer groups at the tail end, that is, the precarious part of the value chain. This unusual alliance between third-party ground handling companies and Ver.di, an alliance that took shape before the outbreak of the pandemic and acquired a new importance as the lockdown gripped the aviation industry, is the result of flaws in the liberal market business model. The outsourcing strategy appears to have a basement after all, one that has become most apparent as the cost-of-living crisis has taken root.

Clearly, contextual factors have favored employees, and unwittingly one might argue third-party firms, too. A number factors are worth returning to again. As in most EU countries demographical factors, the baby-boom generation retiring as well as tendency of younger of younger workers preference to work less have contributed to labor supply crisis across all sectors of the economy. In short, there is a competition for labor. Here, ground handling companies are faced by a number of issues that make employment in this sector unappealing: unsociable hours, poor pay and the time it takes to reach the workplace. Not only are airports situated outside of urban areas but security checks extend considerably the time it takes to clock in. Next, as the recent wave of industrial action has demonstrated, employees clearly feel empowered – a fact that has not gone unnoticed by employers across the whole of the value chain. Hence, employers appear to accept that a branch level agreement represents a means of taking wages out of the competition equation as well as a guaranteeing industrial peace.

Case-study evaluation

Please, evaluate your case study by using the following indicators and give a brief explanation of your evaluation

Criteria	Evaluation on a scale of 1-5 (1=minimum, 5=max)	1	2	3	4	5
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Innovation	<p>Explanation: to what degree does the topic/subject analysed in the case study deviate from existing practices and legal frameworks? Why the case study is innovative?</p> <p>It is difficult to answer this question. On the one hand the fight for branch level collective bargaining is not innovative – this is traditionally the main form of collective bargaining in Germany. The means followed to re-establish this, though, could be considered innovative, especially the fact that some employers are very supportive of this idea.</p>					

Criteria	Evaluation on a scale of 1-5 (1= minimum, 5=max)	1	2	3	4	5
		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transferability	<p>Explanation: to what degree can the results/lessons learnt in the case-study be transferred along the air transport value chain? other sectors? other countries?</p> <p>The way that Ver.di has attempted to manage the promotion of branch level collective bargaining is specific to the German situation. Some of the arguments to convince employers of the need to jettison decentralized collective bargaining could be transferred to other countries, though.</p>					

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Criteria	Evaluation on a scale of 1-5 (1= minimum, 5= maximum)	1	2	3	4	5
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inclusiveness	<p>Explanation: to what degree does the topic/subject analysed in the case-study see the involvement of partners and public actors?</p> <p>The changes discussed are very much the result of social partners working closely together to avert a crisis not only caused by the pandemic but equally the short-term thinking of this value chain model.</p>					

Criteria	Evaluation on a scale of 1-5 (1= minimum, 5= maximum)	1	2	3	4	5
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

<p>C o v i d - 1 9 c a u s a l i t y</p>	<p>Explanation: to what degree is the topic/subject analysed in the case-study directly related to the Covid-19 outbreak?</p> <p>The pandemic laid bare the weaknesses of the neo-liberal model – exemplifying quite clearly the weaknesses in the value chain approach built on precarious employment. This is clearly the main message of this case study - one that might be corroborated by other countries in the project.</p>
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