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The Aviation Value Chain – super flexible, but is it truly resilient?

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Abstract

No other branch has been hit harder by Covid-19 lockdowns than aviation. This raises two important questions: How has this affected the power balance between employers and employees? How resilient is aviation in times of crisis?

This paper focuses on two extremes in the aviation value chain, the typically unskilled ground handling staff, and the highly skilled air traffic controllers. The analysis shows that management in aviation has not been able to recruit employees needed at a time when aviation has ramped up production following Covid-19. In ground handling services, working conditions and salaries have been less appealing, and in a tight labor market, former employees have sought pastures new offering better working conditions. Among air traffic controllers, management offered severance packages to senior air traffic controllers during the lockdown and at the same time reduced the intake of new trainees. These factors have led to a deficit of workers at both ends of the aviation value chain, which inadvertently has effectively strengthened the bargaining power of employees.

The analysis shows a built-in flaw in aviation's neo-liberal business model, as aviation struggles to deal with fluctuations in the economy – be that due to Covid-19, SARS, the global financial crises in 2008 or 9/11. Hence, a truly resilient model requires a certain surplus of labor, even when the business is doing less well due to (recurrent) crises – or in other words recruitment and retention must be assured. A resilient model will also have to assure fair wages and working conditions in all links along the aviation value chain. To obtain this, other parts of the value chain will have to change too. Consequently, to obtain a truly resilient model in aviation, it seems necessary to accept higher prices for customers as any other route will jeopardize wages and working conditions for employees along the value chain and by default possibly keep planes grounded either because of od dearth of labor or as consequence of industrial action.

1. Introduction

From a mobility and market perspective, the liberalization of the European aviation industry since the mid-1990s can be considered an unmitigated success story. Liberalization of aviation was an important tool to obtain higher mobility, a goal that was achieved; People living in Europe have never been more mobile. This is not least obtained through a complex value chain that provides an important commodity, cheap flight tickets. Consequently, aviation remains one of, if not *the* most competitive market within the European Economic Area - an example of unprecedented market growth.

Aviation is a highly visible sector where the business model is changing faster than probably any other branch due to hyper-internationalization – and recurrent crises. Hardly any other branch has been hit harder by world crises like 9/11, SARS, the global financial meltdown from 2008 through to 2010, the Icelandic ash cloud and most recently Covid 19. These crises crave swift responses and as such, aviation has had a tradition of adjusting to changes so as to stay in the sky. However, the big question remains whether aviation's market driven business model – despite the experience of recurrent crises – is truly resilient. Certainly, the ramping up the production in aviation in 2022 after the Covid-19 lockdown turned out to be much more troublesome than expected as a labor shortage and waves of industrial action grounded many airplanes across Europe.

A key aspect of the current business model, one seen as central to the industry's boom years, involves the application of a value chain model, which at its very core entails a cost reduction exercise through the outsourcing of services. The transportation of passengers is dependent on a web, often hidden, of subcontractors working together to get people and goods from A to B. An example of such an approach comprises airlines hiring external cabin personnel or planes. While the cabin crew to all intents and purposes appear to work for the airline running the flight, certainly their uniform would imply this to be the case when boarding the plane, the flight attendants actually work for a subcontractor. Furthermore, planes are leased and painted in the colors of the airline running the flight. As such, the means of production might present itself as a certain airline, sometimes a so-called flag carrier (i.e. the airline carrying the flag of the country of origin which is often considered the pride of the country – also called legacy airlines), but might be based in other countries with employment and tax conditions more favorable to the employer. This business strategy is even reflected in the language that has come to dominate the aviation industry in recent years. Terms such as Wet Lease and Dry Lease denote that the airline is a subcontractor flying under the guise of another ticket operator. Even the airports, that is, the very infrastructure important to getting planes safely on and off the ground, are not immune to the value chain strategy. Though they often remain partly state-controlled entities, services provided at airports, i.e., from when a passenger checks-in through to the time the plane takes off, are reliant on a complex matrix of service providers.

As airline companies and businesses along the aviation value chain are shopping for the best conditions in order to cut costs, this has had severe repercussions for employees' employment terms and conditions – and ultimately, it affects national Industrial Relations regimes, too. Drawing on a European funded project analyzing Industrial Relations in aviation during the COVID-19 lockdown,[1] the paper considers whether the Covid pandemic show weaknesses in resilience of the aviation value chain. Clearly, as already noted, the end of the lockdown and the relaunch of the industry in 2022 has been very turbulent. Cancelled flights and delays have not helped reinstall passenger confidence in an industry struggling to recover. This raises another question we wish to address, namely whether an alternative arrangement exists that could make flying more resilient in several senses: making flying fun again while also providing employees in the aviation value chain with more secure and fairer working conditions.

To consider these issues, the paper focuses on two parts of the aviation value chain, air traffic controllers and ground handing staff in Denmark and Germany respectively. This comparative approach has a number of advantages: Firstly, it deals with two services at opposite ends of the value chain in terms employment terms and conditions. Compared to ground handling service employees air traffic controllers are better paid and tend to profit from a high degree of job security, this the result of an intense and protracted training program as well as a dearth in available apprenticeships. Secondly, we are dealing with an international factor too, Denmark and Germany. As the paper will demonstrate, though, irrespective of these variables, i.e., position in the value chain and employee voice, a degree of convergence can be observed. We show that the aviation business model is not truly resilient due to the fact that its dependence unstable, insecure and poorly l-paid jobs does not allow it to provide as affordable and reliant services in periods of crisis.

[1] The data is collected as part of a wider EU funded project on the impact of Covid-19 on IR practices in the aviation branch of seven EU Members States, Denmark, France, Germany, Ireland, Italy, Poland and Spain. The project title is VIRAL (Varieties of Industrial Relations in Aviation Lockdown) funded by the European Commission VS/2021/0188. See more: https://viralproject.eu/

We start by looking at how the European aviation market has developed since the 1990s. Here, we consider how these market changes have affected employment terms and conditions, industrial relations and personnel planning in Denmark and Germany. Next, we deliberate over our two respective cases: the first focuses on ground handling services in Germany, in particular pay levels, working hours and employee representative practices. The second considers the air traffic control predicament in Denmark, in particular management's ability to organize training and staffing short and long term. Finally, we conclude with a discussion in which we postulate that firms' ability to provide key service in the value chain, in this case ground handing and air traffic, might require managers to reassess whether their tried and tested business practices spanning two decades are still able to provide a reliant service, especially in the light of recurrent crises.

2. Market Developments and Employment Terms and Conditions since the 1990s.

A wave of market liberalization has consumed the world since the late 1970s, picking up speed over the last three decades. This dismantling of trade barriers has affected economies, markets, prices, wages, working conditions and much more. Perhaps most importantly, this development has facilitated investments across borders. Multinational companies (MNCs) have benefited from this economic paradigm change – this era of MNCs is, reflected in the fact that the number currently stands at around 60,000 MNCs (Navrbjerg and Marginson 2016). In addition, they are home to between 500,000 and 600,000 subsidiaries (ibid).

The modus operando of MNCs is to acquire existing companies in other countries or establish new companies (greenfield sites), which often allows them to take advantage of the cost of labour, the existence of highly skilled employees, favorable tax benefits and access to new markets. The free mobility of capital, that is, globalization, gives MNCs the possibility to practice regime-shopping, allocating investments in countries where wages are low and Industrial Relations (IR) are weak, or at least in nation states where social partners, especially unions, might be willing to accede to concession bargaining.

It is worth noting here, though, that whilst traditional MNCs have been able to invest across borders, they nevertheless remain to all intents and purposes a national edifice in two important ways: The means of production and labour. In both cases, MNCs are required to respect IR practices in countries profiting from their investment. However, aviation is different, a dream scenario for any MNC investor: In aviation, both the means of production and labour are mobile; airlines are not bound by national custom and practices, but by strategic decisions taken by airlines whose horizon is global. The fact that airlines in principle can fly from any city in the world, or at least threaten to do this, means they are relieved of such national shackles. Airlines can adhere to national regulations of their choice. All they have to do is to decide which country to start from, a fact that allows them to either circumvent, ignore, or purposely undermine existing industrial relations procedures and employment standards.

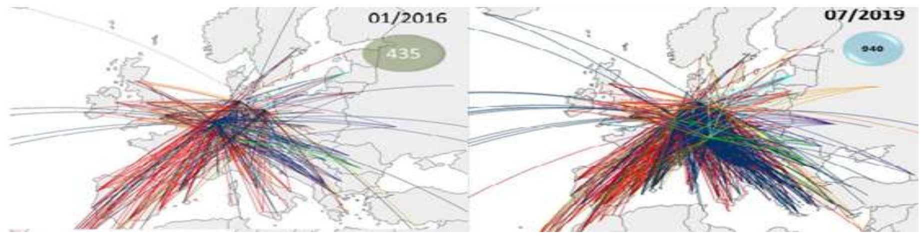
Looking at the recent history of aviation, aviation was overall a protected market until the 1990's. Governments committed to sheltering national treasures, flag carriers or legacy airlines (LAs), from the harsh realities of market competition (Wilke et al, 2016; Volkens and Fifka, 2019). In many cases these LAs, for example, Lufthansa, SAS, Alitalia, Air France etc. were either totally or partly owned by the State at different times in their long history (Jorens et al, 2015). However, liberalization gave way to other airlines to access routes that had been legally reserved for legacy airlines (ibid). To different degrees of success, quite a few airlines took advantage of this opportunity – one example that stands out in Europe is Ryanair, which started up as an inferior company in the mid-1990's and now is the biggest airline in Europe with 160 million passengers in 2022.

The business models of airlines such as Ryanair typically focus on depressing costs in an attempt to flood the market with cheap tickets. To this end, these airlines now referred to as Low Cost Carriers (LCC) (Deutsches Zentrum für Luft- und Raumfahrt, 2006), adhere to the following strategy: a reduction in services (onboard services luggage incur extra costs), less leg room to accommodate more seats, operating from regional airports, the promotion of precarious employment and a de-recognition of IR practices, including union bashing.[2] As we outline in this paper, such a business model represents a huge challenge for LAs, whose traditional monopoly position guaranteed employees favorable employment terms and conditions and an employer commitment to the notion of social partnership, that is, offering employee representatives rights of participation in influencing company policy. As we see in the following paragraphs these tendencies were most pronounced in countries like Denmark and Germany with a tradition of social corporatism, that is, a state system that legally provides employees with a voice and by default favorable employment terms and conditions.

[2] This is quite ironic as once employers realized the how the pandemic would severely affect the industry, they became key advocates of social dialogue, not least when relief packages were on the table.

The impact of this of LCC is outlined in the following graphic on the expansion of low-cost routes from Germany, these nearly doubling between 2016 and 2019, jumping from 435 to 940.

Graphic 1: The development of low-cost routes from Germany



Source: Deutsches Zentrum für Luft- und Raumfahrt (2019a: 15; 2019b: 14 - amended)

According to the Deutsches Zentrum für Luft- und Raumfahrt (DLR, 2019: 2), 20 LCC flew in out of German airports in 2019. Of these, Eurowings, 2700 starts per week, accounted for the largest percentage of the market, 51.5 percent (Ibid). The other two big players were Ryanair and EasyJet, with a market share of 17.9 and 16.5 respectively (Ibid). Together with Wizz and Laudamotion, these five airlines combined account for 92% of the LCC German market (Ibid).

While Germany was hit a bit earlier by the LCC, LCC have also had a profound effect on the Danish market. Ryanair started flying from the second biggest airport, Billund, in 2012 with bases in Billund, but without collective agreements with cabin crew and pilots. In 2015, Ryanair attempted to set up a base in Copenhagen. However, this time the unions demanded union recognition and a collective agreement as the have the right to. Ryanair refused to acknowledge the unions and to engage in any kind of collective negotiations as Ryanair claimed that it was an Irish workplace and Irish law and Industrial Relations should apply. The case ended in the Danish labour court, and the court ruled that Ryanair should engage in collective negotiation. Consequently, Ryanair decided to abolish all bases in Denmark. Nevertheless, by 2019, Ryanair was the 3rd largest airline at Copenhagen Airport with 2.3 million passengers, only surpassed by SAS (10.2 million passengers, and the low-cost competitor Norwegian (2.3 million passengers).

Although Ryanair still had no bases in Denmark it was able to fly to Copenhagen from Baltic countries and Poland early in the morning. Hence, it was able to fly Danish passengers around Europe without having either Danish employees or apply the country's IR institutions. As such, the case of Ryanair in Denmark illustrates how independent airlines are able to circumvent the nation State's national rules and intuitions. The position on the Danish market was kept by Ryanair up to the Covid-19 lock down – and Ryanair has picked up very well after the lockdown.

In addition, other low-cost airlines are now present on the Danish market, not least Norwegian. However, there is a need to differentiate between low-cost carriers that appear to abide by industrial relations practices and those that try to circumvent such procedures and regulations. For example, unlike Ryanair, Norwegian acknowledges unions, has signed collective agreements in Denmark.[3]

A picture emerges here whereby the ongoing strategy to cut costs on the part of flag carriers, low-cost carriers and airports are negatively affecting links along the aviation value chain. A trickle-down effect can be observed here whereby the further you go down the value chain the more precarious employment comes. In the next sections we turn to consider two parts of this value chain arrangement in two different countries, ground handling in Germany and air traffic controllers in Denmark. Both cases illustrate – from very different ends of the aviation value chain – how management in aviation faces the challenge of establishing a resilient business model, not least in times crisis.

3. Deregulation as the Forebearer of the German Ground Handling Crisis

The main airports in Germany on the whole remain state entities. However, this has not stopped airports from outsourcing services. Generally, this has involved a two-pronged strategy: First, airports set up their own subsidiaries to provide ground-handling services, subsidiaries that employ workers on considerably lower salaries (Wilke et al, 2016). For example, Areoground is a subsidiary of the Flughafen München GmbH (FMG - Munich Airport Limited), a subsidiary that offers ground-handling services in Berlin and Hamburg, too. Second, airports outsource services to third party providers, the likes of Losch, AHS, Swissport Losch, Aviapartner, Wisag and Acciona. These third-party providers employ anything between 900 and 2000 employees at various airports throughout Germany. For example, whilst Losch employs 1650 workers in Stuttgart, Bonn/Köln and Berlin, 1900 people work for the Hamburg based company AHS.

As opposed to many other branches, aviation is characterized by the fact that no one level agreement is currently in place. Rather, the pyramid like structure in ground handling is home to a web of collective bargaining practices. Of course, decentralized collective bargaining is neither unique to ground handling nor a new

[3] It should be noted here, though, low-cost carriers don't apply a cross European blanket approach towards collective bargaining. In Germany, for example, Ryanair has signed to a collective bargaining agreement with the pilots and cabin crew unions, Vereinigung Cockpit Gewerkschaft and Ver.di respectively.

phenomenon in Germany. Many unions have resorted to either signing such agreements or agreeing to open-clauses in branch level agreements, i.e., offering the option to customize working conditions at the company level to stem the decline in collective bargaining. What remains quite distinctive, however, would appear to be the *magnitude* of such an arrangement in ground handling. Currently, the wages and employment conditions of around 50% of ground handling staff (GHS) are determined by site level, and in some cases company level collective bargaining procedures.

The current arrangement is quite different to collective bargaining procedures prior to the 1990s. At the time branch level collective bargaining was the norm for all employees in the aviation industry, including ground handling staff (GHS). Consequently, pilots and cabin crew benefitted from terms and conditions that were not too dissimilar to those afforded to civil servants. This has changed drastically; currently, staff working directly for the airport, for example Fraport in Frankfurt, are covered by the public sector agreement while in contrast, subsidiaries, in the case of Fraport this happens to be Fraground, don't apply the public sector agreement in its entirety but use this as a point of orientation. This has the consequence that the salaries of Fraground employees are around 30% lower than their counterparts working directly for Fraport. Whilst people employed by third party providers can expect even worse conditions than those of their third-party counterparts. According to Ver.di, the union that represents GHS, such a pyramid construct promotes a race to the bottom (social dumping). Each company maneuvers, often at the expense of wages and employment conditions, to outcompete their competitor. As a result, it is not unusual for third party employees to work between 40 and 45 hours per week, between 4 and 24 hours more than their colleagues covered by the public sector airport agreement (TVöD für den Dienstleistungsbereich Flughäfen).

The Covid-19 crises obviously had a profound impact on aviation along the whole value chain. Although aviation has been ramping up production since 2022, the fact remains that ground handling has struggled to recover, i.e., meet the service standards it offered prior to the Covid outbreak. Even though the airlines are once again frequent flyers in the skies and airports are once again a hive of activity, there remains a shortage of GHS of around 5000 workers. Added to this factor is the fact that ground handling firms specifically but aviation generally are faced with a huge problem, that of a poor image. The low-cost era has damaged the gleam once associated with this industry.

In short, the pandemic and the subsequent stop and go relaunch has raised questions about resilience of such a social dumping model. Covid-19 had a major impact on the GHS labor market. Of the 30,000 employees that worked at German airports prior to lockdown around 15,000 left to seek employment in other areas.

Employment conditions amongst third-party employees were precarious, 40 % earning less than 12 Euro an hour before the recent rise in the minimum wage in October 2022. As a result, such wages and working conditions have not been off the quality and standard to attract workers back to the industry. Hence, the crisis appears to have encouraged an already disenchanted group of workers to leave the branch, a branch that not only paid poorly but also often involved physical and tedious work as well as unsociable working hours.

This means that as of 2023, whilst the labor market is generally tight, the situation in aviation is quite tight. This has created a clear in shift in the balance of power as seen in the wave of strikes that have hit the German aviation industry since 2022. This final element has even helped encourage employers to consider returning to a branch level collective agreement. Although 2020 and 2021 forced trade unions into the defensive, with unions often claiming employers were using the crisis to undermine their power, in 2022 and 2023 unions across Germany experienced a revitalization. The aforementioned tight labor market but also employees' disenchantment with the way employers had treated them in recent years has fortified employees' willingness to challenge their employer.

Furthermore, as indicated in the discussion, the current labour market crisis has raised questions about the need to recalibrate collective bargaining, possibly turning the clock back, i.e., reinstating tried and tested practices that existed in the 1990s. Nevertheless, there remains something quite rare about the narrative that has unfolded in ground handling since 2015. At the behest of Ver.di, the emergence of a strong partnership ideal between the union and certain employer groups at the tail end, that is, the precarious part of the value chain, has occurred. This unusual alliance between third-party ground handling companies and Ver.di, an alliance that took shape before the outbreak of the pandemic and acquired a new importance as the lockdown gripped the aviation industry, is the result of flaws in the liberal market business model. The outsourcing strategy appears to have a basement after all, one that has become most apparent as the cost-of-living crisis has taken root.

Finally, on the one hand, the strikes of 2022 and 2023 have helped in the short-term to increase the terms and conditions of many GHS. On the other, they have highlighted the importance of resurrecting discussions around the signing of a branch level agreement. Currently, after around 9 months of intensive discussions, in which 99% of the most important points have been clarified, the social partners, these include public and private employers together with the union Ver.di, are hopeful that a branch agreement will be concluded by the end of 2023, one that will include a 37.5-hour working week.

So far, we have analyzed a job category at the most precarious end of the aviation value chain, GHS. Plus, we have shown that the post-Covid19 situation has strengthened cards held by these employees. But what is the situation at the high end of the value chain? To answer this question, we will now consider how Covid affected air traffic controller in Denmark.

4. Danish Air Traffic Controllers - Problem of Short-term Personnel Planning

Air traffic controllers are a crucial link in the aviation value chain – if there are no air traffic controllers (ATCs), there are no planes in the sky. According to an international agreement in ICAO – International Civil Aviation Organisation – every nation is obligated to navigate air traffic in general. That includes scheduled flights, charter flights, military traffic, private jets, small propellers, hospital planes etc. No matter the amount of traffic, the space has to be regulated, and as such, the ATCs were necessary even during the C-19 lock down. Even when other crises have hit aviation – 9/11 in 2001, the global financial crisis in 2008, the ash cloud in 2010 and SARS in the mid-2010s, people might have been forced to fly less – but ATCs remained in action supporting non-passenger flights like military planes, hospital planes and cargo planes.

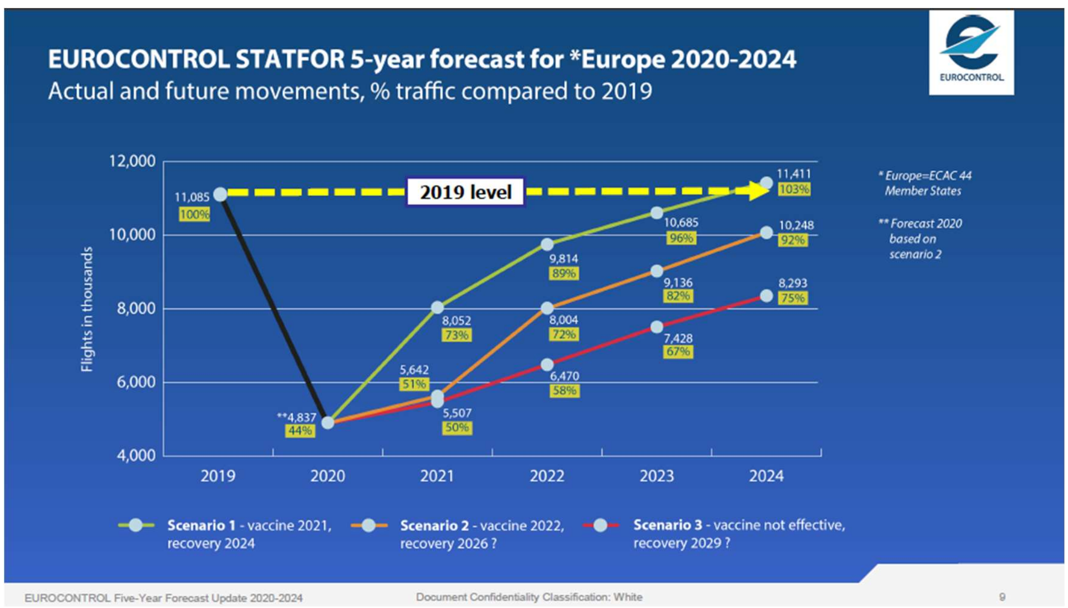
Fluctuations in aviation affect all links along the value chain. While some jobs demand relatively short training, like in the case of GHS where many tasks are learnt on the job, others like ATCs involve many years of training and retraining. Changes in demands for personnel in aviation can happen very fast – but how do the different businesses along the value chain deal with such changes and the subsequent fluctuations in the need for labor? The case of ATCs is illustrative of this challenge.

In Denmark, Naviair is organizing air traffic control. Naviair is a public authority falling under the control of the Ministry of Transport, and it is also responsible for training new ATCs, which actually take around three years. Financed by the government, students receive grants while completing their training. On average, the intake is somewhere between 15-20 students a year, sometimes even less. Of these only around 50 % complete the course, typically between 6-12 graduates per year. Subsequently, ATCs remain a very small and highly specialized group.

The ATC companies – in our case Naviair - are basically paid accordingly for every plane they navigate as well as the distance the plane flies. Consequently, during the Covid-19 lock-down, fewer ATCs were needed. For this reason, Naviair was asked to save money in response to a drastically decline in its income because of most scheduled flights being grounded. In the Autumn 2020 management announced a saving package of 190 DKK (25 million euros), which mainly involved a reduction of personnel through a severance package. In addition, it was also decided to reduce the intake of ATC trainees. However, the air traffic controllers' union DATCA (Danish Air Traffic Controllers Association) pointed out that a reduction in manpower would have long term consequences for the service provided once aviation picked up again after the end of lock down.

In contrast, Naviair management adhered to a different opinion claiming it would not only take years before aviation picked up but also the bill for over-capacity would be picked up by the airlines. The result was that several ATC employees retired early while at the same time fewer ATCs were trained. In 2020, only six people started the ATC training. In 2021 and 2022 respectively, 16 people entered the ATC training course.

When aviation was getting back to (almost) normal production in 2022, it lacked all kinds of employees along the aviation value chain. Many former employees have found other jobs, often with better working hours. But while some of these employees to a degree were replaceable, ATCs were not; a reduction in the intake in 2020 (persons who are supposed to enter the market in 2023), combined with early retirement has meant there is now scarcity of ATCs. The problem has been exasperated by the fact that ATCs to a great extent are trained by experienced controllers, something that is now less likely to happen following the reduction of experienced ATCs. Hence, the industry lacks both trainees and a pool of knowledgeable employees in this field.



The present problem is manifesting itself despite the fact that Eurocontrol[4] has released its European air traffic forecast for the years 2020 to 2024. As the above graphic highlights three scenarios predicted by Eurocontrol suggested a fast recovery would occur between 2022 and 2023.

Currently, because of a lack of air traffic controllers, the remaining air traffic controllers have had to work overtime, which led one respondent to note the system is glued together with overtime.

[4] Eurocontrol is a pan-European, civil-military organisation dedicated to supporting European aviation. See more here: https://www.eurocontrol.int/

In short, the air traffic controllers' unions warning in 2020, to a high degree ignored by management, that the short-term measure to cut costs would have a negatively affect the industry appears to have been be correct.[5] At the time of writing (May 2023) air traffic control all over Europe is understaffed and overworked, a fact that has led to several industrial conflicts taking place.

While the reason for the deficit of air traffic controllers in 2022 and 2023 can be traced back to the decision to cut ATC personnel in 2020 in response to C-19 lockdown, it should not be ignored that it has become a recurrent practice.[6] When this happens, though, ATCs find themselves in a very strong bargaining. As such, while fluctuations in aviation are a recurrent challenge, it seems that management have found no viable solution to solve the problem – which in the long term might cost them more money than they hoped to save through short term thinking.

5. Discussion: Crises in aviation – a new normal?

The Covid-19 crisis impacted our lives, not least our working lives. One of the branches hardest hit from day one by the Covid-19 lockdown was aviation. Obviously, both companies' very existence and employees' livelihoods were placed in question as some 90 % of passengers remained on the ground. However, the crisis also appears to have had the potential to change the power balance between management and employers.

This paper has exemplified that a restrictive personnel strategy in terms salaries as well as terms and working conditions has the effect that companies become highly vulnerable in times of crisis, especially once the dust has settled and a return to the old normal occurs. Focusing on two very different links in the value chain, ground handling services (GHSs) and ATCs, respectively low and high skilled employees, one would expect that the former would find itself in in weaker bargaining position. Certainly, historically GHSs labor market position over the last two decades has been much weaker, not least compared to ATCs, a group who had the advantage of a virtual closed shop scenario due to years expended on training and limiting the number of new recruits. Currently, this does not seem to be the case, though; as things turned out, it has been equally difficult to ramp up 'production' along the whole aviation value chain. While ATCs appear a special and highly coveted group, able to call the shots because of their limited number, it turns out that employees further down the food chain have become a scarce resource, too. The old normal is not a viable possibility if better employment possibilities become available, as in the case of GHS. Accordingly, these groups have obtained power.

The recovery of ATCs is likely to take longer as it does not have three months to learn new tasks as in the case of GHS. As one ATC respondent noted, management has bitten

[5] https://mobilitywatch.dk/nyheder/persontransport/article15143944.ece
[6] Such measures were applied in 1995 when the wars in the former Yugoslavia greatly halted European air traffic was reduced) and again following 9/11).

its own tail by not only failing to secure the next generation of ATCs by offering training programs but equally providing severance packages to older ATCs during the lock-down. Ironically, managements personnel policies during crises like the C-19 lockdown inadvertently enforce a kind of closed shop scenario, i.e., they are strengthening an already strong group of employees by reducing the number of employees on the ATC labor market.

The weaknesses in the value chain model became only too evident in the aftermath of the C-19 lock down. A case in point concerned airport security in the summer 2022: In airports all over Europe, security became a bottleneck in the aviation value chain as the staff required for this part the airport's logistics structure remained a scarce commodity. Now, in the Spring (and Summer) of 2023, aviation faces a similar situation in the case of ATCs as management has either failed to train new ATCs or retain the required number of ATCs to secure the skies. In some respects, a similar picture can be observed in other areas, too. As pointed out in the German case, it has been impossible to (re)attract ground handling staff. Although favorable working conditions and salaries might encourage people to return to work in ground handling, the fact remains that such a strategy is difficult as airlines continue to put pressure on all links along the aviation value chain to cut costs.

This points towards an overall challenge in aviation: How to cope with fluctuations and crisis in aviation or in other words how to make aviation resilient all along the value chain. It seems aviation is experiencing recurrent crises that, while different in origin, spark pretty much the same kinds of problems. Unfortunately, for employers' bargaining position its short sightedness suggests it is not well prepared for such crises that cause a fluctuation in labor market demands.

The analysis in this paper suggests the need to establish a more resilient system, one that secures the right number of employees in all links along the aviation value chain. Only then can firms adjust to fluctuations in labor demand during crises. The cases, albeit focusing on two extremes in the aviation value chain, indicate that a certain over-capacity might be necessary within some areas in aviation – more so, the more specialized the function. In less specialized areas, job retention in an already tight labor market will require employers to also assess their resilience on precarious employment practices.

As pointed out in the introduction, mobility was the key rationale behind the liberalization of aviation. This led to the emergence of a business model focusing on cutting costs all along the aviation value chain in an attempt to push prices down to the advantage of passengers. However, as we have seen, this model requires many employees to pay a high price in terms of their salaries and dubious employment terms and conditions. For many years this was made possible by the dismantling of Industrial Relations procedures, employers often unwilling to recognize unions, and where they did it entailed the game of concession bargaining. Certainly, recent events, in particular a labor shortage of proportions last experienced in the 1950s, but also a spate of industrial stoppages, suggest the neo-liberal model has driven into a cul-de-sac.

Unfortunately for management, there is only one way out of the cul-de-sac, i.e., reversing, turning the clock back, agreeing to sign branch level collective agreements, the bastion of better working conditions. Of course, the downside will involve an increase in ticket prices and possibly a huge reduction in flights. The upside, though, is that this might require us to use other more environmentally friendly means of exploring Europe.

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