

Social dialogue in the shadow of the State – Air France, its pilots, and the state-guaranteed loan

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1. Context

The Air France-KLM merger in 2004 created one of the largest airline groups in the world. In 2019, the group reported a revenue of €27.2 billion, with a net income of €363 million. The group employed over 100,000 people and operated a fleet of over 550 aircraft, serving 312 destinations in 116 countries. Looking specifically at the “Air France side” of the group, the company represents the main actor among airlines operating under a French license, as well as the largest and most influential member of the main employers’ association in the French civil aviation sector, the FNAM (Interview 1).

As for virtually all airlines around the globe (see WP2 report), the pandemic severely impacted the group's operations, leading to significant financial losses and operational challenges. As governments implemented travel restrictions and lockdowns to control the spread of COVID-19, air travel demand declined sharply. This led to a significant reduction in passenger traffic for Air France, with the airline reporting a 95% drop in traffic during the peak of the pandemic. The decline in passenger traffic resulted in significant financial losses for Air France. In the first quarter of 2020 alone, the group reported a net loss of €1.8 billion. As the pandemic continued, the losses mounted, with the group reporting a net loss of €7.1 billion for the full year of 2020¹. The pandemic also created significant operational challenges for Air France, as the airline had to implement new health and safety protocols and adjust its flight schedules to reflect the reduced demand. This required the airline to rapidly adapt its operations to the changing situation and to implement new processes and procedures to ensure the safety of its passengers and employees.

On this background, the interviews we conducted for the previous WPs depicted a rather positive image of the state of industrial relations at company level, at least for the years following the arrival of a new management team in 2018. Therefore, in designing this case study we set out to evaluate whether such a climate of social dialogue had withstood the challenge of operating under external constraints and if, and to what extent, these constraints had been deployed as pressure tools in the context of negotiations. In this case study we will focus on the situation of pilots.

Pilots trade unions are historically very present inside Air France. Our interviews were concordant in identifying a unionisation rate around 70-75%, which, compared to the general rate in France (around 8% and even less in the private sector) is extremely high. Three trade

¹ See for instance Minutes of the Ordinary Session of the CSEC (Central Social and Economic Committee) of Air France, of 16 November 2020, p. 6, <http://www.foairfrance.fr/wp-content/uploads/2021/01/MINUTES-DE-LA-SESSION-ORDINAIRE-DU-CSEC-DU-16-NOVEMBRE-2020.pdf>.

unions organise pilots inside Air France: the SNPL (by far the largest pilots' trade union in the company), SPAF (2nd trade union), and ALTER (the smaller of the three).

Social dialogue in Air France has a complicated history (Interview 1). A strike, described as "historical" in the press, in 2014 represents the most recent moment of this history, largely developed in a conflictual model of industrial relations following privatisation of the company². In 2018 a new team arrived at the head of the company, with the new CEO of the Air France-KLM Group Benjamin Smith³. New elections also took place in the same year with a new crop of trade union representatives being elected inside the company⁴. Notwithstanding some initial doubt and fears, notably based on the idea that a manager with an "Anglo-Saxon" background would be generally hostile towards social dialogue⁵, this ushered in a renewed attention for social dialogue. The idea has been summed up across various of our interviews as understanding the benefits of a non-conflictual relationships with trade unions for the health of the company (Interview 2, 3, 4).

This was more marked in the relationship with the pilots' trade unions (notably, the largest of those, the SNPL). The pragmatic explanation of this finding is that pilots' trade unions are perceived as a more credible "threat" in terms of the ability to mount a collective action and of the disruptive nature of such an action.

This is epitomised by two major agreements signed in 2019 on wage evolutions and on the organisation of flight activity in the Air France - KLM group⁶, as well as on pilot instructors⁷. Collective agreements are particularly important in the regulation of working conditions for pilots, due to the absence of a sectoral collective agreement which we explored in our previous reports (see reports on WP4 and WP5). Moreover, the specificity of the Air France group is that the pilots in the low-cost branch (Transavia) are also the pilots of the legacy company (Air France), so that the alignment of working conditions between the two companies is a very relevant topic and requires constant attention in the context of collective bargaining.

The important position of the pilots' trade unions is also visible in the so-called "Air France model" of company level representation. Under this system, specific electoral colleges for pilots

² See Moreau-Grefe, G. & Peyrat-Guillard, D. (2020). L'après d'une violation des contrats tacites : une proposition de modèle à partir du cas des pilotes Air France. *Revue de gestion des ressources humaines*, 115, 19-40.

³ Le Monde, *Air France-KLM : le Canadien Benjamin Smith nommé directeur général*, 16 August 2018, https://www.lemonde.fr/entreprises/article/2018/08/16/air-france-un-nouveau-dirigeant-designe-jeudi_5343119_1656994.html.

⁴ AirJournal, *Air France : un pilote Transavia aux commandes du SNPL*, 7 December 2018, <https://www.air-journal.fr/2018-12-07-air-france-un-pilote-transavia-aux-commandes-du-snpl-5208122.html>.

⁵ E.g. Paris Match, *Qui est Benjamin Smith, le Canadien qui va piloter Air France-KLM?*, 21 August 2018, <https://www.parismatch.com/Actu/Economie/Benjamin-Smith-un-Canadien-pour-sauver-Air-France-KLM-1569768> : « We are here to establish a dialogue with Benjamin Smith. However, the difference in culture, on the matter of labour law for example, may mean that time is lost » (our translation).

⁶ Accord d'entreprise "Accords catégoriel Pilotes 2019", 22 February 2019, <https://www.droits-salaries.com/420495178-skyteam-societe-air-france/42049517800014-siege/T09319001879-accords-categoriel-pilotes-2019-heures-supp-competitivite-temps-de-travail.shtml>.

⁷ Accord d'entreprise Protocole Instructeur Pilote - LTC- CRM Trainer – LPE, 13 May 2019, <https://www.droits-salaries.com/420495178-skyteam-societe-air-france/42049517800014-siege/T09319002850-protocole-instructeur-pilote-ltc-crm-trainer-lpe-primas-formation.shtml>.

and for cabin crews are put in place, ensuring their representation even though they constitute a smaller portion of the workforce compared to ground staff. One of our interviews sketched such a ratio, when it comes to AirFrance, as 1/3 cabin crews and 2/3 ground staff. This model does not necessarily exist in other companies, notably with regard to the specific electoral college for cabin crew members. The existence of a specific electoral college is even more relevant when it comes to pilots, as it basically ensures that this category can elect their own representatives, something that would otherwise be impossible in light of their very low number compared to the overall workforce, which can be situated at around 9% of the workforce of a given company (interview2).

2. The state-guaranteed loan

Going beyond the direct impact of COVID-19 and of the measures taken to fight against the spread of the pandemic, Air France operations during the COVID years were strongly impacted by the conditions linked to the €7 billion loan guaranteed by the French State⁸. As we will detail further below, Air France had to commit to making available 18 slots per day at Paris Orly airport to competing carriers,⁹ as well as to stop operating domestic routes that can be travelled by direct train in less than two and a half hours. The making available of slots, albeit limited, is important as Orly airport has a limited capacity, meaning that each slot made available to a different company represents a direct “loss” for Air France (Interview 6). Furthermore, the loan was also linked to a restructuring plan which entailed a total reduction of 8 500 jobs by the end of 2022 (for Air France and HOP!), although this was to be achieved to a very large extent by voluntary departures and non-replacement of retiring employees.

Before considering the impact on industrial relations of the state-guaranteed loan, it is necessary to provide a short overview of the legal framework for this instrument. This is far a purely technical detour. Indeed, it is because of the legal framework that the loan came with important conditionalities attached. These conditionalities featured prominently in social dialogue processes and strategic considerations of stakeholders.

2.1 State aid under EU law

State aid is a tool specific to the EU competition policy that reflects its distinctive objectives of pursuing both economic efficiency and market integration. Whenever a Member State grants public resources to a company (i.e. ‘undertaking’ under EU competition law), the selective economic advantage conferred by such a measure may distort competition in favour of the beneficiary of the aid. In addition a Member State favouring a national undertaking/based in its territory may also hinder cross border trade, which is at the heart of the internal market objective. Thus, the European Commission may need to approve the provision by Member States of financial aids, to ensure their compatibility with the internal market. The State Aid regime is thus aimed at ensuring a level playing field throughout the internal market.

The provision of such public resources (or ‘State aid’) is thus in principle prohibited under Articles 107 of the TFEU.¹⁰ However, State aid can be accepted in exceptional cases. The European

⁸ Math, A. (2021). Quoi qu’il en coûte. Des mesures incomparables pour faire face aux conséquences économiques de la pandémie ?. *Chronique Internationale de l’IRES*, 176, 8-31, p. 29.

⁹ These were subsequently allocated to Vueling.

¹⁰ https://competition-policy.ec.europa.eu/state-aid/state-aid-overview_en

Commission reviews, and prohibits, or authorises, with or without conditions the allocation by a state of public resources to a private undertaking.

The review of a state measure comprises two steps:

- Is the measure at stake a ‘State Aid’ within the meaning of Article 107 TFEU?
 - If not: it is not a State Aid, and is compatible with the Treaty.
- If it is a ‘State Aid’, it is prohibited, unless it is approved by the European Commission.
 - The Commission can either prohibit the measure, approve it unconditionally, or approve it conditionally to its acceptance of commitments by the undertaking.

At the beginning of the COVID crisis, the European Commission adopted a Temporary Framework¹¹, to facilitate, under the State Aid regime, the provision of a range of public support to mitigate negative economic and social consequences of confinement measures. Under the Temporary framework (amended several times), aids that could be granted by Member States includes, among other things, direct grants, equity injections (up to certain amount), state guarantees for loans taken by companies, public loans with favourable interest rates.

2.2 The assessment by the EU Commission

In May 2020, the Commission approved a State Aid measure by France to Air France, consisting of 1) a state guarantee on a loan by a pool of banks (worth a value of €4 billion), and 2) a state loan (€3 billion). The Commission approved both measures unconditionally, as fulfilling conditions for compatibility expressly defined in the Temporary Framework.¹² More specific conditions were established by France, defined in a contract between Air France and the *Agence des participations de l’Etat* (Agency that manages the French State’s shareholdings). and included a ban on dividends in 2020, and the duty for Air France to contribute to environmental efforts.¹³ In the plan for financial support presented to the Commission in 2020, France had

¹¹ https://competition-policy.ec.europa.eu/state-aid/coronavirus/temporary-framework_en

¹² Commission Decision of 4 May 2020, SA.57082 (2020/N) – France COVID-19 – Encadrement temporaire 107(3)(b) – Garantie et prêt d’actionnaire au bénéfice d’Air France. Recitals 91 (state guarantee) and 94 and s (state loan)

¹³ « S’agissant d’Air France, l’entreprise a accepté de prendre des mesures pour améliorer sa compétitivité, en redimensionnant son réseau long et moyen-courrier, en réduisant ses coûts fixes et en menant à bien le plan de transformation présenté à la gouvernance. Enfin, comme Renault, Air France doit participer aux efforts environnementaux, en baissant ses émissions de CO2, en incorporant des bio-carburants et en mobilisant les acteurs de la filière. » *Cour des Comptes, Les prêts garantis par l’État - juillet 2022* ;

« S’agissant d’Air France-KLM, l’APE a donc mené en 2020 une action de sauvetage rapide et efficace. L’État a assorti son concours financier de garanties permettant de sécuriser le capital de l’entreprise. Par ailleurs, l’entreprise a pris des engagements en matière de plan de transformation ou de contreparties environnementales »

« réduction des vols régionaux très déficitaires au profit du TGV et modernisation de la flotte pour diminuer son impact écologique »

« Les différentes mesures de soutien de l’État se sont accompagnées d’engagements du groupe, incluant la mise en œuvre d’un plan de transformation, amorcé dès l’été 2020. L’ambition du groupe est double: le redressement de la compétitivité pour assurer sa soutenabilité économique et financière, mais aussi la définition d’une stratégie de développement durable, avec notamment la réduction de 50% des émissions

already announced the possibility for further financial measures to Air France, including the transformation of the state loan into a capital injection, as well as additional equity injection, as part of recapitalisation plans.

This decision was also amended by the Commission following a complaint by Ryanair against a Dutch aid to KLM.¹⁴ The Commission had to explain further how the French aid to Air France would not channel back to KLM via the Holding ('ring fencing') in which case the airline would have benefited twice from a State aid measure.

In April 2021, the European Commission approved a proposed measure by the French state to recapitalise Air France, under the State aid Temporary Framework.

The aid granted by France to Air France (and its Holding) comprises:

- A conversion of the State loan already granted by France in May 2020 into a hybrid capital instrument (3€billion)
- Capital injection by the State through subscription of new shares (up to €1 billion) in the context of a capital increase opened to existing shareholders and the market.

In a 71-page long decision, the Commission approved the recapitalisation plans **upon conditions**. Some of those were related to the type of support (direct grant/equity injection), others related to a position of significant market power of Air France in Paris Orly Airport. Safeguards were deemed necessary to ensure the financial advantage given to Air France had a minimal effect on the level playing field in the internal market. Below we summarise the main conditionalities which were ultimately attached to the state-guaranteed loan:

– **Conditions on the necessity, appropriateness and size of intervention**

Assessment of its legality included a proportionality test, to ensure the financial support from public resources did not go beyond what was strictly necessary to ensure viability and restore the capital structure. The Commission considered that the capital injection was appropriate in that respect.

– **Conditions on the State's entry in the capital of companies and remuneration**

The Commission also considered whether the State received appropriate remuneration to make sure the state aid caused minimal distortion of the market. Indeed, the financial advantage should be kept at a minimum.

– **Conditions regarding the exit of the State from the capital of the companies concerned**

France committed to provide a credible exit strategy within 12 months of the aid being granted, or of capital reduction plan below 25% by then. The aim of that condition is to make sure the

de CO2 sur le réseau domestique à horizon 2024, la modernisation de la flotte moyen et long courrier pour diminuer son impact écologique, et le développement de l'usage des carburant » APE : rapport d'activité 2021 :22

Commitments to reduce short internal journeys. Statements by Bruno Le Maire: https://www.bfmtv.com/economie/entreprises/air-france-sommee-de-ne-plus-vendre-de-billets-entre-paris-et-une-ville-francaise-situee-a-moins-de-2h30-en-tgv_AN-202004290216.html

¹⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:62020TN0643&from=NL>

quite important participation of France into Air France is temporary, not to distort competition for too long.

– **Conditions regarding governance**

To prevent undue distortions of competition, the Temporary Framework prevented beneficiaries from engaging into aggressive commercial expansion, or taking excessive risks. (Temporary Framework¹⁵, recitals 71 and following). This was to make sure that public support is not used to strengthen the market position of beneficiaries.

- Air France and its Holding were subject to bans on dividends, on non-mandatory coupon payments, and share buybacks.
- Remuneration of management of Air France – KLM SA, Air France SA and Transavia France SAS was limited, until at least 75% of the recapitalisation was redeemed: remuneration of management not to go beyond the fixed part, no bonuses or other variable remuneration elements to be paid.

– **Prohibition of cross-subsidisation and acquisition ban**

Air France was banned from using benefits of the recapitalisation aid to support economic activities of integrated companies that were in financial difficulties before Covid (31 December 2019). Moreover, until at least 75% of the recapitalisation was redeemed, Air France and its Holding company were in principle prevented from acquiring a stake of more than 10% in competitors or other operators in the same line of business.

– **Commitments to preserve effective competition**

According to the Temporary Framework, if the beneficiary of a COVID-19 recapitalisation measure above EUR 250 million is an undertaking with significant market power on at least one of the relevant markets in which it operates, the Member State had to propose additional measures to preserve effective competition in this market.

As the recapitalisation amount (largely) exceeded € 250 million, and Air France holds significant market power in the provision of passenger air transport services to and from Paris Orly airport, Air France had to offer commitments to restore competition in relation of that airport. In contrast, such conditions were not imposed to Air France for CDG or Lyon airports, as they don't hold significant market power there.

Orly airport is structurally highly congested, subject to several administrative rules to limit noise and pollution, meaning that airlines cannot get access to the landing and take-off slots requested for their operation there. Air France thus committed to make up to 18 slots available per day, to a competing carrier. This was seen as essential to enable the lasting entry or expansion of a competitor.

¹⁵ Consolidated version of the Temporary Framework (November 2021) https://competition-policy.ec.europa.eu/document/download/147e54ed-1e6a-4e6b-8dc0-afa13de2b94a_en?filename=TF_consolidated_version_amended_18_nov_2021_en_2.pdf

The competing carriers had to meet certain conditions, to be the “remedy taker” of the slots made available by Air France. These conditions included being independent from the Air France – KLM group, be compliant with national and EU labour laws, and base its aircraft and crews at Paris Orly airport. The latter condition reflected the objective of ensuring a maximum volume of traffic operated through the slots taken by the competitor, which would not only benefit consumers but also be the most credible competitive constraint to Air France. In practice, slots were to be made available by way of code-sharing (joint operation of aircraft) before a definitive transfer of the slots (without transferring staff or other elements) to the competing carrier.¹⁶

2.3 Commission Decision of 20 September 2021 – Vueling ranked as first ‘remedy taker’

In September 2021, following a call for proposal by the Commission and the Monitoring Trustee¹⁷, the slots were attributed to Vueling.¹⁸ Companies who expressed interest for the slots were: Air Dolomiti, Air Caraibes, Amelia, ASL, French Bee, EasyJet, Volotea and Vueling.

Air Dolomiti was considered to be not eligible, as deemed an (indirect) beneficiary of state aid via the aid provided by the German state to Lufthansa. Amelia was deemed not to be sufficiently independent from Air France, due to strong commercial links with the group.¹⁹ All other carriers were deemed eligible. Following the eligibility stage of the procedure, only ASL, EasyJet, Volotea and Vueling submitted full proposals. The Commission then reviewed the *credibility* of their proposals, that is, its plausibility from an economic and operational point of view. All four carriers were considered as having proposed credible plans, that were compliant with competition law. (i.e., no proposal would cause an increase in market shares that threaten competition). To rank the 4 companies, The Commission would give priority to airline companies already operating a base at Paris Orly airport, and which offers the greatest number of destinations served (connectivity) and the largest capacity deployed at the airport (number of seats). Given that ASL and Volotea didn’t not already operate a base, priority was given to EasyJet and Vueling. Regarding connectivity, Vueling was ranked first, as it served by far the

¹⁶ For details of the allocation of slots see Commission decision, see recitals 247 and following. eg. “The Commission considers that the amount of 18 slots per day is sufficient for the remedy taker to establish or expand viably its based operations at ORY124 by, for example, basing three aircraft and operating three rotations per day with each of them, or basing two aircraft operating five and four rotations per day with each of them. If the remedy taker is a long-haul carrier, the 18 slots per day would enable it to base a higher number of aircraft. As slots are not linked to any specific route, airlines can use them according to their business plan (i.e., on any route of their choice).” This will allow the remedy taker to achieve economies of scale and scope and to compete more effectively with the Beneficiary. The Commission notes in that respect that the addition of two aircraft by Air France’s two competitors basing the largest fleet at ORY after the Dubreuil group (i.e. IAG and easyJet) would already increase their based fleet by a third, which brings substantial advantages at ORY, whose infrastructure is designed to maximise the operational efficiency of such air carriers”

¹⁷ <https://www.alcis-advisers.com/recent-mandates/#recapitalisation-air-france-by-france> . Alcis advisers is the Monitoring Trustee

¹⁸ https://ec.europa.eu/commission/presscorner/detail/en/ip_21_4805. Commission decision, State Aid SA.59913 – France – COVID-19 – Recapitalisation of Air France and the Air France-KLM Holding – Evaluation and ranking of proposals submitted in the implementation of structural commitments .

¹⁹ i) Air Dolomiti, for failure to comply with the requirement of not being subject to competition remedies having received a COVID-19 recapitalisation instrument of more than EUR 250 million (eligibility criterion c.), and (ii) Amelia, for failure to comply with the requirement of being independent of Air France-KLM and unconnected with Air France-KLM at the time of signing of the code-share agreement (eligibility criterion b.).

largest number of destinations to be served directly by all remedy takers, as well as the largest capacity to be deployed, thanks to an early start of operations.

3. Industrial Relations

Perhaps unsurprisingly, the State-guaranteed loan was negotiated and put in a state of emergency and under important time constraints. As such, there seems to have been very limited space for negotiating the actual conditions attached to said loan through proper social dialogue processes²⁰. In fact, one of our interviewees expressed the feeling that most of the conditionalities were actually a result of a negotiation between the national level and the EU one, more than an initial request of the French state (Interview 6).

At the onset of the crisis, the management of the company had been clear on the intention of not using the crisis as an opportunity to call into question existing collective agreements and social dialogue arrangements²¹. This was perceived positively by the major pilots' trade union and helped to create a climate of cooperation in the management of the crisis. In fact, one of interviewees highlighted how the negotiations between the French authorities and the Air France management concerning the tools used to reduce the impact of the crisis, notably the instrument of partial activity of long duration (see our WP4 report), took place in a climate resembling one of tripartite participation. On the other hand, the wage structure, notably of pilots, is strongly based on flight hours (Interview 4), so that the reduction in activity was in itself a "shock absorber" for the company, as it directly reduced labour costs without having to resort to the renegotiation of existing agreements²².

While this climate of cooperation held through the crisis, one of the conditionalities attached to the state-guaranteed loan ultimately had an impact on negotiations. Indeed, the tail-end of the COVID-19 crisis merged with the explosion of the cost-of-living crisis. This created a tension with a *supposed* commitment wage moderation included in the state-guaranteed loan²³. Ultimately,

²⁰ See for instance Minutes of the Ordinary Session of the CSEC (Central Social and Economic Committee) of Air France, of 23 April 2020, p. 9, <http://www.foairfrance.fr/wp-content/uploads/2020/05/MINUTES-DE-LA-SESSION-ORDINAIRE-DU-CSEC-DU-23-AVRIL-2020.pdf>.

²¹ One can see in the early debates how trade unions in the Air France group were directly warning the management of the company against this idea, see *ibidem*, p. 19.

²² See for instance Minutes of the Ordinary Session of the CSEC (Central Social and Economic Committee) of Air France, of 16 November 2020, p. 7, <http://www.foairfrance.fr/wp-content/uploads/2021/01/MINUTES-DE-LA-SESSION-ORDINAIRE-DU-CSEC-DU-16-NOVEMBRE-2020.pdf>.

²³ While this was not included in the legal conditionalities (which we presented above), such a policy was hinted at both in the context of collective bargaining agreements, see Protocole d'accord sur les mesures salariales Air France 2021-2022, 26 May 2021, and of political exchanges, see Parliamentary Question by Mme Clémence Guetté (La France insoumise - Nouvelle Union Populaire écologique et sociale - Val-de-Marne), 12 July 2022 <https://questions.assemblee-nationale.fr/q16/16-82QE.htm>. Such a policy was also mentioned as a fact in one of our interviews (Interview 6) and confirmed in a press article, see Libération, Comme un avion sans ailes Les personnels de Transavia prêts à poursuivre leur grève, 15 July 2022, https://www.liberation.fr/economie/les-personnels-de-transavia-prets-a-poursuivre-leur-greve-20220715_B4EPVAY4EVCE3MO2EEWSCGCF5/: "En échange d'une aide de sept milliards d'euros sous forme de prêt garanti par l'Etat et d'aide directe, la compagnie doit faire preuve de «modération salariale» selon un document établi par la direction d'Air France et consulté par Libération".

a wage increase was negotiated²⁴ and accepted by the company, something that one of our interviewees linked to the will to maintain the (comparatively) good climate of social dialogue built by the management. On the other hand, because of the shape of their careers²⁵, pilots tend to have a preference to exert their “voice” instead of considering an “exit”²⁶ from a given company, this partly explaining the high level of unionisation and of involvement in social dialogue.

To an extent, the argument of the debt burden, more than the state-guaranteed loan, seems to have been used in the context of the abovementioned wage negotiations (Interview 6). In particular, the management of the company highlighted the need to repay the state-guaranteed loan in order to be able to increase their participation in other companies²⁷.

Reductions in the workforce, while not requested under the conditionalities attached to the state-guaranteed loan, were put in place among the pilots through a consensual termination of the employment contract. Around 400 pilots left the company in this way during the COVID-19 crisis. While this was reached by agreement and we found no evidence of tensions on this issue, this still represented a path-breaking moment due to the sheer size of the reduction in employment.

In fact, the condition which was mostly discussed in the context of social dialogue, because of its impact on the position of the company, was the one related to the freeing of slots at the Orly airport²⁸. In this sense, trade union representatives seem to have been concerned with the impact on the health of the company in the broader sense and of the possible impact on the workforce. Notably, the fact that all the slots in question were attributed to one specific competitor was brought up as an element of tension (Interview 6). On the other hand, conditions related to the environmental impact, concerning the abandoning of certain short-haul connections in favour of train connections, seem to have been more readily accepted by the company and in the context of social dialogue discussions²⁹.

To an extent, one perceives a sense of mild surprise among the trade unions representatives of realising how social dialogue was (comparatively) effective and consensual when compared to

²⁴ <https://www.air-journal.fr/2022-09-14-social-air-france-annonce-une-hausse-salariale-et-une-prime-pour-tous-les-employes-5242707.html>

²⁵ Because of the importance of the accrued seniority in the determination of wages and working conditions, pilots face an important cost when considering the switch to a different company.

²⁶ Hirschman, A.O. (1970), *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States*, Cambridge, MA: Harvard University Press.

²⁷ Under the conditions attached to the loan Air France and its Holding company were in principle prevented from acquiring a stake of more than 10% in competitors or other operators in the same line of business. The state-guaranteed loan was ultimately fully repaid in March 2023. See Air France – KLM Group Newsroom, Air France-KLM today announced the full repayment of its bank loan guaranteed by the French State (“PGE”), 15 March 2023, <https://www.airfranceklm.com/en/newsroom/air-france-klm-today-announced-full-repayment-its-bank-loan-guaranteed-french-state-pge>.

²⁸ Reuters, Air France, unions rail against EU bailout conditions, 3 February 2021, <https://www.reuters.com/article/air-france-klm-eu-bailout-idUSL1N2K9366> : “The SNPL pilot union accused the EU in a statement of seeking to ‘destroy the efforts of Air France employees’”.

²⁹ They were still presented as something “imposed” by the conditionalities. See for instance See for instance Minutes of the Ordinary Session of the CSEC (Central Social and Economic Committee) of Air France, of 28 January 2021, <http://www.foairfrance.fr/wp-content/uploads/2021/03/MINUTES-DE-LA-SESSION-ORDINAIRE-DU-CSEC-DU-28-JANVIER-202183183.pdf> p. 67.

what other legacy companies were experiencing in the same period. This seems to have reinforced the willingness to engage in this “new” approach, as opposed to the historically conflictual relationship between trade unions and management, in order to preserve this feeling of being among those companies which came out of the crisis in a stronger situation. On the other hand, history still matters and, while past conflicts happened in the context of a different management team, they are still a vivid memory for most workers and workers’ representatives, and our interviewees highlighted how this creates a sense that the newfound confidence between the sides remains fragile (Interview 6).

4. Conclusion

When we set out to explore the impact of the state-guaranteed loan and, to an extent, of the broader crisis context, on the social dialogue between Air France and its pilots, we were expecting a return to a more conflictual style of industrial relations. After all, this had characterised said relationship for a relatively long time before the change of direction of 2018. As shown in the previous sections, such a hypothesis has been disproven.

Through our interviews and by analysing the minutes of information and consultation bodies we have found only a limited impact of loan conditions on the handling of social aspects (voluntary departures, wage negotiations) through social dialogue. When these were debated, they were often considered in their impact on the well-being of the company, although their potential negative effects were indeed seen as a threat to future employment levels and working conditions. This was particularly the case for the conditionality related to the opening up of slots at the Orly airport.

This perception of conditionalities, and the generally important intervention of the French state in the handling of the impact of the COVID-19 crisis, led to an important deviation from French industrial relations tradition. A sort of “tripartism in one company” can be seen as emerging in the relationship between Air France and the pilots’ trade union, where the non-conflictual relationships are identified as an important tool to show a “united front” when negotiating with public authorities (Interview 6). To some extent, this can also be connected with the initial reaction to the COVID crisis, where, aside from the limitation to the normal operations, Air France was cast in the role of providing strategic activities such as repatriations and import of protective equipment and other medical devices.

This finding reinforces the overall conclusion concerning the tools put in place to manage the COVID-19 crisis. The combination of the state-guaranteed loan and the generalised tool (notably, the partial activity of long duration, see our WP4 report) allowed not only for the (broadly speaking) safeguarding of employment levels, but also for the continuation of a positive climate of social dialogue in the context of a company deemed of strategic importance and in contrast with its pre-2018 history. This relative stability probably also explains the lack of notably changes in the unionisation rate. With the workforce remaining globally stable, workers were reassured about their future professional prospects in the sector (Interview 5). Furthermore, the flexibility of the instrument of partial activity of long duration seems to have helped in managing the return to “normal” levels of air traffic. Indeed, companies were able to switch back to full time during a given period without abandoning the scheme altogether, a situation which helped reduce uncertainty and prepare for the Summer period (Interview 4). In fact, one of our

interviewees considered that this flexibility allowed some French companies, like Air France, to be particularly responsive to the increase of activity and to improve their position in the competition for passengers (Interview 5).

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>The case represents a deviation from the French IR tradition inasmuch as it involved a sort of tripartite negotiation. It was also characterised, at least initially, by a rather “consensual” managed of the crisis. However, the state intervention itself is best seen as a continuation of previous traditions than as a path-breaking moment, as the French state was already very much present in the sector before the Covid-19 crisis.</p>					

Criteria	Evaluation on a scale of 1-5 (1=minimum, 5=max)	1	2	3	4	5
		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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>Some areas of the case study are strictly related to the specific situation of Air France, notably in terms of the existing culture of social dialogue and the very strong presence of trade unions among certain professional groups (pilots, cabin crews). Other areas seem to lend themselves to a higher degree of transferability, in particular the importance of state intervention to facilitate the handling of crisis and making it easier to find common grounds between management and labour.</p>					

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"/>
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 case study sees a heavy involvement of both the state and social partners. The degree of synergistic interaction between the two is somewhat limited by the fact that, from the information we could gather, there was limited “direct” negotiation between social partners and public actors. This was instead mediated by the management of the company.</p>					

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 type="checkbox"/>	<input checked="" type="checkbox"/>
Covid-19 causality	<p>Explanation: to what degree is the topic/subject analysed in the case-study directly related to the Covid-19 outbreak?</p> <p>The subject of this case study is directly correlated to the COVID-19 pandemic. The state-guaranteed loan was a direct response to the dire financial situation of the Air France company and group caused by the impact of COVID and of the following measures adopted by countries all around the world.</p>					X

<https://www.airfranceklm.com/en/newsroom/air-france-klm-today-announced-full-repayment-its-bank-loan-guaranteed-french-state-pge>

https://www.csecaf.fr/?page_id=1926