

WORK PACKAGE 4

INDUSTRIAL RELATIONS DURING AND SINCE THE COVID-19 LOCKDOWN: AN OVERVIEW

1. Impact of COVID-19 on the air transport sector

1.1. Developments in the aviation sector during and after the COVID-19 pandemic

1.1.1 Overview

Civil aviation activities have always been very sensitive to global disruptive events such as the terrorist attacks in 2001, the financial crisis in 2008 or the eruption of the Eyjafjallajökull volcano in Iceland in 2010¹. Infectious diseases are therefore factors of change that have a major impact and create uncertainties in the aviation sector². In previous pandemics, the peak was reached within one to three months, after which travel activity returned to the pre-outbreak level within six to seven months. However, in the case of COVID-19, forecasts indicated that recovery was likely to take longer than six months³. The subsequent reality has supported this prediction. The coronavirus has caused the biggest drop in the aviation sector in its history, compared to which the 2008-09 crisis, or the drops following the September 2001 attacks, appear as mere minor fluctuations.

During the pandemic, in 2020, commercial air traffic declined significantly compared to the previous year worldwide: in 2019 the number of daily flights remained more or less constant at between 100,000 and just over 120,000, while in 2020 these figures fell to lows of around 30,000. The months of March to May 2020 show an extraordinary drop in the number of commercial flights worldwide, with a gradual increase from June 2020 onwards, but with figures up to September 2020 never reaching 80,000 flights per day⁴. In Europe, the situation has been identical to that described at the global level. Restrictive and social distancing measures adopted by the various European countries to stop the spread of the pandemic have caused businesses with a high number of people-to-people contacts to grind to a halt. European air traffic plummeted in April and May 2020, with a drastic drop in the number of passengers carried and commercial flights. Compared to the second quarter of 2019, the number of passengers carried fell by at least 91% in all EU Member States. Similarly, the total numbers of commercial flights (with passengers, cargo and mail) in the EU 27 decreased by 91%, 90% and 84% in April, May and June 2020, respectively, compared to the same months of the previous year⁵.

¹ Eurofound: Research report “Industrial relations and social dialogue. Representativeness of the European social partner organisations: Civil aviation sector”, pg. 35.

² Asociación de Transporte Aéreo Internacional (IATA) (2018). Future of the airline industry 2035, p. 13.

³ Pierce, B. (2020). COVID-19: Updated Impact Assessment, IATA, 24 March, presentation no. 9, who adds that all previous pandemics were acute V-shaped, but there was no recession.

⁴ FlightRadar24 Statistics, flightradar24.com.

⁵ Eurofound: Research report “Industrial relations and social dialogue. Representativeness of the European social partner organisations: Civil aviation sector”, pg. 35, citing European Commission (2020c), Commercial air transport: A long haul to recovery? 4 December, web page.

The expected revenue loss of European airlines by 2020 was estimated at almost 70 billion euros, while that of European airports stood at 30.9 billion euros⁶. The forecasts at the time, which would later be confirmed, were that many European regional airports were in danger of bankruptcy if they did not receive public support⁷.

The opening of restrictions at the end of 2020 and in 2021 resulted in a gradual upturn in activity and in the number of flights and passengers carried, although by the end of 2022 the situation was not comparable to that prior to the pandemic. Additional factors such as the war in Ukraine, rising fuel prices, inflation and new variants of the virus are causing unexpected uncertainties that continue to have a negative impact on the sector's recovery.

1.1.2. Detailed description by country

1. Denmark

Aviation was hit hard by COVID-19 from March 2020. However, action by the state and the social partners was swift.

The two main airports in Denmark are Copenhagen (CPH) and Billund. Copenhagen airport handled 30 million passengers in 2019, while the figure fell to 7.5 million in 2020. However, CPH recovered somewhat during 2021, and the total at year-end 2021 was 9.2 million⁸. Billund airport has undergone a similar development.

The figures vary considerably, as the intensity of confinement varied over the two years. For example, in the month of April 2019 and 2020 respectively Copenhagen Airport lost 93 % of its passengers in 2020 compared to 2019; the figure in April 2020 was 25,936 passengers. In April 2021, the figures rose to 182,094 passengers, but, compared to 2019 (2.5 million passengers), it still represents a loss of more than 90% of passengers. Especially the charter sector was hit hard, as it came to a complete halt, with a passenger decrease of almost 90%. Other months were better, but the combined picture was that overall the sector lost around 90% of its customers during Covid-19.

However, looking at November 2022 (the latest figures available at the time of writing), we find that the sector is performing much better: while numbers peaked in 2019 at 2.2 million passengers, CPH was back to a respectable 1.8 million passengers in August 2022, i.e. 4 out of 5 passengers had returned⁹. Moreover, in August 2022 Copenhagen airport could show the first positive result in a long time. However, the accumulated debt since March 2022 has amounted to DKK 2200 million/295 million euros.

⁶ European Business Aviation Association, (EBAA) “Aviation Round Table Report on the Recovery of European Aviation”, November 2020, pg. 8.

⁷ Ibid.

⁸ <https://www.cph.dk/en/about-cph/investor/traffic-statistics/2022/1/cph%20traffic%20report%20december%20and%202021>

⁹ <https://www.cph.dk/en/about-cph/investor/traffic-statistics/2022/12/twenty%20million%20travellers%20through%20cph%20this%20year>

According to data from Copenhagen Airport regarding passenger numbers for the first 11 months of 2022, the result was 20.4 million passengers, compared to 8.1 million in 2021 and 28.2 million in 2019. Considering that the first 4-6 months of 2022 were still influenced by closures and insecurity around the world, the result is remarkable and indicates good prospects for the future. However, the accumulated debt for the airport since March 2022 amounts to DKK 2.2 billion/€ 295 million.

2. France

In France, passenger air transport in the second quarter of 2020 decreased by 97% (representing a decrease of 44.2 million passengers) compared to the second quarter of 2019¹⁰. Paris Charles de Gaulle airport ranks second (after Frankfurt) in the list of European airports with a decrease in absolute numbers of commercial air flights from January to October 2020 compared to the same period in 2019 (with a decrease of 232,200 flights)¹¹.

3. Germany

Although the major pre-Covid-19 airlines have remained the same, with Lufthansa and its low-cost carrier Eurowings continuing to dominate the German market, the pandemic seems to have altered the German aviation industry, especially in relation to the low-cost carriers. Firstly, as in most countries, the pandemic brought the industry to a virtual standstill. In terms of passengers, the number of passengers fell by 70 percent between 2019 and 2020¹². And although the situation improved dramatically in 2021, the fact remains that the recovery was still far from the industry's position before 2020. In 2021, the number of passengers landing and taking off was 67 per cent lower than in 2019¹³. These figures are important as the crisis seems to have slightly undermined the dominant position of the three big low-cost carriers (Eurowings, Ryanair and Wizz). Their market share decreased from 90 to 77 percent between 2020 and 2021¹⁴. Eurowings seems to have been particularly affected by the confinement and recovery, its market share declining between 58 and 38 percent in this period¹⁵. Major carriers have also fared differently in terms of recovery. For example, while Eurowings' recovery meant it carried twice as many passengers in January 2022 compared to 2021, from 46,996 to 87,324¹⁶, making it the largest low-cost carrier, Ryanair/Malta Air's recovery was more impressive. The number of passengers flying with the Irish airline in January 2021 and 2022 increased from 14,508 to 66,006 respectively¹⁷. Finally, in terms of market share, Corendon Airlines appears to be the key beneficiary of the crisis. The

¹⁰ Data extracted from Eurofound: Research report "Industrial relations and social dialogue. Representativeness of the...", op. cit. pg. 35, citing de European Commission, *Impact of COVID-19 on air passenger transport in Q2 2020*, web page.

¹¹ Data extracted from Eurofound: Research report "Industrial relations and social dialogue. Representativeness of the...", op. cit. pg. 36, citing de European Commission, *Impact of COVID-19 on air passenger transport in Q2 2020*, web page.

¹² Destatis, 2021a).

¹³ Ibid.

¹⁴ DLR 2021; 2022.

¹⁵ Ibid.

¹⁶ DLR, 2022.

¹⁷ Ibid.

Turkish-Belgian-Dutch conglomerate Corendon was not present in the German market before covid, and is currently the fourth largest low-cost carrier in Germany¹⁸.

4. Ireland

The aviation sector in Ireland was performing strongly pre-COVID-19. Considered the safest form of long-distance transport,¹⁹ the sector was experiencing prolonged and sustained advancement. Data provided by the Department of Public Expenditure and Reform illustrates the number of passengers passing through Irish airports increased by 54% from 25 million in 2013 to 38 million in 2019.²⁰ Aer Lingus reported a strong financial year in 2019, achieving operating profits of € 274.9m coupled with an increased capacity of 4.2%.²¹ Ryanair reported full year profits (April 2019 – March 2020) up 13% to €1,002 m due to strong revenue and an increase of 4% traffic growth pre COVID-19.²² The profits for the main airlines in Ireland were achieved amid a challenging year of rising fuel prices, disruption encountered at Dublin Airport and challenging market conditions in Europe.²³

COVID-19 significantly affected the airline industry on account of travel restrictions being implemented to curb virus transmission. This resulted in the grounding of aircrafts, significantly reducing passenger traffic globally for the majority of 2020. As an island nation, Ireland was particularly susceptible to the effects of Covid-19 on air travel. IATA estimated on 5 March 2020 that the worst-case scenario was a \$113 billion (USD) loss in passenger revenues.²⁴ This estimate was later revised. In 2020, there was significant concern within the airline industry; 10.3 million fewer passengers used Irish airports in the second quarter of 2020 (the start of the pandemic) than quarter 2 of 2019.²⁵ At this time, 164,400 passengers passed through Ireland’s main airports in this quarter. This was a decrease of 98.4% from quarter 2 of 2019.²⁶ In its December 2020 report, the Joint Committee on Transportation envisioned “living with Covid-19 for the medium term”,²⁷ thereby indicating its view that the pandemic required longer-term planning.

¹⁸ Ibid.

¹⁹ IATA. *Aviation Safety*. <https://www.iata.org/en/youandiata/travelers/aviation-safety/>. Accessed 7th November 2022.

²⁰ Jane Burmanje, Mary Ellen O’Keeffe, and Luke Daly, *Spending Review 2021: Examination of State Funding to the Aviation Sector during the Covid-19 Crisis* (Department of Public Expenditure and Reform, November 2021), i.

²¹ International Airlines Group (IAG). *Annual Report 2019*. <https://www.iairgroup.com/~media/Files/I/IAG/annual-reports/aer-lingus-annual-report-2019.pdf>. Accessed 27th October 2022.

²² Ryanair DAC. *Annual Report 2020*. <https://investor.ryanair.com/wp-content/uploads/2020/05/Ryanair-FY20-Results.pdf>. Accessed 27th October 2022.

²³ International Airlines Group (IAG). *Annual Report 2019*. <https://www.iairgroup.com/~media/Files/I/IAG/annual-reports/aer-lingus-annual-report-2019.pdf>. Accessed 27th October 2022.

²⁴ Brian Pierce, “COVID-19 - Updated impact* assessment of the novel Coronavirus”, IATA, 5 March, 2020.

²⁵ Alan Healy. *10.3 million fewer passengers used Irish airports in the second quarter of 2020*. Irish Examiner. <https://www.irishexaminer.com/business/economy/arid-40034705.html> 19 Aug 2020.

²⁶ Jane Burmanje, Mary Ellen O’Keeffe, and Luke Daly, *Spending Review 2021: Examination of State Funding to the Aviation Sector during the Covid-19 Crisis* (Department of Public Expenditure and Reform, November 2021), 8.

²⁷ Joint Committee on Transport and Communications Networks, “Issues affecting the aviation industry” 33/TCN/01 (December 2020), 12.

To this point, in testimony before the Joint Committee in October 2020, the CEO of Dublin Airport Authority articulated the peril of a loss of connectivity (its re-establishment possibly taking up to four years of intensive work), but he also identified “2024 or beyond” as a point at which recovery may be achieved.²⁸ In more tangible terms, Ryanair and Aer Lingus²⁹ “effectively clos[ed]” their operations in Cork and Shannon airports,³⁰ thereby largely centering their business around Dublin Airport. Operations in Cork were later re-opened.

As a result of Ireland implementing, “the most restrictive travel policy in Europe”,³¹ it was estimated 1.8 million passengers passed through Dublin and Cork airports in the seven months leading up to 31st July 2021, a decrease of about 91% from the same time in 2019.³² For Dublin Airport Authority (daa), this represented a Total Group net debt of approximately €940 million (after the incurrence of capital expenditure of approximately €111 million during the seven-month period to 31 July 2021).³³ In the same period, Dublin Airport had lost 251,826 flights as of July 2021.³⁴ There were approximately 228 flights/day which was down 69% from 2019.³⁵ Ryanair was the busiest airline with 100 daily average flights which was down 61% from 2019.³⁶

The financial impact incurred by Aer Lingus is estimated to be in the region of €700m. This consists of €361m in 2020 and an additional loss of €347m in 2021.³⁷ Ryanair reported a full year loss of €1,015m year ending 31st March 2021 and an additional loss of €355m year ending 31st March 2022.³⁸

Ryanair reported that there was a 461% increase in customers between 30 June 2021(8.1 million) to 30 June 2022 (45.5 million). Revenue increased during this period by 602% moving from €3.37 billion to €2.60 billion in the same period.³⁹ In October 2022, Aer Lingus published their third quarter results for 2022 and reported an operating profit of

²⁸ *Ibid*, 13.

²⁹ The “anchors of the Irish aviation sector”: Jane Burmanje, Mary Ellen O’Keeffe, and Luke Daly, *Spending Review 2021: Examination of State Funding to the Aviation Sector during the Covid-19 Crisis* (Department of Public Expenditure and Reform, November 2021), 3.

³⁰ Situating the importance of these airports, the Joint Committee wrote: “Cork and Shannon airports play a fundamental role in ensuring balanced regional growth and connectivity for the West and South.”

³¹ Joint Committee on Transport and Communications Networks debate, *Covid-19: Issues Affecting the Aviation Sector*. 7 Oct 2020.

https://www.oireachtas.ie/en/debates/debate/joint_committee_on_transport_and_communications_networks/2020-10-07/3/ Accessed 29th October 2022.

³² daa finance plc Statement. *COVID-19 – Trading Update*. 6 September 2021. <https://www.daa.ie/daa-finance-plc-statement-66/> . Accessed 28th October 2022.

³³ *Ibid*.

³⁴ Eurocontrol, “*Covid-19 Impact on Eurocontrol Airports*” *Eurocontrol Airport Briefings*-Dublin 14 July 2021 <https://www.eurocontrol.int/sites/default/files/2021-07/eurocontrol-brief-on-covid19-impact-dublin-apt-20210714.pdf>

³⁵ *Ibid*.

³⁶ *Ibid*.

³⁷ Aer Lingus. *2021 Full Year Results commentary from Aer Lingus CEO, Lynne Embleton*. 25 February 2022.<https://mediacentre.aerlingus.com/news/25022022/commentary-from-aer-lingus-re-iag-fy-2021-results>

³⁸ Ryanair DAC. *Financial Year 2022 Report*. <https://investor.ryanair.com/wp-content/uploads/2022/05/FY22-Ryanair-Results.pdf> . Accessed 6th November 2022.

³⁹ Ryanair DAC. *Financial Year 2023 Report*. <https://investor.ryanair.com/wp-content/uploads/2022/07/Q1-FY23-Results.pdf> . Accessed 6th November 2022.

€139m. Nonetheless, their profit for the quarter was below their profit achieved for the same period in 2019.⁴⁰

5. Italy

Coming from almost a decade of steady growth, Italy was poised, on the eve of the pandemic, for continued growth, which was expected to last well into the next decade. Between 2010 and 2018, for example, the number of passengers transiting through Italy had increased by 33%, with international flights accounting for the majority (53%)⁴¹. In 2019, 193 million passengers flew to or from an airport in Italy.

Predictions were that 2020 would be a record year, with 21 million passengers expected to travel through the peninsula's airports in August alone⁴². Industry-sponsored research showed continued growth through to 2035, conservatively predicting that passenger numbers would rise to 289 million, while more optimistic projections were closer to 400 million passengers⁴³.

All this meant that the sector was affected by Covid-19 as it moved to meet expectations of continued growth. The pandemic caused the "vertical collapse" of passenger traffic in the sector: for example, on the last Sunday of February 2020, almost 500,000 passengers passed through Italy's airports. One month later, on the last Sunday in March, less than 7,000 people took a plane. Month on month, comparing March 2019 to March 2020, passenger volumes fell by 85%, with 2/3 of all flights cancelled compared to the previous year. Once the flights required to repatriate citizens were completed, passenger traffic effectively ceased, while the airports, required by law, remained open. On an annual basis, the effect of the initial closure and the ongoing restrictions, both on mobility and social distancing, resulted in 73% fewer transit passengers in Italy in 2020 compared to the previous year. These effects lasted until 2021, with 58% fewer passengers travelling that year compared to 2019, resulting in significant revenue losses: between 25 and 55% for airlines and between 22.5% and 50.4% for airports, in annual terms (comparing 2020 to 2019).

The year 2022 has been a year of significant recovery, with the industry not far from where it was in 2019. While the recovery was not unexpected, the pace of the recovery took everyone by surprise. One interesting dynamic observed relates to the unevenness of the recovery between airports, with larger airports still below pre-crisis numbers, while smaller airports have been able to catch up more quickly. This phenomenon could be primarily linked to the decline in business related travel, continued semi-lockdowns in certain parts of the world and events like the war in Ukraine. Where air travel has recovered most significantly in Italy, according to interviews, appears to be in tourist destinations (e.g., Sardegna). We can hypothesize a role for low cost carriers as well, given their outsized role in terms of tourist passenger volumes through smaller Italian airports. However this role is likely more indirect. For example, looking at August 2022 data, major international hubs Rome-Fiumicino and Milano-Malpensa are still below

⁴⁰ Aer Lingus. *Q3 2022 Results commentary from Aer Lingus CEO, Lynne Embleton*. 28 October 2022. <https://mediacentre.aerlingus.com/news/28102022/q3-2022-results-commentary-from-aer-lingus-ceo-lynn-embleton?>

⁴¹ <https://www.istat.it/it/files/2020/05/Trasporto-aereo.pdf>

⁴² <https://www.istat.it/it/files/2020/05/Trasporto-aereo.pdf>

⁴³ <http://www.assaeroporti.com/wp-content/uploads/censis/Rapporto-Censis-Assaeroporti-Completo.pdf>

2019 levels by 26% and 29% respectively; while smaller airports such as Bologna and Olbia (on Sardinia's "Costa Smeralda") are operating above their 2019 levels by 5% and 9% respectively. This dynamic can be explained by Covid-19's continued restrictions on travel to and from certain non-EU destinations (such as Japan and some Latin American countries). Ongoing threats to the sector's recovery include inflation, rising fuel costs, changing patterns in business travel (with telecommuting leading to a reduction in certain types of business travel), the end of flights to and from Russia and Ukraine, as well as restrictions on entry to certain foreign destinations.

Regarding the situation at airports, their operators were in a stronger position to cope with the COVID-19 crisis. Most of Italy's airports are operated by public-private partnerships, on the basis of forty-year concessions with the civil aviation authority (ENAC). The long-term horizon of the concessions makes it easier for airport operators to access capital and loans for large investments. As such, some of the larger operators were able to take advantage of the crisis and lack of passengers to carry out major reorganisations; for example, during the period of lower passenger volumes, Rome-Fiumicino airport redeveloped an entire terminal.

6. Poland

Poland has been affected by the pandemic to a similar extent as the global industry. Analysis of passenger numbers (in domestic and international traffic) for the three largest airlines operating in Poland (of which two are low-cost carriers - Ryanair and Wizz Air - and only PLL LOT is a domestic operator) in the years leading up to and during the pandemic shows that from the peaks of 2019 (with figures of 12 million trips at Ryanair, almost 12 million for LOT and almost 10 million for Wizz Air), 2020 shows very significant drops for all of them (none of them reaching the figure of 4 million passengers), with 2021 being a year of some recovery for some companies (Ryanair or LOT) or, at least, of maintenance (WizzAir). There are other airlines present in Polish air traffic, but the three airlines mentioned above accounted for 3/4 of all air passenger traffic before the pandemic; during the pandemic this figure rose to 80%.

The magnitude of the crisis in the sector in Poland can be seen most clearly by comparing the numbers of passengers who have travelled in the first quarters of the year from 2020 to 2022. In the first quarter of 2020, when the pandemic was beginning to spread across Europe, the figure was not very different from the previous year. From March 2020 onwards, air traffic in Europe was virtually suspended, meaning that the percentage of passengers carried during that first quarter was almost half of the whole year. In Poland, the normal network of connecting flights was not activate, so that Polish citizens wishing to return home did so on special aircraft operated by the national company PLL LOT on behalf of the government.

The beginning of 2021, on the other hand, saw another wave of disease, this time caused by the omicron variant, which brought air traffic to a screeching halt. The number of passengers carried in the first quarter fell by an average of 5% compared to the previous year's results. However, by the end of the year, the first quarter results were only around 10% of the full year results, as the airline network had already been restored to a fairly normal level during the holidays, helped in large part by a widespread vaccination campaign and travel testing. Air travel in the first quarter of 2022 was no longer threatened by the restrictions associated with the coronavirus

pandemic. Unfortunately, carrier activity did not return to pre-pandemic levels as war in Ukraine broke out on 24 February, again reducing the intensity of passenger traffic.

The pandemic, triggered by COVID-19, did not significantly change the market shares of low-cost carriers. Before the pandemic, in 2019, low-cost carriers carried 55% of all passengers. A year later, their share had risen to 58.44%, but by 2021, that percentage had returned to 56%.

In contrast, there is more fluctuation in the share of Polish operators. Before the pandemic they handled almost 29% of passengers, during the first year of the pandemic this share decreased slightly, but already in the second year of the pandemic it increased to 31%.

The increasing share of Polish airlines in passenger service may have been influenced by a number of factors, including many from outside Poland. Among them, the one-year suspension of operations by Norwegian Air Shuttle, the tenth largest operator in terms of passenger traffic. It is likely that once the pandemic is over and a relatively normal route intensity is restored, the situation may return to pre-pandemic normality. All the more so as the increase in Polish airline participation was not brought about by state or local government intervention, which could, through specific legislation, aim to increase the protection of Polish operators.

In contrast, the first quarter of 2022 did not bring the expected improvement, as the largest airports remained at an average activity of 70% compared to the first quarter of 2020. The only airport to record growth was the small Modlin airport near Warsaw, which recorded higher passenger numbers (on domestic and international flights) in Q1 2022 than the equivalent in Q1 2020. Modlin is Ryanair's main base of operations, although it is of course difficult to make reliable assumptions about why this airport experienced an increase in passenger numbers; the question of whether airports catering to low-cost carriers will recover more quickly, however, is one that might become more visible over time.

7. Spain

In Spain, the slowdown in economic activity as a result of the mobility restrictions resulting from COVID-19 particularly affected the transport sector⁴⁴. In the first quarter of 2020 and, above all, in the second quarter, the activity indicators of the services sector showed historic falls in turnover, with transport being among the most affected services and, within this, air transport has suffered the steepest fall. Specifically, in 2019, Spanish air transport had an annual turnover of approximately 12,985 million euros⁴⁵, while in 2020 annual turnover fell to 5,187 million euros⁴⁶, a reduction of 60%. However, as soon as the restrictions are lifted, a strong recovery begins, so that, in monthly terms, while the turnover in August 2021 was 95.65 million, it rose to 180.98 million in the same month of 2022, which represents almost a doubling of the results⁴⁷.

⁴⁴ INE. Boletín informativo 07/2020

⁴⁵ https://www.ine.es/prensa/eess_2020_d.pdf

⁴⁶ https://www.ine.es/prensa/eess_2020_d.pdf

⁴⁷ <https://www.ine.es/consul/serie.do?d=true&s=IAS2532&nult=15>

Correspondingly, the loss of passengers in the second quarter of 2020 in air transport was the highest in the EU compared to the same period last year (61.6 million fewer passengers), representing a fall of 98.5% compared to the same quarter last year. This figure started to recover as soon as the pandemic-related restrictions were lifted. Thus, while in 2020 the number of passengers was 58.69 million, in 2021 it rose to 93 million, and in the period January-August 2022 alone the figure almost reached 132 million⁴⁸.

According to the airport management company in Spain (Aena), during 2021, already in a period of recovery, the number of passengers of the main airlines increased considerably compared to 2020. Ryanair remained the leading airline in Spain in terms of passenger numbers: 23.5 million passengers, compared to 13.5 million the previous year. Vueling and Iberia came second and third respectively, with increases of 74.21% (from 12.8 million to 22.3 million) and 58% (from 6.2 million to 9.8 million) compared to the previous year. Air Europa, Binter, Iberia Express and Air Nostrum also experienced very similar increases: 1.1, 1.7, 2 and 1.8 million respectively.

According to data from the Ministry of Transport, in the period January-June 2022, the total passenger movement at Spanish airports reflects a percentage increase of 287.7% in the comparison between 2021 and 2022, but if the period of analysis is from 2019 to 2022, the percentage variation in the total passenger movement at Spanish airports reflects a negative result of -17.9%. This means that, although the situation and activity in the sector has improved significantly, the figures are still not comparable to those prior to the pandemic. With data to October 2022, passenger movements at Spanish airports totalled 24.0 million passengers, up 39.0% on the same month in 2021, but still representing a 2.9% decrease on 2019⁴⁹.

The Iberia and Vueling (IAG) group of companies made a profit in the second quarter of the year (2022), thanks to the recovery of traffic; thus, the half-year losses were reduced to 654 million; compared to losses of 967 million in 2021 in the same period, which means that revenues are already only 28% below pre-pandemic. The first half of 2022, however, was still weighed down by the poor performance of the first half, which coincided with the outbreak of war in Ukraine and the final moments of the pandemic. The better performance in the second period is due to the recovery of traffic and the good expectations for the summer. Up to June IAG reached 72% of the capacity it had operated in the same period of 2019 and for the rest of 2022 it expects to reach 80% in the third quarter and 85% in the fourth quarter. The good forecasts, however, are marked by some uncertainties; the increase in fuel prices, due to the war in Ukraine, is one of them. According to IAG, fuel costs increased by 2.069 billion to 2.566 billion.

1.2. Bankruptcy, restructuring and/or privatization processes of companies

1.2.1. Overview

⁴⁸ Informes del Transporte aéreo en España. Ministerio de Transportes, Movilidad y Agenda Urbana (mitma.gob).

⁴⁹

https://www.mitma.gob.es/recursos_mfom/paginabasica/recursos/trafico_en_los_aeropuertos_espanoles_-_octubre_2022.pdf

The COVID-19 crisis triggered government bailouts and/or financial support that have made the ownership structure of airlines more relevant than ever, at least from two important dimensions: firstly, in terms of the eventual liberalisation of ownership and control clauses that put a limit on foreign ownership; and secondly, in relation to a possible shift from private to public capital that could jeopardise or even reverse the privatisation process that the industry has undergone in the last decades⁵⁰.

Although in general COVID-19 has not meant a process of change in the ownership of airlines or airports, either as a direct result of the pandemic, or as a consequence of the additional effects it has had on companies already in a situation of insolvency, there have been some notable processes of bankruptcy or disappearance of some companies (Alitalia, Air Italy, Blue Panorama, Stobart Air), or changes in business models that have led to changes in the corporate configuration and ownership of airlines (Eurowings founded Eurowings Discovery in 2021, Ryanair transferred Lauda Europe to Malta Air in 2020, SAS launched two new airlines, SAS LINK and SAS Connect; IAG converted a loan to Air Europa into Air Europa shares, becoming the second largest shareholder).

In some countries, the most visible changes have occurred with the opening of new operational bases at airports (SwiftAir and ASL-Belgium at Charles de Gaulle airport; currently Ryanair is considering moving its key Polish base at Modlin airport to the more central Chopin airport in Warsaw).

1.2.2. Detailed description by country

1. Denmark

In general, almost all companies within aviation survived the COVID-19 lock-down; however, a few companies went bankrupt; Norwegian's two Danish staffing companies in April 2020; JetTime in July 2020; and Great Dane in October 2021.

The survival of the most companies along the aviation value chain in Denmark is primarily due to different relief package implemented rapidly after the lock-down in March 2020 (see other parts of this report).

Copenhagen airport had about 30 million passengers in 2019 and about 9.2 million in 2021. However, the incumbent airline SAS has lost the lion's share of passengers; while the share in 2019 was 33.5%, in 2021 it dropped to 28.1%. Norwegian, the second largest operator, also lost significant share, dropping from 17.2% in 2019 to 12.2% in 2021. The third largest operator, Ryanair, has made some gains in relative terms, with 9 per cent share in 2021 compared to 7.7 per cent in 2019. However, it should be noted that these are only relative numbers indicating relative strength among airlines at Copenhagen Airport. The fact is that Ryanair has lost 64% of passengers in 2021 compared to 2019, while SAS and Norwegian are worse off, having lost almost 75% and 79% of their passengers, respectively.

⁵⁰ Abate M, Christidis P, Purwanto AJ. Government support to airlines in the aftermath of the COVID-19 pandemic. *J Air Transp Manag.* 2020 Oct;89:101931. doi: 10.1016/j.jairtraman.2020.101931. Epub 2020 Sep 14. PMID: 32952317; PMCID: PMC7489892, pg. 7.

The Scandinavian legacy airline SAS was under financial pressure for many years before the COVID-19 crisis, but in the last 3-4 years before the crisis, the economic picture was much brighter. However, the strain was reinforced during COVID-19 when passenger numbers were reduced by 95%. Consequently, many employees were sent home and eventually dismissed, and most of the flying personnel was made redundant.

As part of the loans and rescue plans, the Swedish and Danish state gained a larger shareholding in SAS. While Sweden held 14.8 per cent of the shares before COVID-19, the figure rose to 21.8 per cent in 2022. Denmark held 14.2 per cent of the shares prior to COVID-19 and became a 21.8 per cent shareholder in 2022. Subsequently, the Swedish State has announced its intention to sell its stake in SAS, although it is also open to the “FORWARD” plan of converting SAS's current debt to the Swedish State into equity/new shares. The Norwegian Government also announced that it is prepared to help SAS by converting a debt of NOK 1.5 billion (EUR 150 million) into equity. Some commentators point out that the bailing out of SAS by converting state investments and reduction of debts to stock entails a hollowing out of the value of existing stocks – and as such, it could be a problem to attract new investors⁵¹.

The trend seems to be that, while leisure passengers are returning in large numbers, business travellers have not returned to the same extent. Due to new communication habits (Zoom, Teams, etc.) a lot of companies have embarked on the green transition, which includes regulations limiting travel in general and air travel in particular. This development in particular affects companies serving business travellers, which, in the Nordic context, have been SAS's main customers for decades.⁵²

Just before the pandemic, SAS launched two new airlines, SAS Link and SAS Connect, to compete with the business models presented by low-cost airlines.

2. France

The main passenger airline, Air France, was hit hard by the conditions attached to the 7 billions euro loan from the French state. Air France had to commit to make 18 slots per day at Paris Orly⁵³ airport available to competing airlines, as well as to stop operating domestic routes that could be flown by direct train in less than two and a half hours. In addition, the loan was also linked to a restructuring plan involving a total reduction of 8,500 jobs by the end of 2022 (for Air France and HOP!), although this would largely be achieved through voluntary departures and the non-replacement of retiring employees.

Although it is unclear whether this is directly related to the Covid-19 crisis, Norwegian Airlines also closed its operational base at Paris Charles de Gaulle airport

3. Germany

⁵¹ <https://www.euroinvestor.dk/nyheder/panik-blandt-sas-aktionaerer-aktie-i-frit-fald-efter-udvanding>

⁵² <https://www.berlingske.dk/virksomheder/engang-floej-de-forretningsrejsende-fra-moede-til-moede-sas-direktoer>

⁵³ These were subsequently assigned to Vueling.

During the pandemic, the Lufthansa Group (LG), the core of German aviation, was rescued from insolvency by the government in April 2020. Unions lobbied the government to rescue the company, while shareholders, initially reluctant to accept the conditions set by the government for state investment in the company, finally accepted these conditions. In return for investing 9 billion euros, the state was guaranteed a 25 % stake in the company and two seats on the supervisory board⁵⁴. This meant that employees would be guaranteed a majority of seats on the board and, consequently, a controlling influence on the company's strategy. In addition, board members were required to accept a 20% reduction in salary (ibid).

Lufthansa launched a new low-cost holiday airline, Ocean, in 2020⁵⁵, renamed Eurowings Discover in 2021⁵⁶, which would not comply with existing collective bargaining procedures and agreements. In addition, this new company started to hire staff laid off from Germanwings and SunExpress, once these airlines disappeared from the market in 2020⁵⁷.

Ryanair transferred Lauda Europe to Malta Air in 2020, in addition to flying from new hubs. While in the past Ryanair was known for flying from regional airports, today it aims to gain slots at Germany's largest airports, although it no longer flies to Germany's largest airport, Frankfurt. A key aspect of the airlines' recovery plans has also affected ticket prices. However, here there is a disparity between the different companies. While Eurowings, Easyjet and Wizz made a slight increase in ticket prices between 2019 and 2021, a rise in prices from €106 to €112, €56 to €95 and €50 to €76 respectively. Ryanair, on the other hand, favoured its former policy of price dumping, with ticket prices dropping from 59 to 47 euros in Germany⁵⁸.

4. Ireland

For the two main airlines in Ireland, Ryanair and Aer Lingus, there has been no reported bankruptcy or liquidation processes of the companies.

Nonetheless, Stobart Air ceased operations on 12th June 2021. Traditionally known as Aer Arann, it operated under a franchise agreement with Aer Lingus to provide regional flights within Ireland. Prior to the pandemic, Stobart Air expanded its services and conducted “more than 900 flights a week on 30 routes throughout western Europe”.⁵⁹ Citing “the continuing impact of the pandemic”, Stobart Air was forced to reduce its flights by 94%, resulting in practically “no flying since March 2020”.⁶⁰ 480 staff were affected, including approximately 120 pilots.⁶¹

⁵⁴ Die Bundesregierung. Bundesregierung verständigt sich auf finanzielle Unterstützung für die Lufthansa. 25.05.2020.

⁵⁵ Flight Global. 13.07.2020.

⁵⁶ InsideFlyer. 21.01.2021.

⁵⁷ Kölnische Rundschau. 1.03.2022.

⁵⁸ Statista. 27.09.2022.

⁵⁹ Philip Georgiadis. *Stobart Air blames Covid for collapse*. Financial Times. 12 Jun 2021. <https://www.ft.com/content/8c6e65f9-81f8-4b90-aae7-a2841e6b3a33> . Accessed 26th October 2022.

⁶⁰ IAA. *Stobart Air ceases trading. Aer Lingus Statement re Stobart Air*. 12 Jun 2021. <https://www.iaa.ie/news/2021/06/12/stobart-air-ceases-trading> . Accessed 26th October 2022.

⁶¹ Conor Pope and Sarah Burns. *Q&A What's next after the Stobart Air shutdown?*. The Irish Times. 13 Jun 2021. <https://www.irishtimes.com/news/ireland/irish-news/q-a-what-s-next-after-the-stobart-air-shutdown-1.4592331> . Accessed 26th October 2022.

Also, ‘wet-lease’ airline contractor, Cityjet closed its base in Dublin (it retains an administration function in Ireland, but does not employ any pilots or cabin crew).

There are currently no state-owned airlines in Ireland. Aer Lingus was established as ‘the flag carrier’ in the 1930s, but was fully privatised in 2015 following the State selling its remaining 25.1% stake in the company. Aer Lingus is now a subsidiary of the IAG Group. There is no State ownership of Ryanair.

5. Italy

A major factor influencing air transport in Italy has been the decline of the flag carrier, Alitalia, whose fate is intertwined with the pandemic and the government's response to that crisis. In 2017, Alitalia was declared insolvent and placed under special administration by the state. When the pandemic began, Alitalia was still under special administration, with most of the nearly 11,000 employees on contract suspension and receiving salary supports. The purpose of a special administration established was to reorganise the insolvent airline and find new owners; a task that the appointed commissioners were unable to accomplish⁶².

€350 million in direct state aid was provided in 5 tranches⁶³, amounts lower than initially requested by the social partners and the state⁶⁴, due to EU anti-trust constraints imposed on Alitalia. The reasons for this discrepancy are complex, but have to do with the fact that Alitalia had been under special administration since 2017, and that previous loans made by the State during that period were under investigation as possibly illegal under EU antitrust rules⁶⁵. One of the conditions for receiving the aid was that Alitalia would have to auction its business units, including aviation, handling and maintenance.

The “Cure Italy” Decree provided the airlines with their first wave of direct aid based on the notion of “territorial continuity”; it also provided for the creation of a new airline, Italia Trasporto Aereo or ITA, which would initially be wholly owned by the Italian State. ITA would be financed with €1.3 billion. The “Relaunch” decree also contained essential elements for the creation of ITA and expressly stated that the new company would have no connection with the former Alitalia, a condition required by the EU to approve the public financing of the new airline (as well as to protect ITA from liability for the payment of €900 million in state loans to Alitalia deemed illegal in 2021 under EU antitrust rules)⁶⁶. To respect this limit, ITA could not, for example, explicitly guarantee that it would rehire Alitalia employees, most of whom had been receiving support from *Cassa Integrazione Guadagni* since the 2017 bankruptcy. Keeping jobs would become one of the unions' top priorities during the pandemic: no easy task,

⁶²https://www.corriere.it/economia/aziende/20_settembre_30/alitalia-si-va-la-nona-procedura-cassa-integrazionedal-2017-7846ecc8-0341-11eb-a582-994e7abe3a15.shtml

⁶³ https://ec.europa.eu/commission/presscorner/detail/en/IP_21_3292

⁶⁴ <https://www.ilsole24ore.com/art/alitalia-via-libera-ristori-anticipato-stasera-ADUhhRTB>

⁶⁵ https://ec.europa.eu/commission/presscorner/detail/en/ip_21_4664 https://ec.europa.eu/commission/presscorner/detail/en/ip_21_4664

⁶⁶ https://ec.europa.eu/commission/presscorner/detail/en/ip_21_4664

considering that ITA would only buy Alitalia's main business unit, aviation, and would initially operate with a much smaller fleet.

On 14 October 2021 Alitalia made its last flight. The next day, with a fleet of just 67 aircraft, ITA began operations. After Alitalia ceased operations, the handling and maintenance divisions of the former airline were spun off into Swissport and Atitech, respectively, through a public tender process required by the EU as a condition for granting direct State aid to Alitalia during the COVID-19 emergency⁶⁷. Since its launch, direct employment at ITA has been reduced to around 3,000 (from 10,200 before privatisation). At best, the fleet will grow to 110 aircraft and employment to just over 5,000 by 2025. Unions are hopeful that through re-hiring at ITA, Swissport and Atitech, most of the dismissed workers will be rehired⁶⁸.

While the Italian government may continue to have a significant stake in the new company (which some social partners consider essential for its long-term sustainability in a crisis-prone industry) and to exercise continued leadership in some key decisions, ITA is currently in the process of privatisation, with the Council of Ministers having approved in December 2022 a Decree aimed at accelerating the procedure for its acquisition by Lufthansa, the only company that, for the time being, meets the required criteria.

Some social partners are concerned that ITA's take-off has been hampered by a number of factors, including receiving only €1.3 billion out of the €3 billion initially proposed by the government for the start-up phase, a smaller fleet, and the inability to take over Alitalia's slots. Still, some social partners commend the company for its new company-level collective agreement and for maintaining its commitments to hire from the pool of Alitalia employees on leave, while expressing concern about maintaining the levels of investment needed to expand the fleet. ITA Airways noted that it is maintaining its commitments to invest in its fleet, citing the recent acquisition of the Airbus 350 as an important symbol that ITA is delivering.

Currently, following the closure of Air Italy (formerly Meridiana) and Blue Panorama, there are only 3 domestic airlines operating in Italy under Civil Aviation Authority certification. This has resulted in a loss of territorial continuity. For example, until recently, affordable flights to and from Sardinia were only guaranteed by ITA and the Spanish operator Volotea; both have recently announced their decision to discontinue service to and from Sardinia, citing inflation and rising fuel costs as reasons for this decision⁶⁹. Without additional state aid for these less profitable routes, they argue, they cannot continue to guarantee territorial continuity.

6. Poland

During the pandemic there were no changes in ownership, no bankruptcies, takeovers or nationalisations in airlines, or in airports in Poland. The pandemic has not triggered any corporate restructuring. The only flag carrier in existence is LOT Polish Airlines,

⁶⁷https://www.ilmessaggero.it/economia/news/alitalia_dipendenti_assunti_ita_atitech_swissport_esuberi_cosa_succede_news-6619229.html

⁶⁸https://www.collettiva.it/copertine/lavoro/2022/09/01/noticias/cieli_tempestosi2317762/?fbclid=IwAR2fKee5X6SMFavsD6Or9RXWkJZ1ciQ41NAhjXNq1mLciQwnxFfX3-dieciéis rPsF8

⁶⁹ <https://www.galluraoggi.it/cronaca/continuta-territoriale-sardegna-16-settembre-2022/>

founded in 1929 and one of the oldest airlines in the world, whose main shareholder, with 69.3% of the shares, is the Polish state.

PLL LOT recorded a net loss from core operations of PLN 1.327 billion in 2021. 2020 also ended with a loss of PLN 1 billion PLN 41 million compared to a profit in 2019 of PLN 68.9 million.

The response to the disruptions was to optimise operations and generate new sources of financing. The company's losses were covered by capital reserves.

PLL LOT did not receive specific financial assistance or legislative support that could in any way support its difficult financial situation or strengthen its position relative to its competitors.

7. Spain

An analysis of the evolution of the number of existing airlines in Spain shows a significant decrease⁷⁰. Thus, the global spread of the new coronavirus can be considered to have severely affected the aviation sector in Spain, although other factors may also have played a role.

The main corporate restructuring process in the sector, which has not yet been completed, has affected the IAG group and Air Europa. The IAG group (comprising Iberia, Iberia Express, Vueling, British Airways, and Aer Lingus) converted a loan of 100 million granted to Air Europa into shares in the latter airline, taking over the status of Air Europa's second largest shareholder (20 % of the shares) with the ultimate aim of controlling 100 % of Air Europa in the near future. In order to do so, it must obtain authorisation from the European competition authorities and expects to have the purchase plan submitted by 2023. If such authorisation is obtained, Barajas airport would become the international hub for routes to Latin America.

From the point of view of the importance of the transport and storage sector in the Spanish economy, the percentage of workers in this sector out of the total number of workers has fluctuated, with an upward trend, between 4.7% and 5.2% between 2008 and 2020. These values are very similar to the average of the EU-27 countries.

The number of workers in the air transport sector in Spain has undergone a process of decrease from 53,400 workers in 2019 to 49,200 in 2021⁷¹.

On the other hand, following the privatisation process carried out in Spain in recent decades, there are currently no state-owned airlines, with no changes as a result of COVID-19.

1.3. The role of the State and State Aid

1.3.1. Overview

The situation caused by the COVID-19 pandemic in the aviation sector forced States, as the airlines themselves demanded, to take measures to mitigate its most negative

⁷⁰ OTLE based on INE data (EPA). Last update, May 2022.

⁷¹ OTLE based on INE data (EPA). Last update, May 2022.

consequences. State action can be classified into two categories: a first group of measures, which are articulated through regulations and legislation (either emergency or more stable) that aimed to adapt the labour market and the labour framework to the situation that arose; a second group, of an economic-financial nature and aimed at offering direct economic support (via subsidies or loans with special conditions) to the air transport companies that have been hardest hit by the crisis.

In almost all countries, the pandemic has meant a strengthening of the role of the state, both in systems with strong state intervention (France, Poland) and in others where state intervention is less significant. The regulatory function of the state has been transformed into direct planning (France), or planning in collaboration with social partners (Denmark, France, Spain, Germany). In general, pandemic rules have been aimed at finding the necessary flexibility formulas so that the cessation of activity did not result in the termination of employment contracts. The promotion of part-time work, reductions in working hours and wages or contract suspensions have been the most common formulas (France, Germany, Spain, Denmark); in all cases, however, measures have been taken with strong economic support from the State, normally by financing partial unemployment benefits or direct wage subsidies. It is important to note that these measures have been adopted across the board, with little or no differentiation by sector, without taking into account the singular influence of the pandemic on the air transport sector.

From another perspective, a general concern of all governments has been to maintain air transport activity in order to protect economic activity and jobs, both in the aviation sector itself and in related sectors such as tourism⁷². Globally, Germany, France and Spain rank high in their governments' support in the list of countries that have received such aid⁷³. In the European Union, the granting of financial support to ailing companies is limited for competition reasons, which has forced states either to resort to specific exemptions from the rules (Italy, Spain) or to extend support to all transport operators in the country (Denmark; Germany). State loans are usually conditional on the fulfilment of certain conditions of a material nature, relating to restructuring plans, maintenance of employment, abandonment of routes (France in relation to Air France and HOP!) or of a structural nature, relating to the taking of strategic State holdings in the company, in order to have a say in the future business direction of the company (Denmark in relation to SAS, Germany in relation to Luthansa), or profit-sharing (Spain in relation to Air Europa, Air Nostrum, Volotea or Plus Ultra).

As an exception, in Poland, the incumbent airline PLL POT, despite the cancellation and suspension of flights, did not receive significant financial support from the State. The losses were covered by capital reserves.

Apart from the above, with the exception of Denmark, there have been no specific relief packages for the aviation sector, despite the significant impact of the pandemic on the sector. In some cases, the sector has even been explicitly excluded in whole or in part from the financial support provided (Spain).

⁷² Abate M, Christidis P, Purwanto AJ. Government support to airlines in the aftermath of the COVID-19 pandemic. *J Air Transp Manag.* 2020 Oct;89:101931. doi: 10.1016/j.jairtraman.2020.101931. Epub 2020 Sep 14. PMID: 32952317; PMCID: PMC7489892., pg. 12.

⁷³ OCDE based on Abate, Christidis & Joko Purwanto (2020) *J. Air Transp. Manag.* 89:101931

1.3.2. Detailed description by country

1. Denmark

The long tradition of tripartite negotiations in Denmark meant that the relief packages designed to deal with the pandemic were introduced very quickly and in close cooperation between parliament, employers' organisations and trade unions.

Via tripartite negotiations, several relief packages were implemented swiftly, and they have been widely used in the Danish labour market, including the aviation sector. In March 2020, the government concluded the *Temporary Wage Compensation Scheme (TWCS)* in close cooperation with the social partners at national level; the scheme was prolonged several times. This measure was also used in the aviation sector, albeit with certain particularities, as the general state wage compensation schemes were capped, which meant that aviation companies had to supplement the state compensation scheme for e.g. pilots. Since a precondition for receiving wage compensation by the state was that companies could not dismiss employees while receiving wage compensation, some aviation companies opted out of the scheme after only few months. This was the case with SAS, who chose to dismiss staff during the summer 2020 and therefore had to opt out of the wage compensation scheme.

Also the general measure for all companies and sectors regarding support or compensation for fixed costs/expenses has proved useful in the aviation sector, especially at the beginning of the pandemic. The measure has prevented many small companies from going bankrupt. Airlines and especially airports and their related shops and businesses have therefore been highly dependent on public intervention. During the pandemic, the state allowed all businesses to defer VAT payments to the state as a form of additional borrowing.

In addition to general relief packages, aviation-specific relief packages were also implemented. In the months following the outbreak of the Covid-19 pandemic, the Danish government decided to work on a special relief package for the Danish aviation sector. Initially, the aim was to support Danish aviation companies specifically, but this was not possible due to EU competition rules. It was therefore decided to allocate most of the support to airlines operating on domestic routes, as well as to reduce airport charges in general⁷⁴.

On 25 June 2020, the Parliament voted for a *Special Aviation Relief Package*. The relief package was provided with an overall financial framework of DKK 259 million (approx. EUR 34.5 million) which was earmarked primarily for domestic aviation (DKK 135 million/EUR 18 million), for the reduction of airport charges (DKK 90

⁷⁴<https://www.trm.dk/media/1i1h4iek/politisk-aftale-luftfartspakke.pdf>
<https://www.trm.dk/media/s1unw4on/politisk-aftale-justering-af-luftfartspakkeny.pdf>

million/EUR 12 million) and for support to re-establish critical routes (DKK 9 million/EUR 1.2 million). In addition, DKK 25 million/€3.3 million was allocated to a 'climate contribution', aimed at developing and producing environmentally friendly aviation fuel. In September 2020 it became clear that the EU Commission could not allow special treatment of domestic routes. Therefore, the aviation relief package was amended and the special support for domestic routes was cancelled. Hence, it was decided to extend the reduction of airport charges, so it became a 50% reduction instead of the initially planned 25%. Ultimately, DKK 130 million/17.3 million euros were allocated to the reduction of airport charges.

However, the package was still criticised by the aviation sector, which felt that the support was not sufficient.

Because the aviation relief package ended up supporting mainly the general reduction of airport charges, international airlines have been the main recipients of the aviation relief package. From 1 July to 31 December 2020, DKK 69 million/EUR 9.2 million was paid to reduce airport charges with a cap of EUR 800,000 per company. As we see below, Ryanair, Norwegian and SAS have received the maximum amount of support.

It has been criticised that companies such as Ryanair (criticised for traditionally not wanting to engage in collective bargaining) and Qatar Airways and Emirates (located in countries on the EU's list of tax havens) are on the list of the top 15 recipients of the Danish air package, with Ryanair topping the list⁷⁵. Ryanair received DKK 5,956,960 (EUR 800,922), SAS, DKK 5,954,080 (EUR 800,535) and the least supported airline was Air Greenland with DKK 1,423,763 (EUR 191,427)⁷⁶.

In addition, it was decided to allocate a financial framework of DKK 65 million/EUR 8.6 million to support the "restart" of the aviation sector. Among other things, to support security costs, social support and compensation of costs related to licensing and maintenance of special aviation related competencies⁷⁷.

Finally, in light of the slowdown in tourism, travel and aviation, the government agreed on 4. June 2021 on a summer business package to boost the economy and holiday activities of DKK 1.65 billion (EUR 215 million), to boost the tourism and experience economy, among others⁷⁸. The package included direct support for airlines: DKK 27 million/EUR 3.6 million for an extension of the salary support scheme for critical airline staff so they can keep their licences; DKK 60 million/EUR 8 million for the reduction of the security tax for airlines. The decrease in passengers and flights has meant that the transit authority has not had sufficient revenue to cover its surveillance and security control. These expenses are to be financed through higher security taxes and the DKK 60 million will ensure lower security taxes until 2025.

⁷⁵<https://politiken.dk/klima/art8229457/Irsk-Ryanair-blev-st%C3%B8rste-modtager-af-dansk-hj%C3%A6lpepakke-til-luftfart>

⁷⁶ Source: Trafik-, bygge- og boligstyrelsen

⁷⁷ <https://check-in.dk/justeret-luftfartspakke-endeligt-aa-plads/>

⁷⁸ Eurofound 2021.

2. France

The French state played a very important role in the context of the loan to Air France mentioned above. While this is important, the French state was already very present in the sector before the Covid-19 crisis, so this is more a continuation of previous traditions than a qualitative change.

The role of the State was also particularly visible in the establishment of measures related to the fight against the spread of Covid-19. The operation of airlines and airports was strongly affected by obligations to establish rules, procedures and protective equipment.

From a regulatory point of view, the general legislation adopted on “partial activity” had a major impact on the aviation sector, even if it was applicable to the whole economy. On the other hand, the sector was identified as one of those particularly affected by COVID-19⁷⁹, which meant that such measures were phased out later than in the other economic sectors.

3. Germany

The German government rescued the Lufthansa group from insolvency in April 2020 as a result of the pandemic. Virtually all of Lufthansa's aircraft had been grounded as a result of the COVID-19 crisis and the resulting mobility restrictions. Major trade unions lobbied both the government to rescue Lufthansa and the company's own shareholders to accept the aid. In early April 2020, the main German aviation unions, UFO, VC and Ver.di, together with other workers' representatives, sent a letter to the CEO of Lufthansa, demanding his consent to receive the government aid⁸⁰.

Although the government expressed its willingness to save Lufthansa, which was losing around 1 million euros every hour at the time, the major shareholders and the CEO were initially reluctant to accept the conditions attached to any state investment (25% stake and two seats on the Board of Directors). As the pandemic showed no signs of abating, Lufthansa finally acceded to the government's demands in August 2020. Thus, it was agreed to inject 3.5 billion euros into the country's flag carrier, Lufthansa. In total, Lufthansa received 9 billion in state aid from the governments of Germany, Switzerland, Belgium and Austria. However, the most interesting aspect of this action concerns the speed with which Lufthansa repaid the German loan⁸¹. By the end of 2021 Lufthansa had repaid the 3.5 billion euros to the German government. Repaying such a debt meant that Lufthansa's hands were no longer tied in its business strategy, specifically it was now free to merge with or absorb other airlines, something that was forbidden by the government when offering financial support.

The state also helped to rescue airport companies. Between 2020 and 2021, Berlin-Brandenburg, Cologne/Bonn and Munich, all publicly owned airports, received around 400 million euros in state aid⁸².

⁷⁹ Alongside tourism, hotels, catering, sport, culture and event organisation.

⁸⁰ Vereinigung Cockpit. 6.04.2020.

⁸¹ Deutsche Welle. 12.11.2021.

⁸² Finanz Nachrichten. 11.02.2021.

Another important measure to cope with the crisis caused by the pandemic was state support for short-time working by increasing the amount of benefit received. However, although in principle it was assumed that all employees could benefit from this short-term measure offered by the state, there were cases, such as the Malta Air pilots, where employees did not receive state support. This led to claims and complaints alleging that pilots and cabin crew of German operators were receiving preferential treatment compared to other airlines.

4. Ireland

The approach of the Irish State to industrial relations during lockdown was very much an overall one, with little, if any, differentiation between sectors. Industrial relations issues were discussed at the tripartite LEEF (Labour Employer Economic Forum). Importantly, after discussions at the LEEF, a *Return to Work Safely Protocol* was agreed between the social partners in 2020, to support employers and workers to put measures in place to prevent the spread of Covid-19 in the workplace.⁸³ The air transport sector was an important focus in the media and amongst policymakers. There are three important factors to note. First, like many other countries the tourism sector was devastated by Covid-19 (with the grounding of passenger flights having a knock-on effect in sectors like hospitality and retail). Secondly, however, the fact that Ireland is an Island nation means that, even more than mainland Europe, air transport is crucial to connectivity (for both people and products). Thirdly, Ireland's huge dependence on foreign direct investment (FDI; mainly from the US) was high on the policy agenda as travel between Ireland and other nations (notably, the US) ceased⁸⁴.

However, there were no special measures taken in respect of the sector. The State's general support schemes; the Temporary Wage Subsidy Scheme (TWSS; March 2020- September 2020), later replaced by the Employee Wage Subsidy Scheme (EWSS; ended for most employers on 30 April 2022 and for all on 31 May 2022) were available to, and availed of, by all employers in the sector⁸⁵.

At several points during the pandemic, there were calls from trade unions for a more active State approach. In March 2020, the unions at Daa (the airport operator) called for the dividend Daa pays annually to the State to be retained in the company, and used to support employee costs (Daa is a semi-State company, which, although State-owned, is operated as a commercial entity- see WP3).⁸⁶ Ultimately, this did occur and the dividend was not paid. In July 2020, the Fórsa trade union called for a 'sectoral approach' to long-term planning for recovery in the aviation sector.⁸⁷ It was also noted by an IALPA (the pilots branch of Fórsa) representative before a Parliamentary committee that Ireland was 'an outlier' in terms of restricting travel without providing compensatory support to the aviation industry. In early 2021, both Fórsa and Siptu

⁸³ <https://enterprise.gov.ie/en/news-and-events/department-news/2020/may/09052020.html>. Accessed 26th September 2022.

⁸⁴ *Taskforce for Aviation Recovery-Final Report* (2020): <https://www.gov.ie/en/publication/8298b-aviation-recovery-task-force-records-of-meetings-12th-and-19th-june/>

⁸⁵ <https://www.revenue.ie/en/employing-people/twss/index.aspx>. Accessed 26th September 2022.

⁸⁶ Services Industrial Professional and Technical Union (SIPTU). *Daa Unions call for suspension of State dividend to allow supports for airport workers*. 16 March 2020. https://www.siptu.ie/media/covid-19-information/covid-19-pressstatements/fullstory_21594_en.html Accessed 26th September 2022.

⁸⁷ <https://forsatradeunion.newsweaver.com/designtest/lx3glzyq0ck>. Accessed 26th September 2022.

called for ‘German-style’ State supports for aviation jobs and incomes, meaning that the State would subsidise income of employees for the hours when they were not working.⁸⁸

However, the Irish State did not take any specific measures specifically to boost IR/employment support in the sector. Indeed, in October 2020, the Minister for Finance opined that there was nothing any government could do to compensate airlines for the impact of Covid-19 on the aviation sector.⁸⁹ It was noteworthy that the Government (formerly the owner of Aer Lingus) did not intervene in any way (even to exert ‘moral pressure’) during the course of the industrial relations problems at Aer Lingus during the pandemic (see below).

5. Italy

The Italian state intervened quickly and massively to support the air transport sector through direct financial aid to airlines and airports, and additional wage support for employees made redundant due to the pandemic.

As regards state support to the air transport sector, a key strategy - which was also one of the mechanisms justifying support in the light of the TFEU - was the concept of "territorial continuity". Territorial continuity is defined as "the condition in which a transport system is designed to enable the citizens of a specific area to move to and from any part of the national (and European Union) territory with equal opportunity and reliability of movement and price ..."⁹⁰. According to EU regulations, territorial continuity can be supported through different types of direct state support, including cash subsidies to support unprofitable routes and exclusive contracts with individual carriers to maintain specific links. 350 million was set aside under the Cure Italy Decree to provide direct support to airlines providing territorial continuity services.

On 19 May 2020, the government published Decree No. 34, called the "Relaunch Decree". This Decree made specific reference to territorial continuity as a key element in the State's strategy to support the sector⁹¹. The Relaunch Decree earmarked a fund of 130 million euros to compensate airlines for the damage caused by Covid-19. This fund was designed to provide support to airlines that had not yet received support under the March Cure Italy Decree.

The State also intervened by reinforcing existing wage supports for air transport workers by providing additional funding to the Air Transport Sector Solidarity Fund (a wage guarantee fund available only to workers in the sector), normally financed through a small tax on each billon sold. Due to Covid, with the fall in passenger traffic, the funds would have been emptied without state support, as there were no ticket sales to

⁸⁸ <https://www.rte.ie/news/business/2021/0203/1194917-union-calls-for-german-style-supports-for-aviation-jobs/>. Accessed 26th September 2022.

⁸⁹ *Industrial Relations News*, ‘Union invokes emergency agreement after Ryanair’s decision on two bases’, IRN 38 - 22/10/2020.

⁹⁰ Ingratoci, 300.

⁹¹ Ingratoci, 299.

sustain it⁹². Thanks to the social shock absorbers, workers in the sector with suspended contracts maintained 80% of their normal salary.

Looking ahead, a particularly important issue has been the decision to exclude airlines and airports from the Next Generation EU funds, arguing that the industry violates the "no significant harm" principle due to its environmental footprint. However, this is not a total exclusion of the sector from such funds, as of the almost 200 billion euros in Next Generation EU funds that Italy is to receive, 110 million euros will go to the sector through subsidies to ENAV, the state-owned monopoly provider of air traffic management services in Italy; however, carriers and airport operators are excluded. The funds will be used mainly for digitalisation processes in air traffic management, as further digitalisation is considered to improve safety and sustainability⁹³.

6. Poland

Legislation passed to support companies in the COVID-19 situation often required implementation through trade union collaboration.

However, the Polish airline LOT did not receive significant financial assistance from the state during the pandemic (although when international flights were suspended, the government transported compatriots wishing to return to their homeland by chartering LOT aircraft).

7. Spain

During COVID-19, a significant set of measures have been taken to address the most damaging consequences of the pandemic and to facilitate the subsequent revival of the economy. According to Eurofound, Spain, since March 2020, has agreed on 100 measures in the context of the COVID-19 pandemic, the war in Ukraine, digital transformation, green transition and restructuring companies. Most of the cases belong to the category Promoting economic, employment and social recovery with 26 cases (26 %).

A simple chronological review of the list of Royal Decree-Laws published during this period highlights the quantitative importance of emergency legislation. From the first regulation in March 2020 to the end of 2021, 24 more Royal Decree-Laws can be counted that regulate aspects that, to a greater or lesser extent, have an impact on the aviation sector. Among these regulations, it is worth highlighting Royal Decree-Law 25/2020, of 3 July, on urgent measures to support economic recovery and employment, which established a series of measures to support the solvency of strategic companies. Specifically, it created the Fund to support the solvency of strategic companies, attached to the General State Administration, through the Ministry of Finance and managed through the State Industrial Ownership Corporation (SEPI).

The invasion of Ukraine has further disrupted the economic and social situation across Europe. While Spain is among the EU Member States least exposed to the direct effects

⁹² Details of the support provided to the air transport sector can be found here: https://temi.camera.it/leg18/temi/tl18_il_sistema_aeroportuale_italiano.html

⁹³ <https://www.enav.it/node/17267>.

of the Ukrainian invasion (diversification of gas supplies is very high and the trade, investment and financial relationship with Russia and Ukraine is modest), the indirect economic effects are nevertheless considerable, mainly through higher gas and oil prices, but also through higher prices or shortages of other agricultural and mineral raw materials. In this scenario, a Royal Decree Law of March and a Royal Decree Law of June 2022 contain measures for the various transport sectors, but excluding air transport⁹⁴.

ALA (Asociación de Líneas Aéreas), an organisation representing almost all the airlines operating in Spain, has expressed its dissatisfaction with the situation, stating that not only is aviation the only means of transport excluded from the anti-crisis measures contained in the renewed Ukraine War Response Shock Plan, but that, in addition, a Royal Decree Law of August 2022 imposes new economic obligations on the sector⁹⁵, by establishing that the operation and maintenance costs, as well as the investments necessary for the implementation of the Entry-Exit System (SES) to control the external borders of the Member States will be re-imposed on airlines via airport charges, in compliance with Regulation (EU) 2017/2226. It therefore calls on the government to adopt measures to support the sector to help reduce the burdens it bears and thus help them to cushion the consequences of this crisis caused by the war. One of these measures, according to ALA, would be the assumption by the State of the totality of the costs derived from the health security measures against COVID-19 carried out at airports, as well as the implementation of the SES. Another measure would be the articulation of subsidies for the production of sustainable fuels (SAF) to ease the burden on airlines in their transition towards the goal of net zero emissions.

In this context, government support has been given to airlines based in Spain. The amounts, according to the OECD, are below the aid granted in Germany, France, the Netherlands or Italy⁹⁶. Moreover, they are concentrated in the smallest airlines in terms of number of passengers and, moreover, airlines that were already in difficulty before the pandemic. Specifically, airlines in Spain have benefited from the following aid⁹⁷:

- Air Europa: 475 million from the rescue fund for strategic companies of the Sociedad Estatal de Participaciones Industriales (SEPI), which expires in 2026 (240 million in a participating loan and 235 million in ordinary credit).
- Volotea: 200 million, channelled entirely through a participating loan.
- Air Nostrum: 111 million, channelled entirely through a participating loan.
- Plus Ultra: 53 million, 34 million in a participating loan and 19 million in an ordinary loan.

⁹⁴ RDL 6/2022, de 29 de marzo y RDL 11/2022, de 25 de junio.

⁹⁵ RDL 11/2022, de 25 de junio.

⁹⁶ https://read.oecd-ilibrary.org/view/?ref=1060_1060081-7ag4dym0ob&title=COVID-19-y-la-industria-aerea

⁹⁷ <https://www.sepi.es/es/sala-de-prensa/noticias/el-consejo-de-ministros-autoriza-nuevas-ayudas-con-cargo-al-fondo-de-apoyo>

2. Industrial Relations

2.1. Introduction

WP3 examined the nature of the IR systems in the countries under study, and the specific cases of IR in the air transport sector in each country. While noting that IR is a *national* construct, and that it is crucial to pay attention to path dependency tendencies, WP3 noted that institutions are subject to change (such as the decentralisation of collective bargaining evident in some of the countries). WP3 also adopted an actor centred approach; while the aim of actors in IR is generally to come to a ‘negotiated order’, strategic choice options are vital, and these are hugely impacted by power relations (notably, the balance of power amongst actors). The central role of the State in IR was also examined (noting that the role the State plays can vary depending on the nature of the IR system).

In the air transport sector, however, we can identify a number of factors, which make the sector somewhat unique. Following the liberalisation of air transport in the 1990s, the sector is now probably the most internationalised business sector imaginable. With the exception of airport infrastructure, labour (cabin crew, pilots, etc) as well as the means of production (airplanes) are highly mobile. We have seen the emergence in the sector of alternative business models to the traditional ‘Legacy Airlines’ (LAs), in the form of Low Cost Carriers (LCCs) and Ultra Low Cost Carriers (ULCCs), which bring with them new forms of working arrangements and new issues for IR.

We can also note a number of peculiarities relating to IR in Air transport (when compared to the general IR systems of the countries under study). First, in all countries there was, at one time, a State-owned ‘flag carrier’ airline. In most of the countries (but not all), the State has by now removed its interest in owning airlines. However, it might be argued that the political and IR legacy of state ownership is still possible to discern. In most countries, the State does retain an interest in airport ownership. Secondly, in all countries, we can see a higher union density rate in the air transport sector (amongst pilots, cabin crew and ground staff) compared to the national figure. Thirdly, collective bargaining coverage in the sector is very high, but takes place almost exclusively at company level, and the different groups of workers tend to bargain separately (often represented by different trade unions). In some countries, this is quite a deviation from the IR norm, where bargaining normally takes place at sectoral level, and multi-union company level bargaining is rare. This also produces the result of, relatively speaking, rendering employer associations less impactful in IR terms.

2.2. Industrial Relations in the Air Transport Sector During Covid-19

The impact of the Covid-19 pandemic, of course, was felt in every sector of economic and social life. However, air transport stands out as one of the sectors most impacted, as commercial passenger flights essentially ceased for large periods during the lockdowns in various countries. This section is interested in the measures taken in various countries in to support the sector, and how these played out in terms of IR in the IR systems. We have already identified some specificities of the sector in IR terms; this section examines whether, and to what extent, such specificities were factors in how IR in the sector were managed during the lockdown period, and the period of recovery during 2022. The approach we take is to look at the role of the State, of the Social Partners, the

balance of power dynamics between employers and worker representatives, and the role of social dialogue and collective bargaining from March 2020 to the present. All of these things, of course, are interrelated and interdependent, so there is no ‘hard line’ between the categories. However, what we examine is an overall picture on how industrial relations in the air transport sector were impacted during the pandemic, and what lessons we might draw for the future of the sector.

1. Denmark

State

While the Danish State plays a rather redrawn role in regulation of wages and flexibility, since these are taken care of in collective bargaining rounds, the State is an important actor when major welfare issues are at stake. It is precisely in a crisis situation- like Covid-19 - that tripartite negotiations are highly relevant in Denmark, and such negotiations took place quickly when the pandemic hit. For example, in March 2020, the *Temporary Wage Compensation Scheme* (TWCS) was concluded by the government in close cooperation with the social partners at national level; the scheme was prolonged several times as the pandemic continued. In the months after the outbreak of the pandemic the Danish government decided to work on a special relief package for the Danish air transport sector (*Luftfartspakken*). Initially, as we saw above, the goal was to support *Danish* air transport companies, but, as this approach fell foul of EU rules on competition, the package ultimately focused on reducing airport taxes in general.⁹⁸ This had the result that international airlines (for example, Ryanair) were the largest beneficiaries.

While the Parliament provided relief packages very early in the pandemic covering a broad range of branches and industries, both employers and trade unions within the air transport sector criticised the government for not providing enough *additional* measures for the sector, as it was hit harder than most other industries. While the social partners were content with the fact that an air transport package was established, they criticised it as being insufficiently supportive. Furthermore, some of the social partners criticised the fact that some of the general solutions did not fit well with the air transport sector. During the first period of the lockdown, companies were able to place staff on paid leave with significant support from government wage packages, which covered most of the employer expenses. However, according to trade union sources, the job-sharing schemes during the second lockdown did *not* fit flying personnel and they would have preferred to continue to have the option to send employees home with wage compensation.

Airlines widely utilised the TWCS in the beginning of the pandemic. However, after a short period, SAS withdrew from the scheme. A general condition of the compensation scheme was that companies could not receive wage compensation and at the same time dismiss employees. SAS withdrew from the scheme in June 2020 in order to issue dismissal notices to up to 1,700 employees (out of 4,200 employees in Denmark). In total, SAS sacked approximately 5,000 employees during Covid-19, almost half of their

⁹⁸<https://www.trm.dk/media/1i1h4iek/politisk-aftale-luftfartspakke.pdf>
<https://www.trm.dk/media/s1unw4on/politisk-aftale-justering-af-luftfartspakkeny.pdf>

employees.⁹⁹ A lot of pilots and cabin crew was laid-off/ made redundant (many went on voluntary leave) with a promise that they would be first in line to be rehired under the same terms and conditions when traffic restarted after the pandemic. However, SAS did not live up to this promise, resulting in significant discord amongst pilots (this led to a strike among pilots in SAS in July 2022 and it was an important issue in the collective agreement landed in July 2022; see below).

Social Partners

There were some significant changes in terms of union representation from 2021. The Danish Pilot Union (*Dansk Pilot Forening*- DPF, which organised SAS pilots solely) and the trade union for SAS Cabin Crew (*Cabin Attendants*- CAU) both joined the large Danish Metal Workers' Union (*Dansk Metal*), which established a section called *Dansk Metal Luftfart* (air transport) (which also organises air transport mechanics).

On the employers' side, there was also a notable development within SAS, which established two new airlines, SAS Link and SAS Connect. Cabin crew who had been dismissed by SAS (on the expectation they would be rehired once traffic returned) were employed with SAS Scandinavia who refused to re-hire them on their old terms and conditions. Controversially, SAS Link and SAS Connect signed collective agreements with the FPU (not the 'traditional' SAS unions, DPF and CAU). This caused significant inter-union discord. Ultimately, following a pilot strike in summer 2022, it was agreed that SAS Link and SAS Connect will sign collective agreements with the 'traditional SAS unions' (now part of *Metal Luftfart*) once the current FPU agreements expire (in 2025 and 2027).

Balance of power

While the extraordinary situation under the lockdown illuminated challenges, the form of negotiations, the cooperation pattern, the power balance, and, as such, the underlying structure of the IR system in Denmark did not change fundamentally as a result of Covid-19. Employers' organisations and trade unions were very constructive in both local and central negotiations in order to save companies and jobs. Interviews indicated that employers, in particular, have seen the Danish model in a new and positive light after having been helped out by the tripartite based relief packages. As such, the pandemic has not resulted in a change in the power balance between employers and employees; rather, it has strengthened the cooperation at central as well as sectoral and local level – at least for the duration of the crisis. As air transport recovers and labour shortages are widespread, we could expect a 'sellers' market', i.e., that unions have bargaining leverage. However, inflation and the energy crisis have seemed to cushion this – and the Danish model has a long tradition where the social partners do not overplay their cards when having the upper hand.

Social dialogue/ structure of collective engagement

There was ongoing formal dialogue and negotiations between the social partners in the Danish air transport industry. This took the form of extraordinary bipartite meetings between relevant trade unions and air transport companies (which were not part of the

⁹⁹<https://fagbladet3f.dk/artikel/frygter-sas-fravaelger-tidligere-ansatte>

regular collective bargaining rounds). There were ongoing negotiations between the social partners about temporary wage cuts in order to limit costs for companies, as well as solutions on voluntary leave without pay in order to limit dismissals. For most airlines, this resulted in a voluntary wage cut for pilots of approximately 20% (in general, the State compensation scheme covered the salaries of cabin crew and ground staff). In some instances, the negotiations were between trade unions and individual air transport companies (this is the case with SAS), and in other instances between trade unions and employers' organisations. The social dialogue and negotiations continued after the lockdowns and focused on ramping up the production to match increased demand.

SAS, by far the biggest airline operating in Denmark was already challenged economically before the COVID-19 lockdowns, and recurrent saving plans had forced the SAS unions (DPF and CAU) into several rounds of concession bargaining. However, the economy seemed to have stabilised to some degree in the years immediately preceding COVID-19 and in 2019 the pilots struck a deal with SAS for a wage rise, following a seven-day (legal) strike. Nevertheless, the recurrent cuts in wages and deterioration of working conditions has eroded trust between management and employees in SAS over the last two decades. Negotiations between SAS and their pilots on a new collective agreement broke down in early summer 2022, which led to a grounding of 50% of SAS flights. However, flights operated by leasing companies, and SAS Connect and SAS Link, went ahead (as pilots in these companies were under a different collective agreement). Ultimately, a collective agreement was reached (for an unusually long period of 5½ years). Crucially for the unions, part of the agreement is that pilots made redundant during the pandemic are to be re-hired before any other recruits, and that pilots working in SAS Link and SAS Connect re-join the SAS Pilot Group bargaining forum when the current FPU agreements expire in 2025 and 2027 – with the same seniority. The union restructuring in SAS (pilot and cabin crew unions now joining *Dansk Metal*) means that pilots and cabin crew may have more 'muscle' in future negotiations with SAS, and can draw on valuable negotiations skills from *Dansk Metal*.

Ryanair had neither bases nor a collective agreement in Denmark before the lockdown in 2020. However, in 2020, Ryanair engaged in negotiation with FPU about a collective agreement for staff in Denmark. Having still not reached an agreement, Ryanair established a base for their subsidiary Malta Air in Billund and started flying in October 2020. Negotiations between Ryanair and FPU continued on off and on over the next 18 month to no avail and FPU stopped the dialogue in the spring of 2022. However, in the summer of 2022 Ryanair/Malta Air started a dialogue with *Metal Luftfart.*, and 31. January 2023, Ryanair closed a collective agreement with Metal. In relation to this issue, there is an interesting phrase in the new collective agreement between SAS and Metal Luftfart mentioned above, which states that Metal Luftfart cannot sign collective agreements with other airlines that undermine the wage and terms in the collective agreement between SAS and Metal Luftfart.

Industrial Relations along the aviation value chain differs from the general picture in Denmark. While *ground personnel* are inscribed in sector negotiations as seen for most of the Danish labour market, the flying personnel is typically under company agreements and as such not covered by any sector agreement. As such, ground personnel remain part of the traditional Danish bargaining model, where sectoral agreements set out the framework for local negotiations. Furthermore, many of the

general relief packages has been applicable for these groups of employees. The position of pilots and cabin crew is more complex. Here, company-level agreements dominate in airline companies, and until recently we even found company unions – the case of SAS. As such, there are many different individual company agreements, and IR in airlines deviate from the general picture of IR in Denmark – and from IR for ground personnel.

In February 2022, the luggage handlers in SAS went on strike due to uneven salaries between newly hired employees and existing employees, and work schedules that have more weekend duties. The reason is that SAS, to a large degree, is catering for leisure passengers (previously it had more business travellers). Business passengers travel usually from Monday to Friday, where leisure passengers travel more at weekends. This seemingly small detail could gain more significance for certain airlines and airports that rely on business traffic; it remains to be seen (with the advent of remote working and online meetings) if business traffic will return to its pre-2020 levels.

2. France

State

The “State-centric” nature of the French industrial relations system (i.e. highly institutionalised and regulated, the government playing for example a fundamental role in granting the extension of the binding force of collective agreements) has been reinforced during pandemic, and in particular during the lockdowns. The strengthening of the role of the State was accompanied by the promotion of collective bargaining. Far from being a contradiction, this double trend is rather characteristic of French industrial relations under normal circumstances (see below).

Air France, was strongly impacted by the conditions linked to the €7 billion loan from the French State. In particular, Air France had to commit to making available 18 slots per day at Paris Orly airport to competing carriers, as well as to stop operating domestic routes that can be travelled by direct train in less than two and a half hours. 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.

The air transport industry was identified by legislation as a sector particularly impacted by the Covid-19 crisis, which means that schemes such as partial activity have been phased out later than in the rest of the economy. Two of the main tools used to manage the effects of the crisis on employment, “partial activity of long duration” and “agreements of collective performance”, were only accessible through the conclusion of collective agreements.

Social Partners

All the employers’ organizations are growing, but this is particularly the case for the CPME (*Confédération des petites et moyennes entreprises* – Confederation of Small and Medium Companies) which increased its membership by nearly 100,000

companies. CPME has become the leading organization in terms of number of companies represented, covering 42.45% of companies in the private sector.

The unionisation rate among cabin crews and pilots, already very high before the crisis, remained stable during the crisis. An important evolution which took place during the period of the Covid-19 crisis, which is in itself not linked to the crisis, is the publication of the decree establishing the representativeness of trade unions in the broader air transport industry. This is relevant as the decree *excludes* the representativeness of the main pilots' trade union (SNPL).

Air France tried to renegotiate its fixed-term company-level collective agreement one year before its natural end (30 October 2022). The proposal split the four representative trade unions in Air France, with two in favour of the reopening of the collective agreement and two opposed. A collective conflict against Transavia (part of the Air France group) took place during Summer 2022. This was initiated by one of the trade unions in the company (SNPNC-FO). The strike was called in response to a collective agreement signed by the company with the three other organisations representative in the group, which included the increase of certain bonuses, whereas the SNPNC-FO demanded an increase of the base remuneration to bring it in line with the French minimum wage (SMIC).

Balance of power

During the Covid-19 pandemic the trend of collective bargaining decentralisation accelerated since company-level collective agreements were made a condition to enact most labour law derogations. The imbalance of power between the employer and workers' representatives has historically been much more marked at company level.

During the pandemic, trade unions had virtually no possibility of threatening or organising (effective) collective actions. This tilted the balance of power in favour of employers in the context of the negotiations concerning agreements of collective performance (i.e. wage reductions) or partial activity of long duration. However, the, to some extent, surprising increase of air traffic during Summer 2022 brought about new opportunities for trade unions to effectively use collective action or the threat thereof (in line with "standard" tactics when it comes to collective actions in the sector, which tend to be placed at moments of peak activity, such as Summer or Christmas holidays).

Social dialogue/ structure of collective engagement

On the one hand the state has promoted, even more than usual, collective bargaining as a way to enact labour law derogations concerning relevant working conditions, such as social dialogue and wages. One of the striking examples is the sharp rise of Collective Performance Agreements (APC, or *accords de performance collective*). These agreements enable the employer to reduce wages and derogate *in-pejus* to applicable working conditions concerning working time and workers' mobility without requiring any guarantee on the employer's side in terms of investments or employment levels. So, while collective bargaining has been "promoted", in quantitative terms, the impact of these agreements on working conditions was markedly negative.

On the other hand, as far as the role of works councils is concerned, that is, consultation, this has also been instrumentalised in order to introduce drastic changes in the organisation of production, or measures on workers' health and safety. This has not been accompanied by an equal level of attention to the concrete functioning of these processes of consultation. For example, in order to promote the rapid resumption of economic activity, certain time limits for the consultation of the CSE (Social and Economic Committee) have been drastically reduced. When topics are related to Covid-19, the consultation periods have been reduced from 1 month to just 8 days and in a number of cases, the measures at stake can be implemented prior to the adoption of the opinion of the CSE.

Some court rulings have tried to set limits to the employers' powers during the Covid-19 crisis, by reinforcing the works councils' (CSE) right to be at the ruling of the Nanterre Court of Appeal against Amazon).

The state has promoted collective bargaining but as means of employers being able to derogate from certain standards. The new framework for short-time working simplified the procedure and reduced financial cost for employers to zero. This scheme was set up by the "Emergency Law to deal with the Covid-19 epidemic" but relied partly on collective bargaining. Notably, a collective agreement was requested to increase the amount of the indemnity due to the employee above the level established by the law (between 70 and 85%).

The use of the scheme for partial activity of long duration requires a collective agreement at company or branch level. The lack of a branch level agreement for the sector meant that negotiations took place at company level. These were globally smooth, given the shared interest for accessing the partial activity scheme. However, in certain cases these negotiations were made more complicated by the simultaneous negotiation (or renegotiation) of collective performance agreements, entailing wage reductions.

While before Covid-19 some social partners were concerned with the future impact on employment levels of the efforts related to the fight against climate change in the context of air transport, the arrival of the crisis seems, if anything, to have frozen these efforts.

The crisis may have renewed the attention on the lack of a floor of rights as a means to fight against practices of "social dumping". This could potentially lead to a new interest for the negotiation of a branch level agreement. However, the same difficulties highlighted in our WP3 Report remain. In particular, the issue of the role of the pilots' trade union, which is highly representative in an important category which, in its turn, is numerically "small" in the overall workforce, remains unsolved.

Several companies rescinded their collective agreements during this period, profiting from the impossibility to organise collective actions at a time when the activity was essentially stopped. As we have already seen, Air France's attempt to renegotiate its fixed-term company-level collective agreement one year before its natural end (30 October 2022), caused a split amongst the four representative trade unions.

In the specific case of Ryanair, the need for a collective agreement in order to put in place a system of partial activity of long duration has led to successful negotiations in

this particular instance. This does not seem to have led to a noticeable deviation from Ryanair's standard approach towards social dialogue. In fact, one of our interviewees points out that even when Ryanair seemed interested in social dialogue, this was done only as an attempt to find a legal cover for practices which seem to run counter the French standards, for instance in the matter of the non-payment of overtime, or to delay a collective action to pass the "peak" of activity. Our interviewees tend to assimilate the situation of Ryanair to the one of Volotea when it comes to (the lack of) social dialogue, grouping them under the label of ultra-low-cost.

In the case of Ryanair, for the first time a threat of collective action during Summer 2022 led to negotiations concerning the return to pre-crisis working conditions, and to the action itself to be called off. This broke a 4-month period of silence from the management vis-à-vis the employees' representatives requests for starting negotiations. With the increase of activity during Summer 2022, some pre-existing tensions came back to the fore; for example, the use of wet lease practices, which were deployed both as a form of reduction of labour costs and as a way to cope with the sudden increase of demand.

The agreements of collective performance, which entailed wage cuts, have not been automatically terminated with the return to "normal" activity levels in Summer 2022. This is presently the object of company level negotiations across the sector, generally leading to the compromise of agreeing on a timeframe for a gradual return to previous working conditions. These negotiations are, however, further complicated by the present economic climate and the impact of inflation on purchasing power.

Two of the main tools used to manage the effects of the crisis on employment, partial activity of long duration and agreements of collective performance, were only accessible through the conclusion of collective agreements. The specific situation of the air transport industry, that is the lack of a sectoral collective agreement covering cabin crews and pilots, meant that these agreements had to be concluded at company level. This led to companies normally opposed to all forms of social dialogue, such as Ryanair, to sit at the table with trade union, at least for this specific objective. On the other hand, this doesn't seem to have changed the overall approach of these companies, as our interviewees remarked the persisting difficulties in starting new negotiations with Ryanair in more recent times.

Outside of ultra-low-cost companies, the main issue emerging in the context of social dialogue during these (potentially) post-crisis months has been and still is the renegotiation of agreements of collective performance. In these agreements, trade unions accepted cuts to wages in order to reduce the wage bill of companies during the crisis period. With the crisis being (again, potentially) over sooner than most forecasts expected, trade union are increasing their demands of a swift return to pre-crisis working conditions.

3. Germany

State

With the support of the social partners, the State was able to implement significant short-term working packages (and increase these in 2021 as the situation worsened). In 2020, for example, Lufthansa placed 31,000 employees on short-term working for an initial five months; this was made possible by state legislation guaranteeing 70% of the take home pay¹⁰⁰.

As we have seen above, initially, the Lufthansa Group (LG) main shareholders appeared reluctant to accept the conditions attached to any state investment. With pandemic showing no signs of abating, Lufthansa finally agreed to the government's demands in August 2020. In the end, it would appear that both parties, the unions and Lufthansa, did eventually work closely together to ensure the firm's survival in the early phase of the pandemic. By the end of 2021, however, Lufthansa had reimbursed the German government. Settling the debt meant that Lufthansa's hands were no longer tied in terms of its business strategy; specifically it was now free to merge or takeover other airlines, something that was prohibited under the terms set by the government when offering financial support¹⁰¹.

Social Partners

Aircrews Alliance (AA), founded by Ver.di at the end of 2019, came to the fore once the pandemic hit. AA is a new structure set up to organise aircrew employees irrespective of their employer; an attempt to consolidate employee interests in an ever-diverse air transport labour relations environment. In July 2022, VC announced that it was restructuring its Lufthansa collective bargaining commission in an attempt to achieve better coordination across the company¹⁰². In June 2022, the VC became an affiliated member of the *DBB Beamtenbund und Tarifunion* (German Civil Service Association)¹⁰³. VC's decision to set up the Group Strategy Board could prove an important game changer, an attempt to coordinate collective bargaining across the Lufthansa Group, i.e. Lufthansa, Eurowings, and Eurowings Discover.

Relations, however, between Ver.di/AA and UFO, which were already strained, do not seem to have improved during the crisis.

As the pandemic went on, there was a growing feeling on the union side that employers were taking advantage of the crisis. This became most pronounced towards the end of 2020. Lufthansa was accused of using the crisis to promote a social dumping policy. A key aspect of Lufthansa's strategy involved the launching of Ocean in 2020, re-named Eurowings Discovery in 2021, a new low-cost carrier that would not comply with existing collective bargaining procedures and agreements. This involved laying off

¹⁰⁰ Aero.de. Lufthansa: Kurzarbeit für 31.000 Mitarbeiter (aero.de)

¹⁰¹ Deutsche Welle. <https://www.dw.com/de/lufthansa-zahlt-deutsche-staatshilfe-vollst%C3%A4ndig-zur%C3%BCck/a-59802772>

¹⁰² Vereinigung Cockpit. VC Info: Artikel (vcockpit.de)

¹⁰³ airliners.de. Vereinigung Cockpit wird Mitglied im Beamtenbund DBB - airliners.de

employees within the Lufthansa Group between 2020 and 2021, whilst at the same time hiring employees on inferior terms and conditions. Unions often claimed that employers were using the crisis to either side-line collective bargaining practices through one off pay increases (a source of tension between Ver.di/AA and UFO) rather than a collective pay agreement spanning a longer period of time, or developing new business models, i.e. new LLCs that did not comply with existing standards. The term which could often be heard, was *Tarifflicht*; the attempt to escape the control of collective bargaining procedures¹⁰⁴.

Balance of Power

Initially the employers' negotiating hand was strengthened because of the crisis and the fear of unemployment forcing unions into concession bargaining. Nevertheless, a new context has emerged in 2022, which is a result of firms' short-term strategy in laying people off, employees voluntarily leave the industry in response to the accumulation of poor working conditions, and low salaries as a result short-time working. 2022 could be a considered a year when unions have attempted to reassert themselves, possibly even leading to a slight shift of power in favour of organised labour. This relates to a spate of strikes both outside and within the air transport industry to bring salaries in-line with inflation. The unions' position appears to have been strengthened by, first, a general support within society for measures that will counter the cost-of-living crisis and, secondly, the existence of a labour supply crisis, especially prevalent in sectors hit by the pandemic, such as air transport.

Social dialogue/ structure of collective engagement

Initially the Covid pandemic represented an opportunity for the main characteristics of German system of industrial relations, specifically social dialogue and conflict partnership, to come to the fore. Undoubtedly, joint declarations by the social partners (such as that made in early 2020 by the DGB and the BDA that they would 'push aside differences' in an attempt to jointly address the pandemic) made it easier for the government to agree packages, such as short-time working.

Notably, following the 2021 election, the coalition of the SPD, Greens and FDP, have committed themselves to discussions about how best to stop the erosion of collective bargaining evident in recent decades in Germany. Also, in 2021, unusually for collective bargaining in Germany, agreements were concluded for an average of 23.8 months (rather than the usual 12 months). At national level, following the outbreak of Covid in 2020, the DGB and the BDA worked closely together in lobbying the government to support short working time measures as a means of fighting potential unemployment and recession. Under the new government, elected in September 2021, evidence suggests that relations between the three actors might even have improved. Certainly, the BDA has praised the government's commitment to organise regular meetings in which the chancellor, DGB and BDA come together discuss key challenges facing Germany. For example, since the advent of the pandemic, a number of well-published tripartite summits were held to discuss the state of the German air transport industry. In 2021, politicians, employer organizations and trade unions convened to

¹⁰⁴ Aircrew Alliance. Ocean: Tarifflicht und Verdrängungswettbewerb auf Staatskosten - Beschäftigte kritisieren Lufthansa – Aircrew Alliance

discuss means to make the industry competitive, efficient and sustainable (Vereinigung Cockpit, 2021). Central here was a consensus that any climate neutral strategy had to be made an international issue, noting that a single national approach would threaten the competitiveness of the German air transport industry.

Following negotiations with unions, in 2020 Lufthansa placed 31,000 employees on short-term working for an initial five-month period. Unions agreed to attend various collective bargaining summits with Lufthansa to discuss cost saving measures. Ver.di and VC both negotiated agreements to avoid compulsory redundancies, in exchange for pilots and cabin crew accepting short-term working and/ or pay cuts. Ver.di also agreed to concessions pertaining to Lufthansa ground personnel (no compulsory redundancies in exchange for reductions in short-term working payments, for example).

A major change occurred in 2021, involving Lufthansa pilots, which was the airline's unilateral decision to cancel the so-called Perspective Agreement. Signed in 2017, after a period of unprecedented industrial action involving VC members, this was an olive branch to pilots, which guaranteed that a minimum of 325 planes would be in operation and promised promotional and recruitment opportunities. Valid until the summer of 2022, in December 2021 the Lufthansa Group announced the agreement would not be extended (aero Telegraph, 2022). In December 2022, Lufthansa signed a new agreement with the VIC, which guaranteed pilots working for the main airline but also Lufthansa Cargo a 980 Euro increase in their monthly pay. It also involved a peace obligation until June 2023.¹⁰⁵ This proved a shock to VC, especially given that rumours were circulating (ultimately proved to be true), that the Lufthansa Group was considering launching a new LCC.

2019 represented a major break through for Ryanair cabin crew and pilots, as Ver.di and VC respectively signing the first German collective agreement with the Irish LCC. After Ryanair transferred its German business interests to Malta Air, Ver.di was able to ensure the validity of the original 2019 agreement in December 2020 after six months of negotiations (Ver.di, 2020). Ryanair/ Malta Air was also involved in drawn out concession bargaining rounds between July and December 2020. Although initially rejected in a ballot, VC eventually agreed to a cut in salary in return for no forced redundancies. Likewise, Ryanair ultimately secured an agreement with Ver.di that cabin crew agree to a cut in salary (10% for five years). In return, employees would be guaranteed job security.

Since 2021, unions appear to have regrouped after the initial shock of how the pandemic would affect the industry, as well as what appears to have been an asserted effort on the part of some employers to take advantage of the situation. For example, following industrial action in autumn 2021 and various rounds of negotiations, Eurowings and Ver.di concluded a new pay agreement. This also involved former Germanwings and SunExpress employees, victims of the Lufthansa Group's restructuring policy in 2020, being offered permanent, as opposed to temporary, contracts within Eurowings. More recently, in June 2022, Ver.di has demanded improved working conditions and pay for ground handling, technical, logistic, cargo and service employees. VC has also been putting pressure on the Lufthansa Group to offer pilots a pay increase and a salary that falls in line with inflation and has voiced concerns about the Group's new strategy to

¹⁰⁵ Lufthansa. VC agreement Lufthansa Dec 2022.pdf

increase the number captains and co-pilots employed outside existing collective bargaining arrangements. Undoubtedly, shortages of labour have strengthened the trade unions' hand.

However, and certainly in the case of airlines, company negotiations could be considered to have become more complex/diverse with the likes of the Lufthansa Group launching new LCCs.

Ver.di has been lobbying ground handling service employees to sign a branch level agreement since 2018. Now, as traffic recovers, Ver.di has made branch level negotiations a priority once again, especially the question of fixing pay grades, an issue the employers prefer to leave to individual airports. The chaos surrounding air transport in summer 2022 gives force to the union view that a branch level collective agreement offering better terms and conditions would go some way to alleviating problems caused by labour shortages.

The recovery of traffic has seen an uptick in strike action. Ver.di called out its ground staff members at the end of July 2022, not only in relation to pay, but the fact that a lack of staff, either because of redundancies or employees leaving the industry voluntarily, meant that a skeleton crew have had to contend with more passengers and greater stress. Although negotiations initially stalled, both parties were able to reach an agreement in August 2022. The second strike took place at the beginning of September 2022, and was organised by VC on behalf of Lufthansa pilots (the first pilot strike since 2017). Importantly, the agreement reached is seen as offering the social partners a period of grace, just under a year, to discuss the firm's decision to terminate the "Perspective" agreement, as well as its proposal to launch a new LCC (Cityline II). In October 2022, Eurowings pilots went on strike over working and recover times; the strike followed six months of unsuccessful negotiations, and the issues at the time of writing remain unresolved. However, even given the decision to take strike action between 17th and 19th October, the parties have still not reached an agreement.

The crisis helped reassert the importance of the so-called dual module in the air transport sector. As in other branches, air transport trade unions were keen to highlight that works councils should play a key role in overseeing the development of short-time working practices. As in other crises, such as the 2008 financial meltdown, German co-determination has played an important mitigating role during the crisis. Trade unions and works councils were not seen as the cause of problems, i.e. high labour costs and inflexible working practices, but as bodies that could be relied on to manage the lockdown by agreeing to redundancies, cuts in salaries as well as to be an important lobbying partner. To a degree, a situation evolved whereby everything, certainly until the end of 2020 and the beginning of 2021, seemed to have been put on hold in terms of employers' drive to cut costs and circumvent industrial relations practices. Such a ceasefire, however, appears to have slowly unravelled, with unions suggesting employers have used the crisis to challenge collective bargaining procedures.

Although collective bargaining remains to all intents and purposes highly decentralized, a greater degree of standardized employment is not beyond the realms of possibility. For example, in the area of ground handling staff the signing of a branch level agreement now seems a very serious possibility.

4. Ireland

State

The approach of the Irish State to industrial relations during lockdown was very much an overall one, with little, if any, differentiation between sectors. Industrial relations issues were discussed at the tripartite LEEF (Labour Employer Economic Forum). There were no special measures taken in respect of the sector. The State's general support schemes; the Temporary Wage Subsidy Scheme (TWSS; March 2020-September 2020), later replaced by the Employee Wage Subsidy Scheme (EWSS; ended for most employers on 30 April 2022 and for all on 31 May 2022) were available to, and availed of, by all employers in the sector.

The role of the State is noteworthy for its absence! The Irish State (in contrast to many other countries) did not act to support the air transport sector in any special way, and national measures (on wage subsidies, health and safety, etc) were applied to the sector in the same manner as any other.

Social Partners

Importantly, after discussions at the LEEF, a Return to Work Safely Protocol was agreed between the social partners in 2020, to support employers and workers to put measures in place to prevent the spread of Covid-19 in the workplace. A sub-group of the Labour Employer Economic Forum (LEEF) on air transport was established, with representatives of unions and employers; although little tangible emerged from this, it may have increased levels of trust between the union and employer members.

A Taskforce for Aviation Recovery was appointed by the Irish Government and produced a final report in June 2020 (the report set out recommendations and priorities to restore and restart aviation services in Ireland, but did not deal with issues of employment/ industrial relations).

Balance of Power

During the pandemic both Aer Lingus and the Daa (Dublin Airport Authority), both heavily unionised, did adopt an approach, at certain points, of 'direct communication' with workers (via corporate video messages from senior management), bypassing trade unions. At Ryanair, negotiations with Fórsa on an Emergency Agreement for pilots, ended prematurely when the airline put an agreement directly to pilots; the union accused the airline of attempting to use the crisis to 'maximise' its advantage over pilots. Ultimately, however, whilst the balance of power swung against unions and employees simply by virtue of the pandemic, it would be difficult to argue there has been a fundamental shift. Virtually all groups in the sector achieved some sort of negotiated agreement during the pandemic, and most have now already put in place 'post-pandemic' settlements.

Since restrictions have been lifted, passenger traffic has recovered quickly, and potential disputes have now arisen about 'pay restoration' and increases. Daa was severely

criticised for the delays and chaos at Dublin airport in May and June 2022, which unions blamed on the extensive redundancy programme undertaken during the pandemic (which, it is argued, has left the airport grossly understaffed). A pay agreement with increases of 8% over 3 years has been agreed by Siptu at Ireland Airport West Knock. A pay agreement has also been agreed at catering company Gate Gourmet with a pay rise of 6% and HIGHER new entrant scales agreed, as the company seeks to recruit workers quickly. By the end of 2022, all of the main actors examined (Aer Lingus, Ryanair, Daa) had reached agreements with trade unions on new collective agreements allowing for pay restoration, and providing for pay increases over the coming two (Daa), three (Aer Lingus), and four and a half (Ryanair) years.

The *structure of industrial relations* and collective bargaining also remained largely unchanged; the ‘traditional’ unionised employers (e.g. Aer Lingus and Daa) ultimately secured agreement with virtually all of the unions in the sector. In the case of Aer Lingus, the fact that the airline is now part of the IAG Group was a factor that came up in interviews and in press coverage. Local negotiations took place in ‘the shadow’ of wider IAG negotiations (in particular, BA’s decision to make large-scale redundancies in 2020).

Ryanair, which conceded union recognition not long before the pandemic, engaged with unions once Covid-19 struck. Notably, its agreements were made (directly with the pilots, and via the union with cabin crew) early on; in summer 2020. The balance of power, which seemed to be tilting in favour of workers (certainly in favour of pilots) pre-pandemic, swung back dramatically in favour of employers as the crisis unfolded. However, by September 2022, after a very busy summer period for the sector, negotiations were focused on faster ‘unwinding’ of emergency measures and pay rises. A series of agreements was reached between the employers and unions at the end of 2022.

Social Dialogue/ structure of collective engagement

There was a visible role for the social partners nationally via the LEEF (notably, ICTU and Ibec as the ‘peak’ partner organisations). A LEEF Air transport sub-group was also established. At several points during the pandemic, there were calls from trade unions for a more active State approach (and in July 2020, the Fórsa trade union called for a ‘sectoral approach’ to long-term planning for recovery in the air transport sector). In early 2021, both Fórsa and Siptu called for ‘German-style’ State supports for air transport jobs and incomes, meaning that the State would subsidise income of employees for the hours when they were not working. However, the Irish State did not take any specific measures specifically to boost IR/ employment support in the sector.

In almost all areas of the sector changes to working conditions were negotiated and (mostly) agreed with trade unions. The primary approach at Aer Lingus and Daa was reductions in working hours, while Ryanair sought and achieved pay cuts from pilots and cabin crew (to be restored after 4 years). In December 2021, Ryanair signed a landmark agreement with Fórsa, committing to collective bargaining with pilots on a comprehensive basis. Aer Lingus cabin crew rejected company proposals initially, but ultimately agreed to them. Collective bargaining between Aer Lingus and its ground staff (represented by Siptu) was (in keeping with tradition) quite conflictual during the pandemic period. The airline held separate ballots at various stages between pre-2010

workers (who have superior terms and conditions of employment) and post-2010 workers.

The Daa's approach was notably different from the airlines in that it sought significant voluntary redundancies during the pandemic (approx. 25% of its workforce); it is also notable that severance terms were more beneficial for those with longer service (who had superior terms and conditions).

So-called '3rd parties' (catering companies, agencies supplying cabin crew to Ryanair, Swissport etc) did engage with unions throughout the pandemic, and jobs shed are being quickly replaced in 2022.

Significant concessions (on pay, working conditions, lay-offs, etc; outlined further below) were sought by employers. Almost universally, these were negotiated with trade unions, and mostly (though not always) ultimately accepted by union members. The Irish picture, then, seems to have followed 'normal' IR crisis patterns. It was noteworthy that Ryanair negotiated its agreements with cabin crew and pilots early (although, as noted, in the latter case, a final agreement with the union could not be reached and the deal was put to pilots individually), and that the agreements held relatively un-controversially until restrictions were lifted. At certain points (especially early in the pandemic) both Aer Lingus and Daa sought to take a 'tough line' in negotiations (direct messages from senior management to workers; threats of what would happen if proposals were rejected in ballots; 'punishing' those who did not sign up to Covid-response agreements). All of these examples almost come straight from the old 'Ryanair playbook'; has the pandemic seen a shift, on one hand, in terms of Ryanair dealing with unions in a more 'traditional' way, but, simultaneously, 'traditional' unionised employers moving towards a more Ryanair-like style of management?

At Aer Lingus and Daa work practice changes were eventually agreed which are permanent (i.e. will outlive the pandemic). These are most marked in respect of ground staff. Aer Lingus has also introduced lower 'new-entrant' pay scales. A noteworthy aspect to all of the Aer Lingus agreements with different groups was the 'overpayment' clause. This clause stipulated that staff would be *underpaid* when air traffic resumed and business was 'normal', to make up for any 'overpayment' during the period of restrictions. This was achieved by temporarily holding basic pay levels at 80%, even when a higher work requirement resumed (i.e. when hours worked exceeded this) until the full value of the overpayment was recovered.

Some interview respondents stress the value of social dialogue (at sectoral level) during the pandemic. A sub-group of the Labour Employer Economic Forum (LEEF) on air transport was established and this may have increased levels of trust between the union and employer members. However, notably, Ryanair was not represented on this group.

5. Italy

State

Social partners confirmed that the income supports, combined with the state's general ban on layoffs during the Covid emergency, accounts for the relative lack of disruption to passengers in the recovery phase.

While certain ministries received praise for responsiveness and involvement of social partners in the management of the Covid-19 crisis, interviews with social partners, across-the-board, reveal concerns that there continues to be a lack of a strategic vision, national planning and coordination on the part of the state with regard to the air transport sector. Social dialogue is spread across a number of ministries, depending on the topic, including the ministries of Labour, Infrastructure and Sustainable Mobility, Economic Development and the Treasury". For this reason, it would be important to set a clear national strategy and specific legislative rules in the sector to fully exploit its potential.

The establishment of ITA (and demise of Alitalia) has had, and will continue to have, a huge effect on the sector (ITA, as part of its establishment conditions, was unable to explicitly guarantee that it would rehire Alitalia's employees). Unions warn that, without a continued State financial stake in ITA, the new flagship carrier will not be able to withstand future crises. There is also a concern that air transport has been excluded from Next Generation EU funding, which risks leaving the air transport sector behind in the race to develop more sustainable technologies, including more efficient planes and access to more sustainable fuels. According to the Ministry of Infrastructure and Sustainable Mobility, the challenge cited has to do with the direction towards which public policy itself is moving. Rather than speaking of a strategy for the air transport sector, those interviewed preferred to speak of "transportation policy" more broadly. The Ministry is currently developing new policies to guide a move toward sustainable mobility, with an eye especially toward environmental sustainability. One would assume this means a re-sizing of the role played by air transport.

All interviews with social partners seem to converge towards a common point: the absence of the State in defining industrial policies in the air transport sector. Despite its limitations and the different reactions, it provoked, the introduction of a sectoral minimum wage related to the national industry-wide collective agreement (under the first Conte Government) could be seen as a governmental attempt to reinforce the role of the national collective agreement at the sectoral level; an attempt which has been abandoned by subsequent national Governments.

Social Partners

Most of Italy's airports are operated by public-private partnerships, on the basis of forty-year-long concessions with ENAC, the civil air transport authority. The long-time-horizon for the concessions makes access to capital and loans for large investments easier for airport operators. As such, some of the larger operators were able to take advantage of the crisis, and the lack of passengers, to undergo major reorganizations; for example, during the period of lowest passenger volumes the Roma-Fiumicino airport remodelled an entire terminal.

In terms of Airport Management a new association has been recently established following a split from Assaeroporti: Aeroporti 2030, the name of the breakaway group established in 2022, represents the Airports in Rome (Ciampino, Fiumicino) and the Save Group, which manages the airports of Venice, Treviso and Verona. Together, this new association covers about 40% of all air traffic at the national level. As the new association has been only recently established it has not yet taken on any negotiation power. Some airport companies, especially those affiliated with Assaeroporti, combined the social shock absorbers in a strategic way. First, they opted for CIGS for the maximum of 12 months, from the beginning of the pandemic. Afterwards, they accessed CIGD for the remaining part of 2021, until the end of the year.

In reaction to the so called “Relaunch decree” (Law n. 77 of 17 July 2020) requiring that all carriers operating in Italy guarantee the minimum wage provided for within the industry-wide collective agreement at the national level, the main LCCs in Italy (Blue Air, Vueling, Volotea, Norwegian, EasyJet and Ryanair) established AICALF (*Associazione Italiana Compagnie Aeree Low Fares*). Up to now AICALF seems to be an ‘empty vessel’ that is ready to be used in case of an effective implementation of the sectoral minimum wage. Under the threat of being forced to apply the existing national industry-wide collective agreement, the LCCs are formally ready to sign an alternative national collective agreement, only for low-cost companies, establishing differentiated wages and working condition standards. From a comparative point of view, the recent industrial relations dynamics in the air transport sector seem to have some similarities with the platform economy, at least in Italy: the emergence of a new collective actor representing only the “next generation” employers in the specific sectors (LCCs in the air transport and the online delivery platform in logistics) and the attempt to escape from the existing industry-wide collective bargaining by setting up a tailored national collective agreement at the sectoral level.

We see a fragmentation of social partners mainly due to the competition among professional associations and trade union confederations, on one side, and the different strategies adopted regarding the low-cost companies (LCC), on the other side. During the pandemic, the different trade union organizations have not fully resolved the differences that emerged in 2018 when only some unions signed the company collective agreement in Ryanair (ANPAC, ANPAV and Fit Cisl). A clear example of this fragmentation has emerged in the recent renewal of the company collective agreement in Ryanair signed by Fit Cisl, Anpac and Anpav in August 2022. Following the renewal, the signatories to the agreement organised a referendum among their members only, to demonstrate support for the agreement. Filt-Cigl and Ultrasporti responded with an alternative referendum addressed to all Ryanair flight personnel; the two referenda produced opposite results. In both cases, neither of the two referenda follows guidelines laid out by the Workers' Statute (Law 300/70, art.21) or the inter-confederal agreement (the Single Text of Representation, 2014). In the Ryanair case, the referenda seem to have served more to build consensus in public opinion than as a democratic process in the arena of industrial relations at the company level.

Balance of Power

The discord between trade unions, and their inability to exert unified pressure at the sectoral level, means the labour movement has not been fully able to exploit the potential advantages conferred by the rapid and unexpected growth of air passenger

traffic in order to reverse power relations in favour of labour (as was seen in 2018, for example, after the Judgment of the Eu Court of Justice).

Social dialogue/ structure of collective engagement

In terms of safety at work, the relationships among social partners are generally considered highly collaborative: in accordance with the general Joint Protocol defining measures to the contrast and the containment of the spread of the COVID-19 virus in the workplaces, a specific Protocol on safety at work in the air transport sector was signed on 20 March 2020 by all social partners and fully implemented in the majority of companies along the air transport value chain. In July 2022, a tripartite anti-aggression Protocol (added to the existing procurement contract Protocol signed on 26 September 2018) was concluded at Bologna airport.

In contrast to the social partnership approach of industrial relations registered on health and safety at work, the general climate of industrial relations in Italy worsened at the sectoral level when dealing with LCCs and the role of the national collective agreement. If before the Covid-19 outbreak, the industrial relations in the air transport sector could be thought of as independent of some common national dynamics, the recent sectoral trends seem to draw new trajectories more aligned with the national context of industrial relations. More specifically, the process of *centralisation* of collective bargaining at the sectoral level, that started immediately after the privatization of Alitalia, has been held back by several factors representing, on a different scale, also national industrial relations tendencies. The pandemic represents a moment of *destabilization* of centralised collective bargaining in the sector.

During the pandemic, the attempt of centralising the sectoral collective bargaining that had started in 2013 with the signature of the General Part of the Air Transport Collective Bargaining Agreement (CBA) has been destabilized. While the General Part of the Air Transport CBA (which is unique in the Italian context, since it includes, in practice, two types of national level agreement: the “General Part” of the Air Transport CBA and the six independent, sector-specific CBAs, one for each employers’ organisation) was renewed in 2019, the sector-specific collective agreements have been signed only by Assaeroporti, at the beginning of 2020 just before the Covid-19 outbreak, Assaereo, only after the return of ITA Airways among its members (2021), and Assocontrol but not by Assohandlers (whose last collective agreement dates back to 2015). It is worth mentioning that missing one or more signatures to the sector-specific agreement prevents finalising the complete application of the General Part and therefore the Air Transport CBA: it is therefore likely that the contractual expiry date will be reached without renewing the Air Transport CBA in all its parts.

The “Relaunch Decree” tried to relaunch the sectoral agreement as the wage authority in the entire air transport “value chain”. In order to fight the “contractual dumping” phenomenon, this decree made specific reference to the minimum wage provided for under the industry-wide collective agreement at the national level, requiring its application - under the auspices of ENAV - to all carriers operating in Italy. Despite broad support for its goals, the decree has never been implemented; this has meant carriers such as Ryanair and Easyjet have been able to sign company-level agreements.

Collective bargaining at the company level seems to prevail in both the low-cost companies and the flag-ship carrier. As a matter of fact, several LLCs have signed (Ryanair) or are about to sign (EasyJet) company collective agreements providing for wage adjustments and more flexible working conditions with the view to reacting to the fluctuations in passenger air traffic during and after the Covid-19 outbreak. At the same time, a collective agreement was signed in 2021 in the new flag-carrier company, ITA Airways. While company collective agreements in Ryanair have been signed *outside* the scope of the industry-wide collective agreement, the company agreement in ITA Airways has been signed by the *application* of the existing national sector-specific collective agreement for carriers but benefiting from a “flexibility prerogative” reserved to start-up companies. Therefore, from different perspectives, the two collective agreements represent different forms of how decentralized forms of collective bargaining prevail over a centralised framework.

In 2020, Malta Air (the subsidiary of the Ryanair Group operating in Italy) signed a contingency agreement with Fit-Cisl, Anpac and Anpav, and so the same signatories of the 2018 company agreement, to minimise redundancies threatened to pilots and cabin crew through a combination of pay-cuts restored over the term of the agreement, along with rostering changes including voluntary part-time, voluntary unpaid leave, weekend rosters and maximising the use of defensive or expansive Solidarity Contracts. Ryanair is the only LCC in Italy that introduced incremental wage reductions along with benefiting from public social-shock absorbers available at the sectoral level. Ryanair / Malta Air concluded a new collective labour agreement in 2022 with Fit Cisl, Anpav and Anpac to accelerate pay restoration. Under the 2020 agreement the parties agree to restore pay over 4 years ending in 2024. The 2022 agreement provides for a complete restoration in 2023 but only if the company recovers profitability. The evaluation of the restoration scheme is controversial. On the one hand, the signatories of agreement acknowledge the company commitment to accelerate pay restoration and incorporate further pay increases. On the other hand, the trade unions that have not signed the agreement complain about the slow pay recovery in an air transport market, and the differentiated restoration times between pilots and cabin crew.

ITA’s management and trade unions managed to reach a new company collective agreement in December 2021. On the same day that ITA Airways joined Assaereo, the Association renewed the carrier-specific portion of the National Air Transport Agreement. The new sector-specific CBA defined a new salary regime (approximately 40% less) to support start-up activities and introduced two differentiated wage schemes (depending on the presence, or absence, of company collective bargaining). While all the ITA Airways collective agreements have been signed by all trade unions, the renewal of sector-specific national collective agreement has been signed only by the Union Federations affiliated with the main Confederations. This is the result, on one side, of the traditional reluctance of national union confederations to include professional association in the setting up of national standards and, on the other, of the refusal of professional unions to accept wage reductions up to 40%.

ITA Airways, by signing two preliminary service contracts with the handling company Swissport International and the maintenance company Atitech, has outsourced its ground handling and maintenance activities. In the airport of Fiumicino, the unions negotiated a collective agreement that maintains employment conditions, as well as the application of the specific part of the CBA signed by Assohandlers; however, at Milan

Linate, it took some collective action before Swissport would commit itself to apply the specific part of CBA signed by Assohandlers not only at Fiumicino but also at Linate Airport by the 1st June 2023 and to rehire all the former Alitalia handling workers by April 2023.

Evidence of decentralisation of collective bargaining are to be found also in handling and catering services, in which the main international players (Swissport, Dnata) that are now entering into the national market are not members of the national employers' association and do not intend to apply their correspondent sector-specific collective agreement.

In 2021, the most relevant strikes were against the Alitalia-ITA Airways's decision not to join Assaereo and to launch “ad personam” calls for the recruitment of the new employees without applying a collective agreement agreed with unions. In summer 2022, some trade unions (mainly Filt-Cgil and Uiltrasporti) have called for strikes in the LCCs (Ryanair, Easyjet Wizzair, Vueling, Volotea) coordinated at the European level, with other national union federations asking for a concrete implementation of the minimum wage standards and better working conditions. The strikes in summer were organised to coincide with the days of strike for the air-traffic controllers. In this regard, it should be pointed out that the strikes in LCCs were organised only by some trade unions (Filt-Cgil and Uiltrasporti), while those in the air-traffic control saw the participation of all the union federations to protest against the critical employment shortage in the sector and the increasing digitalization in the air-traffic control services, and to relaunch the negotiation of the sectoral collective agreement.

As noted above, LCC have formed their own association, AICALF. It is important to consider the *opportunity* that a move into the collective bargaining arena by LCCs represents. It might offer an opportunity to overcome the traditional reluctance of LCCs to adhere to a common national collective agreement that necessarily pushes different organisational models toward a common regulatory framework more in line with the traditional tool-box of industrial relations. This would create a more inclusive national bargaining table, with any union signatory to a company agreement with an LCC at the table. In other words, both traditional confederal unions and professional associations would participate in bargaining together at the national level, something that does not currently occur under the value-chain agreement.

Therefore, while decentralisation tendencies persist, the signatories of the national air transport CBA do not exclude the possibility of enlarging and adjusting the existing national collective bargaining platform at the *sectoral level* with a view to involving the new LCC employer association in the negotiation process. We argue that it would be important to apply the National Collective Agreement to the whole value chain, especially the airlines, to avoid the risk of social dumping (particularly present in low-cost companies). For this purpose, the full implementation of Article 203 Relaunch decree is fundamental, but a real monitoring system should also be created in order to verify its effective application in the whole sector.

6. Poland

State

The main actor, who often assumes the role of sole decision-maker, in Poland remains the State. During the pandemic there were no changes in ownership of either carriers or airports in Poland. There were no bankruptcies, takeovers or nationalisations. The only national airline, PLL LOT, which is managed by the State Treasury, did not receive dedicated financial assistance or legislative support that could in any way support its difficult financial situation or strengthen its position in relation to its competitors.

Social Partners

Overall, it can be concluded that the pandemic had very little impact on the shape of industrial relations in the air transport sector in Poland. However, the autonomy of the social partners came under (further?) attack (see below).

Balance of Power

The key pandemic-related legislation enacted (the so-called Crisis Shield 4.013) stipulated (Article 15ge sec. 3) that the provisions of collective agreements or wage regulations were suspended during the period of an epidemic emergency, in the event of a decrease in the employer's economic turnover as defined by the provisions of the Act. Trade union organisations, however, did have a say in the introduction of regulatory mechanisms to improve company operations while suspending the application of collective agreements; indeed, the relevant mechanisms were introduced in agreement with them.

Social Dialogue/ structure of collective engagement

The low frequency of meetings in problem teams and *ad hoc* teams within the Social Dialogue Council was, according to trade unionists, one of the main weaknesses of social dialogue in Poland during the pandemic. Trade unionists point out that this state of affairs was not even changed by requests from them for meetings (which often were convened, but after long delays. Actions that took place during 2020 were unanimously interpreted by the social partners as an attempt to limit the autonomy of the Social Dialogue Council and, in the process, the independence of the organisations of trade unions and employers (e.g. empowering the Prime Minister to dismiss members of the Social Dialogue Council summarily in the case of 'loss of confidence').

In general, due to the crisis, significant *potential* for social dialogue emerged on both the trade union and employer side. However, the form of procedure adopted by the legislator (the high volume and speed at which regulations were created, and the lack of sufficient use of research during decision making processes) was a huge limitation. One of the most common violations of social dialogue during the pandemic was the shortened timeframe for opinion on draft legislation. The trade union side managed to make numerous comments on the submitted drafts of crisis legislation and some of these were reflected in the enacted legislation (which could be seen as a success for the workers' side). On many issues, however, the social partners drew attention to the legislator's disregard for social consultation. One example of such an omission on the part of the legislator was the submission of a draft to the trade union side for consultation four days *after* it was passed. The lack of consultation at the appropriate level, combined with the haste of the procedure, only compounded the perceived ineffectiveness of the regulations.

The pandemic could, however, have a positive impact on reactivating social dialogue at the *organisational/workplace* level. In order for employees' salaries to be subsidised within the framework of the so-called 'anti-crisis shield', the conclusion of relevant agreements was required. Participating in the work of concluding them resulted in a genuine interaction between employers and trade unions about the future of organisations at local level.

The State-owned LOT announced collective redundancies in mid-February 2021. Originally, 300 jobs were to be cut - mainly cabin crew, but after the intervention of the trade unions the number of redundancies was reduced to 270 (often experienced senior staff). At the end of 2021, when the situation in the air transport sector had slowly started to stabilise and there were signs of improvement, LOT came to an agreement with the trade unions, in terms of a return to full-time work, and changes - more favourable to employees - in the so-called *pensum*, i.e. the required number of working hours, were also accepted. As a result, cabin crew members could return to work full-time. The agreement also provides for more favourable working conditions for pilots and ground staff. The company formulated the proposal for employees in such a way that the remuneration of flight staff (cabin and cockpit) increases in line with the number of hours flown. The agreement lasts until 31 March 2024. After this date, LOT will automatically return to the remuneration rules from before the COVID-19 pandemic.

As air traffic recovered, LOT began recruiting new staff at the beginning of 2022, which however became the focus of dispute with the unions. The law LOT used when handing out layoff notices indicated that, when the company was to hire again for the positions in question, it would turn to those laid-off first. However, instead of reinstating the staff dismissed a year earlier, the recruitment was done through LOT's subsidiary company, and targeted people with *no* previous experience in the airline. Jobs were offered based on B2B contracts only (the issue of employing staff, especially cabin crew, on so-called B2B contracts- i.e. treating employees as sole proprietors- was at the heart of disputes between management and unions long before the outbreak of the pandemic). Despite protests from trade unionists and the preparation of a strike referendum at the company, management blocked the possibility of industrial action, which further contributed to a deterioration of relations, but did not prevent the company from operating.

A significant conflict between air traffic controllers and the Polish Air Navigation Services Agency (PAŻP), took place in 2022. PAŻP had agreed with the trade unions to reduce staffing of air traffic control towers and to reduce salaries paid by a third. The situation changed at the end of 2021, when, on the one hand, there were tentative signs of an improvement in the air transport sector and, at the same time, the agency's management wanted to consolidate the earlier agreements from the beginning of the pandemic regarding the reduction of staff and salaries. The PAŻP's proposal was met with criticism from the trade unions, who insisted that the agreement on the earlier provisions was dictated by the uniqueness of the situation and that, as the sector recovered, there should be a return to pre-pandemic staffing levels and salaries. PAŻP management reached agreement with the unions on changes to work and pay regulations in June 2022.

Ultimately, it appears that employers in the sector in Poland took advantage of the circumstances caused by the pandemic to implement new employment and work organisation solutions, e.g. collective redundancies and hiring for b2b or single person operations at air traffic control towers. There is now (as a result of lay-offs, etc.), however, a dramatic shortage of handling/maintenance workers.

The increase in media exposure of the air transport sector caused by the COVID-19 pandemic, one manifestation of which was the controllers' protest, has led to a strengthening of public awareness of the problems faced by the air transport market. However, this change has not translated into a strengthening of the value of the social dialogue taking place within the air transport sector. Rather, the emerging problems related to the lack of finance (leading to redundancies, lack of pay rises and a shift from employment contracts to B2B contracts) have exacerbated existing dysfunctions, including the polarisation of the positions of the worker and employer sides of the “dialogue”.

7. Spain

State

As we have seen, ALA (Association of Air Lines), an organisation that represents practically all airlines operating in Spain, has expressed dissatisfaction with the situation that air transport is excluded from the anti-crisis measures contained in the renewed Shock Plan in response to the war in Ukraine, and that a Royal Decree Law of August 2022 imposes new economic obligations on the sector. It has called on the government to adopt measures to support the sector see (including, *inter alia*, the assumption by the State of all the costs derived from the health security measures against COVID-19 carried out at airports; see above).

Social Partners

Union density remains (comparatively) high. Air transport is characterised by the fragmentation of labour relations in such a way that there are practically no sectoral collective agreements. Furthermore, within each of the companies, there are usually several independent collective agreements for each professional group of employees. However, this structure of collective bargaining does not seem to weaken union power in Spain. The pressure and negotiation capacity of the trade unions in the sector is strong, despite the different attitudes and strategies displayed by airlines toward the workers' representative organisations. Although some LCCs maintain a policy of resistance to trade unions, other companies have adopted an 'acceptance strategy'. It is even noted that in recent times even traditionally ‘anti-union’ companies are engaging in dialogue with some unions. In companies which are now privatised but were flag carriers (e.g. Iberia), there is a long tradition of union strength, which has been maintained to a significant extent.

In some cases, there have been partial agreements concluded with some unions but rejected by others. The renewal of collective agreements process has also demonstrated certain fragmentation between the various unions, as well as leading to an increase in conflicts and strikes by workers.

Balance of power

Although the air transport sector is characterised by the fragmentation of labour relations (with company collective agreements predominating and that each company usually concludes independent collective agreements for each professional group of employees, this does not translate into a scenario of union weakness. In contrast, the pressure and negotiation capacity of unions in this area are strong. The general picture did not change during the pandemic. Thus, for example, in May 2021 an attempt by Norwegian to carry out a large number of dismissals caused a strong union reaction that largely contained the threat, while a significant increase in compensation was agreed for those who lost their jobs.

Even companies such as Ryanair, which have traditionally adopted a policy aimed at making it difficult for unions to establish themselves, in recent times, albeit with nuances, are accepting the representative legitimacy of certain unions.

Social dialogue/ structure of collective engagement

The use of the ERTE due to *force majeure* has been criticised by some groups of employees from two perspectives. One is to demand the return to negotiation processes with the representatives of the employees (ERTEs, due to *force majeure*, do not require consultation with such representatives) in order to recover the working conditions prior to the pandemic. A second criticism related specifically to the use of the scheme among pilots, which has seen some companies, given the particular characteristics of crew schedules, concentrate the amount of work in reduced shifts (resulting in an increased workload for pilots).

Ryanair agreed in July 2020 a reduction of all salary for a period of 4 years (ranging from 10% for cabin crew to 20% for pilots); it also decided to temporarily abolish the productivity bonus. However, a pre-agreement was signed in July 2021 with the SEPLA union to begin gradually incorporating all the pilots who operate as false self-employed into the workforce.

Salary reduction measures can also be seen in other companies in the air transport value chain, such as the Public Air Traffic Management Company (ENAIRE), where the general measures are to suspend contracts or reduce working hours.

During the pandemic, collective bargaining on wages was especially complicated, to the point that almost all the processes of renewing collective agreements were stalled. Subsequently, the slowdown in economic recovery, high inflation, and the disagreement between the social partners on the most appropriate way to face these challenges has meant agreements on pay increases have not been reached. At the worst of the pandemic, unions prioritized maintaining employment over the demand for higher salary increases, but now, with a recovery in air traffic, the unions are focusing on restoration of terms and conditions.

Among airlines, there was a significant use of short time working, with the corresponding reduction in salary compensated by public benefits. The procedure established for this purpose was agile, so that the companies were able to implement the scheme easily, immediately, and in most cases without consultation procedures with the

employees' representatives. The generalised measures used to guarantee employment during the pandemic (contract suspension and reduction of working hours), only required communication with worker representatives, not consultation, when the measures were based on *force majeure*. These measures were dominant during the first period of the pandemic. In a later phase, the same measures were used but for business reasons, which required consultation processes with the workers' representatives.

In the majority of cases, the measures were reached without trade union opposition, although some tensions and disagreements have appeared regarding the implementation of the measures, as air traffic has returned. Some companies reached agreements with workers' representatives to protect employment; for example, in January 2021, SEPLA reached an agreement with EasyJet to safeguard pilots' jobs (an agreement ratified by more than 90% of the company's pilots).

Ryanair and the CCOO union have reached an initial preliminary agreement. This is an important novelty despite the fact that it does not yet involve the formal signing of a collective agreement, as this is the first time that a negotiation process has been successfully carried out with any unions in Ryanair. The process is unlikely to be smooth, however, as other unions are not in favour.

It should be noted that many collective agreements in the sector have exceeded the period of validity agreed, although they continue to be applied until a successor is renegotiated (showing how the pandemic has paralysed the negotiation processes). Specifically, the renewal of collective agreements for cabin crew in the various airlines is proving to be a particularly complicated process. Ryanair, Iberia Express, and Vueling are having problems with signing of new agreements, leading, in some cases, to calls for strikes.

Furthermore, conflicts have arisen due to the combination of a desire to restore terms and conditions to pre-pandemic levels and the effects of the cost-of-living crisis. The summer of 2022 was difficult for the sector due to airport delays, cancellations, etc.

Some of the disputes that have arisen have even led to union claims before the courts for violation of the right to strike (regarding the setting of the minimum services that must be provided). The High Court declared that a series of actions carried out by Ryanair aimed at minimizing the effects of the called strike were detrimental to freedom of association and the right to strike.

Some important general modifications of labour law which could be significant in the sector include measures aimed at reducing temporary hiring, the determination of which is the applicable collective agreement in the event of outsourcing, as well as the continued application of a collective agreement until a successor has been agreed. Also, jurisprudential criteria clarifying the distinction between employment relationships and self-employment, as well as administrative actions to prosecute abusive employer practices in this field, are significant; in the airline sector processes of conversion of false self-employed workers into employees could be important.

After the paralysis of collective bargaining during the pandemic period, the progressive return to economic activity has seen a re-activation of negotiation processes. However, difficulties in coming to agreement seem to be widespread, and in many cases collective agreements have not yet been concluded.

2.2. Overview

The Disengaged State?

In all the countries under study, the State intervened in a variety of ways to support the air transport industry, once the pandemic struck. Vast sums of money were spent on supporting, in particular, airport and airline companies, and wage subsidy schemes everywhere provided income for air transport workers. The manner in which the support measures were implemented, by and large, followed the expected pattern based on each country's IR system; from extensive involvement of the social partners (e.g. Denmark) to State-directed action, mandating certain action by the social partners (e.g. France) to little or no social partner involvement (e.g. Poland). In certain national reports, the key role of the social partners has been emphasised and praised (e.g. Denmark, Germany). However, in many national reports (e.g. Italy, Ireland) there was criticism from the social partners (especially trade unions) that the State had not done enough to support the industry. Such criticism (although more muted) can even be found in the German report.

It is important here to differentiate between State support in *financial/ quantitative* terms, and State support for *industrial relations in a more qualitative sense*. In respect of the former, in most countries the State stepped in to support the sector, often in collaboration with social partners. In the latter case, however, the picture is not so clear. Poland seems an extreme example of the State using the crisis to actively *downgrade* the role of social partners. The Italian report explicitly notes social partner concern about the possible future *downgrading of aviation*, within the overall transport sector. The French report notes that the State actively promoted collective bargaining, but as a means for employers to *derogate* from sectoral standards. Moreover, it is not obvious that, in virtually any of the countries under study, the State took the opportunity to use its influence and power (considerable, given the financial aid) to take measures to improve the quality of industrial relations in the sector, particularly looking to the medium/ longer term.

So, for example, we see situations in Denmark and Germany (with SAS and Lufthansa) where State support is conditional upon certain employment relations outcomes (e.g. no redundancies/ restructuring), but where the carriers pay back the money early (Lufthansa) or exit State schemes early (SAS) in order to be released from such obligations. Of course, in a free air transport market, the State cannot impose particular industrial relations conditions on individual employers. However, the haste with which companies were willing to accept bail-outs, but equally hastily escape from any employment relations/ social obligations might be seen as regrettable in the longer-term (and, indeed, there are some echoes of some controversial measures taken in relation to the banking industry after 2008). Equally, it might be argued that there is a lack of strategic vision in supporting (via wage subsidies) certain employers (notably, but by no means exclusively, low-cost carriers) who continue to challenge/ are reluctant to participate in the State's 'standard' industrial relations procedures (see, e.g. Denmark, Germany).

ITA remains an example to monitor along these lines. ITA was created under the Cure Italy decree¹⁰⁶ through €1.3 billion in financing for wholly owned state airline. This had remarkable IR implications because ITA could not be linked to Alitalia. This meant that only Alitalia's core aviation business could be purchased. This specifically excluded the staff who were furloughed as employees of Alitalia. Efforts now focus on privatising ITA. ITA suggests another example aligned with those of Lufthansa and SAS as noted above. We draw attention to the cumulative effect of these examples, coupled with the seeming resilience of Ryanair's business model through the pandemic, as harbingers of more widespread embedding of regulatory arbitrage when it comes to aviation industrial relations.

The Social Partners: a lack of union?

Naturally, however, in order for social dialogue to function, the State can only do so much in terms of providing a framework within which it can encourage/ oblige the social partners to operate. We have already seen that the air transport sector has some unique IR features, and is characterised by company level collective bargaining, often with multiple unions (representing different cohorts of workers). Employer associations, by and large, play a lesser role, as single large employers tend to dominate (notably, in the airline sector). Therefore, 'negotiated order' in the sector is difficult to achieve. The trend for legacy airlines to establish low-cost subsidiaries, with inferior terms and conditions to the legacy 'parent' if anything, has accelerated during the pandemic (Denmark, France, Germany,). This creates even more fragmentation in terms of worker interest representation. This competition amongst unions for members is understandable. However, it also undercuts arguments for greater social dialogue within industrial relations in aviation.

During the pandemic, in almost all of the countries, there was evidence of an increase in inter-union conflict in the sector. In some cases, this could be characterised as 'old-fashioned turf wars', where unions are competing for members (e.g. Denmark). In others, the prevalence of concession bargaining meant that results were sometime too unpalatable for certain unions to accept (e.g. France). However, an interesting phenomenon relates to the impact of low-cost carriers. As these (be they stand-alone companies or subsidiaries of legacy airlines) have grown rapidly in recent years, there is obviously an opportunity for unions to try and organise new members. Low-cost carriers, however, often have a more antagonistic stance towards trade unions, and certainly do not have the legacy of state ownership and tradition of unionisation (which can sometimes be observed in former flag-carriers). We can see, for example, in both Italy and Spain, how Ryanair's negotiations with *certain* unions have caused considerable tension with *others*; whether or not a deliberate strategy, where employers can 'play unions off' against each other, this obviously reduces the effectiveness of worker representation.

¹⁰⁶ This step is notable, and likely offers more details that are yet not apparent. ITA's creation seems to be in response to Alitalia being in administration since 2017 and the on-going competition law investigations regarding state aid to the airline. On the latter point, it is recalled that in 2021 the EU found €900 million in financing given to Alitalia to be illegal under EU antitrust law.

Power relations

In none of the countries studied was a fundamental shift in the balance of power between the social partners noted. In most, power relations tracked the economic situation. In the first year or so of the pandemic, power swung significantly towards employers, as the threat of job losses and public health restrictions meant that traditional union resistance opportunities (strikes, etc.) were more or less eliminated. Naturally, unions' focus was on concession bargaining to protect jobs. In most countries, State schemes mandated or at least encouraged employers to maintain the employment relationship by subsidising the pay of employees when there was no work for them to do (see the ERTE scheme in Spain, for example). In some of the countries, it was felt that employers, in certain cases seemed to exploit the pandemic in order to accelerate pre-Covid trends advantageous to them (i.e. decentralisation of bargaining in France, the proliferation of B2B contracts in Poland).

However, the cost-of-living crisis, the war in Ukraine, and labour shortages across most of the countries studied have changed the picture rapidly in 2022. In terms of labour shortages, in many of the countries this has been attributed to redundancies made during the pandemic, often more senior and experienced staff (e.g. Denmark, Germany), as well as difficulties in attracting new workers to the sector, as a result of comparatively poor terms and conditions of employment and work-life balance factors (e.g. Ireland, Italy). Thus, we have seen a return to strikes and conflict in 2022, especially following the chaos (delays, cancellations, etc) across European airports in summer 2022. Unions are now focused on the restoration of pre-pandemic terms and conditions; a rapid shift from the concession bargaining of just over one year ago. The traditional model of social partner restraint and moderation can be observed in some countries (e.g. Denmark). In most countries, though, in an echo of the points above, the failure of the employment relations actors in the air transport sector (including the State) to take the opportunity to begin to think and act more strategically may point to another period of instability ahead. It seems that the opportunity to 'never waste a good crisis' has been missed.

Social Dialogue and Collective Bargaining

This can be clearly seen not only in the increasing incidence of industrial action in the sector across the countries studied, but also in the difficulties to be observed in renewing/ re-starting 'normal' collective bargaining processes. Spain is a good example. Following the collective bargaining 'paralysis' of the pandemic years, social partners are finding it very difficult to renew collective agreements that expired during 2020-end-2022. Even in countries with established social dialogue/mature collective bargaining systems (which remained in force during the pandemic), such as Germany, we see unions asserting their interests via collective action.

The highly internationalised nature of the sector is also significant here, if we look at the impact of Ryanair. Although traditionally very hostile towards trade unions, the airline has (in recent years) entered negotiations and collective bargaining processes. However, Ryanair has resisted any demands by, for example, pilots' unions to bargain on a cross-European basis. The airline negotiates with unions on a country-by-country basis; crucially, however, it ensures that the terms of agreements in different countries do not deviate much from each other (Ryanair pilots across Europe, for example, in 2020 accepted a pay cut of approximately 20% for a 4-year period). Therefore, the

employer ensures its IR model is protected by maintaining a ‘baseline’ in terms of its negotiating strategy. The unions, however, are bargaining from a national perspective and from a position of comparative weakness (witness the initial rejection, but ultimate acceptance, of Ryanair’s proposals in Germany, for example). Furthermore, negotiating with Ryanair often means a long-period before an agreement is reached; if agreement is reached at all (see Denmark, Ireland, Spain). We have also seen above how inter-union conflict in some countries is interlinked with Ryanair’s negotiation strategy.

What we may be seeing, therefore, is another acceleration of a nascent pre-Covid trend. While Ryanair moves from a strongly anti-union stance to a strategy of ‘reluctant engagement’, we see some legacy carriers moving in the opposite direction; from full engagement in the national IR bargaining system, to a ‘(more) reluctant engagement’. This is perhaps especially evident in the case of low-cost subsidiaries of legacy carriers.

Relaunch?

The sections above paint a rather pessimistic picture of the evolution of IR in the sector during the pandemic period. However, it is important to also highlight some possibilities for change and revitalisation.

An important example of longer-term tripartite thinking can be taken from Germany. A number of well-published tripartite summits were held to discuss the state of the German air transport industry during 2021-22, involving politicians, employer organizations and trade unions. These focused on measures to make the industry competitive, efficient and sustainable, and importantly stressed the need for an *international* climate neutral strategy. In Italy, it was noted that the creation of a single Ministry responsible for the sector could be hugely important to creating and implementing a longer-term strategic vision. In Ireland, it was noted that the creation of some sectoral social dialogue groups in response to the crisis was a positive move that could lead to more cohesive thinking in the future. Therefore, there are clearly measures that could be taken (at national and EU level) to support social dialogue in the air transport sector.

In terms of the social partners, despite inter-union tensions in many countries, we see initiatives amongst the unions in Lufthansa to better co-ordinate bargaining efforts (especially between legacy and low-cost subsidiary cohorts). We also see attempts at union restructuring in Denmark (to increase the ‘bargaining muscle’ of unions in the sector). On the employers’ side, we see the creation of a low-cost-carrier employers’ organisation in Italy. Although, the Italian report is equivocal on the implications of this for harmonious IR in the sector, it does open the possibility of bringing low-cost carriers ‘to the table’.

Interestingly, in a number of countries (France, Denmark, Ireland, Italy) we see discussions at least about the value of a sectoral approach to collective bargaining. In many countries in the study, this is the national IR norm, but for reasons we have identified in WP3, air transport is different. We have looked at the reasons for this departure from the norm, and the difficulties in implementing a sectoral bargaining approach in air transport. However, simply moving from crisis to crisis (9/11; the ‘Ash’ crisis; Covid-19), and accepting a balance of power swinging backwards and forwards

(job losses/pay decreases to strikes to reclaim jobs/ terms and conditions) is no longer an option.

In considering the ways to address aviation industrial relations, we take direction from recent actions from the EU Commission. First, the EU Directive on Adequate Minimum Wages signals active concern with an economic threshold for the lowest paid within the EU, as well as the working conditions for this cohort. Moreover, it represents support for a stronger framework for social dialogue. It clearly envisages sectoral bargaining coverage as the best means of ensuring better working conditions, and harmonious IR. We see the timing (coming at a recovery stage from the deleterious impact of the Covid-19 pandemic) as instructive. This pandemic may have been the best illustration of a need to address resilience on a societal level, particularly financial resilience in terms of employment relations. We contend that aviation, as illustrated by the Member State reports in this study, is another sector in which economic resilience is being tested; with the additional complicating factor of the regulatory arbitrage business model seemingly flourishing.

Secondly, and perhaps more fundamentally, there is the existential issue of the climate crisis and the ‘just transition’, sectoral debates on which were largely frozen during the pandemic. This is an issue which cannot be dealt with at company level, and which requires social dialogue at national and sectoral level. Air transport is a fragmented sector, with many different (sometimes competing) interests, and cohorts of workers. However, this it is not unique (witness emerging sectoral standards in the platform economy). It would be strange indeed to leave IR in a sector which is (as was clearly demonstrated during the pandemic) so crucial to the continent’s economic, cultural, and social life to the vagaries of local bargaining. Aviation has been identified as a challenge to climate control. While this may be (putting aside the potential for innovations in aircraft along the lines of “clean energy”), we contend that there are two reasons aviation will not cease: a) it is a source of income for a significant number of EU residents (directly and indirectly); b) aviation remains the dominant means of connecting the EU Member States, thereby facilitating a core principle of free movement.¹⁰⁷ Any climate plans must recognise these two points. Once these are admitted, it is plain that air travel is to be an area of climate management.

¹⁰⁷ This point does not ignore rail travel. Instead, it recognises that air travel is the preferred means of travelling from different points in a (relatively) time effective manner.

3. IMPACT OF COVID-19 ON EMPLOYMENT AND WORKING CONDITIONS

3.1. EMPLOYMENT IMPACT

3.1.1. General overview

COVID-19 has had an enormous impact in passenger air transport. Unlike other economic activities, the civil aviation sector has not been able to benefit from some of the most important measures that have safeguarded jobs in most European countries, such as the generalisation of remote working/ teleworking. The drastic reduction in passenger transport activity forced airlines, legacy carriers and low cost carriers, to optimise their operations and reduce costs. Due to the high proportion of fixed costs in airline operators' budgets, salaries and the number of employees are the most important budget items for savings. The easiest way to reduce costs in these cases is to lay off, reduce their working hours or reduce salaries.

All the countries studied have tried to maintain employment by using different means, with collective redundancies or contract terminations being the last option. The most commonly used instruments to maintain employment have been the reduction of working hours (Spain, Ireland, Denmark, Germany, France, Italy), wage cuts (Germany, Ireland, Italy) and the temporary suspension of employment contracts (Spain, France, Italy). All these measures have required financial support from the state (Spain, France, Ireland, Germany, Denmark). In most countries the measures have been adopted by tripartite agreement (Spain, Denmark, Germany, Poland). These agreements, in many cases, include a clause temporarily prohibiting the dismissal of those using the agreed measures (Italy, Spain, Denmark). In some countries, such as France, collective bargaining mechanisms, such as company agreements, have been used to avoid the application of collective agreements (opting out), allowing *in peius* derogations of working conditions in exchange for maintaining employment.

Some of these measures existed before the pandemic, but in many cases they have been reformed to extend their temporary duration or reduce their eligibility requirements in order to provide greater coverage for companies and workers against COVID-19 (ERTE in Spain; lay-offs in Ireland; the FSTA Solidarity Fund in Italy; providing greater coverage and extension of the WCS in Denmark).

In the aviation sector, in most of the countries examined, they have used the general measures foreseen to deal with COVID-19 (Spain, Ireland, France, Italy, Germany, Denmark), although some countries have benefited from specific measures in the aviation sector (Denmark, Italy and, to a lesser extent Spain). Notwithstanding the above, the use of these instruments has been more or less intensive depending on the different categories of workers. Thus, while the maintenance of employment has focused on groups such as pilots, flight crew and air traffic controllers, termination measures have focused mainly on ground or handling staff (France, Germany, Denmark). On the other hand, it has not been possible to reduce working hours in the case of pilots or flight attendants (Denmark). In Italy and Spain, the application by some airlines of these temporary measures has been criticised by trade unions for their strategic or abusive use, precisely because they are not designed for a type of staff, such as flying, which has important particularities in terms of working time compared to

other business activities. In countries such as France, ‘performance agreements’ have been widely used, with the exception of Air France. In Denmark, specific relief packages have been approved for the aviation sector to help airlines meet the cost of maintaining commercial flight licences, as well as packages to kick-start the tourism economy with direct support to airlines by extending the staff salary support scheme.

Although in the vast majority of the countries studied attempts have been made to avoid redundancies, either through new measures or by adapting existing measures to make them more flexible and cover a larger number of companies and workers, it has not been possible to avoid redundancies in any country. This is despite the fact that in some countries clauses have been introduced that prohibit dismissals while the company resorts to alternative measures financed or supported by the State (mandatory clauses with varying degrees of scope in the regulations of Italy, Spain, Denmark). Job losses have directly affected the aviation sector, but also other sectors indirectly dependent on it, such as tourism. In general, job losses have focused on temporary contracts (Spain, Italy), but also on permanent contracts or B2B contracts (Poland).

A particular case in point is the major job losses caused by previous financial problems in their flag carriers (Denmark, Italy, and Germany). Here, the pandemic simply exposed the weakness of existing models in these airlines. Ryanair, in particular, has been critical of the extension of state aid to ‘flag carriers’. In Denmark, SAS initially tried to retain workers through publicly supported wage compensation schemes but ended up announcing collective redundancies of 5,000 workers including 650 pilots. In Italy, the disappearance of Alitalia and the creation of ITA Airways have also led to large job losses. In Poland, redundancies have been justified in the absence of state or conventional support measures. Job losses are also a consequence of the bankruptcy of some airlines (SAS and Air Europa in Spain; Jet time in Germany)¹⁰⁸.

There have also been significant job losses in airport services and ground staff in almost all countries, while the pandemic has affected employment among air traffic controllers to a lesser extent. This is logical as they are difficult to replace and are highly unionised. However, in some countries there is evidence of a reduction in the volume of employment in this sector during the pandemic (e.g. Denmark through voluntary departures).

In any case, now that restrictions on air travel are largely gone, there is a gradual increase in the volume of employment in the airline industry to levels similar to those existing before the COVID-19 crisis (Spain, Ireland, France) or in line with a gradual trend towards recovery, although not yet comparable to the pre-pandemic situation (Denmark). The greatest difficulty in employment recovery is detected in the countries where there were more collective redundancies, both in airline staff (Germany; in Denmark pilots’ contracts have also been terminated and their recruitment has not recovered) and in ground staff (France, Germany).

In general, experts did not expect the recovery to take place until 2024 or 2025 (IATA). The unexpected revival of the sector in the summer of 2022 caught some countries or companies unawares and they made use of redundancy measures, causing chaos and

¹⁰⁸ <https://www.eurofound.europa.eu/publications/report/2022/representativeness-of-the-social-partner-organisations-civil-aviation-sector>

disorganisation in the management of airports due to lack of staff (France, Ireland: DAA, Germany: Lufthansa cancellation of flights).

3.1.2. Country situation

1. Denmark

Denmark is among those countries that sought to preserve employment through support packages agreed during tripartite collaboration between legislators and social partners. A number of general support schemes and financial compensation for the wages of workers sent home because of COVID-19 or who have had reduction in working time have been instigated (*Temporary Wage Compensation Scheme* and *The Part-time Furlough Scheme (Arbejdsfordeling)*) These schemes have been made more flexible and extensive as the pandemic has progressed, and have also been used in the aviation sector, especially in the area of ground staff. Both benefits are subject, among other conditions, to the connection with the pandemic and the commitment to maintain employment. Many of these measures cannot be fully extrapolated to flight crews.

Despite the efforts, significant job losses are evident in the aftermath of the pandemic. Before COVID-19 the aviation business in Denmark employed 3% of the Danish workforce - approximately 34,000 workers in direct employment and some 83,000 workers in indirect employment in the tourism sector. At Copenhagen airport an estimated 10,000 jobs have been lost during the pandemic. The airline SAS, which initially opted for job maintenance and intensive use of the Wage Compensation Scheme (WCS), months later chose to lay off 1,700 workers out of 4,200 employees in Denmark. During COVID-19 it laid off almost 5,000 employees, almost 50% of its workforce¹⁰⁹. The need to supplement the salaries of higher paid staff, such as pilots, resulted in huge costs for the airline, even though it was operating under the WSC system where allowances are capped. SAS therefore offered unpaid leave to its workers with the promise of re-employment when air traffic was reactivated after the pandemic. But the company reneged on the agreement, leading to a long pilots' strike and a subsequent collective agreement.

As seen in many other countries, a lack of labour has had consequences for aviation as the business is ramping up in 2022-23. The problem is visible all along the value chain, but perhaps the more qualified the job, the bigger the problem. For example, air traffic controllers are in demand in Denmark as many have found well-paid jobs abroad during the pandemic. That has turned the power balance to air traffic controllers, who now have considerable leverage in wage negotiations.

2. France

France has also opted for measures aimed at maintaining employment. In particular, there has been massive recourse to “partial activity” plans (in which the employment contract is maintained using publicly funded partial unemployment schemes) and wage reduction (through the derogation *in peius* at company level of working conditions laid down in collective bargaining). The use of the long partial activity scheme requires a collective agreement at company or sector level. The lack of an agreement at sectoral

¹⁰⁹ Ritzau, 2021

level meant that negotiations took place at company level. Company agreements were obtained smoothly, given the shared interest of both sides in the activation of the partial activity scheme. However, in some cases these negotiations were complicated by the simultaneous negotiation (or renegotiation) agreements of collective performance, which implied wage reductions.

The general instruments have been used to maintain the employment of pilots and cabin crew. In these groups, some airlines went ahead to prepare for the post-pandemic reactivation of activity even though the forecasts for improvement were not expected to be immediate. For example, Transavia, part of the Air France group, had already started hiring new cabin crew members on fixed-term contracts in early 2022. However, other airlines, such as EasyJet, had not prepared and were forced to reduce capacity on certain flights due to the absence of a sufficient number of cabin crew. As in countries that have used these alternative instruments in preference to terminations of employment contracts, also in France, the majority use of temporary reductions in working time has helped the return to normality and the recovery of full time by workers. Indeed, these flexibility measures have allowed some French airlines, such as AirFrance, to be particularly sensitive to the increase in activity and to improve their position in the competition for passengers. In any case, the impact of the labour shortage has been most felt in the more easily replaceable ground staff and airport services, where employers made greater use of redundancies and were unable to replace quickly enough the staff that had been made redundant during the peak of the crisis. This led to disorganisation when aviation activity was reactivated with a vengeance in summer 2022.

3. Germany

In Germany, too, the tripartite adoption of working time reduction measures and state-supported wage cuts have prevented a serious decline in the volume of employment, despite a contraction of the labour market. The measures have been consensual and are also based on an increased level of state support. But this has not prevented the termination of contracts in all cases.

In April 2020, Berlin agreed to increase temporary short-time working pay to 67% of the worker's net missing salary, an increase of 7% over the then current rules. It is estimated that 77% of aviation staff benefited from this measure. But this measure, aimed at maintaining jobs, has not prevented job losses. Between the start of the pandemic and the summer of 2021, the number of people working in aviation fell by 16%. In ground staff, the number of job losses was almost three times higher. These figures could also explain why the state decided to lengthen and increase the regulation of part-time work in 2021.

In the Lufthansa group, the final collaboration between the company and the trade unions saved it from the economic haemorrhage, with Lufthansa even hiring 31,000 temporary employees in the first five months after the bailout, which was possible thanks to state legislation guaranteeing 70% of the net salary. In addition, the group's aim was to minimise redundancies by using resources such as reduced working hours within collective bargaining agreements and other cost-saving measures such as unpaid

leave¹¹⁰. In spite of this, Lufthansa has cut jobs by 14% between 2019 and 2021, from 137,000 to 107,000 worldwide.

In this country, too, it is the ground staff who have been hardest hit by the crisis. Ver.di together with the employers' association, Arbeitsgemeinschaft Deutscher Verkehrsflughafen (ADV), were quick to describe jointly how Covid was a threat to the 180,000 employees working at German airports, of whom 40,000 work directly for the airlines. Although 80 % of the employees worked on short-term contracts, the crisis eventually led to redundancies. In July 2020, for example, WISAG, one of Germany's largest ground handling providers, responded to the crisis by announcing that it would be forced to lay off about 800 of its employees in Berlin. In the case of Tegel, one of Berlin's two airports at the time, it did so by declaring itself insolvent in September 2020, resulting in 350 employees not receiving the severance payments to which they were entitled. Like VC in December 2020, Ver.di agreed to concessions related to Lufthansa's ground staff in the same month. In exchange for no forced redundancies until March 2022, 35,000 Ver.di members took pay cuts that would save the company 200 million euros.

Ryanair, specifically at its German subsidiary Malta Air, wanted to cut pilots' pay by 20%, plus more flexible hours and payment only for hours flown¹¹¹. The VC union accepted a pay cut in exchange for no forced redundancies¹¹². Ryanair also demanded that cabin crew accept a 10% pay cut over the next five years. In return, employees would be guaranteed job security. However, this was considered unacceptable given that the average take-home pay was already below 1,700 euros. In the end, however, changes to the working conditions of 900 employees in December 2020 were accepted in exchange for the airline not making forced redundancies.

The job losses generated by the pandemic, despite measures to maintain them, led to a decrease in the number of people working for airlines and ground handling providers by more than 7000 since the beginning of the crisis, with a 1.5% shortage of pilots and a 15% shortage of service personnel¹¹³. This led to the cancellation of numerous flights in the summer of 2022. For example, at its two main hubs, Frankfurt and Munich, Lufthansa was forced to cancel more than 3000 flights between July and August 2022¹¹⁴.

4. Ireland

Ireland is another country that has tried, as far as possible, to find mechanisms to maintain employment with state support through subsidies. The most relevant measure has been the reduction of working hours, but there are also specific lay offs that allow the temporary link with the company to be maintained and which during COVID have been reformed to allow longer periods of application of these measures.

¹¹⁰ <https://www.europapress.es/turismo/transportes/aerolineas/noticia-lufthansa-ofrece-empleados-permisos-sueldo-contrarrestar-impacto-economico-coronavirus-20200226113425.html>

¹¹¹ Aero Telegrap, 2020.

¹¹² *Ibid.*

¹¹³ IW (2022:1).

¹¹⁴ RedaktionsNetwork Deutschlands, 2022.

The most important employment maintenance instrument has been the general state support schemes, namely the temporary Wage Subsidy Scheme (TWS) - from March 2020 to September 2020 - later replaced by the Employee Wage Subsidy Scheme (EWSS) - which ended for most employees at the end of April 2022 and for all at the end of May 2022)¹¹⁵. These schemes essentially provided public subsidies to employers affected by the pandemic to support the payment of wages and were an effort to maintain the relationship between the employer and its employees and avoid redundancy. They, essentially, guaranteed payments to employees kept on the pay roll. To qualify for the EWSS, employers need to show a fall in turnover (relative to pre-pandemic) of at least 30% (under the TWSS, a fall of at least 25% was required¹¹⁶).

During the pandemic, existing redundancy rules have been modified to try to maintain employment contracts. There was widespread use of lay-offs and short-time working in the economy as a whole¹¹⁷. Generally speaking, under the Redundancy Payments Acts 1967-2014, if an employee has been laid off or kept on short-time for four or more consecutive weeks or, within a period of thirteen weeks, for a series of six or more weeks of which not more than three were consecutive, an employee is eligible to claim redundancy. However, an amendment to the law on redundancy during the Covid period suspended this right, in order to allow lay-offs/ short-time working to continue for a longer period (again, to try and maintain the employment relationship¹¹⁸).

In Ireland the aviation sector has not been subject to special measures and airlines have benefited from the general subsidies established for all sectors (despite the fact that Ireland is an island nation where air transport is crucial to its connectivity in terms of both people and goods). Thus, the main instruments used to maintain employment in the aviation sector have also been based on the temporary subsidies (TWSS/EWSS) and the rules for short-time working foreseen for covid. The primary response of employers in the sector to the Covid crisis was the widespread use of reduced working hours.

In any case, as in other sectors, in the air transport sector too, the preference for lay-offs or reduced working hours has in some cases not prevented companies from cutting staff and making redundancies. For example, Aer Lingus permanently closed its cabin crew base at Shannon airport. But, above all, redundancies have occurred in airport management companies, such as the semi-state DAA where redundancies (albeit voluntary) have occurred with offers of up to two years' pay to cut jobs (approximately 25% of the 4000 staff at the outset of the pandemic accepted voluntary redundancy, the majority of these -approx. 800- at Dublin airport). Also, approximately 250 pilots were made redundant by Cityjet (which closed its Dublin pilot base). Gate Gourmet made about 40 staff redundant.

¹¹⁵ <https://www.revenue.ie/en/employing-people/twss/index.aspx>. Accessed 26th September 2022.

¹¹⁶ Revenue. Employment Wage Subsidy Scheme. <https://www.revenue.ie/en/employing-people/employment-wage-subsidy/ewss/qualifying-criteria-for-employers.aspx> Accessed 26th September 2022.

¹¹⁷ Under s. 11 of the *Redundancy Payments Acts 1967-2014*, 'lay-off' refers to a situation where an employer informs an employee that it expects to have no work for the employee for a temporary period, during which the employee will not be paid. 'Short-time' work is a situation where hours and pay are reduced by more than 50% due to a temporary decrease in work available.

¹¹⁸ This amendment ceased to have effect from September 30 2021 (<https://enterprise.gov.ie/en/news-and-events/department-news/2021/september/21092021a.html>).

Following the re-opening of the skies, the alternative instruments to job destruction have allowed the volume of employment to be similar to that existing before COVID 19. However, companies in the sector that have cut jobs have found themselves short of staff, which has led them to hire and take on additional burdens due to unpredictability. In particular, the airport management company (Dublin and Cork) DAA is now urgently trying to recruit new staff to cope with the increase in passenger demand (understaffing was blamed for the chaos at Dublin Airport at times during summer 2022).

5. Italy

In Italy, the pandemic has also had a limited impact on job losses in both the aviation sector and the value chain, basically due to the fact that most of the companies and enterprises have benefited from some of the "social cushioning" measures of the COVID-19 crisis. These measures have basically consisted of subsidies paid by the Social Security through the INPS, which have allowed workers to maintain 80% of the salary they had been receiving. Specifically, through the CIGS¹¹⁹, as a measure for companies with temporary crises with a maximum duration of 12 months and the CIGD¹²⁰, of shorter duration and adapted to the crisis by means of a particular typology that allows the activity provided by the workers to be suspended or reduced. In addition to these measures, there is a specific measure for the aviation sector which, although not new, has made it possible to supplement wage support for workers affected by the pandemic. The Air Transport Sector Solidarity Fund (FSTA)¹²¹, a fund financed by employers' associations and trade union organisations, but also through a tax received by the municipality and paid by passengers¹²². This fund has made it possible to supplement support in the event of suspension of contracts, reduction of activity and even the termination of contracts, complementing the aid. This fund has generated

¹¹⁹ The Extraordinary Redundancy Fund - Cassa Integrazione Guadagni Straordinaria (CIGS) (Articles 19 ff. Legislative decree n. 148/2015). CIGS is directed to employees and apprentices (managers)²⁰ that have worked in the company production unit for 90 days at least²¹ (see Article 1, paras. 1 and 2, Legislative decree n. 148/2015). Instead, the beneficiaries of CIGD are employees (included apprentices and temporary agency workers) with seniority of at least 12 months. CIGS is a structural measure established for specific businesses which experience a temporary crisis. According to Article 22, when the use of CIGS is justified, it can last 12 months' maximum, even uninterruptedly. The air transport sector companies are explicitly mentioned among those which can access CIGS (Article 20 Legislative decree n. 148/2015).

¹²⁰ The Redundancy Fund in Derogation – Cassa Integrazione Guadagni in Deroga (CIGD) for Covid-19 reasons (Article 22 Law decree n. 18/2020 "Cure Italy"); CIGD is provided for those employers excluded from Cassa Integrazione Guadagni (the normal wage replacement fund, or CIG) or for those who have used up the full amount of the CIG benefit to which they were entitled. During the pandemic, the Italian legislator established a particular typology of CIGD for the businesses that suspended reduced their activities due to Covid-19. The measure was provided for by the "Cure Italy" decree for the first time (Article 22 Law decree n. 18/2020). Then it was extended by further laws.

¹²¹ Solidarity Fund of the Air Transport Sector - Fondo di Solidarietà per il Trasporto Aereo (FSTA) (Interministerial decree 7 April 2016). This measure was originally adopted by Article 1-ter Law decree n. 249 of 5th October 2004, converted in Law no. 291 of 3rd December 2004. In 2016 the FTSA was adapted by Articles 26 and 40 of Legislative decree n. 148/2015 (by means of Interministerial decree n. 95269 of 7 April 2016), which renewed the general subject of the Solidarity Funds, namely those funds that have to guarantee to workers who are excluded from CIG allowances in the case of work suspension or reduction, but to be provided by the most representative trade unions and employers organizations on a comparative basis. Specifically, the FTSA intends to give workers of the air transport sector supplementary measures when the activity is reduced or suspended or when their contracts are terminated, supplementing the wage supports already granted to them for these reasons.

¹²² It was precisely the intention to reform its financing, removing this burden from passengers, but after COVID the idea of maintaining it in order to cope with COVID has been revived.

certain inequalities, as some companies took advantage of the CIGD and this fund was only configured as a complement to the CIGS subsidy, giving rise to a reform in 2021 to allow the complement in both cases.

As in Spain, some strategic behaviour can be detected in the use of social cushioning measures by some airlines. In particular, airport companies, especially those affiliated to Assaeroporti, combined the social buffers in such a way that they opted first for CIGS allowances for a maximum of 12 months, from the start of the pandemic in March 2020 to March 2021, avoiding CIGD allowances, the duration of which would have been less appropriate for Covid-19 reasons, as the maximum duration was only 12 weeks. Subsequently, they accessed CIGD for the remaining part of 2021, until the end of the year. Other inequalities are detected in the use by low-cost companies of temporary agency recruitment. Thus, while direct airline workers were favoured with social cushions for their employees, including CIGS and FTSA, temporary agency workers (such as those coming from Crewlink at Ryanair) are not considered air transport workers, but temporary agency workers, and were excluded from the aforementioned social cushions and could only access the Wage Integration Fund - Fondo d'Integrazione Salariale (FIS) (Article 29 Legislative Decree nm. 148/2015), dedicated to employers excluded from ordinary wage supplement measures. The so-called "Support Decree" therefore provided for the payment of a lump sum for temporary workers.

In any case, the preference for alternative measures to dismissal, as well as the establishment of a ban on dismissals for organisational and economic reasons have prevented higher terminations. As in the other countries examined above, it was workers on temporary contracts in handling and catering jobs where the pandemic-related stoppage of activity had the greatest impact. In Italy, however, there have been very drastic cuts in airline staff as a result of the bankruptcy of Alitalia and its dissolution process. Despite the legal controversy regarding the application to the case of the labour rules of company succession, which would lead to the maintenance of employment and the preservation of workers' rights, special rules have been applied to the process of conversion of Alitalia by the new company ITA, whereby it seems that ITA would not be obliged to rehire all the workers, a matter currently being challenged in the courts. As a result of the express negotiation excluding the application of the transfer of legal business rules, ITA starts its operation with 2800 employees compared to the 10,500 that Alitalia had. Pilot posts have been reduced by almost 63% (from the current 1357, the new company will have around 490, respecting their salaries, but with a reduction in holidays) and flight attendants, who were around 3227 in Alitalia, will become 1060 in the new company with a significant pay cut¹²³.

With regard to the recovery of employment after the reactivation of flights, it is true that employment seems to have been maintained in the post-pandemic period due to the aforementioned mechanisms for maintaining employment with Social Security benefits and the prohibition of dismissals for economic and organisational reasons.

Despite these mechanisms, the most critical situation has been that of the most unskilled jobs among ground staff, subject to temporary contracts that were terminated and which, after the pandemic, are often not filled due to the lack of economic incentives and working conditions offered and because, in some of them, certifications and

¹²³ https://www.abc.es/economia/abci-alitalia-simbolo-fracaso-empresarial-punto-cerrar-tras-75-anos-historia-202108261922_noticia.html

qualified personnel are required that are not so easy to find, as the workforce has been diverted to other sectors during the pandemic. This situation is clear in relation to flight attendants as well. Despite the existence of a large "reserve army" of unemployed, available as a result of the structural crisis of some airlines in Italy, such as Alitalia, Air Italy, Norwegian Airlines and Blue Panorama, whose staff could be recruited by the airlines, the truth is that the fact that no tax relief is offered by the State to hire these workers and that low-cost companies prefer to hire new workers for the sector who would fit in better because of their peculiar organisational model - difficult for workers used to working for traditional carriers - as well as the fear of hiring workers coming from strongly unionised contexts, such as Alitalia, means that the level of employment of these staff has not yet reached the level that existed before the pandemic. Finally, there are also some problems with regard to pilots. In fact, some of them (in particular those who have worked for Alitalia) left the Italian labour market to fly to foreign companies able to grant better salaries, especially Asian carriers, which harms the recovery of the ITA company in its new era. On the flip side, the number of pilots is increasing in low-cost airlines such as Ryanair.

6. Poland

Poland is the most particular country in terms of the characteristics and measures adopted in the aviation sector. In contrast to the other countries, which sought measures to cushion the crisis in order to maintain employment (and, although we can see some such schemes to reduce working hours and salaries), Poland often opted for measures to reduce the number of employees.

The company LOT, Flag Carrier, whose main shareholder is the State, did not receive any significant financial support during COVID. The uncertainty of flights and the successive waves of COVID led the company to cut costs by laying off cabin crew, reducing working hours or temporarily reducing wages. The company employed around 1600 full-time workers. The largest percentage were ground staff, about 700 people were cabin crew and 270 were pilots. About the same number of people were self-employed, although not formally employed by LOT, they provided services to the company. Like most airlines, LOT also initially offered to reduce wages by 40%, but in the face of little response from workers, it proceeded to halve the working hours of a large proportion of full-time workers (cabin crew and ground staff). In mid-February LOT announced collective redundancies. As we saw above, initially it announced the reduction of 300 jobs, mainly cabin crew, but after the intervention of the unions the number of redundancies was reduced to 270. At the end of 2021, when the situation in the air transport sector had slowly started to stabilise and there were signs of improvement, LOT Polish Airlines reached an agreement with the unions for the return of the workers to full-time work and more favourable changes were also accepted for the employees in relation to the required number of working hours. The company has gradually brought jobs back. But instead of reinstating the staff laid off a year earlier, it opted to hire exclusively through one of its subsidiaries people with no previous airline experience and, moreover, offering jobs based solely on B2B contracts. Union actions against this decision had, however, little impact on the airline's reactivation of activity and on the punctuality of its flights.

In the value chain, the impact of COVID on air traffic controllers working for the Air Navigation Services Agency (PAŽP) stands out. Their salaries, which are enormously high compared to other workers, depend mainly on airport charges paid by airlines. COVID led to a drastic reduction in flights and thus in the agency's revenue, so the company, with union agreement, decided to reduce the number of control tower staff and cut the wages paid by a third. With the improvement at the end of 2021, PAŽP tried to prolong these measures and consolidate them, meeting with trade union opposition, which only accepted them on the sole basis of the seriousness of the situation, demanding with the improvement of the situation a return to the previous conditions and the rehiring of the staff. After a tough conflict situation in which the controllers threatened to resign, and gaining the support of the public fearing that their safety would be compromised, agreements were reached at the end of 2022.

7. Spain

Spain clearly opted for a general preference for maintaining employment and economic activity, allowing the continuation of activity in all those activities in which work could be provided remotely. However, in addition to this measure (remote work), the most relevant measures adopted have consisted of the temporary suspension of employment contracts and the reduction of working time (the measures known as ERTE: “expedientes de regulación temporal de empleo”). These are instruments characterised by strong public support for both employers and workers: workers are compensated with unemployment benefits regardless of whether or not they have previously paid contributions. At the same time, companies benefit from exemptions from paying social security contributions. These mechanisms have been prolonged as the Covid-19 crisis continued and their use and benefit by companies is conditioned by the so-called “job maintenance” clause, i.e. a ban on dismissals while enjoying public benefits.

These are already existing employment measures but have been modified to adapt them to the crisis by offering clearer advantages to employers and workers.

These general measures of temporary suspension of contracts and temporary reduction of working time have also been applied in the air transport sector, which has allowed not only to cushion the terminations of contracts and the initially expected job losses, but also to quickly recover the volume of employment once the mobility restrictions due to Covid-19 have been lifted. Indeed, up to 3.4 million workers and 550,000 companies have benefited from these temporary contract suspension and reduction of working hours’ measures. What has happened in general for the labour market as a whole with this type of measure has also been reflected in the transport sector, even more intensely as the scope for remote working has been greatly reduced and its use has been limited to complementary in-house service activities. For the transport and warehousing sector as a whole, the number of employees affected by these suspension or temporary reduction measures during 2020 totalled 97,728 workers, with Iberia being the company with the highest number of employees affected. The use of temporary suspension of employment measures due to force majeure (ERTE) in the aviation sector, despite their effectiveness in terms of maintaining employment, has been criticised by workers' groups who accuse the companies of having used an instrument of flexibility with public funding to save costs, externalising them to society as a whole by including flight personnel (pilots and cabin crew) in the ERTes during rest periods assimilated to actual work and only releasing personnel for the actual provision of services.

Measures to contain and maintain employment, however, do not prevent the termination of employment contracts by COVID in Spain either. In particular, termination is concentrated on temporary employment contracts. In the labour market as a whole, 900,000 jobs may be lost in the second half of March 2022. The airline sector does not present specific differences, except for the fact that it is characterised by a lower ratio of temporary contracts compared to the rest of the sectors, with the only exception of cabin crew or ground staff where the element of temporariness is notable. Job losses are estimated to have reached 40,000 jobs in the airline industry.

The recovery of operations and the success of summer 2022 has led to the return to work of the majority of workers who had been subject to temporary employment measures (reductions in working hours or contract suspensions). Although employment levels are not exactly the same as pre-pandemic levels, the recovery in employment is clear and some companies have plans to increase their workforce. Ryanair will open a new pilot training centre in Spain and expects to recruit 1,000 new pilots and 2,000 to 3,000 new cabin crew, creating some 6,000 new jobs over the next five years. Easyjet has opened a new base in April 2021, creating 100 new jobs.

3.2. EMPLOYMENT RECOVERY AND CONTRACTUAL ARRANGEMENTS

3.2.1. Overview

The pick-up in activity in the area, with a surprise increase in the summer of 2022, has led most countries to a gradual recovery in the volume of employment. The countries that have recovered best have been those that have made the greatest use of temporary public support instruments to maintain contracts. Slight negative employment effects can be reported for the air transport sector as a whole thanks to the airlines' use of non-sector-specific support measures through quasi-unemployment formulas and through the implementation of sector-specific employment retention schemes and tailor-made financial support for certain airlines; in addition, airlines have introduced their own company-specific cost-saving programmes in line with the legal framework in their countries of operation¹²⁴. Like the air transport sub-sector, the civil aviation ground handling sub-sector (in particular airport-related activities) has faced varying amounts of job losses as a result of the pandemic. This particular segment of the industry has been most affected by COVID-related job reductions (Denmark, France, Ireland, Italy, Poland). But also state aid and job retention measures prevented large-scale redundancies, with the collaboration companies (Italy, Denmark).

After the pandemic, recruitment routes and the type of relationship contracted in the aviation sector remain basically the same as those used before the pandemic.

In 2019, EU Labour Force Survey¹²⁵ data showed that the majority of contracts in the aviation sector are open end or permanent contracts, especially in the case of pilots and cabin crew, with the exception of Poland where a high percentage of atypical contracts are concentrated. The same sources point out that around 9% of the EU passenger air

¹²⁴ <https://www.eurofound.europa.eu/publications/report/2022/representativeness-of-the-social-partner-organisations-civil-aviation-sector>

¹²⁵ https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef22023en.pdf, p. 11.

transport workforce before the pandemic was employed on a temporary basis and that it is in ground staff where temporary labour is concentrated as it is considered a very seasonal activity (Denmark, Germany, Poland, Spain). On the other hand, a high percentage of flight crew were also employed through temporary work agencies or, in similar situations, through airline subsidiary agencies, especially low-cost airlines. Although agency work also exists, it is less frequent among ground staff. The 2019 data seem to confirm the post-pandemic picture in general terms.

In general, there are no new developments in terms of increased seasonality of contract work. Except in Spain, where a major reform in December 2021 has successfully tackled the high temporariness in the labour market in general and in the aviation sector by extension. In Spain, moreover, there does not appear to have been an increase in the abusive use of temporary work agencies, nor an increase in atypical or illegal contracts. On the contrary, in this country the hiring of false self-employed workers, has diminished due to labour inspections, collective actions by trade unions or judicial pronouncements.

Ireland has not seen significant changes in this area either and recruitment is still within the parameters of the pre-COVID crisis. However, some companies (during the crisis) warned workers about the possibility of changing the employment contract model if they do not accept reductions in their working conditions (Aer Lingus). The legality of the self-employment of flight crews must also be reviewed in the light of the doctrine of the British case *Lutz v. Ryanair* where flight crews were declared to be agency workers (not self-employed).

It is mainly in low-cost airlines that crews hired as self-employed workers are concentrated (e.g. Ryanair in Spain during the COVID and Ireland). Lately, however, in both countries Ryanair has decided to hire cabin crew *directly* as employees. However, it is striking that, in Poland, this type of employment is common in its flag carrier, LOT, where most of the crews are formally considered to be self-employed workers under B2B contracts. The false self-employed (as they do not own the means of production, do not determine the organisation of their work and cannot work for several airlines at the same time) are mainly recruited through LOT's subsidiaries.

In the countries examined, where there have been many dismissals with a commitment to rehire, many of the promised hires have not been carried out with the same company to which they belonged but with one of the group companies, usually of a lower standard, such as low-cost subsidiaries (Denmark, Germany).

Apart from post-pandemic inequalities, in some countries, such as Italy, inequalities have occurred even during the pandemic in the use of social shock absorbers and in the use of temporary employment agencies to subcontract staff.

Finally, although the reports do not go into the matter, there is no doubt that another atypical labour practice considered illegal in some countries does not refer to the type of contract or the legal nature of the relationship, but to the working conditions. The so-called pay to fly, a practice whereby a pilot who needs flying experience pays the airline for his or her training by serving as a pilot on commercial flights, is considered illegal in some countries as it would be undeclared and unpaid work (France). Paying for work is considered illegal precarious employment in Spain. And it does not seem to be in line with Art. 13 of Directive (EU) 2019/1152 of the European Parliament and of the

Council of 20 June 2019 on transparent and predictable working conditions in the European Union¹²⁶.

3.2.2. Situation by country

1. Denmark

Denmark came out of the pandemic with a rather strong economy and demand for labour has been high. Hence, after the pandemic, the structural problem in the airline industry is that of finding skilled labour along the whole value chain (not only air traffic controllers and pilots, but also ground staff is subject to numerous requirements). Many formerly employed in aviation have gone to other sectors and chosen to stay there with a much more stable 9 to 5 schedule. While it is not possible to know whether workers made redundant during the pandemic have been rehired, there are indications that the same volume of pre-pandemic employment has not been achieved – but also that aviation in Denmark is picking up quite fast.

During the pandemic, the legacy airline SAS which initially opted for the temporary wage compensation scheme, made many redundancies in successive phases, promising to rehire after the pandemic. However, the promises were not kept, and while SAS have established two airlines SAS Link and SAS Connect hiring new pilots and cabin crew for these companies, dissatisfaction ultimately resulted in a pilot strike in summer 2022.

2. France

In France, job maintenance was instrumentalized through part-time work, in which workers reduce their activity and receive part public unemployment benefit and part pay (i.e. part-time unemployment and part-time work). This flagship measure in all activities has also been applied in the aviation sector. This possibility of using part-time activities is still available today, although it is conditional on the existence of a sectoral or company collective agreement. In the absence of a sectoral agreement for French aviation, it may be more difficult to apply it in air transport.

Some negative effects are still visible today. Above all, the loss of employment has affected those who are caught between two jobs. Those who had resigned to be in companies that then went bankrupt and who thought they could be hired without difficulty in other airlines, which did not happen because of the hiring freeze with the COVID crisis. Moreover, the recovery of employment is more difficult for ground staff and airport staff, where redundancies were concentrated.

¹²⁶ Mandatory training. Where national or Union legislation or collective agreements require the employer to provide training for a worker to carry out the work for which he has been recruited, Member States shall ensure that such training is provided free of charge to the worker, is counted as working time and, if possible, takes place during working hours.

At present, the airline industry is still attractive for workers and it does not seem that there will be difficulties in finding new employees when vacancies occur, so labour shortages should not be an obstacle to the expansion of the industry. However, working conditions have been reduced and a gradual return to pre-pandemic conditions is the subject of current negotiations. However, these negotiations are further complicated by the current economic situation and the impact of inflation on purchasing power.

3. Germany

Germany in the Covid-19 period, in addition to wage cuts and state support for wage restraint through tax reductions for the lowest paid, has suffered major job losses in the airline industry, resulting in the cancellation of flights in July and August 2022 due to staff shortages. During the pandemic, some companies such as Lufthansa made collective redundancies, but, at the same time, took the opportunity to hire redundant workers from the group's low-cost airlines with worse conditions (cabin crew with a basic salary of around 1400 euros per month before deductions). After the pandemic and with the recovery of activity, the unions are looking for a return to pre-COVID conditions, as it seems that the companies are not using the reduction of conditions as a temporary measure, but as a longer-term strategy. The unions' current demands seek the recovery of lost conditions, above all other considerations. Recently, in the summer of 2022, the so-called Perspective Agreement signed in 2017, which provided very good conditions for pilots (guaranteeing that 325 aircraft would be operational, promising to make 600 pilots captains and 700 pilots would be recruited, among other things), came to an end and expired. But in December 2021, the Lufthansa Group announced that the agreement would not be extended¹²⁷, with the suspicion that the group will launch a new low-cost airline in the future and therefore does not want to make too many compromises.

4. Ireland

Ireland also opted for employment maintenance, which has resulted in a similar level of employment in the post-pandemic phase. No changes in working conditions in the sector are discernible. Aer Lingus at the beginning of the pandemic started laying off temporary staff. During the pandemic, just before the union votes on the 'emergency' proposals, the airline made some announcements about the possibility of reviewing its 'direct employment model', making explicit reference to the possible use of cabin crew through temporary agencies in the immediate future. The recruitment of flight crew through intermediaries has been considered in the UK as a mechanism to hide false self-employment (in the April 2022 case *Lutz v Ryanair and MCG Aviation*) in that the applicant pilot was supplied by MCG Aviation Limited to work temporarily for Ryanair DAC and under its supervision and direction. The Tribunal itself highlights the importance of its decision by noting that the case goes beyond the individual worker concerned. Although this decision is in no way binding on the Irish courts, given the similarity of the legal provisions involved and the shared common law heritage, it could have a significant influence should similar claims arise in Ireland. However, we will

¹²⁷ Aero Telegraph, 2022.

also have to wait for it to become final, because Ryanair may appeal this judgment to the higher courts in the UK.

5. Italy

The recovery of employment volumes has been possible in Italy thanks to the wage guarantee schemes provided to workers through the Solidarity Fund, combined with the general ban on redundancies during the pandemic. Job losses, however, have been felt since 2017 as a result of Alitalia's declaration of insolvency, affecting a total of 11,000 workers. As we have already seen, the creation of a new airline by decree (Italia Trasporto Aereo, ITA) expressly contemplates that the new company has no connection with the former Alitalia and has not incorporated all Alitalia staff, despite the legal discussion in this regard.

The use of temporary employment agencies is also detected, especially by Ryanair. Based on interviews to some shop assistants, this leads to a pay gap for the same work, insofar as temporary agency cabin crew are paid lower wages than Ryanair cabin crew employees. Inequality has been particularly evident during COVID. While low-cost airlines have been able to use public restructuring aid measures that allowed employment to be maintained, including CIGS and FTSA, temporary agency workers (such as those from Crewlink at Ryanair) were excluded from these measures. Crewlink, being a temporary agency, could not be considered as an employer in the aviation sector, so it could only access the Wage Guarantee Fund - Fondo d'Integrazione Salariale (FIS) (article 29 Legislative Decree number 148/2015), dedicated to employers excluded from the ordinary wage supplement measures.

6. Poland

The Polish flag carrier LOT terminated numerous contracts during the pandemic. With the recovery of economic activity, it started to recruit new staff. But instead of hiring those made redundant by the pandemic, recruitment has been carried out through a subsidiary company, hiring only inexperienced people and offering only B2B contracts. The hiring of staff as self-employees, especially cabin crew, was one of the elements of union conflict even before the pandemic. After the pandemic, it can be said that in the LOT company there is a two-speed workforce: workers with an employment relationship and people linked by B2B business contracts.

Since the beginning of the Russian invasion of Ukraine, LOT Polish Airlines and its employees have been involved in organising humanitarian aid. As part of these activities, the process of recruitment of Ukrainian aviation employees has also been initiated. In June 2022 LOT recruited 17 flight attendants¹²⁸.

In the aftermath of the pandemic, a severe shortage of workers in aircraft maintenance is detected. Forcing supervisors to constantly bend procedures, putting workers under enormous pressure and not easy to recruit such workers not only because of their qualifications, but also because of the time-consuming control and verification of the suitability of each person to be recruited to get an airport pass.

¹²⁸ <https://www.rynek-lotniczy.pl/wiadomosci/pll-lot-zatrudnily-zalogi-z-ukrainy-14682.html>

7. Spain

The high level of employment maintenance that has been achieved thanks to the agreed measures has focused on permanent jobs and not so much on temporary contracts, which are the most affected by the pandemic. Spain has traditionally been one of the countries with the highest percentage of temporary contracts in the EU. In December 2021, a reform was agreed with the social partners that seeks to correct this reality and is strongly committed to permanent contracts by reducing the number of temporary contracts and a very striking increase in penalties for non-compliance. The latest data seem to support the objectives pursued. In the specific airline sector, there are no specific data on the temporary nature of flight personnel, but there are data on some airlines that show that, in this sector, temporary employment is not high, unlike in the service sector. Thus, in 2022 Iberia only had 807 of its employees on temporary contracts out of a total workforce of 15,100. Before the pandemic, the airline had 2,700 temporary workers, demonstrating with this example that the pandemic has mainly hit temporary employment. It is at airports and among ground staff that the majority of workers are on temporary contracts and where terminations have been most significant. However, the establishment of a ban on dismissals linked to the use of public employment maintenance allowances has also slowed down the intensity of redundancies among these staff.

The post-pandemic situation has not led to major changes in recruitment in the airline industry and, despite the termination of temporary contracts, airlines have not encountered staffing problems after the resumption of activity because of the COVID labour measures.

On the other hand, zero-hour contracts are not allowed in Spain, as the parties are obliged to pre-determine working days and the distribution of duty time. Employment through temporary employment agencies or by hiring “freelancers” is only detected in some low-cost airlines such as Ryanair and Wizz Air. Faced with the clear illegality of “freelancers” used as flight crew and the sanctions imposed by the labour inspectorate, the pilots' union SEPLA is pushing for their gradual incorporation as a workforce directly dependent on the main airlines. Such a demand has been achieved with the recent and important signing of Ryanair's 1st collective agreement with SEPLA for the regulation of pilots' conditions¹²⁹.

3.3. IMPACT ON WORKING CONDITIONS

3.3.1. Overview

The large losses that the flight stoppage caused to the results of air transport companies, as mentioned in the preceding sections, the danger that these results posed for the continuity of the activity of these companies and the uncertainty about the forecasts for the recovery of the business, encouraged the trade unions to accept major changes in working conditions. In this sense, in all the countries studied, tripartite social dialogue, or at least the active non-opposition of trade union organisations, has been essential for overcoming the crisis. In practice, workers have accepted substantial reductions in their

¹²⁹ <https://www.merca2.es/2021/07/27/ryanair-pilotos-falsos-autonomos-703223/>

salaries, changes in their working hours and more flexible working hours, in the content of their work and in the organisation of their tasks. In short, workers have made a great effort that has contributed decisively to reducing company losses, avoiding redundancies and facilitating the early recovery of the business.

Without prejudice to the fact that this affirmation extends to all workers in the sector, these downward changes in working conditions have not been projected homogeneously on all workers. Firstly, insofar as the response to the crisis has had a strong national component, the country in which services are provided has been a decisive element in determining the intensity of this process. In relation to situations of suspension or reduction of working hours, the percentages of public benefits vary, generally between 70 and 90 per cent of net wages.

Secondly, the changes have not had a homogeneous effect on all categories of workers in the sector. On the one hand, the high salaries received by some categories of workers, such as pilots or air traffic controllers, and the establishment of quantitative ceilings on compensatory cash benefits, placed these categories of workers in a more unfavourable situation in percentage terms.

Thirdly, the company variable has also played a key role in this matter. Even here we see differences. In some countries, the flag carriers changed the working conditions of their staff in a milder way than the low-cost airlines, but in others (e.g. Italy) the reverse is the case. Also, this statement should also be qualified, insofar as some of these airlines were undergoing their own transformation process (Denmark), outside COVID-19, with the creation of low-cost airlines (Germany) and even, as in the case of Italy, with the disappearance of the traditional airline (Alitalia) and the creation of a new airline (ITA). Logically, the unions present in these companies have been forced to deal with a more complex process. Finally, the business landscape has almost universally incorporated new low-cost airlines belonging to flag carriers. This plurality is reflected in the new names of the companies in the sector: whereas until recently the classification used to be dual (flag carriers and low-cost airlines), it is now becoming common to describe a trilogy of companies, which would include the former flag carriers, low-cost airlines linked to the former, and ultra-low-cost airlines. In this context, it is the workers of the latter who have seen their working conditions worsen the most, while those of the low-cost airlines linked to the former flag carriers are trying to bring their working conditions into line with those of the latter.

Finally, differences have also been observed between flight crews and the rest of the people working in the sector. On the one hand, the characteristics of the tasks performed by ground and value chain staff are generally more in line with the ordinary mechanisms of reduced working hours or suspension of the employment contract. On the other hand, aircrew has found their activity less suited to these mechanisms, and companies have therefore encountered some difficulties in accessing the measures generally adopted by the States.

3.3.2. Situation by country

1. Denmark

In Denmark, during the first period of the economic shutdown, companies were able to suspend contracts with the important support of government relief packages, which covered most of the costs.

The first measure is a Temporary Wage Compensation Scheme, whereby the state pays a certain amount to the company for each employee with a suspended contract due to C-19 related losses, in return for which the company undertakes not to lay off any workers. Of the 2.8 million employees in Denmark in April 2020, 113,000 were covered by this scheme, about 4 per cent of the workforce. In May 2021, some 103,000 of the 113,000 were re-employed in their companies. After 13 months, 81,000 of the 113,000 had returned to the same company. In other words, 71% had remained in the same company by April 2021.

On the other hand, the *Part-time furlough scheme* (Arbejdsfordeling), which has been in place for years, aims to safeguard employment in companies in crisis by making work organization more flexible. This includes division of the work among employees while the employee (if he/she is affiliated to an unemployment fund and entitled to benefit) can receive supplementary benefits. As with the wage compensation scheme, it is a general condition that the companies concerned do not lay people off. On 12 March 2020, some of the rules of the scheme were relaxed to allow more companies to take advantage of the scheme. In September 2020, the social partners and the government concluded a tripartite agreement introducing a more flexible temporary wage compensation scheme than the previous one, increasing the amount of unemployment benefits and removing the eligibility criterion, which obliged workers to be part of an unemployment benefit fund in order to receive unemployment benefits under the scheme.

On the negative side, according to trade union sources, the work-sharing schemes did not suit airline staff and they would have preferred to maintain the possibility of contract suspension with wage compensation. The general state wage compensation schemes were capped, which meant that airlines had to top up the state compensation scheme, especially for pilots. This situation prompted agreements on temporary pay cuts and voluntary redundancies to limit actual redundancies.

In most airlines, the result has been a voluntary reduction of pilots' salaries by around 20%. In this context, SAS saw the financial strains it had previously experienced reinforced during C-19 and, as a result, half the employees in SAS suffered contract suspensions and redundancies.

2. France

France has widely implemented a general short and long-term short-time working scheme, which provided unemployment benefits to partially compensate for the reduction in pay. In addition, performance agreements have been signed, allowing companies to reduce wages. In the case of pilots, these measures have resulted in the loss of between 20 and 40 per cent of pay.

3. Germany

In Germany, the unions made a great effort to contain their demands at the beginning of the pandemic, the agreements reached in 2020 showed moderate wage increases, an average of 0.7 per cent compared to 4.2 per cent in the previous year. As far as Lufthansa is concerned, 31,000 employees had their employment contracts suspended for five months, which was made possible by state legislation guaranteeing 70 per cent of net pay. In the case of Eurowings cabin crew in 2020, it was agreed to compensate short-time employees up to 90% of their net salary. In the same vein, the agreement to extend the short-time work programmed until the end of 2021, and the option to extend it until June 2022, was successful in avoiding pilot redundancies. Eighty per cent of the ground staff switched to the short-time system, which did not prevent redundancies. Concessions were agreed on the reduction of certain salary supplements and Christmas and holiday bonuses.

As regards the low-cost airlines, at Malta Air, a subsidiary of Ryanair, an agreement was reached on wage reductions in exchange for no redundancies. Similar concessions were applied to cabin crew.

4. Ireland

In Ireland all actors in the aviation sector were covered by the State subsidy schemes (the TWSS, in force until September 2020, and its replacement, the EWSS, in force until May 2022). Under the TWSS, the allowances were based on a percentage, calculated on the employee's average net salary in January/February 2020; while the EWSS recognized lump sums, calculated on the employee's gross salary as follows: 0 euros for gross weekly salaries below 151.5; for gross weekly salaries between 151.5 and 202.99 euros, the amount is 151.5 euros; and, for gross weekly salaries between 203 and 1462 euros, the amount is 203 euros. Higher salaries did not receive any amount.

On the other hand, Aer Lingus, Daa and Ryanair applied wage reductions proportional to the reductions in working hours. Aer Lingus agreed to 50% reductions in working hours with its pilots in summer 2020, with a clear timetable for reinstatement. The agreements included a commitment to a pay freeze until the end of 2024. For its part, Ryanair imposed (directly, not through the Fórsa union) temporary 20% pay cuts with its pilots (pay to be fully reinstated in July 2024) and negotiated 10% pay cuts with Fórsa for cabin crew (again with reinstatement expected in July 2024). For its part, Daa's main proposal was to guarantee 80% pay and hours for airport staff in exchange for changes in work organization. Although this proposal was accepted relatively quickly by many unions, it was not accepted by some (mainly highly-skilled craft) workers. These workers continued to receive pay and hours equivalent to 60% of pre-pandemic levels. Shannon Airport was the only key aviation employer to impose a unilateral pay cut (with no reduction in hours) of 20% in September 2020. A clawback agreement was reached with the unions in May 2021.

5. Italy

In Italy, airline workers saw government attempts to link pay in all companies to the minimum pay in the sectoral agreement fail for various reasons. This situation made it possible for low-cost airlines to sign special wage reduction agreements outside the framework of sectoral collective bargaining, such as the Malta Air LTD, FILT CISL, ANPAC&ANPAV contingency agreement in response to the Covid-19 crisis, effective from 1 Oct 2020 to 1 Oct 2024. This agreement sought to minimise redundancies

through a combination of wage cuts, which also extended to base pay, and which would be reinstated over the life of the agreement, together with changes to rosters, including voluntary part-time, unpaid voluntary leave, weekend rosters and maximising the use of state support.

6. Poland

In Poland, wages were severely affected. The LOT company established two forms of employment: some workers operate as employees and others as self-employed. Most of them saw their salaries reduced due to the reduction of working time. The income of the self-employed was also reduced, as the work allowance consisted of 20-30 hours of regular work, plus extra flying hours.

7. Spain

In Spain, the most negative effects on working conditions have occurred in the low cost airlines. Ryanair reduced pay in 2020 by 10% for cabin crew and 20% for pilots, for a period of 4 years. It also decided to temporarily abolish the productivity bonus. These wage reduction measures have also been taken in some companies in the air transport value chain, such as the public air traffic management company, where measures to suspend contracts have not been adopted, but where measures have been taken to reduce working hours and sharply reduce air traffic controllers' salaries.

Some airlines, such as Iberia Express, have supplemented the public economic benefits that workers receive during periods of suspension, which is an exceptional business practice compared to other productive sectors where it is almost non-existent.

3.3.3. The speciality of flight crews and the problems of work-life balance

The working time of flight crews is strongly conditioned by the characteristics of the activity, by the working time constraints imposed by air transport safety rules, and by the long distances involved in transcontinental flights. In this material framework, any attempt to maximise the use of working time is extremely complex and has a serious impact on the reconciliation of workers' work and family life and, in the end, can lead to health problems. This seems to be the logic behind the problems in reincorporating workers that are beginning to appear in some companies (Denmark). The precariousness of working conditions in the sector means that these professions, which until recently were very attractive for most of the population, are losing the interest of workers, who, in view of the evolution of the sector, are opting for jobs with better conditions for reconciling work and family life. It is in the same logic that we could situate some of the experiences of gender discrimination that may be occurring in the recruitment of women of childbearing age in companies such as ITA. From this perspective, the ITA case confirms that gender-based discrimination is a widespread phenomenon in the air transport sector, not limited to the Italian experience, as some prominent research shows¹³⁰.

¹³⁰ D. Seligson, Women and Aviation, Quality, jobs, attraction and retention, in ILO Working Paper n. 331, Geneva, 2019

1. Italy

In Italy, the regulation of working time makes it very difficult to reconcile work and family life. In both Alitalia (before the pandemic) and ITA (during the pandemic) crews fly an average of 80 hours per month, with 10 days off. As traditional Italian airlines have opted for medium and long-haul routes, a cabin crew member spends 2 or 3 nights away from home, depending on the type of routes to which he/she is assigned. Ryanair, on the other hand, applies the so-called '5/3 roster', i.e. five days on and three days off. This model requires four routes per day, with no overnight stay, as cabin crew members return to the original locations from which they departed at the end of the day. For this reason, low-cost airline workers fly on average more hours than traditional airline workers. Following this pattern, some workers use up their maximum flying time by the time December arrives. Moreover, the legislation provides for 4 weeks of paid annual leave, 7 days off per month and at least 96 days off per year. The Italian transposition of the EC Directive n. 2000/79 concerning the European Agreement on the Organisation of Working Time of Mobile Workers in Civil Aviation has been strongly criticised by the trade unions for being too generic, whereas in other Member States it is much more detailed. For this reason, Italian trade unions are forced to start negotiations on the matter from scratch. In short, after the pandemic, working hours were lengthened due to the recovery of passenger volume, especially at Ryanair and Malta Air. Now the working day ends after 12.00, at 3.00 or 4.00 (whereas before Covid19 it ended at 12.00), but the increased intensity of performance and stress is not compensated by any additional salary. For this reason, some collective action has been taken. In any case, the situation described is not in line with Italian legislation on working time, which excludes workers with children under the age of 3 (or under the age of 12 when the worker is the sole adoptive or foster parent) or with disabled dependants, from the obligation to work at night.

Moreover, another issue that has arisen during the pandemic concerns the right to temporary incapacity. In addition to the criticisms that the air transport sector has in common with all other sectors, relating for example to the unilateral use of unpaid leave by employers to cope with the emergency, during the closure of the business, some problems have been reported in low-cost airlines, especially Ryanair. In this case, Article 8 of the CBA signed in 2018 provides for 8 weeks' notice for applications in the period between November and March, which increases to 12 weeks between April and October, although Italian law provides for a minimum notice period of 5 days (Article 32, paragraph 3, Legislative Decree No. 151 of 26 March 2001). This has made it very difficult for workers to access this right. In addition, some trade unions claim that Ryanair does not usually grant parental or disability leave recognised by the Italian law during the summer period. It is also for these reasons that some collective actions have been taken before and during the pandemic. The importance of this issue is particularly important for the conditions of female cabin crew, as women are the sole carers in the vast majority of cases in Italy.

As for ground staff, one issue that arose during the pandemic, although not directly related to it, was that of the entitlement to public holidays for airport employees. Italian law provides for 11 days a year as public holidays along with Sundays. Ground staff usually work every day, without the possibility of taking Sundays and public holidays off, because air transport is considered a public service with constitutional value. However, the Court of Cassation has recently stated that the employee can only waive this right by an individual agreement with the employer (e.g. in the employment

contract), which is valid even if it recalls a collective agreement which already waived the right not to work on public holidays on behalf of the employees.

Another important issue about working conditions, strictly linked to work-life balance and working time, concerns gender inequalities. As already noted, discriminations based on gender affect the whole sector. This is why ITA Airways case is emblematic of a more general problem which regards air transport sector. According to a decision of March 2022¹³¹, ITA, during its recruitment procedures, has used selection criteria that exclude the hiring of pregnant workers. In the specific case, the applicants proved the discrimination using the so-called “statistical proof”, according to which if the applicant provides for factual elements, also based on statistical data, from which it can be presumed the existence of discriminatory acts, the burden of proof about the absence of the discrimination lies on the defendant¹³².

For similar reasons - of gender and age inequalities - a class action has been promoted against ITA Airways, in order to prove an indirect discrimination against women (especially) in their reproductive age, between 35 and 46 years old for the positions of cabin crews, due to a significant reduction of the number of female workers compared to males in the New-Co. with respect to the ratio present in Alitalia. At the present moment the case is still pending before the court and its future decision could affect significantly the Government negotiation with Lufthansa, the new potential bidder of ITA.

2. Poland

In Poland LOT cabin crew members have no material control over working hours and place of work. They spend 90 hours a month in the air, which in real terms is 1.5 to 2 times more working hours. This volume of time involves working through the night, and requires them to fly 4 to 5 routes a day. The number of hours is at the limit of what is permitted by the applicable regulations. It is not possible to swap shifts. Although they could request days off during the holiday period, they have no guarantee that LOT will grant them. On the other hand, there is a dramatic shortage of ground workers, which means that shifts must be doubled. This puts an enormous strain on these workers who work under great stress and time pressure.

3. Spain

In Spain during the pandemic, there have been some conflicts between pilots and cabin crew due to difficulties in organising working time because of its negative impact on the reconciliation with family responsibilities. Although the government launched a plan of measures to promote work-life balance (MECUIDA), which recognised the right of workers to adapt their working hours and/or reduce their working hours, there is no disaggregated data available on the use of these measures in the specific sector. The specific nature of the activity carried out by airline flight crews, whose work is intrinsically linked to the movement of aircraft, greatly complicates the implementation of these measures adopted in general.

¹³¹ Tribunal of Rome 23 March 2022.

¹³² Article 28 Legislative decree n. 150 of 1 September 2011; Article 40 Legislative decree n. 198 of 11 April 2006.

3.3.4. Safety and health at work

The suspension of most flights during the most critical phase of the pandemic limited the risks faced by companies and workers in the sector and the prevention measures adopted in this context. After the reopening of air traffic, the use of masks, vaccination and the presentation of a negative test have been almost generalised in the sector as a whole. Generally speaking, it can be said that companies and trade unions have made a great effort to cooperate in the implementation of the measures dictated by the health authorities. However, both the pandemic and the measures taken to reverse the economic crisis in the air transport sector have significantly increased the psychosocial risks faced by workers. Moreover, the flight delays and cancellations that characterised the restart of activity directly affected the fatigue level of flight crews, according to the European Aviation Safety Agency. National authorities were therefore recommended to monitor how operators prevent crew fatigue to ensure an adequate level of safety in all operations and circumstances. Finally, in some countries, such as Italy, there has been a significant increase in assaults on workers in the sector related to the reduction of the quality of services provided.

The measures adopted, although they have been linked to COVID, raise a new phase of health in the sector insofar as they raise the question of whether occupational risk prevention in the sector should be adapted.

1. France

In France, the industry implemented measures to curb the spread of Covid-19, although there was no vaccination obligation for workers in the sector, so workers could enter workplaces with a negative Covid test result 24/48 hours before, with the exception of helicopter pilots of the national health service. Moreover, pilots were released from the obligation to wear a mask in the cockpit to ensure smooth communication in the cockpit, as well as their ability to use their sense of smell to detect possible technical problems. The obligation was maintained for all other workplaces. As far as consultation procedures with works councils are concerned, they have been instrumental in introducing drastic changes in the organisation of production, or measures on the health and safety of workers, using shorter deadlines than usual. When decisions relate to COVID-19, consultation periods have been reduced from 1 month to only 8 days and, in several cases, the measures in question can be implemented before the Works Council's opinion is adopted. Some court rulings have tried to put limits on employers' powers during the COVID-19 crisis by reinforcing the right of works councils to at least be consulted, especially on the assessment of occupational risks to workers' health and safety. One of the cases that has attracted the most media attention is the case of Amazon, where the Nanterre Court of Appeal ruling fined the company €1 million for each day it refused to close a number of warehouses and logistics centres in the middle of the pandemic.

2. Ireland

In Ireland, in the framework of the Labour-Enterprise Economic Forum (LEEF), the social partners agreed in 2020 on a safe return to work protocol to help employers and workers put in place measures to prevent the spread of Covid-19 in the workplace. A

LEEF Advisory Group was set up to oversee the implementation of the Safe Work Protocol. The Protocol emphasised collaboration between employers and workers. Each workplace was required to appoint at least one employee representative whose role is to ensure strict compliance with Covid-19 measures. The protocol was updated and revised in November 2020, September and October 2021, and January 2022.

3. Italy

In Italy, cases of assaults on ground and flight crews have worsened during the pandemic. In particular, according to FILT Cgil, 67% of the cases of physical and verbal assaults are related to COVID-19 restrictions, cancellations and delays and baggage policies in low-cost airlines. The most serious incidents have taken place at Bologna G. Marconi Airport. Marconi Airport in Bologna. After some aggressions, which particularly affected female workers, airport employees went on strike in October 2021. Subsequently, on 29 July 2022, the parties signed a Protocol against assaults which establishes a structured and coordinated system of notification and intervention: the assaulted employee can call the Airport Control Room, which registers the request for help through a computer programme and calls the nearest police patrol to ensure rapid intervention. The unions also demanded a salary supplement for these risks, a request that is pending judicial resolution.

4. Spain

In Spain, measures were adopted to ensure the health and safety of the population and, in particular, of those who were to provide the activities considered essential. The use of individual protective equipment and masks was imposed by Decree-Law. These restrictive measures were issued in line with the operational guidelines for the management of air passengers and aviation personnel in relation to the COVID-19 pandemic, adopted by the European Union Aviation Safety Agency (EASA) and the European Centre for Disease Prevention and Control (ECDC). The mandatory use of facemasks has been relaxed in public places, but remains mandatory for all modes of public transport, including air transport. As part of occupational risk prevention measures, the vaccination of pilots and cabin crew has been the subject of conflict in Spain. Finally, the courts have established the company's obligation to pay pilots and cabin crew for the days and hours of work not scheduled as a result of the administration of successive doses of Covid-19 vaccines to pilots and cabin crew.

3.4. The slow process of return to pre-existing working conditions

3.4.1. Overview

To some extent, it can be said that the process of return to the status quo, in terms of passenger numbers, has developed better than expected, contrary to most forecasts. The surprising vitality of air transport has changed the attitude of the trade unions, which have begun to press for the gradual elimination of all the measures to worsen their working conditions adopted during the crisis. This objective has not met with the agreement of the airlines, which have generally maintained open opposition to a return to the previous working conditions, with various arguments.

Firstly, airlines warn of the uncertain outlook for the business, which stems from various factors such as the invasion of Ukraine, rising fuel prices, increasing inflation, rising interest rates, the announced recession within the EU and the evolution of environmental regulations. The sum of negative data and forecasts for air transport would, in the opinion of the employers' organisations, make a return to the pre-existing working conditions inadvisable.

Secondly, the effect of the emergence of low-cost airlines continues to transform all companies in the sector, which is why the flag carriers consider that it is necessary to continue with the transformation process that has begun. In this logic, some companies are taking advantage of some of the changes initially adopted on a temporary basis due to the COVID crisis to reduce personnel costs and company productivity. In other words, companies could be consolidating the changes agreed or imposed during the pandemic, with the aim of improving the company's results and thereby competing with low-cost companies.

Thirdly, although business has recovered earlier than expected, most companies have not reached their previous business figures and have not recovered the financial losses suffered during the previous years.

Fourthly, in some cases, a process of deterioration of working conditions is taking place, especially in countries where there were many redundancies. In some cases, re-entry has not meant maintaining the working conditions they had enjoyed before or in the same company (Germany, Denmark, Poland). In other cases (Ireland), double pay scales are generated, differentiating between the working conditions of staff that have remained in the company and those applicable to new recruits. There are, however, some isolated exceptions to the general rule. Thus, in some cases the conditions of newly recruited staff exceed those of previously hired staff due to a lack of staff needed to meet demand (as in the case of the Gate gourmet catering company in Ireland; or Air France hiring staff on a preventive basis and prior to the full recovery of airline activity); or Eurowings in Germany where salaries have been increased and temporary contracts have been converted into permanent contracts. And in Ireland, Ryanair in December 2022 also made direct contracts with agency staff.

Notwithstanding the above, in some cases, trade unions have begun to achieve some successes, with agreements containing significant wage increases and improvements in other working conditions, mainly due to labour shortages caused by redundancies in some companies during the pandemic and the difficulty of finding workers to cover these departures at the pace required by business growth. The difficulty in reincorporating workers is related to the high training requirements, the particularities of working time and insufficient pay.

3.4.2. The situation in each country

1. Denmark

SAS and their pilots closed a collective agreement in 2019 for 3 years, with an opt-out option after 2 years. The agreement gave the pilots a total wage increase of 10.86 % over three years (3.5 %; 3.0 %; 4 %). In March 2021, SAS opts-out of the agreement

and negotiates a new agreement with the pilots, lasting one year. In this agreement, the pilots agree to denounce the 4 % increase in the last year.

Negotiations on a new agreement in the spring 2022 led nowhere, and the pilots went on strike in July. After 2 weeks of strike, a new agreement was agreed which will have an unprecedented duration of 5.5 years. Subsequently, it was agreed that pilots employed in the FPU agreement can opt at any time to switch from the SAS/FPU agreement to the SAS/DPF agreement. Pilots made redundant during the Covid-19 crisis must be rehired before any further recruitment of new pilots - and with the same seniority, irrespective of whether the company is SAS Scandinavia, Link or Connect.

The rehiring of the pilots was very important as SAS has created two new companies, SAS Link and SAS Connect. Instead of hiring laid off personnel from SAS Scandinavia to the new companies, some was new recruitments. Pilots and cabin crew claimed that this was against the understanding that they were promised to be rehired when production after the C-19 crisis would increase again. Furthermore, SAS Link and SAS Connect had signed collective agreements with the Flight Personnel Union (FPU) and not the SAS affiliated unions DPF (Danish Airline Pilot Association) and CAU (Cabin Attendants Union).

2. France

In France, agreements concluded during the pandemic, involving pay cuts, have not been automatically terminated with the return to "normal" activity levels in the summer of 2022. This is currently the subject of negotiations at company level across the sector, which generally lead to a commitment to get a timetable for a gradual return to previous working conditions.

3. Germany

In Germany, already during 2021, basic wages were raised to almost pre-pandemic levels.

Lufthansa ground staff reached an agreement in August 2022, under which employees will see their wages increased in three stages: a fixed amount of 200 euros per month, effective 1 July 2022; from 1 January 2023, they will receive a further 2.5 per cent, with a minimum of 125 euros per month; and a further 2.5 per cent from 1 July 2023. Effective for 18 months, as opposed to the 12 months proposed by the union, the agreement increases ground staff pay by between 13.6 and 18.4 per cent. Employees at the lower end of the pay scale are guaranteed a wage of 13 euros an hour, one euro more than the new minimum wage.

Certainly, the decision taken by the Lufthansa's supervisory board to pay the firm's directors in December 2022 has not gone down well with the unions. Moreover, it has strengthened employees' resolve to improve their members' terms conditions; particularly since employees who agreed to huge sacrifices to save Lufthansa from insolvency. Responding to the decision to pay the directors a bonus for the year 2021, president of the pilots' union VC, Stefan Herth, had this to say: "Lufthansa is on the upswing again. This was and is a joint effort by all employees. If the Executive Board is to be rewarded for this performance, then recognition for it must not stop below the top management level. It is clear that this must also be reflected in the coming collective

wage agreements. Employees must see on their pay slips that their efforts during the crisis have paid off." ¹³³

More complex is the recovery process for flight crews, where it has not been possible to reach agreements.

4. Ireland

In Ireland, wage issues, linked to recovery and/or wage increases are currently the main subject of collective bargaining. However, it is in other areas where "pandemic" measures may have a more significant lasting impact, as all agreements contain organisational measures that seem likely to become permanent. In relation to Aer Lingus pilots, the agreement reached in September 2022 maintains the use of a specific 'new hire' pay scale (referred to as the '2022 scale' and believed to be approximately 10% lower than the pre-Covid scale). The one-off payment to pilots of a "catch-up allowance" also does not apply to new hires. The pay increase is conditional on specific flexibility and cooperation measures agreed between the airline and the union. Meanwhile, at Ryanair, the agreement accepted by pilots in 2020 included "productivity agreements" (largely related to rostering and minimising staff absences).

For cabin crew, as with pilots, the agreement finally reached at Aer Lingus includes a lower pay scale for new recruits, as well as a lower level of sick pay. The commission on in-flight sales, which was reduced by approximately 5%, was increased again in September 2022, although it remains below pre-pandemic levels. At Ryanair, the agreement with cabin crew also included 'productivity agreements' (largely related to rostering and minimising staff absences), and some measures restricting promotions.

For ground staff, Aer Lingus introduced a lower pay scale for new employees and reduced sick leave allowances. The airline also intended to introduce significant changes to the working practices of its ground operations at Dublin Airport, including load planning, aircraft marshalling, rostering, task allocation and job delineation. The airline also wanted to reaffirm existing commitments to the principle of 'continuity of work', whereby staff work 'under protest' if problems arise, and the employer and unions engage immediately as necessary in the various processes. Similarly, in the ground staff, widespread changes in working practices were part of the agreement in Daa (their agreement was entitled "New ways of working"). Among other things, shift rosters were changed, demarcations between Terminal 1 and 2 and between ground and air were abolished, cleaning duties were established for all, new teamwork formats were introduced, and new technologies were introduced.

Therefore, in all areas, we can see that, although basic wage levels are to be restored, changes have been introduced for new workers (who will have worse pay and conditions than other staff), and changes in work organisation (to improve flexibility and productivity).

But, there were CLAs in Dec 2022 for AL, Ryanair and Daa with pay increases.

¹³³ Airport Zentrale. Lufthansa gönnt Vorstand Millionen-Boni – Kritik lässt nicht lange auf sich warten | airportzentrale.de

5. Italy

In Italy, after the end of the pandemic, the agreement at Malta Air, valid from 1 Jul 2022 to 31 Mar 2026, was not able to guarantee a return to pre-pandemic terms and conditions at the low-cost carrier. Meanwhile, after the creation of ITA, several agreements with worse conditions were reached at company level. Contrary to the usual practice, pilots' remuneration is much lower than that paid by low-cost airlines (6,500 euros for a commander at ITA compared to 11,500 euros at Ryanair and 15,000 euros at EasyJet). The unions, especially after the recovery of the sector, are demanding better working conditions and higher salaries. As far as ground handling staff are concerned, their conditions have been strongly affected by the fragmentation of the business, demanded by the European Commission. Although the unions were able to contain redundancies, they have not always been able to defend wages. In the case of Fiumicino airport, the company agreement maintains employment and all previous working conditions, and even introduced a new performance bonus of up to 500 euros for all workers for the second half of 2022. On the other hand, at Milan Linate airport, Swissport International is trying to impose the implementation of a 10-25% pay cut, although, because of union pressure, Swissport has recently committed to implement the specific part of the collective agreement signed by Assohandlers also at Milan Linate airport by 1 June 2023 and to rehire all former Alitalia handling workers by April 2023.

6. Poland

In Poland at the end of 2021, when the situation in the air transport sector had slowly started to stabilise and there were signs of improvement, an agreement was reached at LOT Polish Airlines to improve working conditions. Cabin crew returned to full-time work at 30 hours' pay. Years of service under special conditions will also accrue from the moment of the return to full-time work, allowing, among other things, early retirement. For pilots, the number of guaranteed working hours has been increased from 20 to 27.5 hours. The agreement expires on 31 March 2024. After this date, there will be an automatic return to the pre COVID-19 pay rules.

The situation of air traffic controllers followed a different dynamic. The agreement with the unions, to deal with the crisis, reduced staffing levels and salaries by a third. At the end of 2021, when signs of improvement began to appear in the air transport sector, the agency's management wanted to consolidate the agreed cuts. The struggle between management and unions over pay levels dragged on for several months until it gained momentum in April 2022, when flight controllers launched a protest action over the Easter period. The unions also shifted the weight of the dispute from purely pay issues (which could elicit a mixed reaction from the public) to the issue of passenger safety (which won them public recognition and support), which enabled a favourable agreement to be reached before the start of the summer holiday period.

7. Spain

In Spain, after the pandemic, almost all the workers whose contracts had been suspended have returned to work, although in net terms there has been a loss of employment among temporary workers that has not been recovered. The crisis has made it difficult to renew collective agreements during the pandemic, which in practice meant several years of pay freezes. Now that air traffic has started to recover, the renewal of

collective agreements in the sector has been reactivated. The general evolution of the wage variation agreed in the air transport sector shows two singularities: a much higher percentage of wage variation in 2021 than in the other transport sub-sectors (7.12% compared to 1.17% in land transport and 0.76% in maritime and inland waterway transport); in the air transport sector, the annual percentage change at company level has in all years been lower than that achieved at the level above company level (in 2021, 4.17% at company level compared to 7.33% at sector level), contrary to what is more usual in the rest of the transport sectors. This is important because collective agreements for flight crew are craft agreements (only applicable to workers belonging to one professional category) and at company level, i.e., there are collective agreements only for pilots and separate collective agreements only for cabin crew.

Conclusions

Overall Financial Situation

During the development of the pandemic, some airlines have gone bankrupt, although it can be assessed that this was determined by economic circumstances preceding the health emergency, notwithstanding that COVID has accentuated them. Many of the airlines that remain have been restructured in various ways, some through merger processes, others by creating subsidiary companies, and even some with profound qualitative changes. The activity and financial situation of the remaining airlines is recovering rapidly.

Regarding the situation of the airports, the recovery of the airports seems to be somewhat uneven, some airports within specific countries are recovering faster than others. There are possible explanations for this, which could be significant in the medium/long term: the slower recovery of long-distance traffic, for example, China; the slower recovery of business traffic, unlike tourism; the faster recovery of traffic from low-cost airlines (especially Ryanair) that often fly to smaller, regional airports.

Corporate restructuring/ bankruptcy

The practice of legacy airlines (LAs) establishing low-cost carrier (LCC) subsidiaries is one that continued during the pandemic and shows no signs of slowing. In many cases, these subsidiaries are established with the goal to compete with the main LCCs, while still using the legacy brand. This seems very important in the medium/longer-term in terms of employee relations, and for relations between trade unions.

Also, the return of the State to airline ownership in a specific country marks a reversal of the privatisation trend. However, it is likely that States will try and sell their stakes as soon as possible.

State Aid

In most countries, aid subsidy by the State was not specifically tailored to the needs of the aviation sector. This may be something to consider in future, given the unique nature of work in this sector (e.g. the inability to work remotely for most staff; the special working schedules that result from flight schedules- i.e. not weekdays, 9-5, etc.).

Indeed, apart from one country, there were no specific packages aimed at aviation at all.

Huge direct aid packages usually came with conditions attached; although airlines were able to 'buy their way out' of these rather quickly.

Indirect support (e.g. wage subsidies) generally did not come with conditions; this might be something considered for the future.

Industrial Relations

Across countries, we might identify a ‘dual Industrial Relations’ along the aviation value chain – where the more exposed to international competition the workers are, the more company oriented and individual are the employment relations; e.g. pilots/cabin crew vs ground staff.

Not all countries imposed conditions on employers receiving wage subsidies. Thus, in some areas, the question arises as to whether the State should establish some conditions for the aid it offers; e.g. attend tripartite groups.

It is sometimes seen that traditional unions do not always maintain a relationship of influence over workers in the sector: pilots, CC, GS, etc.

Sometimes the absence of a more strategic approach is detected in the public and business policies of the sector, to avoid economic swings that accompany crises.

Sometimes deficiencies are also detected in the development of social dialogue, with little support from the European Union.

Social dialogue in the aviation industry has been key tools in dealing with the airspace closure situation resulting from the pandemic.

Through social dialogue, measures such as wage cuts with job maintenance were adopted to respond to the shutdown in the aviation sector.

After the gradual recovery of activity, the return to previous working conditions has been more complicated. Some disputes have arisen, but important agreements have also been concluded. Collective bargaining, which was paralysed during the pandemic, has been reactivated.

In the aviation value chain, there is a large difference in the level of collective bargaining between the various categories of workers: ground staff tend to have sectoral agreements while flight crew (pilots and cabin crew) are usually covered by company and/or professional category agreements.

The primacy of company-level collective bargaining in the air transport sector could be a tool for employers to choose their union bargaining partner and thus enhance their bargaining power.

Employment

COVID-19 has had an enormous impact in passenger air transport. Unlike other economic activities, the civil aviation sector has not been able to benefit from some of the most important measures that have safeguarded jobs in most European countries, such as the generalisation of remote working/ teleworking.

Due to the high proportion of fixed costs in airline operators' budgets, salaries and the number of employees is the most important budget items for savings. The easiest way to reduce costs in these cases is to lay off, reduce their working hours or reduce salaries.

All the countries studied have tried to maintain employment by using different means, with collective redundancies or contract terminations being the last option.

The worst effects of COVID are on ground staff. Thus, while the maintenance of employment has focused on groups such as pilots, flight crew and air traffic controllers, termination measures have focused mainly on ground or handling staff.

State social shock absorber measures were crucial, to help maintain jobs and pay workers.

Although in the vast majority of the countries studied attempts have been made to avoid redundancies, either through new measures or by adapting existing measures to make them more flexible and cover a larger number of companies and workers, it has not been possible to avoid redundancies in any country.

Now that restrictions on air travel are largely gone, there is a gradual increase in the volume of employment in the airline industry to levels similar to those existing before the COVID-19 crisis or in line with a gradual trend towards recovery, although not yet comparable to the pre-pandemic situation.

In general, experts did not expect the recovery to take place until 2024 or 2025 (IATA). The unexpected revival of the sector in the summer of 2022 caught some countries or companies unawares and they made use of redundancy measures, causing chaos and disorganisation in the management of airports due to lack of staff.

Contract

After the pandemic, recruitment routes and the type of relationship contracted in the aviation sector remain basically the same as those used before the pandemic.

During COVID, the destruction of employment in a general way has affected temporary workers more.

In some countries a high percentage of flight crew were also employed through temporary work agencies or, in similar situations, through airline subsidiary agencies, especially low-cost airlines. Although agency work also exists, it is less frequent among ground staff.

In some countries, self-employed workers are hired, while in other countries this is a marginal or practically non-existent formula. In those countries where self-employed workers are hired, it is mainly in low-cost airlines that crews hired as self-employed workers are concentrated. From some areas it is claimed to review model of 'self-employment'. In certain LLC is already starting to recruit more direct employees.

From some areas it is claimed to tighten/ enforce better rules on false self-employment in this sector.

In the countries examined, where there have been many dismissals with a commitment to rehire, many of the promised hires have not been carried out with the same company to which they belonged but with one of the group companies, usually of a lower standard, such as low-cost subsidiaries.

There are labour shortages in the sector in some countries and not in others.

Impact on Conditions

‘Dual’ labour markets where LA establish LCC subsidiaries continued during the pandemic. This is a challenge for sectoral regulation and unions.

All aviation workers have seen their working conditions affected as a result of the pandemic, although not uniformly, as this has depended on the measures taken by each country, the category of worker involved (high paid pilots and air traffic controllers have been particularly affected) or the airline concerned.

In some countries, the flag carriers changed the working conditions of their staff in a milder way than the low-cost airlines, but in others the reverse was the case.

The business landscape has almost universally incorporated new low-cost airlines belonging to flag carriers. Whereas until recently the classification used to be dual (flag carriers and low-cost airlines), it is now becoming common to describe a trilogy of companies, which would include the former flag carriers, low-cost airlines linked to the former, and ultra-low-cost airlines. In this context, it is the workers of the latter who have seen their working conditions worsen the most, while those of the low-cost airlines linked to the former flag carriers are trying to bring their working conditions into line with those of the latter.

Differences have also been observed between flight crews and the rest of the people working in the sector. The characteristics of the tasks performed by ground and value chain staff are generally more in line with the ordinary mechanisms of reduced working hours or suspension of the employment contract.

The working time of flight crews is strongly conditioned by the characteristics of the activity, any attempt to maximise the use of working time is extremely complex and has a serious impact on the reconciliation of workers' work and family life and, in the end, can lead to health problems.

This seems to be the logic behind the problems in reincorporating workers that are beginning to appear in some companies and in some countries.