



THE DEVELOPMENT OF THE LOW COST MODEL IN THE EUROPEAN CIVIL AVIATION INDUSTRY



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To defend the workers of the Low Fares Airlines!

On the 14th and 15th March 2012, the European Transport Workers' Federation (ETF) arranged a conference in Torremolinos, gathering over 100 representatives of workers. Employers and Commission addressed the conference. The discussions were based around current developments in civil aviation with regard to the growing demand for low fares airlines (LFAs). The priority topics for the conference were the effects of the Single European Aviation Market in the early's 1990s, the creation and the development of the LFAs, the analysis of the introduction of new terms and conditions for aviation workers, the presentation of four cases (Ryanair, EasyJet, Vueling and Air Berlin) and the ETF proposals to defend the workers inside of the LFAs.

This conference has confirmed that the development of these LFAs has dramatically changed the European air transport market following liberalization. The new entrants challenged the traditional way of running an airline and pursue new business models which offer strong competition to the traditional network airlines. These changes have affected the European civil aviation labor market, as the pressure on the costs is very high and in particular on the labor costs but also the relations between the airlines and their contractors, especially the ground handling companies, which provide the services to the airlines.

The ETF is not opposed to LFAs. It is reasonable to expect, however, that they respect the same norms and standards generally applicable to other enterprises within civil aviation. Competition must be grounded in a better product or more efficient operations, not synthetically lower salaries and employment contracts resembling indentured servitude. In industries with transnational operations, social dumping has an effect not only on the exploited employee, but also on the workforce in the surrounding countries as pressure is put on the competition to comply with substandard business methods. Salaries, conditions of employment and inevitably even the rate of employment are affected to the detriment of society in general.

A number of LFAs treat their staff decently and have even signed collective bargaining agreements guaranteeing respectable terms and conditions. Others use any means to avoid the influence of trade unions. The issue for ETF is not to describe the negative aspects and maintain that this situation must not prevail. It is rather how to dominate the situation and produce a constructive result.

Several LFAs avoid directly employing aircrew and ground staff in the airline, preferring outsourcing the employment to external agencies. Furthermore, if a collective agreement were to be established, it would of course be with the temporary employment agency and therefore one more adapted to that branch rather than to civil aviation. It is yet another question how such an agreement would be negotiated, who would be party to the agreement and where the legal venue would be based.

On the other hand, if there are different LFA's models, they all influence the pressure on the ground handling services, the turnarounds, the employee's productivity, the services to passengers and the use of internet as the only way of buying the airplane

ticket. They promote the creation of what is called “The low cost model” in the whole civil aviation chain because all companies tend to compete with them on the costs, which have a strong pressure on the employee working conditions and training.

The ETF recognises that the European Union must adapt the current European legal framework in order to complete the vacuum that exists today as regards the protection of workers in this new environment and especially concerning mobile staff. The ETF also decided to develop strategies to legitimate trade union representation in all LFAs and to defend the workers in these new companies.

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The Development of the Low Cost Model in the European Civil Aviation Industry

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Executive Summary

Demand for low fares air transportation has grown considerably in recent years. As a result, Ryanair and easyJet, the market leaders in the low fares sector, are now among the largest airlines in Europe in terms of passengers carried.

Whereas these airlines have grown organically in the past, opening up new markets for predominantly leisure travellers, in recent times they have focused their attention on price conscious business travellers and achieved large scale through merger with and/or acquisition of competitor airlines. As the low cost model has evolved, competition has intensified both within the low fares sector and between low fares airlines (LFAs) and the 'network' or 'legacy' airlines.

Given these developments, a research study was commissioned by the European Transport Workers' Federation (ETF) in 2011 to investigate the evolution of the low cost model and to assess its impact on employment and industrial relations. An intensive 6 month study was undertaken, incorporating a questionnaire survey of European trade unions affiliated to the ETF and in-depth case studies that examined four LFAs: Air Berlin, easyJet, Ryanair and Vueling, as well as several firms contracted to provide services to these airlines (e.g. ground handling).

The study found that developments in the low costs model:

- were not uniform and a variety of low cost business strategies had emerged;
- had implications not only for staff working at LFAs but also for staff of service providers and aviation workers in competitor (legacy airlines); and,
- had implications for trade unions seeking to negotiate on behalf of members working for the LFAs.

LFA Business Strategies – A variety of business strategies were observed among the four case study LFAs. Ryanair, for instance, exemplifies a 'short haul fundamentalist' strategy that is built on reducing costs and developing new sources of revenue. Alternatively, easyJet is a more conventional LFA, which makes 'limited promises' to passengers but aims to deliver consistently on these commitments. In contrast, Vueling is a new generation LFA, developing new price/service choices for customers. Finally, Air Berlin is a hybrid airline that offers low fares but operates elements of the legacy model.

Implications for Staff – The study reports changes to the organisation and intensity of work, not only at the LFAs but also at service providers and legacy airlines. Widespread use of flexible working was observed: temporal flexibility, whereby fixed rosters were being phased out in favour of flexible rosters; numerical flexibility, whereby firms were increasingly reliant upon temporary rather than permanent staff (at one airline the majority of core functions had been outsourced completely to agency staff); financial flexibility with the increasing use of variable pay and passing the cost of training onto staff; and geographical flexibility, whereby staff can be reassigned to any one of the LFAs bases located across the EU and beyond.

Implications for Trade Unions – The study finds that trade unions increasingly face a very difficult negotiating environment at the LFAs. Just as there were a variety of business strategies, so too was there a variety of industrial relations strategies at these airlines, ranging from subtle resistance (e.g. obstruction and delaying tactics during negotiations) through to outright hostility towards union recognition and representation. Despite this variety in industrial relations, the outcome was often similar as trade unions find it increasingly difficult to effectively represent their members at LFAs.

List of Abbreviations

ACI	Airports Council International
ATCEUC	Air Traffic Controllers European Unions Coordination
ASA	Airport Services Association
AEA	Association of European Airlines
BA	British Airways
BALPA	British Air Line Pilots' Association
CC	cabin crew
CANSO	Civil Air Navigation Services Organisation
CAR	cumulative abnormal return
CCOO	Confederación Sindical de Comisiones Obreras
CEO	chief executive officer
CGT	Confédération générale du travail
DG Employment	Directorate-General of Employment, Social Affairs & Inclusion
DG MOVE	Directorate-General for Mobility and Transport
ECA	European Cockpit Association
EC	European Commission
ELFAA	European Low Fares Airline Association
ERA	European Regions Airline Association
ETF	European Transport Workers' Federation
EU	European Union
EWC	European Works Council
FC	flight crew
GDS	global distribution systems
GS	ground staff
IACA	International Air Carrier Association
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
ID	identification
HRM	human resource management
ILO	International Labour Organisation
ITF	International Transport Workers' Federation
LFA	low fare airlines
OAG	Official Airline Guide
Ver.di	Vereinte Dienstleistungsgewerkschaft
VFR	visiting friends and relatives

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Preface

The activities of the European Transport Workers' Federation (ETF) Civil Aviation Section focus on ensuring an inclusive and socially oriented approach to European legislation with the aim of avoiding a downward spiral in employment, job security, safety, social welfare and salary cuts in the aviation industry. Through its routine work of representing workers in the different aviation professions, as well as various campaign and research activities, the ETF has developed expertise and unrivalled insight on the terms and conditions of aviation workers and the expression of their collective voice. With the support of the European Commission (EC), the ETF launched a project on the development of the low fares aviation model, which has come to dominate the internal market for European air travel in recent years. By combining secondary, survey and case study evidence, the project was designed to ensure a more comprehensive analysis of the low cost model and its implications for European aviation workers.

The EC has previously commissioned several studies of the low fare airlines (LFAs), including studies by ECORYS and Booz & Co that focus on various labour market outcomes, but these studies only scratch the surface when it comes to employment, industrial relations and human resource management (HRM) in the LFAs. More importantly, data limitations arising from the methodology of these studies result in rather equivocal conclusions on the impact of LFAs on aviation workers' terms and conditions of employment, giving rise to the erroneous claims made elsewhere that there is '*no evidence* that the liberalisation of the aviation market in Europe and the consequent rapid growth of LFAs, have led to any deterioration of the pay and working conditions of the employees of these carriers that would require legislative intervention'.¹

This Report is based on a review of recent developments in the European civil aviation industry, with particular focus on the 'low cost model'. Although typically presented as a single or uniform approach to short-haul air transport, the low cost model is constantly evolving, presenting new challenges for policy makers, airline managers and trade unions. Moreover, there are several important 'variants' of the standard model. Consequently, the different business strategies of low fares airlines (LFAs) and their associated HR practices are reviewed in Section II. Data are drawn from a survey of ETF affiliates and four in-depth case studies of four European LFAs with quite distinctive operating strategies:

- Ryanair – a 'short haul fundamentalist' that leads the industry in terms of driving down costs and developing new ancillary sources of revenue;
- easyJet – a more conventional low fares airline that makes 'limited promises' in terms of service but seeks to deliver on those promises;
- Vueling – one of the new generation of low fares airline that is seeking to develop new price/service choices for customers; and
- Air Berlin – a hybrid airline with low fares but many of the characteristics of the legacy airlines.

¹ York Aviation (2007) *Social Benefits of Low Fares Airlines in Europe*, Brussels: ELFAA, p.25, emphasis added.

The survey (Section III) and case studies (Section IV) consider how the development of the low cost model has affected trade union organisation, employee voice, and terms and conditions of employment, with the primary focus on two occupational/activity groups (cabin crew and ground handling). An Interim Report based on the study was presented at the ETF conference on 'The Development of the Low Cost Model in the European Civil Aviation Industry' in Torremolinos (Spain), 14-15th March 2012. The conference featured presentations from a range of European civil aviation stakeholders, including: Katrien Prins (DG Move), Carlos Navas (ASA), Ingo Kronsforth (Ver.di, Germany), Jose Rocamora (CGT, France), Enrique Carmona (ETF), Darran Claire (Unite the Union, UK), Jorge Carillo (CCOO, Spain), Michael Collins (ETF), François Ballesterro (ETF) and Ellen Durst (DG Employment, Social Affairs and Equality). The second day of the conference was largely dedicated to round table discussions during which delegates considered the desirable future trajectory of this section of civil aviation and options for effective future action at both national and international levels. This Final Report has been amended and to incorporate both the information presented by other conference speakers and the feedback received after the presentation of the Interim Report.

I. Introduction

Following the liberalisation of European skies in the 1990s, summarised in Annex I, the civil aviation industry has been transformed by the entry, growth and domination of low fares airlines (LFAs). These airlines now account for well over a third of all seat capacity on intra-European scheduled services and well over 40 per cent of all passengers on point-to-point routes.² With more than 70 million passengers a year, Ryanair is now the largest *European* airline in terms of passenger numbers and one of the largest in the world. LFAs account for the lion's share of growth on many routes in recent years, creating new markets to airports not previously served by the 'legacy' airlines, adding new capacity to existing routes already served by established airlines, and in many cases taking market share from the incumbent airlines.³

Not only have LFAs grown rapidly in recent years, they have also grown profitably – or rather, the market leaders such as Ryanair and easyJet have grown profitably – unlike most airlines that fail to cover their long-run costs of capital.⁴ Between 1999 and 2008, the industry's cumulative operating profit was a mere US\$44 billion, translating into a margin of just 1.1 per cent. Over this same period, however, three LFAs – Southwest, Ryanair and easyJet – delivered US\$11.5 billion in operating profit and averaged a margin of 10 per cent.⁵ Based on a 'high growth' scenario – continuing the trend observed over the past decade – it is estimated that LFAs will control almost half the seat capacity on intra-European services by 2020.⁶

A more likely scenario, however, based on the consolidation that is taking place in the market and increasing route density, is a LFA market share of around 42 per cent of intra-European seat capacity.⁷ The fact that average frequencies have decreased and average route densities increased since 2001 indicates that LFAs are increasingly operating in thinner niche markets,⁸ their growth via mergers and acquisitions (rather than organic growth) adds new complexities to their business

² While seat capacity can be calculated from OAG data (www.oag.com) the proportion of passengers flown is based on assumptions about typical load factors and the number of interline passengers travelling on short-haul routes with legacy airlines in order to connect for an onward long-haul flight. See York Aviation (2011) *Market Share of Low Fares Airlines in Europe*, Final Report, European Low Fares Airline Association, pp.5-6; and Doganis, R. (2012) 'The Battle for Supremacy in Europe's Short-Haul Markets', *Airlines in Transition Conference*, Istanbul 2012. As recently as 2004 the LFAs share of intra-European scheduled services was less than 20 per cent.

³ In 2002, for example, LFAs and legacy (network) carriers competed head-to-head on 80 routes but whereas LFAs increased their capacity on these routes by 15 per cent over the next 3 years the incumbents' capacity declined by 4 per cent. See Binggeli, U. and Pompeo, L. (2005) 'The Battle for Europe's Low-Fare Flyers', *McKinsey Quarterly*, August.

⁴ Button, K.J. (2003) 'Does the Theory of the "Core" Explain Why Airlines Fail to Cover their Long-run Costs of Capital?' *Journal of Air Transport Management*, 9, pp.5-14. In the words of Richard Branson, 'the safest way to become a millionaire is to start as a billionaire and invest in the airline industry', quoted in Sull, D. (1999) 'Case Study: easyJet's \$500 million Gamble', *European Management Journal*, 17, p.20. Between 2000 and 2008 there were nearly 80 cases of bankruptcy in the EU transport market. Some of the more recent failures include Spanair, XL, Silverjet, Malev, flyglobespan, Zoom, SkyEurope, Blue Wings, Skyway, and goldtrail.

⁵ Ryanair led the field with a margin of almost 19 per cent followed by Southwest (just under 9 per cent) and easyJet (at 6 per cent). See Tarry, C. (2010) 'Low-Cost Commodity', *Airline Business*, 26, Issue 2.

⁶ York Aviation (2010), *op.cit.*, p.10.

⁷ York Aviation (2010), *op.cit.*, p.11.

⁸ de Wit, J.G. and Zuidberg, J. (2012) 'The Growth Limits of the Low Cost Carrier Model', *Journal of Air Transport Management*, 18, pp.17-23.

model that might increase costs,⁹ and the legacy airlines are fighting back with new pricing, marketing and cost reduction strategies.¹⁰ As a result, we can expect further mutations of the low cost business model to emerge in the years ahead, especially as the impact of the financial crisis works through the system.¹¹

The importance of understanding basic aviation economics and the business models that emerge to serve the aviation market cannot be overstated. Nor can the differences that exist within a general class of business models such as networks (legacy) on the one hand and LFAs (point-to-point) on the other.¹² Differences between these models, and the nuances within them, have major implications for labour, both in terms of representation (trade union organisation and employee voice) and terms and conditions of employment (e.g. pay, benefits, hours of work, contractual security and the like). The two basic airline models – legacy and LFA – are summarised in Section II, alongside an initial discussion of how variations in the low cost model can impact on employment and human resource management. In Section III, questionnaire data from a survey returned by 19 aviation unions affiliated to the European Transport Workers' Federation (ETF) is used to establish a general overview of representation and working conditions in the industry, as well as the impact of competition within and between the two business models. These data provide the context for an in-depth analysis in Section IV of four LFAs (Air Berlin, easyJet, Ryanair and Vueling).

It is clear from the survey data that the terms and conditions of those employed at the LFAs remain inferior to those of employees within the legacy carriers. However, respondents also indicated that terms and conditions within legacy carriers have recently deteriorated, largely as a result of the competitive challenge and market success of the low fares model. The survey data also paint a rather bleak picture of the presence and effectiveness of trade unions within the low fares airlines, wherein management are largely perceived to have taken an adversarial approach to labour both collectively and individually.¹³ Multi-basing and the rise of contract labour are particular issues that need to be addressed. Unfortunately, the policies of the European Union (EU) are not regarded as especially supportive of effective employee voice within the LFAs. As previous studies supported by the European Commission have noted, 'intra-Community mobility requires a clear framework

⁹ Franke, M. and John, F. (2011) 'What Comes Next After Recession? Airline Industry Scenarios and Potential End Games', *Journal of Air Transport Management*, 17, 19-26.

¹⁰ *Ibid*; Hazledine, T. (2011) 'Legacy Carriers Fight Back: Pricing and Product Differentiation in Modern Airline Marketing', *Journal of Air Transport Management*, 17, pp.130-5; and Doganis (2012) *op cit*.

¹¹ Franke and John (2011), *op cit*; and Harvey, G. and Turnbull, P. (2009) *The Impact of the Financial Crisis on Labour in the Civil Aviation Industry*, Geneva: International Labour Organisation, available at: <http://www.ilo.org/public/english/dialogue/sector/themes/crisis/aviation.pdf>

¹² See, for example, Calder, S. (2002) *No Frills: The Truth Behind the Low-cost Revolution in the Skies*, London: Virgin Books; Lawton, T.C. (2002) *Cleared for Take-Off: Structure and Strategy in the Low Fare Airline Business*, Aldershot: Ashgate; and Bamber, G.J., Gittell, J.H., Kochan, T.A. and von Nordenflycht, A. (2009) *Up in the Air: How Airlines Can Improve Performance by Engaging their Employees*, Ithaca, NY: Cornell University Press.

¹³ In a 2002 survey of low frills carriers, ITF affiliated unions had succeeded in gaining or retaining union recognition in the majority (70 per cent) of LFAs. In most of these cases, union recognition was gained by traditional means of organising and recourse to legal rights (where these exist). What the ITF survey did not reveal is the ways in which LFAs often 'frustrate' union organisation, representation and collective bargaining even when recognition is well-established. See ITF (2002) *ITF Survey: The Industrial Landscape of Low Cost Carriers*, London: International Transport Workers' Federation.

defining the opportunities, rights and obligations of individuals as well as organisations – the latter to include employee organisations as well as the commercial enterprises’.¹⁴

The rather bleak outlook for aviation unions and their members was reinforced by the four case studies (Section IV), which focused on cabin crew and ground handling staff employed by the LFAs and by sub-contractors who service the LFAs. While the survey data describes the outcomes of the low fares model, the case studies analyse the processes that undermine union organisation and employee voice, intensify the work process, and create more flexible but insecure forms of employment in the industry.

II. Airline Business Models and Human Resource Management

The low fares business model is well known and firmly established, having come to prominence in the USA following the deregulation of the US domestic market in 1978. Table 1 summarises the widely acknowledged ‘core elements’ of the low fares business model via a contrast with that of the legacy airlines.

Table 1. Airline Business Models

<i>Low Fares Airlines (LFAs)</i>	<i>Legacy Airlines</i>
Multi-base/point-to-point	Network/hub-and-spoke
Secondary/regional airports	Primary airports
Multi-European bases	Home country hub
No interlining	Interlining and code sharing
High aircraft utilisation/quick turnaround	Lower aircraft utilisation on short-haul flights
Single aircraft type (e.g. B737-800 or A319)/	Mixed fleet
High seat density	Mixed class cabin
Pay for service items (e.g. checked baggage)	Inclusive service/price
One-way fares	Round trip price discrimination
Direct selling (telesales/internet)	Travel agents

While some operating costs will be similar for LFAs and legacy airlines (e.g. fuel and en-route navigation charges), a simple calculation based on just some of the variables listed in Table 1 serves to illustrate the cost advantages of the low cost model. For example, LFAs will pay lower airport charges at secondary/regional airports, their maintenance costs will be lower for a single aircraft type, depreciation costs per block hour will be lower with higher utilisation (which is more easily achieved on a point-to-point route using less congested airports), and their distribution costs will be lower due to direct sales via call centres and internet sales

¹⁴ Booz & Co (2009) *Final Report: Effects of EU Liberalisation on Air Transport Employment and Working Conditions*, Brussels: European Commission Directorate-General for Energy and Transport, p.ix.

(by-passing travel agents and thereby avoiding commission or GDS fees).¹⁵ The importance of these individual cost elements should not be underestimated – airport fees, for example, comprise 19 per cent of Ryanair’s operating costs.¹⁶ Taken together, the combined cost savings can amount to 20-30 per cent per trip for a LFA using an Airbus A319 or Boeing 737-800 on an intra-European route.¹⁷

As Rigas Doganis¹⁸ points out, the LFA’s trip advantages are magnified by two further characteristics of the low cost business model: (i) LFAs fly larger or similar aircraft with higher seating densities than their legacy rivals, and (ii) LFAs achieve a much higher load factor (around 80 per cent compared to 65-75 per cent).¹⁹ With a single class cabin configuration, shorter seat pitch and narrower width,²⁰ and the removal of hot galleys, LFAs are able to operate aircraft with around 160 seats whereas most legacy airlines operate the same aircraft with 130 seats or less.²¹ Calculations based purely on more seats and higher load factors, with all other costs identical, indicate that LFAs achieve a passenger-km cost more than a third less than a legacy carrier flying the same aircraft.²² Add in the other cost savings already identified and it is not difficult to appreciate how the LFA’s overall cost advantage can be anywhere between 30-50 per cent for most European short-haul operations. Ryanair, which is arguably in a class of its own when it comes to low(er) costs, enjoys a cost advantage of 60 per cent.²³

LFAs enjoy other, less obvious cost advantages over their legacy rivals. For example, they generally have ‘lighter’ and less cumbersome governance structures, with fewer senior executives, board members and board committees, making way for faster and more flexible decision-making processes. Moreover, LFAs offer higher share-based incentives to managers, which encourage profit-led growth.²⁴ To illustrate how this might influence corporate decision-making, consider the impact of new route announcements which can be expected to increase the airline’s share

¹⁵ Computer reservation systems (e.g. Amadeus and Sabre) that book and sell tickets for multiple airlines are known as ‘global distribution systems’ (GDS). By 2001 both Ryanair and easyJet were reporting over 80 per cent of their sales via the internet and the remainder via call centres. Ryanair’s website is one of the most visited commercial websites in the world, creating massive potential for advertising revenue which the company fully exploits.

¹⁶ O’Higgins, E.R.E. (2004) ‘Ryanair’, University College Dublin. When Ryanair opened a base in Charleroi (‘Brussels south’ in ‘Ryanair speak’) in 2000, the company received a 50 per cent discount on landing charges (just €1 per passenger) and €1 handling fee (instead of €8-13 charged to other airlines).

¹⁷ Doganis (2012) *op cit*.

¹⁸ *Ibid*.

¹⁹ The average load factor of the airlines affiliated to the European Low Fares Airline Association (ELFAA) – easyJet (UK), flybe (UK), Jet2.com (UK), Norwegian Air Shuttle (Norway), Ryanair (Ireland), Sverige Flyg (Sweden), transavia.com (Netherlands), Vueling (Spain), Wizz Air (Hungary) – was 81.9 per cent in 2010-11.

²⁰ The pitch/width of seats on LFAs such as Ryanair (30"/17") and easyJet (29"/18") is generally less than legacy airlines such as Alitalia (31"/18"), BA (31-34"/17-19"), Lufthansa (30-33"/17-18"), SAS (31-32"/17-18") and TAP (32"/17-18") (*Daily Telegraph*, 11 March 2010).

²¹ easyJet flies its Airbus A319s with 156 seats compared to British Airways’s 129 seats and Air France only 119 (in a two-class configuration).

²² Doganis (2012), *op cit*.

²³ *Ibid*. easyJet’s unit costs (per ASK) have been calculated to be nearly double Ryanair’s. See Binggeli and Pompeo (2005) *op cit*. Ryanair is widely regarded as the ‘exemplar’ case of a low cost airline, at least in terms of operational costs. See Alamdari, F. and Fagan, S. (2005) ‘Impact of the Adherence to the Original Low-cost Model on the Profitability of Low-Cost Airlines’, *Transport Reviews*, 25(3), pp.377-92.

²⁴ Alves, C.F. and Barbit, C. (2007) ‘Do Low Cost Carriers have Different Corporate Governance Models?’ *Journal of Air Transport Management*, 13, pp.116-20.

price and the value of senior executive shareholdings. Of course, much will depend on whether there are rival airlines serving the route as this will influence any abnormal price reaction by the stock market.²⁵ Data on the share price of LFAs indicate that both Ryanair and easyJet, the market leaders, enjoy a cumulative abnormal return (CAR) from new announcements. Ryanair in fact 'wins twice' because when easyJet announces new routes/frequencies there is a positive effect on Ryanair's share price!²⁶ In effect, Ryanair benefits from its reputation as the industry's lowest cost/highest productivity airline – if the industry is expanding then this is good news for Ryanair's investors as the stock market is confident that the company will do well in a growing market, especially if the new routes are to secondary/regional airports not served by other airlines but also when the routes are already served by legacy airlines or even rival LFAs such as easyJet.

The significance of the governance structure and market valuation of LFAs such as Ryanair, which now far exceeds major legacy airlines such as British Airways (BA), is the buying or negotiating power this bestows on the airline with manufacturers, service providers and airports. For example, unencumbered by internal bureaucracy, Michael O'Leary (Ryanair's CEO) was able to negotiate a spectacular agreement with Boeing for new aircraft in the wake of 9/11 when the industry was in a severe downturn, playing Boeing off against Airbus to drive down the price. As a result, Ryanair has assembled one of the youngest and most fuel efficient fleets in Europe. The deals struck by the company with secondary/regional airports are also well documented, having been brought to the attention of the European Commission on several occasions.²⁷ According to some accounts, Ryanair has turned a cost into a revenue stream, whereby airports build a business plan to attract the airline and offer concessions to retain the company's business/passengers.²⁸

Controversial – some would say offensive – marketing of cheap flights is another way to minimise costs, generating maximum publicity for very little advertising spend.²⁹

²⁵ Eighty per cent of Ryanair's routes are not contested and the airline has a market share of over 75 per cent at nearly half its bases (easyJet, in contrast, does not achieve this level of market domination at any of its bases). See de Wit and Zuidberg (2012), *op cit*.

²⁶ While Ryanair's announcements are better for itself than its rivals, easyJet's announcements are 'good news' for Ryanair's investors more frequently than for its own shareholders! See Alves, C.F and Barbot, C. (2010) 'Rivalry Amongst European Low Cost Airlines: Are Shareholders Enjoying the Game?' *Journal of Air Transport Management*, 16, 304-9.

²⁷ LFAs fly to a higher proportion of state-owned airports than their legacy rivals, leading to accusations of discounted airport charges (state subsidies) financed by the (local) taxpayer.

²⁸ Air Scoop (2010) *Ryanair's Skyrocketing Success: Flying on Thin Air?*; and Air Scoop (2011) *Ryanair's Business Model 2011*, both available at: www.aircoop.com. See also Francis, G.A.J., Fidato, A. and Humphreys, I. (2003) 'Airport Airline Interaction: The Impact of Low Cost Carriers on Two European Airports', *Journal of Air Transport Management*, 9, pp.267-73.

²⁹ Recent examples include: (i) an ad promoting Ryanair flights from Belfast featuring Sinn Féin's Martin McGuinness standing alongside Gerry Adams with a speech bubble which said 'Ryanair fares are so low even the British Army flew home', which UUP councillor Michael Copeland said it was 'insensitive, crass and made a clear political statement' (http://news.bbc.co.uk/1/hi/northern_ireland/6946702.stm) (ii) an advert featuring a model in 'schoolgirl-style' clothes (bare midriff in a short skirt, tie, shirt and knee-high socks in a classroom) and a headline 'hottest back to school fares', which the Advertising Standards Authority (ASA) said was 'irresponsible' as the image appeared to link teenage girls with sexually provocative behaviour (<http://news.bbc.co.uk/1/hi/business/7216926.stm>), and (iii) adverts showing women posing in bra and pants with the headline 'Red Hot Fares & Crew! One way from £9.99', which Ryanair claimed could not be seen to 'objectify' women (as crew members volunteered to take part and the adverts were designed to promote its cabin crew charity calendar) but which the ASA concluded would be seen as linking female cabin crew with sexually

While this might be passed off as simply ‘quirky’ or indicative of the ‘in your face’ management style of some LFAs, it also highlights a very different relationship between LFAs and their customers. When comparisons are made between airlines based on the *level* of service or facilities (e.g. catering, cleanliness of the cabin interior, leg room, seat allocation, seat comfort, toilets, etc) then LFAs fare poorly, especially Ryanair.³⁰ But Ryanair is often rated ‘best’ for value for money and surveys indicate that the primary reason passengers choose the airline is its low fares.³¹ As Stelios Haji-loannou, the founder of easyJet commented, ‘We make limited promises, but make sure we consistently deliver on them’.³² If quality is defined as being ‘fit for purpose’, then LFAs clearly deliver a high quality service as their objective is to offer affordable air travel to often very different passengers than those traditionally served by the legacy airlines. Anything else beyond that and the passenger has the option to pay more for the service (e.g. priority boarding, checked-in baggage, in-flight food and drinks). By ‘unbundling’ the different components of air travel, LFAs turn the flight ‘experience’ into a commodity, such that any ‘ancillary services’ (e.g. travel insurance, hotel accommodation, car hire and the like) become an important source of revenue.³³

This approach to pricing and ‘commodification’ of air transport initially attracted VFR (‘visiting friends and relatives’) passengers who were willing to travel from/to secondary airports on a ‘no frills’ service.³⁴ Thus, LFAs initially exploited pent up demand for cheap travel, especially amongst young people and those travelling as part of a group.³⁵ Tourist passengers were also attracted to LFAs as they were now able to ‘package’ their own holidays in terms of destination, duration, accommodation, etc.³⁶ Business passengers, in contrast, have traditionally expected a very different service, but the price differential between LFAs and legacy airlines on short-haul (intra-European) routes is often too great for many companies to justify a

suggestive behaviour that breached the advertising practice code. The company’s latest reprimand from the ASA (March 2012) concerned a misleading publicity campaign that falsely implied Thomas Cook was on the verge of administration in 2011. This latest reprimand is the 23rd handed out by the ASA against Ryanair in the last 5 years.

³⁰ See, for example, O’Higgins (2004), *op cit*; and Air Scoop (2010) and (2011), *op cit*. In the words of Michael O’Leary, ‘in terms of customer perception, we haven’t done very well, whereas in the decision area – in terms of who’s buying the tickets and flying with you – we beat [the competition] hands down’ (quoted in *Airline Business*, January 2010).

³¹ Flight schedules come a distant second. See O’Connell, J.F. and Williams, G. (2005) ‘Passengers’ Perceptions of Low Cost Airlines and Full Service Carriers: A Case Study Involving Ryanair, Aer Lingus, Air Asia and Malaysia Airlines’, *Journal of Air Transport Management*, 11, pp.259-72.

³² Quoted by Sull, D. (1999) ‘Case Study: easyJet’s \$500 million Gamble’, *European Management Journal*, 17, p.25.

³³ Based on ticket revenue alone, Ryanair needed to sell 98 per cent of seats available to breakeven in 2008 whereas it actually sold 81 per cent. The company therefore returned a healthy profit on the back of ancillary revenues. See Tarry (2010), *op cit*.

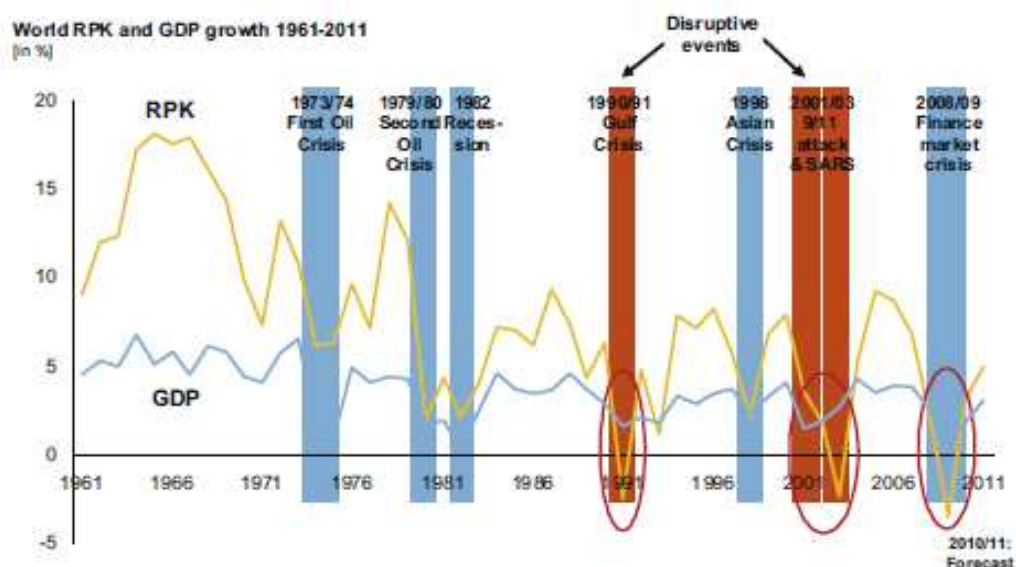
³⁴ The demand for air travel is highly price elastic (i.e. a reduction in price will have a disproportionate effect on stimulating demand) but there are clearly limits to this process. For example, a €30 reduction in current LFA prices might translate to a 50 per cent reduction in the fare, but there are other associated costs with travelling to/from secondary/regional airports, hotel accommodation, food/drink, etc, so the reduction is far less significant in terms of the total cost of travel.

³⁵ See, for example, O’Connell and Williams (2005), *op cit*, pp.263-4.

³⁶ LFAs have undermined the short-haul operations of many charter airlines operating high volume seasonal flights between northern Europe and the Mediterranean. However, charter airlines have advantages on medium distance routes and are ‘fighting back’ on their shorter routes by offering seat only fares which passengers can book independently of broader holiday packages.

business ticket. This applies most obviously to the self-employed and smaller businesses, and applies with particular force during any economic downturn when business class travellers often ‘trade down’ to economy class. In fact, during the recent (post 2008) recession, legacy airlines have suffered more from down-grading by business travellers than by collapsing demand *per se*.³⁷ Thus, whereas legacy airlines have always been particularly susceptible to the business cycle,³⁸ LFAs have done well during the recent downturns depicted in Figure 1.³⁹ While it might be stretching the point to suggest that LFAs are ‘recession proof’, they can certainly retain or even grow their business during a downturn and they are far less susceptible to the vagaries of the business cycle than the legacy airlines.

Figure 1. Global Air Travel, GDP and ‘Disruptive Events’



Source: Franke, M. and John, F. (2011) ‘What Comes Next After Recession? Airline Industry Scenarios and Potential End Games’, *Journal of Air Transport Management*, 17, p.20.

As LFAs capture more business travellers, this has a disproportionate impact on the revenue of legacy airlines, which heightens the pressure on these airlines to restructure their business and cut costs.⁴⁰ Not surprisingly, this leads to a ‘blurring’ of the boundaries between legacy and LFA business models,⁴¹ with some legacy

³⁷ Franke and John (2010), *op cit.*, p.21.

³⁸ As depicted in Figure 1, the demand for air transport follows the cycle of GDP growth but is more exaggerated (i.e. air travel expands even more rapidly in the upturn and declines even more severely in the downturn). In economic up-turns, the industry tends to over-invest in new capacity (aircraft and routes/frequencies) and performs only moderately well, and then during the subsequent downturn barely covers marginal costs as it struggles to adjust capacity (i.e. downsize).

³⁹ In 2002 and 2003 for example, Ryanair and easyJet added around 22 million new passengers at a time of a slight overall market decline.

⁴⁰ While business passengers might only constitute a fifth of a legacy airline’s passengers they often account for around a half of all revenue.

⁴¹ See, for example, Jarach, D., Zebrini, F. and Miniero, G. (2009) ‘When Legacy Carriers Converge with Low-Cost Carriers: Exploring the Fusion of European Airline Business Models Through a Case-Based Analysis’, *Journal of Air Transport Management*, 15, pp.287-93.

airlines explicitly embracing a low cost strategy (e.g. Aer Lingus)⁴² and ‘third generation’ LFAs such as Vueling setting out to prove that there are viable alternatives (based on choice as well as cost) to Ryanair’s ‘short-haul fundamentalism’.⁴³ Iberia has a 46 per cent stake in Vueling and uses the LFA to feed its long-haul network at Madrid. Air Berlin is joining the oneworld alliance, bringing 75 more points to the alliance’s network. Although a one time a member of the European Low Fares Airline Association (ELFAA), Air Berlin does not define itself as a low cost carrier. According to the company’s former Chief Executive, Joachim Hunold, ‘We call ourselves a hybrid carrier, that means we aim to offer high quality product at favourable prices. We clearly differentiate ourselves from the no-frills carriers and offer a product that is comparable with legacy carriers’.⁴⁴

Although airline executives⁴⁵ and trade unions still perceive the aviation industry as fundamentally split between legacy and LFAs, the differences within a particular business model can be as important as the differences between them, especially when it comes to industrial relations and human resource management. For example, previous studies have noted the conflict that is often generated by pro-cyclical demand (i.e. exaggerated peaks and troughs on the upswing and downswing of the business cycle) that particularly afflicts legacy airlines.⁴⁶ However, European legacies have adopted very different restructuring policies during the downturn when compared to their North American counterparts, especially with respect to consultation and negotiations with trade unions.⁴⁷ The market-leading LFAs have thus far avoided many of these problems because of constant growth and their ability to win more price conscious passengers during the downturn. However, LFAs experience far greater seasonal variation in traffic volumes,⁴⁸ which creates much stronger incentives for these companies to employ cabin crew and other staff on short-term and more flexible contracts.

To a significant extent, the ability of LFAs to employ staff on short-term/flexible contracts will depend on national employment laws and relationships with trade unions. It is no coincidence that Europe’s leading LFAs – Ryanair (Ireland) and easyJet (UK) – are located in liberal market economies. This proved to be an important ‘first mover advantage’ as both Ireland and the UK had more ‘open’ aviation markets prior to ‘full liberalisation’ in 1997 (see Annex I)⁴⁹ and certainly a

⁴² See Wallace, J., Tiernan, S. and White, L. (2006) ‘Industrial Relations Conflict and Collaboration: Adapting to a Low Fares Business Model in Aer Lingus’, *European Management Journal*, 24, pp.338-47.

⁴³ Alex Cruz, Vueling CEO, quoted in Reals, K. (2011) ‘Ryanair Comes to Town’, *Airline Business*, 27, Issue 1.

⁴⁴ Quoted in Dunn, G. (2010) ‘Air Berlin in oneworld Leap’, *Airline Business*, 26, Issue 9.

⁴⁵ Jarach et al (2009), *op cit.*, p.288.

⁴⁶ Turnbull, P. and Harvey, G. (2001) ‘The Impact of 11 September on the Civil Aviation Industry: Social and Labour Effects’, ILO Sectoral Working Paper No. 182, Geneva: ILO; and Harvey, G. and Turnbull, P. (2009) *The Impact of the Financial Crisis on Labour in the Civil Aviation Industry*, Geneva: ILO, available at:

<http://www.ilo.org/public/english/dialogue/sector/themes/crisis/aviation.pdf>

⁴⁷ *Ibid.*

⁴⁸ Based on OAG data for 2011, a comparison between the lowest monthly flight capacity expressed as a percentage of the highest monthly flight capacity illustrates a significant difference between legacy and LFAs and within the low fares group (BA = 91.5%, Lufthansa = 89.9%, easyJet = 74.6%, Ryanair = 66.6%, and Vueling = 51.5%).

⁴⁹ A further factor that aided the emergence of LFAs in Ireland and the UK was underused (privatised) airport capacity and airport companies willing to make concessions to secure passengers and economic growth from retail and other activities. See Francis, G., Humphreys, I., Ison, S. and Aicken, M. (2006) ‘Where Next for Low Cost Airlines? A Spatial and Temporal Study’, *Journal of Air Transport Management*, 14, p.87.

more 'permissive' labour market.⁵⁰ The advantages of employing airline staff on more flexible (lower cost) Irish or UK contracts is evident from the desire of both Ryanair and easyJet to retain such contracts when they establish bases outside their country of origin (post 1999). Whereas legacy airlines have developed their business strategies on the back of idiosyncratic resource endowments that often tie them to their country of origin,⁵¹ LFAs have set up bases throughout Europe with locally based aircraft and crew.⁵² Thus, a Latvian national might be employed by Ryanair in Spain flying routes to the UK, France or Italy but employed on an Irish contract.⁵³ Is it any wonder that these workers have proven so difficult for trade unions to organise?

The relationship between LFAs and trade unions is in fact one of the most important sources of variation within this model. It is often noted that Ryanair and easyJet were modelled on Southwest Airlines in the United States, regarded by many as the original LFA.⁵⁴ While this might be true in relation to many of the low cost *operational innovations* pioneered by Southwest, neither Ryanair nor easyJet embraced the 'Southwest way' where respectful relationships between company management and unions 'set the tone for respectful relationships throughout the company'.⁵⁵ While union representation can support high performance based on cross-functional coordination of staff, 'so long as employers show respect for employee interests as articulated through trade unions',⁵⁶ European LFAs have been reluctant to support trade union membership and social partnership. This is evident from both the survey of ETF affiliates (Section III) and the four case studies (Section IV).

III. Painting a (Bleak) Picture of European LFAs – ETF Survey of Aviation Unions

Before any detailed case studies were undertaken, a questionnaire survey was distributed to all civil aviation unions affiliated to the ETF in early December 2011. The questionnaire was developed in consultation with a Steering Committee established by the ETF to oversee the research and coordinate the distribution of the survey (a copy of the questionnaire is available from the ETF). In brief, the questionnaire sought the views of trade unions on the current situation with regard to recognition and collective bargaining, terms and conditions of employment, and the general impact of LFAs on the European civil aviation industry, including any impact on ground handling staff and other airport employees who service LFAs. A total of 19 useable responses were received from affiliates.

⁵⁰ Stelios Haji-Ioannou cited lower labour costs as an important factor in his decision to start up easyJet in the UK. See *Financial Times* (3 September 1997); and Sull (1999), *op cit.*, p.23.

⁵¹ Jarach et al (2009), *op cit.*, p.288. LFAs such as Air Berlin, easyJet and Ryanair enjoy strong brand recognition outside their country of origin.

⁵² One obvious (labour) cost advantage of this strategy is that it negates the need for costly overnight accommodation as all crew can return to their 'home' base.

⁵³ LFAs that multi-base, such as Ryanair and easyJet, employ a large number of 'non-nationals'. See Booz & Co (2009) *op cit.*, pp.42-3.

⁵⁴ See, for example, Alamdari and Fagan (2005), *op.cit.*, p.377.

⁵⁵ Gittell, J.H. (2005) *The Southwest Way: Using the Power of Relationships to Achieve High Performance*, New York: McGraw-Hill, p.182.

⁵⁶ *Ibid.* Emphasis added.

ETF affiliates were asked to indicate whether they had members in any of the 34 LFAs listed in Q1 of the survey, with a free text box available to enter any other LFAs not listed in the question. This provided data on 25 different LFAs (see Annex II). Given the multi-base strategy of several LFAs, some airlines appeared more than once in the list of airlines where unions have members.

Despite having members in these many different LFAs, in many cases (45 per cent) the aviation union in question was not able to convert membership into a collective bargaining agreement. Other forms of employee representation and voice were also rather sparse, with works councils reported in only 36 per cent of LFAs and supervisory boards in only one-in-ten cases. Health and safety committees were more prevalent, but even here the unions reported a third of LFAs without any such committee. Given the well-known risks to employees' safety and health in the civil aviation industry, ensuring effective representation and employee voice on these issues should be a priority for the social partners in these LFAs.⁵⁷

Previous studies of pay and conditions in the civil aviation industry sponsored by the European Commission have canvassed the views of both employers and trade unions⁵⁸ or civil aviation authorities.⁵⁹ However, the latter are hardly best placed to comment on the terms and conditions of cabin crew while the study that compared the views of employers and trade unions was not a matched comparison (i.e. respondents were not necessarily from the same country).⁶⁰ The ETF survey of affiliates asked union officials to compare the terms and conditions of employment, including pay, between LFAs and legacy airlines. The results are reported in Figure 2 for three occupational groups (ground staff = GS, flight crew = FC and cabin crew = CC) and three aspects of the employees' terms and conditions of employment ('job security', 'pay' and general 'work' conditions). The fact that terms and conditions (labour costs) are generally worse at LFAs than legacy airlines is an important factor in the competition that takes place between the two groups, especially in the context of a financial crisis and stuttering economic recovery.

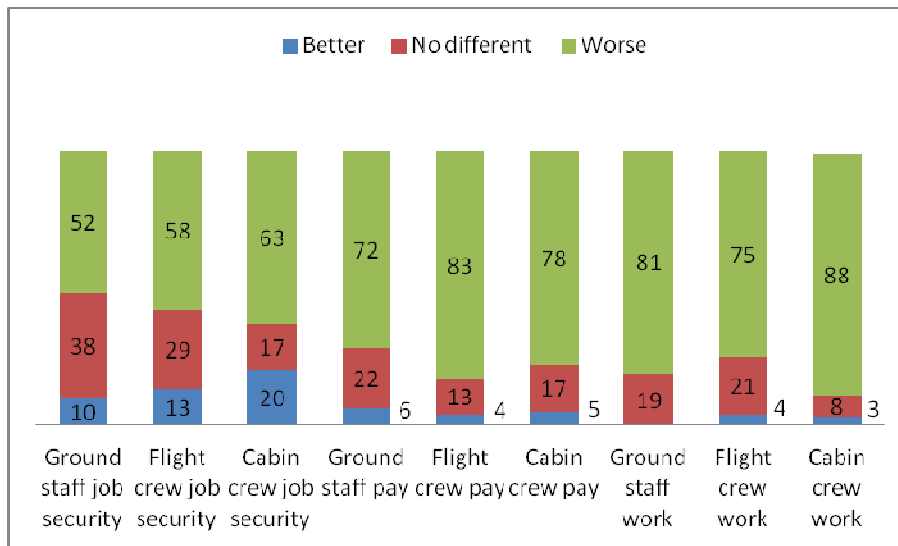
⁵⁷ At a conference on Workplace Health Promotion (WHP) for Air Crew (Naples, October 2008) four of the recognised social partners within the European Social Dialogue (AEA, ECA, ERA and ETF) agreed that continuous dialogue between employers and employees is essential for the successful introduction of WHP for air crew, which will be to the benefit of both employers and employees.

⁵⁸ ECORYS (2007) *Social Developments in the EU Air Transport Sector: A Study of Developments in Employment, Wages and Working Conditions in the Period 1997-2007*, Final Report, Rotterdam: ECORYS.

⁵⁹ Booz & Co (2009), *op cit*.

⁶⁰ While the views of each separate group (employers and unions) are clearly valid, it is pointless to compare between them as all the employer respondents might be from the EU-15 while the trade union respondents might be from New Member States (ECORYS does not provide this level of detail which renders any comparison pointless).

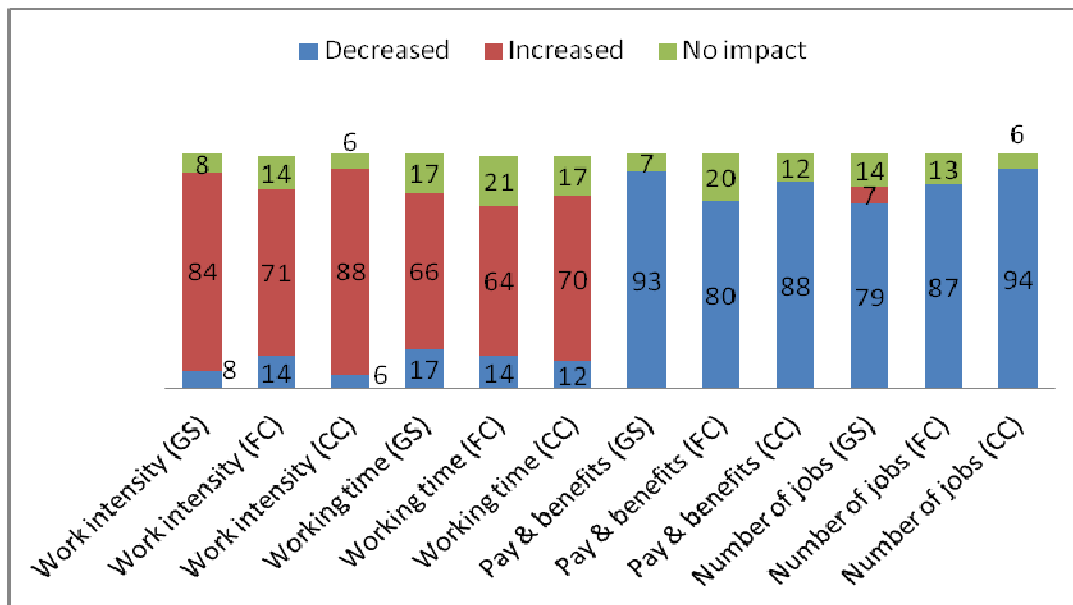
Figure 2. Comparing Terms and Conditions for LFA Staff vs. Legacy Airlines



Without exception, ETF affiliates reported that liberalisation has created labour cost competition between airlines that erodes terms and conditions of employment, contrary to previous research that claims there is no evidence of ‘social dumping’.⁶¹ More than three-quarters (78 per cent) of respondents described this competition as ‘destructive’ and more than two-thirds disagreed with the statement that liberalisation ‘ensures fair competition between airlines’. To be sure, most unions acknowledge the benefits of liberalisation to passengers in terms of choice (61 per cent agreement), new routes (50 per cent agreement) and affordability of air travel (56 per cent agreement) although no respondents were willing to concede that liberalisation has improved service quality (78 per cent disagreed with this statement while the remainder suggested there was no difference). Unions are concerned that the entry of LFAs into the market, and their increasing encroachment on the market share of legacy airlines, is pushing established airlines towards rationalisation and (labour) cost cutting strategies rather than service enhancement and higher productivity. The impact of competition from LFAs on staff at legacy airlines is depicted in Figure 3.

⁶¹ York Aviation (2007) *op cit.*, p.iv.

Figure 3. Impact of Competition from LFAs on Ground Staff (GS), Flight Crew (FC) and Cabin Crew (CC) Employed by Legacy Airlines

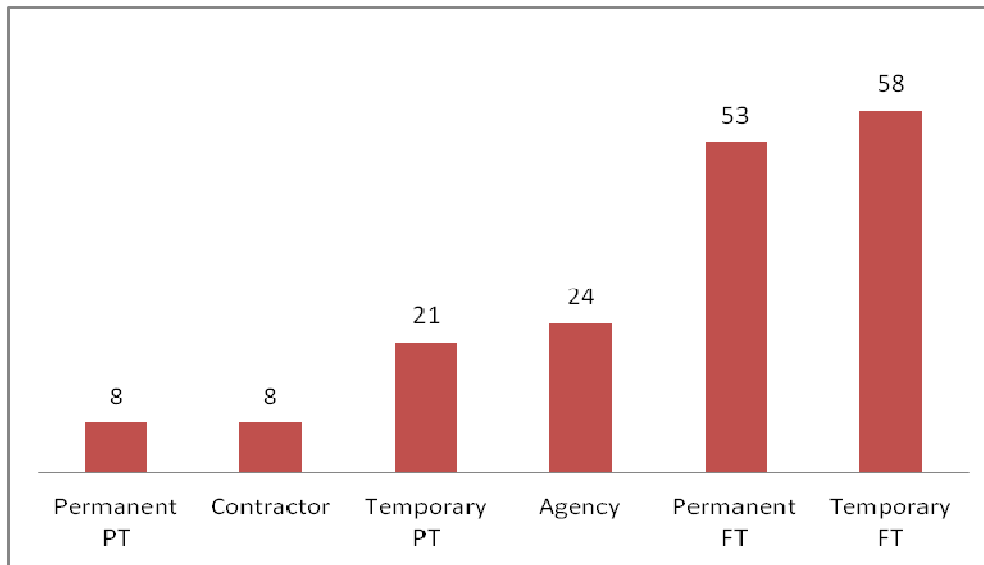


While competition from LFAs is driving down pay and conditions and driving up work intensity at the legacy airlines, there is still a considerable unit labour cost gap between the two rival groups. This derives from three principal sources: (i) lower initial recruitment and training costs, (ii) flexible contracts, and (iii) variable pay.

Many LFAs use recruitment/employment agencies to hire and train staff. It is not uncommon for cabin crew in particular to be engaged via an agency and to self-fund initial training costs. Thus, 7 per cent of respondent unions reported that LFAs expect new recruits to pay the *entire* cost of their initial training while another third of respondent unions said that recruits were expected to *part-fund* their own training (in conjunction with the airline).⁶² Once they pass their initial training, many new recruits are employed on a temporary contract, in most cases on a full-time basis, as indicated in Figure 4, but many LFAs also hire part-time temporary workers. The use of agency labour is not uncommon and many LFAs also use contract labour.

⁶² Self-funded training, either in whole (12 per cent) or in part (12 per cent), was also reported by unions representing ground staff.

Figure 4. Contract Types of Workers Recruited by LFAs

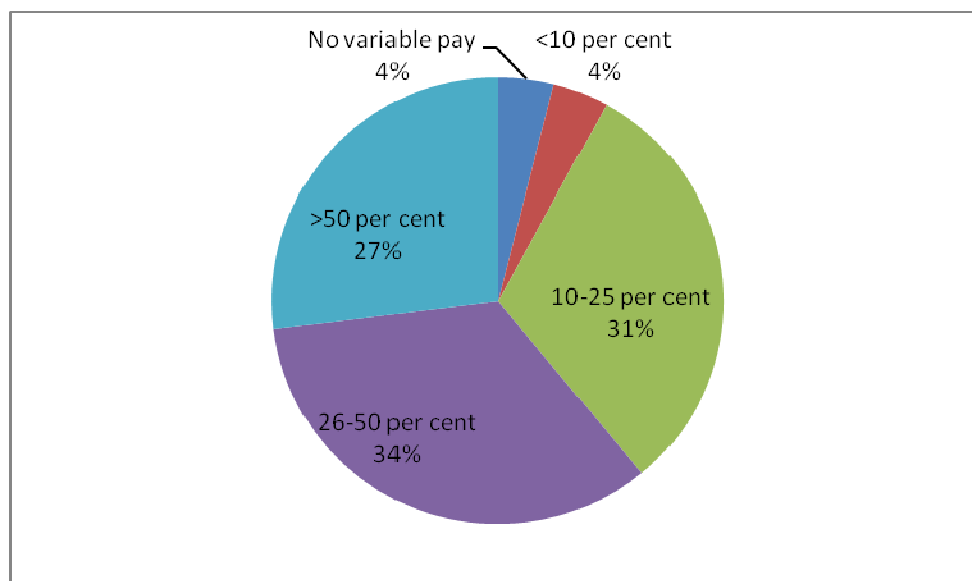


Once again, it is important to stress the economics of airline operations and the distinctive characteristics of the low cost model in order to appreciate why Ryanair and other LFAs increasingly resort to ‘non-direct’ employment (e.g. agencies and contractors). Consider the shift to direct sales and its impact on the composition of the workforce (proportionately fewer reservation staff and more flight and cabin crew) which means that labour costs become a larger component of total costs and/or wage inflation is more likely (pilots, for example, tend to be a much stronger bargaining group). This concentrates management attention even more keenly on labour costs and leads to HR ‘innovations’ such as agency labour. Around three-quarters of Ryanair’s pilots, for example, are now employed through an employment agency (Brookfield Aviation International).⁶³

Temporary, agency and contract labour provides essential flexibility for LFAs but signals insecurity for the employee. This is compounded by variable pay, as employees prefer to know their income in advance rather than face the insecurity of earnings that fluctuate from one month to the next. Over a quarter of respondents claimed that variable pay at LFAs comprised over 50 per cent of cabin crew pay, as illustrated in Figure 5, with a further third estimating it to be between 26-50 per cent.

⁶³ It is also worth reiterating that high aircraft utilisation is a cornerstone of the low cost business model, so it is no surprise that LFAs such as Ryanair and Air Berlin have the highest ratio of pilots to aircraft in the EU. See Booz & Co (2009), *op cit.*, p.39. Pilots under contract to Brookfield pay for their own ID cards, uniform, travel to/from bases and accommodation (many are posted to bases away from their local/home base). Brookfield encourages the pilots to set up their own company (to be ‘sole traders’) for the purpose of providing services to Brookfield. This takes them one more step away from direct employment with Ryanair. Around 70 per cent of Ryanair’s flight crew are now hired through Brookfield Aviation International.

Figure 5. Proportion of Variable Pay for Cabin Crew at LFAs

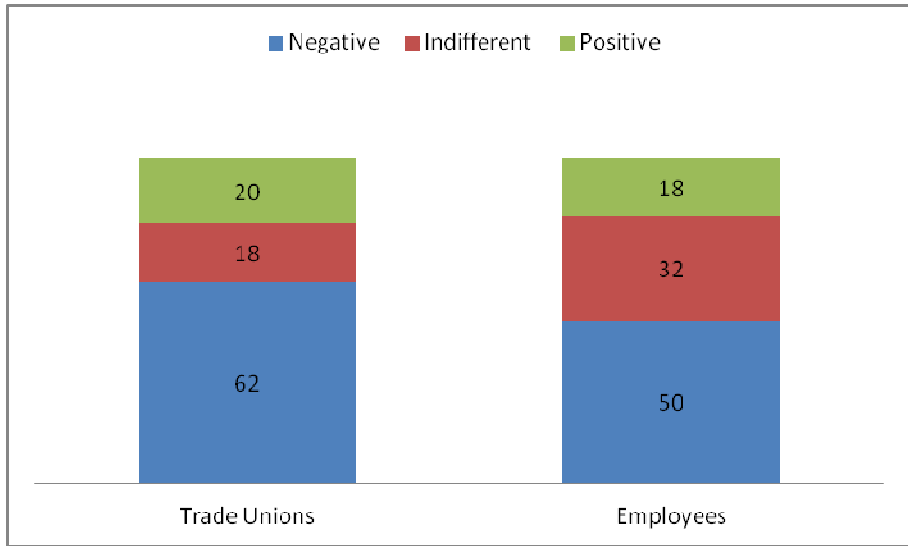


Other studies have noted the importance LFAs attach to variable pay. A detailed study of four LFAs by the European Cockpit Association (ECA), for example, found that two had variable pay for flight crew in the range of 29-33 per cent of total remuneration. The other two had a much lower proportion of variable pay – 15 per cent and just 1 per cent – and it is perhaps no coincidence that the former two were non-union airlines whereas the latter two LFAs had a collective agreement.⁶⁴ A similar pattern was also evident in the ETF survey⁶⁵ and is indicative of the preference of many (if not most) LFAs not to recognise or respect trade unions. Managerial attitudes towards trade unions and towards employees, as reported by ETF affiliates, reflects a reticence to engage with (organised) labour. As Figure 6 depicts, a majority of respondents felt that LFA managers adopt a ‘negative’ approach towards both trade unions (labour as a collective) and towards employees (labour as individuals). At no LFA where ETF affiliates had members was the approach of management towards trade unions deemed to be one of ‘cooperation’ or ‘partnership’.

⁶⁴ ECA (2006) *Upheaval in the European Skies – Low Cost Carriers in Europe: Economic Data, Market and Pilot Demand Forecast*, Brussels: European Cockpit Association, p.22.

⁶⁵ More constructive or accommodating relationships between management and trade unions were reflected in the ability of trade unions to limit the extent of variable pay. Thus, the data indicate that within airlines where trade union officials felt that management were more positively inclined towards trade unions, the proportion of variable pay was lower than within airlines where management were perceived to have a more negative attitude towards the union.

Figure 6. Managerial Approaches Toward Labour at LFAs



The reticence shown by airline management towards trade unions, if not outright hostility in some LFAs, proved to be one of the most striking features of the follow-up case studies that sought to explore the issues raised by the questionnaire survey in more detail. In particular, the case studies considered the different methods used to variously frustrate, to a greater or lesser extent, and in one case foreclose trade union organisation. The (in)effectiveness of trade unions was just one of the factors that explains why the workforce of LFAs are all too often overworked, underpaid, insecure, and without a representative voice.

IV. Working for LFAs ... and Working Around the Unions

The scale and scope of operations at the four case study airlines differ markedly, as does their business organisation and market strategy. These differences have already been highlighted in Section II and are summarised in Annex III. Despite these differences, several common themes and issues of concern for labour emerged during the case study phase of the research, often with common causes. Amongst the latter, the most obvious are the current economic recession and the seasonal variation in the airlines' schedules, which creates a spike in demand during the summer months. Another source of HR innovation, and industrial relations problems, is merger and acquisition as the low fares sector enters a period of consolidation. Prominent examples include the merger of ClickAir and Vueling and the recent acquisitions by easyJet (GB Airways) and Air Berlin (DBA and LTU). When staff on very different employment contracts find themselves working for the same LFA, they quickly discover that the 'natural inclination' of the airline is to gravitate towards the more flexible/lower cost terms and conditions (i.e. 'levelling down' rather than 'levelling up'). This can heighten conflicts over pay and benefits, rosters and working time, as well as the involvement (or exclusion) of trade unions in any renegotiation of terms and conditions of employment.

Rather than analyse the qualitative (case-based) data by company, it is more illuminating to focus on the common themes (HR innovations) and problems

(industrial relations conflicts) that emerged in all four airlines. For cabin crew, these centred around: (i) training, progression and career development, (ii) contractual insecurity, (iii) flexibility in all its guises (numerical, functional, temporal and financial), and (iv) employee voice and trade union representation. Unsurprisingly, ground staff faced many similar problems. For example, the pressures to minimise costs has led to similar forms of flexibility, contractual insecurity and work intensification. Each employee group – cabin crew and ground staff – is considered in turn.

Cabin Crew

The practice of requiring new recruits to pay for their own training has already been noted. The most pernicious example of this particular HR innovation is to be found at Ryanair, where cabin crew recruitment is outsourced to four different agencies – Crewlink, Workforce International,⁶⁶ St James Management and Cavok – although only two agencies (Crewlink and Workforce International) hold contracts to supply cabin crew to Ryanair.⁶⁷ These agencies hold recruitment days all over Europe, attracting candidates from all over Europe, predominantly young women aged 18-25 years old.

At Crewlink recruitment events, the agency's staff first check whether candidates have any visible tattoos (i.e. tattoos that would not be covered by the uniform) and those with visible tattoos are immediately told to leave the event. All remaining candidates, who sit together in a large meeting room, are then required to complete an English language test.⁶⁸ After the written test, all candidates are asked to leave the room while their tests are assessed. Those who fail the test are then invited back into the room and told that they must leave the event at this stage. A presentation is then made to the remaining candidates on training and terms and conditions of employment. Candidates are then required to complete a very brief application form where they must provide two sentences describing what they know about Ryanair and what they think is expected from them as a member of Ryanair cabin crew. Candidates then write their first name in large letters on the back of this form and their picture is taken with the form held in front of their chest. A list detailing the order in which one-to-one interviews will be held is then issued and candidates are released for a short break before the interviews commence. Several interviews take place at the same time in the large event room – recruitment events can attract 100-150 candidates – and last around 10 minutes. The interviews focus on the job criteria and person specification (e.g. height, weight, ability to swim, general health, willingness to relocate to different Ryanair bases, and an example of working 'flexibly' in a previous job or role). The candidate's financial situation is raised at this stage because of the terms attached to training should they be offered a job.

The Cabin Crew Training Course Agreement issued by Crewlink sets out the criteria for acceptance onto the training course, the medical exam, ID and police clearance, training course schedule, and the costs/conditions attached to the training.⁶⁹ The

⁶⁶ This company operates under the name of Dalmac.

⁶⁷ Thus, Crewlink recruits successful candidates from recruitment events hosted by St James Management (held in Stansted) and Cavok (held in Girona).

⁶⁸ English is Ryanair's official language on all flights.

⁶⁹ A copy of this Agreement is available from the ETF.

latter includes 'low cost (shared) accommodation' (€700 paid in full 21 days before training commences), a non-refundable registration fee of €500 to confirm a place on the course, and a course fee of €1,649 paid in full 7 days prior to starting the course. An alternative payment option is available, with an identical registration fee (€500 in advance, non-refundable) but staggered payments (monthly instalments deducted from the wage packet) to cover the €1,649 course fee *plus* a €600 administration cost. At the recruitment event, candidates are told they can expect to earn around €1,100 per month, plus a sales bonus⁷⁰ and a 'New Joiners Allowance' of €1,200 paid over the first 6 months.⁷¹ With the deduction of training costs (€300 in months 2, 3, 4, 5, 7 and 8, and €449 in month 6) plus uniform lease and dry cleaning costs (€30 per month), cabin crew can expect to earn a maximum of €1,000 per month before tax. This is considerably lower than the average salary of €52,500 (in 2007) for Ryanair staff cited by York Aviation in their report for the ELFAA.⁷²

Candidates who pass the training course are offered a 3 year contract with Crewlink, not direct employment with Ryanair. The first 12 months is classified as a period of probation and new recruits are subject to regular performance review.⁷³ Cabin crew on contract with Crewlink must take 3 months unpaid leave in every 12 month period, between the months of November and March, and they are forbidden to work for any other airline during their unpaid leave.⁷⁴ Candidates are advised that their base will be determined by Crewlink – they are told that 'flexibility is mandatory' during the recruitment event – but they are informed of their base only *after* they have paid the €500 non-refundable registration fee. The Crewlink website states that:

If you are a successful member of crew, you have the potential to be directly employed with Ryanair and, after 12 months, you may be eligible for promotion to a Customer Service Supervisor, earning in excess of €30,000 gross per annum (www.crewlink.ie/en/about-the-job)

However, during the recruitment event, candidates are often told that opportunities for direct employment with Ryanair may only arise after 2 years of employment with Crewlink.⁷⁵

Interviews with former Ryanair cabin crew and those who failed to progress through the initial training revealed many examples of disappointment and in several cases a strong sense of being 'misled' by the recruitment agency. The account of a young woman who applied for a job with Ryanair via St James Management is reported in Box I.

⁷⁰ The importance of in-flight sales is impressed upon candidates and they are advised that this aspect of training will be provided by a Ryanair instructor rather than Crewlink trainers.

⁷¹ If the new recruit leaves or is fired during the first 12 month then they are obligated to refund this Allowance in full.

⁷² York Aviation (2007), *op cit*.

⁷³ At the recruitment event it is emphasised that cabin crew can be dismissed for misconduct. Candidates are advised by Crewlink that this includes arriving late for work.

⁷⁴ New recruits are advised that they can expect to work 800-850 hours during the 9 months of paid employment. Consequently, they have very few hours left to 'sell' to another airline under European flight and duty regulations.

⁷⁵ Candidates are advised that these opportunities are 'not guaranteed' and are 'less frequent than in previous years'.

Box I. Cabin Crew Training for Ryanair – A Personal Account

I firstly went for an interview with St James on the 8th November 2011, the assessment day was the easiest one I've even been to (I have been to 6) they literally gave everyone the job. The interview was easy peasy! They were getting through the interviews so fast I doubt they even listened to half of us. They told us all the rubbish about 'live the high life' and all that crap, etc.

The following day I received an email congratulating me on getting onto the training course that would be starting January 23rd 2012, however in that email they stated I had to pay £450 within the next 5 days to 'secure' a place. Which I did.

I then had to find myself accommodation which for 6 weeks was £700. On the 19th December I received an email with my base which was Manchester. I'm from Birmingham so I wasn't that bothered.

The 23rd of January arrived and I did my first day. There were 33 of us on the course. After day 1, two left because we were told we had to pay £2,000 for our training, £60 for our airport ID and £400 for our uniform, all this was going to be taken out in instalments on our wages ... that would leave us with not a lot considering we do not get basic pay ... just flight pay and 10% commission on sales. I stuck with it because I don't agree with leaving on the first day. After the first week of filling out paper work we had our medicals and uniform fittings. One girl came out the medical in tears and was sent home as she failed. She had diabetes, however she said she told them that before she paid her money and they said it was okay she would still be okay to fly for them ... once she had paid the NON-REFUNDABLE £450 they decided actually it wasn't okay and sent her packing.

We then met our trainer who was absolutely awful at teaching. We all failed daily exams and were told we would fail our initial exam – not something a trainer should be saying! There were days where myself and others got our exam papers ripped up in front of us which was humiliating and also five girls on the course were told due to chipped nail polish they were going to have a disciplinary sent to their base supervisor for them when they get there. That was bang out of order! So after 2 weeks I decided I was not putting up with being treated like a naughty school child and came home with nothing except £1,100 down! Ryanair really DON'T care.

I would like to warn others but I suppose they're going to want to find out for themselves ... just like I did!

I'm now back at my old job working in customer service, the experience has scared me but not put me off flying, I'm just going to apply to a proper airline which doesn't charge for your training or make you feel humiliated.

Although other LFAs use fixed term contract staff, they recruit, train and employ cabin crew directly. At easyJet's Gatwick base, for example, an additional 300-400 cabin crew are required for the summer season and are typically hired on 'seasonal contracts'. Seasonal staff pose several significant problems for the trade union that endeavours to organise crews. It is well established that temporary staff are less likely to join a trade union than full-time or permanent staff. Moreover, as temporary cabin crew are appointed at peak times of the year, when passenger numbers are greatest, they stand to gain from commission from onboard sales. A representative from Unite, the recognised union for easyJet cabin crew, noted that this sometimes

caused animosity on the part of permanent staff towards temporary staff because the former group perceived that the latter were eroding their opportunities to earn commission.

Unlike Ryanair where it can be difficult for new recruits to progress, cabin crew at easyJet can be promoted to cabin manager after just 1 year. In fact, this practice seems to be encouraged as younger staff can be 'moulded' by the company and become the 'eyes and ears' of management during the flight.⁷⁶ Vueling also employs a combination of permanent and temporary cabin crew (on 6-12 month contracts) where the former are on a fixed 5/3 roster while all temporary staff are on a flexible roster. This pattern is repeated elsewhere, either with respect to permanent/temporary (fixed-term) staff (e.g. 25-30 per cent of Air Berlin staff are on 2 year contracts)⁷⁷ or cabin crew working on different contracts as a result of mergers and acquisitions.

When airlines merge, or when the strong acquires the weak, there is always the problem of integrating and standardising the terms and conditions of cabin crew. When Ryanair acquired Buzz, increasing its slots at Stanstead from 33 per cent of the total to 49.5 per cent, the company 'solved' the problem of staff integration by retaining only 170 of the 610 Buzz employees⁷⁸ and increasing their earnings by raising hours of work from around 700-750 to 800-850 per annum.⁷⁹ When easyJet acquired GB Airways, in contrast, it inherited many more staff on very different terms and conditions of employment. For example, whereas easyJet cabin crew worked a 6/3 roster, GB Airways staff worked a flexible roster. The integration of the two airlines led to a migration of staff onto the flexible roster, which is issued on the 17th day of each month for the following calendar month.⁸⁰ All new recruits are now hired on the flexible roster. At one easyJet base, longer serving employees were asked to 'trial' the more flexible system for an agreed period of 6 months, after which time they would be allowed to return to the fixed rota should they choose to do so. In the event, the trial proved to be very popular because of various accompanying benefits such as a greater number of early shifts and an increased likelihood of securing preferred days off.⁸¹ As a result of staff turnover (dismissal, voluntary quits and retirements) the old 6/3 roster will gradually 'wither on the vine'.⁸²

While the experience of many cabin crew is a 'levelling down' of terms and conditions when mergers and acquisitions take place, the acquisition of LTU by Air Berlin

⁷⁶ Workplace union representatives claim that it is predominantly the younger 'wide eyed' cabin managers who enforce the company's policy that precludes any discussion of union issues by crew during the flight.

⁷⁷ Air Berlin employs cabin crew through *Personalüberlassungsgesellschaften* (personnel lease agencies).

Around half of these fixed term crew become long-term (permanent) workers with the company.

⁷⁸ Ryanair contributed only €1 million to redundancy payments, the rest was financed by KLM.

⁷⁹ O'Higgins (2004), *op cit*.

⁸⁰ In addition to providing greater temporal flexibility, the flexible roster increases numerical flexibility as it increases the number of days each month that crew are available for work.

⁸¹ Union representatives claimed that these benefits were manipulated by the company during the trial period to ensure acceptance. While many crew genuinely preferred the flexible roster, it was also claimed that returning to the fixed system was almost impossible after the trial period because of operational and other changes that were now dependent on a flexible roster.

⁸² At several easyJet bases in Europe, staff on the 6/3 roster are typically rostered first (i.e. before those on a flexible roster) and therefore tend to work the maximum number of days each month. Many staff transfer to a flexible roster as they find the pressure of work too intense on the 6/3 roster, especially during the busy summer months.

brought a well organised (unionised) group into the company and Ver.di reps are working hard to 'level up' through both the works council and collective bargaining. However, despite a more favourable legal and institutional framework (certainly in comparison to Ireland/Ryanair and the UK/easyJet) this is still proving to be an uphill battle, not least because the company is registered as a UK plc.⁸³ A particular concern for many cabin crew at Air Berlin is the flexible shift system with changes to the monthly pattern permitted every Friday for the coming week and daily changes to the duty roster (routes flown) which staff might only be informed about when they arrive for work.⁸⁴

Similar issues emerged from the merger of ClickAir and Vueling, inasmuch as a non-union company with inferior conditions (ClickAir) proved to be the 'dominant partner'. However, while the company wanted to retain some of the conditions, working practices and values of ClickAir, it was keen to project (and protect) the Vueling brand which had a better reputation for service quality. This gives the unions a degree of leverage and the 'door is open' for communications, consultation and negotiation with managers who recognise the need to develop HR practices that support (or at least do not undermine) the positioning of the company between 'short-haul fundamentalism' and 'unaffordable full service'.⁸⁵ Senior managers work hard to be inclusive, encouraging staff to participate in social events and make Vueling a fun place to work,⁸⁶ although these HR innovations are difficult to extend to cabin crew whose flight times and duty roster often precludes them from attending social events or even finding time to talk to line managers. This applies in particular to cabin crew on 6 month contracts, who will fly up to 100 hours a month to maximise their earnings. The incentives to do this come not only from their insecure contract but also the system of sector-based pay and sales commission. For the company, this provides numerical flexibility (staff numbers adjusted to demand), temporal flexibility (hours adjusted to daily schedules) and financial flexibility (variable labour costs determined by hours worked and value added/sales). For the employee, these different forms of flexibility are often manifest and invariably experienced as different forms of insecurity.⁸⁷

Financial flexibility for the firm can be manifest in other ways as insecurity (income variation and entitlement) by the employee. At easyJet's base in Berlin, for example, staff were employed on UK contracts until 2010 when they were transferred to German contracts.⁸⁸ For German workers based in their home country but employed on a UK contract, there were considerable costs arising from exchange rate (£/€)

⁸³ This allows the company to circumvent the legal requirement of employee representation on the supervisory board of management.

⁸⁴ One member of cabin crew complained that this disrupted her mental preparation the day's work and often left her feeling dissatisfied at the end of the shift – even if flights were on time and service quality was high, there was still a feeling that the day (destinations) should have been very different.

⁸⁵ See <http://www.youtube.com/watch?v=MwJRQhZejj8>

⁸⁶ See <http://www.youtube.com/watch?v=WyJDimcDbLs&feature=relmfu>

<http://www.youtube.com/watch?v=ze8jxuwe4g0>

http://www.youtube.com/watch?v=_GWGLWpdVMw&feature=results_video&playnext=1&list=PLB743337A3C9BF81E

⁸⁷ See Standing, G. (1997) 'Globalization, Labour Flexibility and Insecurity: The Era of Market Regulation', *European Journal of Industrial Relations*, 3, pp.7-37.

⁸⁸ This was the last easyJet base outside the UK to transfer to a contract grounded in local conditions and consistent with the application of local employment law. easyJet aims to employ at least 50 per cent local pilots and 90 per cent local cabin crew in each non-UK base.

fluctuations, which over a period reduced average monthly pay by almost a third, as well as bank charges incurred when transferring salary from a UK account (required by the company) to a German bank account.⁸⁹ There were also problems accessing German social benefits such as health care (e.g. in the event of injuries or illness caused at work).

Variable pay was a feature of remuneration in all four case studies but was used for different purposes. At Vueling and Air Berlin, for example, the focus was on driving and rewarding performance as well as accommodating variable workloads.⁹⁰ At Ryanair, all crew are employed on financially flexible Irish contracts, wherever their base in Europe, and the company has demonstrated its determination to preserve this strategy of labour cost minimisation⁹¹ through both legal avenues (e.g. challenging any moves against the company by national regulatory authorities, either in the relevant national or European courts) and market power (e.g. relocating bases to other adjacent countries). It is not by coincidence that this strategy frustrates union organisation at Ryanair – a geographically dispersed workforce initially employed on a fixed term contract by a third party (e.g. Crewlink) is extremely difficult to organise, assuming the unions in question can agree on the appropriate jurisdiction (e.g. the union that shares the nationality of the generic cabin crew contract, the union that shares the nationality of the individual crew member, or the union that shares the nationality of the base where the crew are located). The ‘dual purpose’ of Ryanair’s multi-base strategy – market access and union exclusion – is demonstrated by the relocation of union activists or crew who are designated as ‘troublemakers’, especially amongst the pilot community.⁹²

easyJet’s approach has been to standardise across bases in respect of its management of people through the ‘orange culture’, recognising that while there are bound to be different ‘shades of orange’ the colour (culture) of the company is still orange. The orange culture has recently been ‘reformulated’ into a set of five principles⁹³ but is still indicative of a paternalistic approach that harks back to the tight-knit ‘family’ that began with the company, working as a team and enjoying BBQs every Friday with the boss.⁹⁴ But the need to secure the commitment of the workforce⁹⁵ does not extend beyond an ‘accommodation’ with trade unions, which

⁸⁹ Likewise, all Ryanair employees must have an Irish bank account for the payment of monthly salary.

⁹⁰ At Vueling, cabin crew reported that up to half their salary could be made up of variable payments. Around 40 per cent of cabin crew salary at Air Berlin is sector pay. Remuneration at the German airline is also designed to reward skills/seniority (e.g. senior cabin attendants can work as regular or senior attendants on a flight but are now paid the higher rate regardless of their role on any particular flight).

⁹¹ Local contracts increase complexity and overhead costs (e.g. payment in local currencies) and there is a need to manage perceived (and real) pay differences between bases (attributable to cost of living, exchange rate fluctuations, etc).

⁹² See O’Sullivan, M. and Gunnigle, P. (2009) “‘Bearing All the Hallmarks of Oppression’: Union Avoidance in Europe’s Largest Low-cost Airline”, *Labor Studies Journal*, 34, pp. 252-70.

⁹³ These are: (i) safety (the company’s number one priority where there can be no compromises) (ii) teamwork (based on the principle that ‘we’ll get there faster together’) (iii) pioneering (i.e. breaking the mould to find new ways and new opportunities) (iv) passionate (the company is ‘ambitious to be the best we can be’), and (v) integrity (at easyJet ‘we mean what we say, and do it!’).

⁹⁴ Long service employees in Germany recalled that, in the early days of the company, they would fly to the UK in order to attend the Friday afternoon BBQ.

⁹⁵ easyJet recognises that if it wants to deliver on its (limited) commitments to passengers, and in particular if it wants to attract more business travellers, then it needs cabin crew who are motivated to deliver on these commitments.

means 'to put up with unions and negotiate with them as required, maintaining an arm's length relationship'.⁹⁶ Union reps at easyJet recount numerous examples of management's delaying tactics, prevarication, stalling, and at times outright hostility, both locally and in their dealings with the company's head office managers in Luton who closely direct and coordinate HR policy across bases. At Gatwick, for example, union officials are not allowed to enter the crew room and have been asked to move well away from the area on occasions when they have sought to distribute union materials and recruit new members. Even in Germany where national employment laws are more supportive of union organisation and employee voice, easyJet is described as being hostile towards workplace reps and obstructive in its relationship with union officials.

easyJet has only had to deal with unions for the past decade following the introduction of the Employment Relations Act 1999 in the UK, which constituted a new union recognition procedure based on a 50 per cent majority of the workforce in the bargaining unit.⁹⁷ Under the same legislation, BALPA mounted a claim for statutory recognition with Ryanair in the UK, but the claim failed when the company transferred pilots to the UK bargaining units (bases) at the 11th hour in order to dilute the vote in favour (i.e. prevent the union securing a 50 per cent majority of those eligible to vote). In 2004, a legal challenge was mounted against Ryanair by the Irish pilots' association (IALPA) under the Industrial Relations Acts 2001-2004 on the grounds that a trade dispute existed as the company did not engage in collective bargaining. However, the Supreme Court rejected IALPA's claim on the grounds that the company's Employee Representative Committees (ERCs) were a form of collective bargaining within the meaning of the Acts.⁹⁸ As Michael Wynn points out, it is unlikely that these Committees are actually used to determine local conditions at different bases. In other words, ERCs are a mechanism for union avoidance, not employee voice.⁹⁹ This view is shared by the ILO's Freedom of Association Committee.¹⁰⁰

Like easyJet, Air Berlin has also had to come to terms with dealing with trade unions, following the takeovers of DBA and LTU. The principal difference is that the company is obliged to comply with the law, or rather the law provides trade unions with greater leverage to ensure that the company at least complies with the letter (if not yet the spirit) of the law. Thus, despite its history of 'paternalistic' management and sophisticated strategies designed to circumvent German employment law (e.g. small decentralised operating units below the legal threshold for employee representation),

⁹⁶ Bamber et al (2009), *op cit.*, pp.95, 115 and 171.

⁹⁷ Both the British Air Line Pilots' Association (BALPA) and Unite secured recognition at easyJet on the back of the new legislation.

⁹⁸ Wynn, M. (2011) 'Busting the Bases: Resistance to Trade Union Recognition in the Airline Industry', Voices at Work Conference, Wadham College Oxford, 29-30 July.

⁹⁹ *Ibid.* In no sense does Ryanair engage in any form of collective bargaining over terms and conditions of employment with independent employee representatives through the ERCs.

¹⁰⁰ ILO Freedom of Association Committee (2011) Case No.2780, Interim Report on the 'Complaint against the Government of Ireland presented by the Irish Congress of Trade Unions (ICTU) on behalf of the Irish Airline Pilots Association (IALPA) and the Irish Municipal and Civil Trade Union (IMPACT) with the support of the International Trade Union Confederation (ITUC) and International Transport Workers' Federation (ITF)', CLXXIX, November.

Ver.di is now making progress in terms of representation¹⁰¹ and improvements to workers' pay and conditions of employment.

Following a similar pattern, unions were only recognised at Vueling 4 years ago, just before the merger with (non-union) ClickAir. Contract negotiations were effectively 'parked' (put on hold) during the merger process, out of which emerged a redundancy 'arrangement' (not an 'agreement' as such) which targeted more expensive Vueling staff and sought to shift the remaining crew onto contracts closer to those of ClickAir. It took the union (CCOO) a year to secure a contract with Vueling but the company now accepts that it must deal with the union.

Compared to the situation facing union reps at EasyJet, Vueling reps enjoy much more favourable provision ('union days') to undertake union activities. Moreover, union reps can discuss union issues with colleagues while at work (during flight time) and there is no evidence of victimisation against reps (e.g. with-holding or slowing promotion). For their part, management acknowledge that as a low fares airline their employees are expected to work hard for levels of pay that might be attractive when compared to non-airline jobs (based on the employee's qualifications, experience, skills, etc) but certainly not when compared to pay and conditions at Iberia or the recently bankrupt Spanair. In this context, information and communication assumes a much greater importance in maintaining positive relationships with individuals and a compliant relationship with the trade union.

These different approaches to the management of people (inclusive/soft HRM vs. directive/hard HRM) and relationships with trade unions and other labour market institutions (e.g. compliance vs. attempts to circumvent the law) are summarised in Figure 7.

Figure 7. Managing People, Avoiding Institutions

P E O P L E		INSTITUTIONS	
		Circumvent	Comply
	Hard HRM	<i>Ryanair</i>	<i>Air Berlin</i>
	Soft HRM	<i>easyJet</i>	<i>Vueling</i>

All four LFAs fall short of the (social) partnership arrangements found at some EU legacy airlines¹⁰² or the (relational) partnership between management and unions at Southwest Airlines.¹⁰³ The latter is the very heart of the Southwest Way, which as Jody Hoffer Gittel explains is:

to focus on employees not primarily as a source of cost but rather as a valuable source of knowledge for reducing costs and for delivering high-quality, reliable service. Even more important, the Southwest Airlines Way is

¹⁰¹ Following the merger with LTU the company is run as an integrated whole, rather than small business units, and has had elected employee representation (*personalvertretung*) since 2007 for both pilots and cabin crew.

¹⁰² Turnbull, P., Blyton, P. and Harvey, G. (2004) 'Cleared for Take-Off? Management-Labour Partnership in the European Civil Aviation Industry', *European Journal of Industrial Relations*, 10, pp.281-301.

¹⁰³ Gittel (2005), *op cit*.

to see employees as individually valuable, but as much *more* valuable when they work closely together to accomplish a common goal.¹⁰⁴

Ground Staff

Ground handling is a highly labour intensive activity with employee costs accounting for between 65-80 per cent of operating costs. Airport ground staff are responsible for a multiplicity of tasks, from customer service activities such as check-in through to aircraft handling, including moving the aircraft, repairs/maintenance, servicing, cleaning, catering, loading and passenger transition.¹⁰⁵ The European Council Directive 96/67/EC liberalised ground handling, permitted airlines to employ their own staff, and required airports to ensure that at least two service providers are available for each function of ground handling, one of which had to be independent. The number of ground handling firms has increased significantly as a result, as documented in Table 2. Findings of the German Airport Performance project indicate a large increase in the number of ground handlers in competition at several European airports (e.g. eleven handlers were in competition at London Heathrow leading to benefits for airlines). The report suggests that despite Directive 2001/23/EC, which requires member states to implement legislation safeguarding employees' rights in the event of 'transfers of undertakings', employees of ground handling firms have nevertheless been detrimentally affected by liberalisation of this service, with employees of the independent providers experiencing 30 per cent lower wages and more 'flexible' (i.e. intensive) work contracts (www.garsonline.de).¹⁰⁶

Table 2. Ground Handling Firms (EU-15)

Activity	YEAR		
	1996	2002	2007
Baggage handling	21	33	41
Freight and mail handling	21	28	34
Ramp handling	21	30	38
Fuel and oil handling	26	27	28

Source: Booz & Co (2009) *Effects of EU Liberalisation on Air Transport Employment and Working Conditions*, DG-TREN.

This increase in the competition for airline business complements the operational strategy of LFAs as they can utilise (leverage) market forces to reduce the cost of ground handling. Thus, just as Ryanair and easyJet have used their buying power in negotiations with aircraft manufacturers and airports, they do the same with ground handling providers, who no doubt 'rue the day they did a deal with Ryanair or easyJet

¹⁰⁴ *Ibid*, p.ix, original emphasis.

¹⁰⁵ Ashford, N., Martin Stanton, G.P. and Moore, C.A. (1997) *Aircraft Operations*, New York: McGraw Hill.

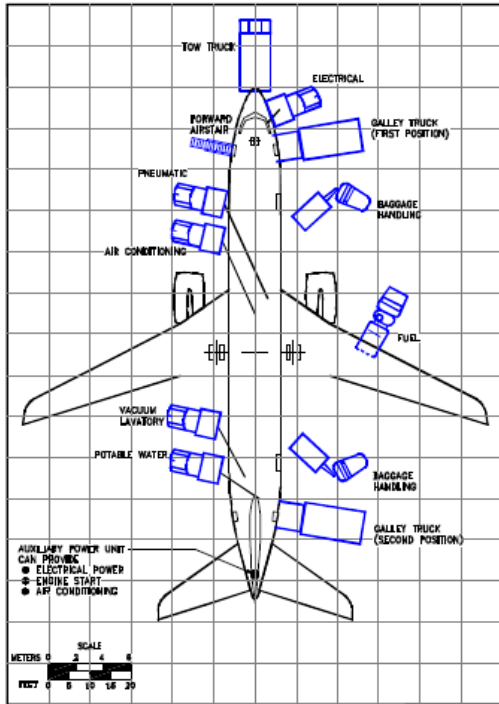
¹⁰⁶ It is interesting to note that in its position paper on revision to Directive 96/67/EC, published in 2011, the Association of European Airlines maintained that 'EU legislation already caters for the needs of staff, working conditions, minimum pay scales etc., in a way that there should not be a need for any additional protection at airports and certainly no particular commitment to take over staff' (AEA Position Paper on Ground Handling, June 2011, www.aea.org).

on a marginal cost basis'.¹⁰⁷ At the time, the 'first mover' LFAs were seen as small players and a useful source of (incremental) extra business. Today they represent the core business of many service providers who are now highly dependent on the custom of LFAs.

Aside from the cost element, the operational strategies of LFAs have a clear impact on the operations of the ground handling firms and the work of those employed therein. To explore this further, it is convenient to think about ground operations in terms of aircraft (airside) services and passenger (landside) services. For the passenger service staff, restrictions placed on baggage, for example, impacts directly on the work of check-in and boarding gate staff, while the aircraft service staff must manage a range of activities in an extremely tight turnaround time schedule – very often with numerous firms completing different aspects of the job. These activities are illustrated in Figures 8 and 9.

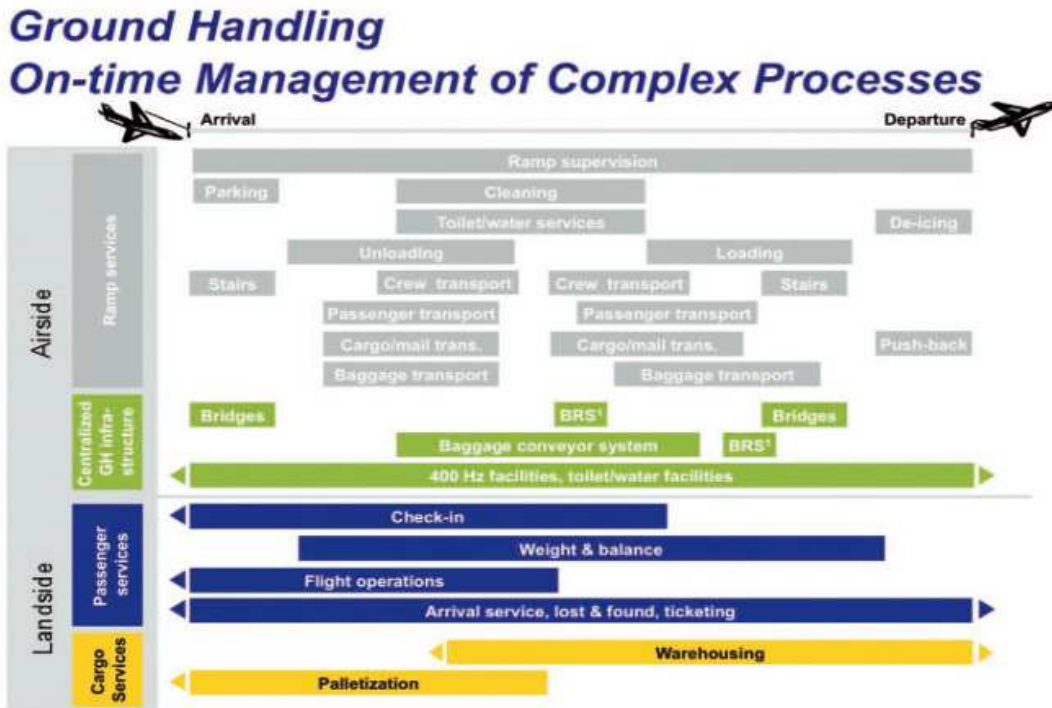
¹⁰⁷ Dennis, N. (2007) 'End of the Free Lunch? The Response of Traditional European Airlines to the Low-Cost Carrier Threat', *Journal of Air Transport Management*, 13, p.312.

Figure 8. Servicing a Boeing 737-800



Source: www.boeing.com

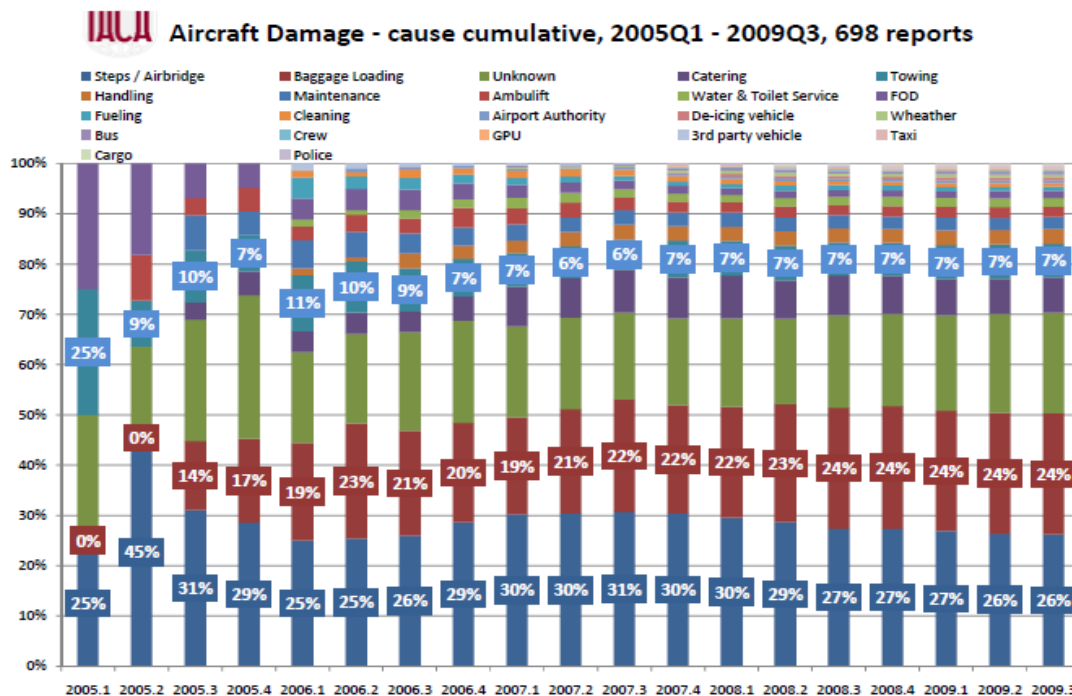
Figure 9. Ground Handling Activities



Source: Visual Fact Book 2010, available at: www.fraport.com

This complex range of activities can result in damage to the aircraft, as documented in Figure 10, and personal injury to the employee. One recent study undertaken for the European Aviation Safety Agency found that operational disruptions, equipment damage, aircraft damage and personal injury resulting from instances of human error occurred more than once a month.¹⁰⁸ The personal injuries suffered include strains, sprains, laceration, contusion and fracture. The study also identifies time pressure as the most common personal factor leading to incidents, while insufficient staffing is identified as the most common organisational factor. The economics of the low cost model (the 25 minute turnaround), and the demands of LFAs to progressively reduce operating costs, will clearly heighten these risk factors. Although systematic data was not made available by ground handling companies and/or airports, union representatives and staff recounted numerous examples of accidents, 'near misses' and other incidents that endangered the safety and health of the workforce.

Figure 10. Aircraft Damage



Ground staff in both Spain and the UK raised concerns about work intensification, which they attributed directly to LFAs. This was expressed in a number of ways. For passenger services staff a principal concern was the experience and responsibilities of cabin crew employed by the LFA. Many felt that a lack of experience amongst cabin crew increased the burden on ground staff, who are all too often required to resolve passenger issues and complaints without assistance from the aircraft crews.

Ground staff are also the principal recipients of any ramifications of LFA baggage policies. For example, the gate agents working for independent ground handling firms are responsible to the airline for 'tagging' the appropriate number of bags per flight.

¹⁰⁸ Balk, A.D. and Bossenbroek, J.W. (2010) *Aircraft Ground Handling and Human Factors*, NLR Air Transport Safety Institute, Netherlands.

That is, ground staff must ensure that a certain number of bags are loaded into the hold rather than being taken onto the aircraft as hand luggage, which will obviously inconvenience any (tagged) passengers who were hoping to take their hand luggage onboard. Moreover, the gate agent is responsible for monitoring and penalising passengers with overweight luggage (as defined by the airline). The gate agent is then the arbiter for the airline and must deal with the ensuing passenger discontent.¹⁰⁹

For the passenger services supervisor, the intensification of work was expressed in terms of the number of flights they were required to monitor at any one time. This can prove extremely problematic if flights depart from two gates that are far away from each other. Moreover, the supervisor must confirm that everything is in order before flights are 'signed off' and can depart. The supervisor is then ultimately responsible if there are any problems. The anxiety caused by this level of responsibility has been exacerbated by the LFAs demand for rapid turnaround and is potentially dangerous. As one participant put it, 'When you're in a hurry you forget things. You can't afford to make mistakes, but you do!' There was agreement among ground handling staff who participated in research focus groups that issues such as safety and security remain paramount for the workforce, but punctuality was now the primary concern for ground handling companies. As one participant noted, 'Security is important, but punctuality is most important. Punctuality is money'. Another asked a question and gave the answer: 'Safety first? What a joke!'

Although the number of flights was growing at many airports, there was a gradual reduction in ground handling staff. This combination – an increase in flights and a reduction in staff – was directly attributed to the impact of LFAs. Comments such as '[low fares] airlines put pressure on suppliers to reduce costs' were typical and met with agreement from other members of our focus groups. Others explained the relationship in this way: the low fares airlines were successful (they had increased traffic); as they were so successful, there was considerable competition between the ground handling companies to attract their business; ground handling companies competed with one another on cost; and cost savings were achieved, at least to some degree, through labour. The latter might be as crude as reducing the workforce or shifting the composition of pay towards variable (bonus) elements that proved difficult to achieve (e.g. any delay, from whatever cause, is penalised, and any damage affects the bonus of *all* workers on the shift and not just those responsible for the damage).

It is important to point out that Directive 96/67 EC, which was driven by an economic imperative to further increase competition between ground handling firms, includes no minimum standard for training. Any revision to this Directive, currently under discussion, should consider the potential benefits of better training for workers, ground handling companies and their customers. A common theme to emerge from the case studies was the adverse effects of a *reduction* in training that seems to be part of the drive to cut costs.

¹⁰⁹ This is a particular issue with Ryanair as the company is not a member of IATA and has set its own cabin luggage dimensions (55cm x 40cm x 20 cm) which are smaller than standard dimensions (55cm x 45cm x 25 cm). A 'Ryanair size' cabin bag can be purchased via the company's website, providing another source of revenue for the company.

While the details differed from one company to the next, there was a general consensus that training had been reduced. This was expressed in terms of weeks (with interviewees commenting that training had traditionally taken 2 weeks, but now 'required' only 1 week) or in terms of hours (it was claimed that 'push back', for example, had formerly required 25 hours training whereas training for this procedure had been reduced to between 10 to 15 hours). It was widely agreed that current training provisions were inadequate, which raised question marks over safety, security and the efficiency of operations.

Training was not simply reduced in quantity but also in terms of quality. For example, training has been altered at one ground handler such that a formal period of 'shadowing' an existing member of staff has been abandoned. Training is now conducted almost entirely in the classroom, with 'on-the-job' training thereafter (i.e. *working* alongside existing staff rather than just observing in the first instance). A major concern raised by one union rep was the presence of trainees in sensitive areas of the airport. As they are issued only with a Visitor's Pass, the trainee should not be present in certain airside locations. As work teams are under constant pressure to turn flights around as quickly as possible, trainees were allowed to accompany experienced staff (trainers) to restricted areas to enable the trainer to help the team meet its turnaround time and save the team bonus.

Detrimental changes to terms and conditions of employment were not uncommon. These included minimum hour's contracts (just 6 hour per week) and the 'buy-out' of employee benefits (e.g. in exchange for a higher hourly rate, one ground handling firm had eliminated sickness pay from the ground staff contracts). It was understood in all these examples that the benefits of any savings would be passed on to the customer (the LFAs).

Ground handling firms have also increased the use of flexible labour/contracts, most notably temporary work(ers) to cover the busy summer period. Temporary contracts customarily run for 6 months and the same temporary workers would typically return each year. These workers appear to bear the brunt of any adjustments that are needed during peak periods. For example, a temporary worker might be required to work 3 early shifts followed by 3 late shifts, which makes recovery extremely difficult between the third and fourth shift. At one airport it was not uncommon to find temporary workers sleeping in their vehicles in the airport car park between shifts, rather than travelling home because of the limited turnaround time available between shifts.

A more specific issue was raised by ground staff serving one of the case study airlines and reveals an interesting paradox resulting from the LFA business model: that despite a decrease in the amount of hold baggage, ground staff serving these airlines perceive an increase in the intensity of baggage handling. The additional charges incurred by hold luggage have encouraged many passengers to travel with only hand luggage. Due to this reduction in the amount of hold luggage several ground handling firms have abandoned the use of mechanised handling and storage equipment. Consequently, in some cases, ground handling staff are required to store baggage manually, loading substantial weight into confined spaces that limit their own physical movement when handling the baggage.

V. Summary and Conference Conclusions

The environment facing trade unions seeking to represent the interests of employees at LFAs is generally difficult and in some cases extremely bleak (e.g. Ryanair), as documented through both the survey data and case studies presented in this Report. As expected, unions found it most difficult to organise and/or effectively represent the interests of aviation workers when LFAs operate a multi-national/multi-base strategy. This represents a very stark change for the labour movement. In the past, the challenge for trade unions was how to organise non-union workers in local and national labour markets or extend the coverage of collective agreements to all workers in a particular industrial sector. Today, the challenge is how to organise internationally and ensure common standards of employment to prevent capital flight, social dumping and an international 'race-to-the-bottom'.

Following the presentation of the survey results and case study findings at the ETF Conference in Torremolinos (14-15th March 2012), alongside other contributions from the European Commission (DG Move and DG Employment), ASA, and several trade unions,¹¹⁰ three Working Groups of conference participants were convened to consider the following questions:

- 1) *At the company level* – What kind of business model do trade unions want for the low fares airlines? What do unions and their members expect of these airlines? How do unions want LFAs to change?
- 2) *At the national level* – What do unions want from LFAs? What do unions need to do to be organised and represented at LFAs? What do national aviation unions want for their members in LFAs?
- 3) *At the international (European) level* – What does the ETF want from LFAs? How does the ETF and affiliated unions influence EU legislation (both social/employment laws and market regulations)? Should the ETF seek to develop a social dialogue with the ELFAA, and if so how?

Many of the issues and concerns discussed by the Working Groups resonated with the findings from the survey and case studies (e.g. pressures created by a 25 minute aircraft turnaround, especially where there is 'congestion' of staff and service providers around the aircraft competing for time and space in order to complete their assigned tasks, the preference of workers to have 'one aircraft, one team', a 'just workplace culture' where employees are not afraid to report problems, better safety and health procedures, and professional accreditation for staff instead of the rather perfunctory training that often takes place). In particular, Working Group 1 highlighted the need to improve and make transparent relationships between the LFA's Head Office and its operating bases, as well as the relationships between LFAs and airports. In relation to the latter, a particular concern was whether reduced airport charges, if these represented subsidies paid for by local taxation, constituted state aid and therefore a source of unfair competition. This concern linked directly to some of the issues discussed by Working Groups 2 and 3, which recommended the better enforcement of national aviation regulations and EU legislation/oversight to 'fill the gaps' left open at the national level (e.g. tax avoidance by contract labour, which is

¹¹⁰ Full details of the contributors are provided in the Preface to this Report.

encouraged by LFAs who recommend that pilots register their professional status/employment in the Channel Islands). The importance of understanding, and influencing, the myriad ways in which the international activities of LFAs now impact on the domestic (national) environment was recognised by all three Working Groups, and all delegates acknowledged the potential role of social dialogue. However, it was not clear whether the ELFAA could be persuaded to join the European social dialogue. Nonetheless, the consensus was that the ETF should once more explore this possibility. This proposal was strongly supported by DG Employment.

These and other issues/proposals raised by the Working Groups are taken up in the final Section of this Report, which outlines the various options open to aviation unions at the national and international levels as well as the strategies that might be developed to address the concerns identified in the survey, case studies, and Conference deliberations.

VI. Organising to Influence the Future Development of the Low Cost Model

One of the very few 'laws' of industrial relations is that union organisation and collective bargaining tend to 'follow the market'.¹¹¹ Early trade unions were local associations or 'guilds' that organised workers across similar firms within a particular geographical locality. Gradually, trade unions developed national organisational structures and systems of collective bargaining to mirror the jurisdiction of the nation state and the boundaries of the market. After all, 'Markets are created by governments, ordered by institutions, and sustained by regulations ... markets are social institutions governed by a set of rules, many of which are framed by the public authorities'.¹¹² In some markets, such as civil aviation, the authority of the state was absolute – state sovereignty was recognised both nationally and internationally within the airspace above the state's geographical territory. As a result, any airline wishing to gain access to the airspace of a foreign country, whether simply to over-fly the country in question or to set-down and pick up passengers, had to rely on the state to negotiate access on its behalf.

In an age of globalisation, however, it appears that capital has now 'out-grown' the state: 'Trans-national corporations have gone global and function in near real time, leaving behind the slower moving, state-mediated inter-*national* world of arm's-length economic transactions and traditional international legal mechanisms, even as they depend on that world for their licences to operate and to protect their property rights'.¹¹³ As a result, the activities of trans-national corporations not only pose a challenge for traditional state-based (territorially-bound) rule-making but also social democracy:

In an era when the movement of goods, capital, and labor across borders seems to escape the control of the nation state, *laissez-faire* arguments gain heft. And as they

¹¹¹ Power in industrial relations 'follows the contours of the markets for the goods and services produced, and not just the contours of the market for labor'. See Brown, W. (2008) 'The Influence of Product Markets on Industrial Relations', in Blyton, P., Bacon, N., Fiorito, J. and Heery, E. (eds.) *The Sage Handbook of Industrial Relations*, London: Sage, p.114.

¹¹² Wilks, S. (1996) 'Regulatory Compliance and Capitalist Diversity in Europe', *Journal of European Public Policy*, 3, pp.538-9.

¹¹³ Ruggie, J.G. (2004) 'Reconstituting the Global Public Domain – Issues, Actors and Practices', *European Journal of International Relations*, 10, p.503, original emphasis.

do, they weaken the conviction that had made democracy so compelling through the centuries: the idea that if people have influence on the state, they can use that influence to shape the conditions of their own well-being.¹¹⁴

It goes without saying that 'If workers are to enjoy collective rights in the new world order, they will have to invent new strategies at the scale of international capital'.¹¹⁵

In general, the more access an actor has to decision-making, the less the actor's interest in democratisation.¹¹⁶ Traditionally, many trade unions enjoyed considerable access to national decision-making bodies and processes, especially within particular industrial sectors such as civil aviation. As a result, it is no coincidence that European trade union structures have been weakest at the industry level, where national trade unions are strongest, and strongest at the peak level, where national unions are weakest.¹¹⁷ This serves to reinforce the domestic orientation of many national unions, leading to calls for 'renationalisation' (i.e. a process in which the powers of the EU are 'rolled back' and re-established at the national level). In practice, renationalisation is extremely unlikely, especially when the governments of so many EU Member States are pursuing neo-liberal economic policies, as indeed is the European Commission. In the specific case of civil aviation, renationalisation is almost unimaginable, given the liberalisation of the intra-European market and the negotiation of 'open skies' agreements by the EU with the USA and other nations around the world.

In terms of the strategies depicted in Figure 11, therefore, while national-level strategies are still necessary for trade unions – both technocratic (e.g. influencing Parliamentary decision-making and lobbying national civil aviation authorities) and democratic (e.g. involving rank-and-file members in union campaigns, educational activities and collective bargaining) – this is no longer sufficient to protect and promote the interests of workers in the European civil aviation sector. Several delegates at the ETF Conference in Torremolinos noted how LFAs often managed to 'circumvent' national employment laws and union negotiated collective agreements, which led to calls for EU legislation to 'fill in the gaps'. One very recent example is the vote by MEPs to close the legal loophole that allowed LFAs to avoid paying social security contributions in some of the countries in which they operate. Under new rules adopted by the European Parliament in Strasbourg, cabin crew and pilots will be subject to the social security rules of the country in which they routinely work rather than in the country in which their employing airline is based.¹¹⁸

¹¹⁴ Fox Piven, F. (2006) 'Response to the "American Democracy in an Age of Inequality"', *Political Science & Politics*, January, p.44.

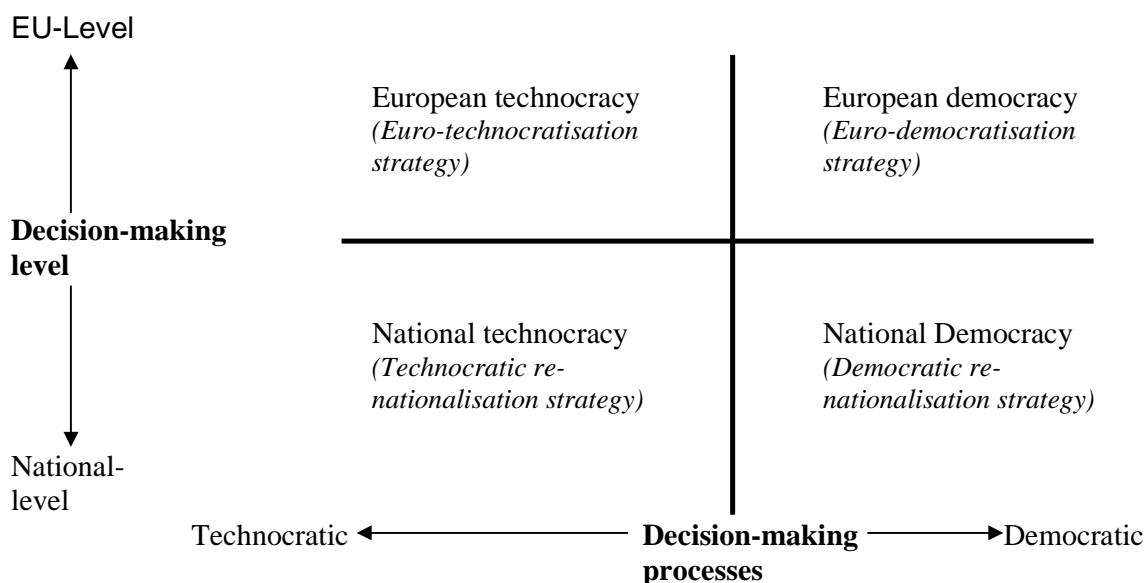
¹¹⁵ Tilly, C. (1995) 'Globalization Threatens Labor's Rights', *International Labor and Working Class History*, 47, p.5.

¹¹⁶ Erne, R. (2008) *European Unions: Labor's Quest for a Transnational Democracy*, Ithaca, NY: Cornell University Press, p.27.

¹¹⁷ Dølvik, J.E. and Visser, J. (2001) 'ETUC and European Social Partnership: A Third Turning Point', in H. Compston and J. Greenwood (eds.) *Social Partnership in the EU*, Basingstoke: Palgrave Macmillan, pp.11-40.

¹¹⁸ It is still the case, of course, as Katrien Prins (DG MOVE) pointed out, that a watertight social protection system at EU level is not a reality, principally because social policy is not an exclusive competency of the EU. In fact, it is precisely because social policy is still predominantly in the hands of the nation state that most (aviation) unions retain a predominantly domestic orientation.

Figure 11. National vs. European Strategies for Trade Unions



Source: Erne, R. (2008) *European Unions: Labor's Quest for a Transnational Democracy*, Ithaca, NY: Cornell University Press, p.21.

Delegates at the ETF Conference noted that if trade unions can organise and mobilise across geographical scales – the local, national *and* international – in the way that more powerful actors such as LFAs are able to organise their activities, then they will have much greater potential for pressing their claims.¹¹⁹ At the EU level, some trade union federations are more adept than others when it comes to influencing EU decision-making through technocratic processes, often as a result of their legitimacy as a recognised European social partner and their expertise in relation to social and employment policies (e.g. training and health and safety standards). European sector social dialogue is an obvious avenue for unions to exert (technocratic) influence and the ETF is a recognised social partner on the European sectoral social dialogue committee for civil aviation.¹²⁰ However, although the sector social dialogue committee has adopted 35 joint texts since 1990, summarised in Annex IV, the unions who responded to the ETF survey were more likely to view the activities of the committee as ‘ineffective’ rather than ‘effective’.¹²¹ The fact that the ELFAA currently stands outside the sectoral social dialogue committee for civil aviation is one reason why many trade unions regard the committee as less than effective.¹²²

¹¹⁹ This point is discussed by Staeheli, L. A. (1994) ‘Empowering Political Struggle: Spaces and Scales of Resistance’, *Political Geography*, 13, p.387-91.

¹²⁰ Go to: <http://ec.europa.eu/social/main.jsp?catId=480&langId=en&intPageId=19>. The other representative organisations on the committee are: Air Traffic Controllers European Unions Coordination (ATCEUC), Airports Council International (ACI), Airport Services Association (ASA), Association of European Airlines (AEA), Civil Air Navigation Services Organisation (CANSO), European Cockpit Association (ECA), European Regions Airline Association (ERA), and International Air Carrier Association (IACA).

¹²¹ Thirty-eight per cent rated the Sector Social Dialogue Committee as ‘ineffective’ compared to 33 per cent who regarded the Committee as ‘effective’ (no respondents rated the Committee as ‘highly effective’).

¹²² The ELFAA was previously invited to join the sectoral social dialogue committee but has not made a formal application to be a member alongside the other employer representative bodies.

It is widely recognised that all forms of social dialogue, and especially EU-level dialogue, display a strong bias towards compromise. Despite such compromises, this does not dissolve fundamental differences of interests and objectives and may well result in the party most interested in a compromise (usually labour) making more concessions for the sake of an agreement with its less interested counterpart (invariably management).¹²³ As a result, social dialogue ‘typically represents not the “institutionalisation of consensus” but the “institutionalisation of conflict”’.¹²⁴ If unions become embroiled in too one-sided an engagement with the ‘Brussels machine’, they can easily succumb to an ‘elitist embrace’, which in turn can lead to ‘a suppression of both political alternatives and mobilization capacity’.¹²⁵ Instead of maintaining their representative credentials by articulating the wishes and interests of their constituents (a Euro-democratisation strategy), when trade unions focus too heavily on a Euro-technocratic strategy they may find that they ‘adapt their aims and methods to the actual decision-making processes on which they wish to exert an impact.’¹²⁶ In a classic ‘catch 22’ or ‘double-bind’, if political alternatives are suppressed, and unions lack capacity to mobilise their membership and engage them in European-level decision-making processes, this will in turn dilute the effectiveness of any technocratic strategy.¹²⁷

The challenge for trade unions, therefore, not only in civil aviation but all other industrial sectors, is to cross the horizontal spatial divide between the different political cultures of EU Member States and the vertical gap between different levels of the new global economic system (i.e. company/workplace, national and international).¹²⁸ Consider, *in extremis*, the case of Ryanair. In general, aviation unions regard statutory recognition procedures and nationally based recruitment and organising campaigns as ‘effective’ in securing recognition and collective bargaining at LFAs,¹²⁹ but unions in both Ireland and the UK have tried *and failed* to secure recognition through national legal channels and their own organising initiatives. In the UK, Ryanair ‘loaded the bases’ (i.e. redeployed pilots to airports where ballots for recognition were being conducted) in order to prevent BALPA reaching the required 50 per cent in favour of union recognition.¹³⁰ In Ireland, the Supreme Court ruled that the Industrial Relations Acts of 2001 and 2004 ‘must be given a proportionate and constitutional interpretation so as not unreasonably to encroach on [Ryanair’s] right to operate a non-unionized company!’ According to the ILO, this ruling contravenes

¹²³ Traxler, F. (2003) ‘Bargaining, State Regulation and the Trajectories of Industrial Relations’, *European Journal of Industrial Relations*, 9, p.154-5.

¹²⁴ Hyman, R. (2000) ‘Social Dialogue in Western Europe: The “State of the Art”’, Social Dialogue Papers No.1, Geneva: International Labour Organisation, p.32.

¹²⁵ Hyman, R. (2005) ‘Trade Unions and the Politics of the European Social Model’, *Economic & Industrial Democracy*, 26, p.27.

¹²⁶ *Ibid*, p.24.

¹²⁷ *Ibid*, p.27. Put differently, without the ‘credible threat’ of being able to mobilise rank-and-file members to participate in solidarity actions, demonstrations, and possibly even coordinated (multi-country) strike action, European trade union federations may find that their technocratic endeavours are not treated as seriously as they would expect by trans-national employers and other international organisations.

¹²⁸ See Tarrow, S. (2005) *The New Transnational Activism*, Cambridge: CUP, p.122.

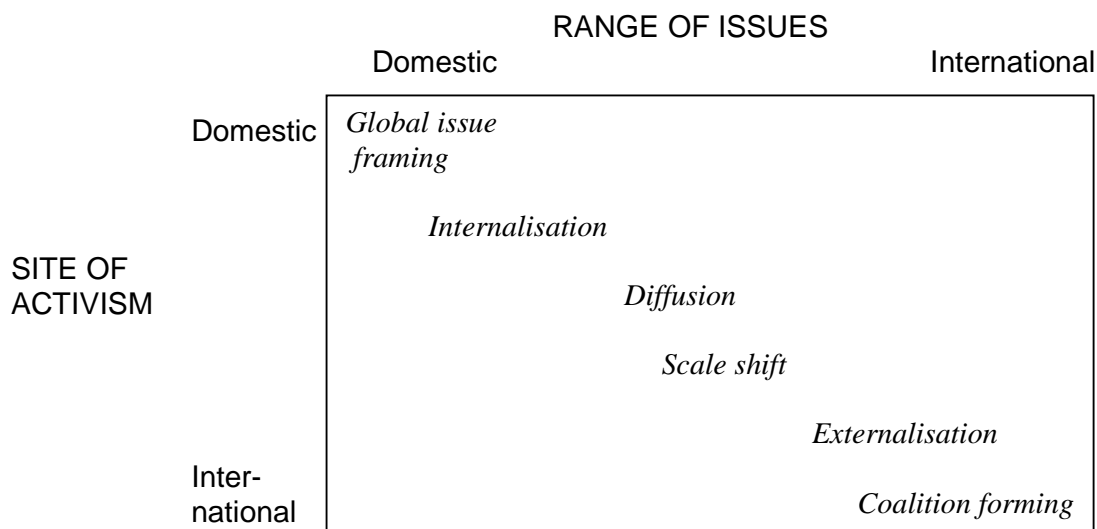
¹²⁹ When asked about the effectiveness, or otherwise, of statutory recognition procedures, 12 per cent of unions who responded to the survey regarded such procedures as ‘highly effective’ and a further 59 per cent as ‘effective’ (only 6 per cent rated them ‘ineffective’). Nationally based recruitment and organising campaigns were rated as ‘effective’ by 47 per cent of respondents and ‘ineffective’ by 12 per cent.

¹³⁰ Wynn (2011) *op cit*.

Article 2 of ILO Convention No.98 (The Right to Organise and Collective Bargaining, 1949) as ‘negotiations should not be conducted on behalf of employees or their organizations by bargaining representatives appointed by or under the domination of employers or their organisations’.¹³¹ As Ellen Durst (DG Employment) pointed out at the ETF Conference in Torremolinos, freedom of association and the right of everyone to form and join a trade union for the protection of her or his interests is a fundamental right and this right should be enforced if it is not observed.

Successful union campaigns of action against trans-national corporations and the (de)regulatory policies of the EU have been waged in several industrial sectors in recent years.¹³² These campaigns demonstrate how it is possible for unions to cross the horizontal spatial divide between the different political cultures of EU Member States and the vertical gap between different levels of the new global economic system. Reading Figure 12 from the top left-hand corner to the bottom right-hand corner, this process is depicted as a movement from ‘local’ processes (i.e. *global issue framing* and *internalisation*) to ‘transitional’ processes (i.e. *diffusion* and *scale shift*) and eventually ‘global’ processes (i.e. *externalisation* and *coalition formation*).

Figure 12. Trans-national Activism



Source: Tarrow, S. (2005) *The New Transnational Activism*, Cambridge: Cambridge University Press, p.33.

With the ‘global in the local’, actors mobilise international symbols to frame domestic conflicts (*global issue framing*) and respond to foreign or international pressure within

¹³¹ The ILO is referring specifically to Ryanair’s Employee Representation Committee (ERC). The relevant ILO Case is No. 2780, para.36. See ILO (2006) *Digest of Decisions and Principles of the Freedom of Association Committee*, fifth edition, para.868. As the ILO concluded, ‘Irish law does not ensure adequate protection against acts of interference (e.g. non-prohibition of conditional benefits) nor does it promote collective bargaining (e.g. by providing for a procedure to require an employer to recognize a trade union)’. See ILO Case No. 2780, paras.38-39. See also ILO (2006) *op cit*, para.868.

¹³² See Bieler, A. (2005) ‘European Integration and the Transnational Restructuring of Social Relations: The Emergence of Labour as a Regional Actor?’ *Journal of Common Market Studies*, 43, pp 461-84; Erne (2008), *op cit*; and Turnbull, P. (2010) ‘From Social Conflict to Social Dialogue: Counter-Mobilisation on the European Waterfront’, *European Journal of Industrial Relations*, 16, pp.333-49.

domestic politics (*internalisation*). For example, union representatives might explain to members how international competition and the LFAs multi-base strategy impacts on terms and conditions in the domestic context.¹³³ Such educational activities are the foundation for subsequent (transitional) activities and it is beholden on all union representatives, and the delegates who attended the ETF conference in Torremolinos in particular, to use the information in this Report and other research supported by the European Commission¹³⁴ to ensure the migration of international pressures and conflicts into domestic politics (*internalisation*).

The 'transitional' processes of *diffusion* and *scale shift* involve the transfer of claims or forms of contention from one site to another and the coordination of collective action at a different level from where it began. European Works Councils (EWCs) are an obvious mechanism for aviation unions to use in this context.¹³⁵ Experience to date is somewhat limited in the civil aviation sector and certainly mixed in terms of unions who regard EWCs as 'effective' (42 per cent of the respondents to the ETF survey) as opposed to 'ineffective' (26 per cent of respondents). Nonetheless, EWCs have now been established at leading LFAs such as easyJet and this is a development that demands the support of all the national unions involved as well as the ETF. With involvement and support, EWCs provide opportunities for spreading good practice and eliminating bad practice, connecting the local/national with the international and enabling unions to shift the scale of their representative activities.

With the 'local in the global', social actors vertically project their domestic claims onto international institutions and/or foreign actors (*externalisation*) and cooperate with other social actors through the horizontal formation of common networks among actors from different countries with similar claims (*coalition forming*).¹³⁶ Local processes do not produce any permanent links across borders, and while *diffusion* and *scale shift* help unify the repertoire of contention across borders this is often only temporary. In contrast, the *externalisation* of domestic contention and the formation of durable trans-national *coalitions* are the strongest signs that a fusion of domestic and international contention is taking place.¹³⁷ Several delegates at the ETF conference in Torremolinos highlighted the potential for coalitions with other employer groups who suffer at the hands of (unfair) competition from LFAs, whether as a result of LFAs avoiding their social obligations or extracting 'concessions' from regional/secondary airports that are tantamount to 'state aid'. Coalitions might also be forged with passenger groups and possibly even airports and service providers to LFAs who are constantly squeezed (and who, in turn, squeeze the terms and conditions of their workforce).

Coalitions often form in the face of a common threat or opportunity shared by different social actors. For example, the 'air rage' campaign mounted by the ITF in

¹³³ One of the working groups at the ETF conference in Torremolinos, for example, called for action on turnaround times (25 minutes is often insufficient to complete all assigned tasks) and to promote the idea of 'one team, one airplane'. These issues could and should be framed in terms of international cost competition between LFAs and the demands of their international business model.

¹³⁴ Katrien Prins highlighted several studies currently being supported by DG MOVE including a qualitative study on the situation regarding the development of employment and working conditions for mobile workers.

¹³⁵ Ellen Durst (DG Employment) noted that while EWCs were established as an instrument for information and consultation, they are also used for negotiations in more than 60 EWCs.

¹³⁶ See Tarrow (2005), *op cit.*, pp.32-3.

¹³⁷ *Ibid*, p.34.

the late 1990s, which was focused on protecting cabin crew against unruly passengers, struggled to make an impact until 9/11 when aircraft security became a number one priority. Unions need to recognise such opportunities to combine or 'piggy back' their own interests with the interests of other groups. In a contemporary context, the new definition of a 'home base' for aviation workers might provide an opportunity for unions to work with aviation authorities, airports, service providers, LFAs, employer groups and the Commission to ensure that the new rules are properly endorsed and enforced. However, a temporary alignment of interests is not the same as a more enduring alliance. For opportunity or 'event coalitions' to form, objectively common organisational interests are necessary but not sufficient – organisational representatives must also calculate a benefit from pooled resources, be able to commit credibly to delivering promised resources, and develop mechanisms to resolve the inevitable tensions that arise among coalition parties (Levi and Murphy, 2006).¹³⁸ EWCs and the European Sector Social Dialogue Committee might provide such (institutional) mechanisms, but the foundation of any coalitions is the commitment of representatives at the local (company), national and international levels. On an on-going basis, these representatives need exposure to research and each other to develop the necessary support networks to sustain their activities. The ETF's Conference in Torremolinos is just one example of how research can be disseminated and support networks developed.

These strategies will of course take time to develop and will place significant demands on both the ETF and its affiliated civil aviation unions.¹³⁹ With the support of the European Commission it is anticipated that good practice can be disseminated and exchanged while bad practice is confined and eventually eliminated. While there is no denying the many benefits of the low cost model, this Report clearly demonstrates that there is also no denying the evidence of social dumping, the increasing operational pressures on aviation workers (in the air and on the ground), and the conclusion that legislative intervention might be necessary to ensure freedom of association and the protection of employees terms and conditions of employment.

¹³⁸ See Levi, M. and Murphy, G.H. (2006) 'Coalitions of Contention: The Case of the WTO Protests in Seattle'. *Political Studies* 54, pp.651-70.

¹³⁹ Given the speed of change in the civil aviation sector and the evolving strategies of both LFAs and trade unions, it is advisable for the ETF to review developments and progress on a periodic basis.

Annex I. Creating a Single European Aviation Market

Policy	Chicago Regime	First Package	Second Package	Third Package
Fares:	Agreed by both governments	Zonal system: automatic approval of discount and deep discount fares within Defined range	Zonal system extended; conditions on availability of discount fares relaxed	Airlines set own fares; safeguards for excessively high or low fares
Licensing:	National rules	No change	No change	EU criteria for ownership, airworthiness and economic fitness
Access:				
▪ relations between state and own airlines	Governments full discretion	No change	No change	Subject to EU regime
▪ relations with foreign carriers	Negotiated bilaterally	Subject to EC rules	Subject to EC rules	Subject to EU rules
▪ multiple designation (country to country)	Negotiated bilaterally case by case	Yes under EC rules	Yes under EC rules	Yes under EU rules
▪ multiple designation (city pairs)	Negotiated bilaterally	Automatic above defined thresholds	Thresholds lowered	Full access allowed
▪ safeguard provisions			Provisions for regional development	Provisions for regional development
▪ fifth freedom	Rarely	Permitted for 30% traffic p.a.	Permitted for 50% traffic p.a.	Permitted without quota constraint
▪ cabotage	Never granted	No change	No change	Full cabotage rights under EU regime from 1 April 1997
Capacity:	Generally 50:50	55:45 then 60:40	60:40 plus additional 7.5% p.a.	No limits but safeguard can be triggered

Source: Kassim, H. (1996) 'Air Transport', in H. Kassim and A. Menon (eds.) *The European Union and National Industrial Policy*, London: Routledge, pp.116.

First Package: (14 December 1987)

Council Decision	602/87/EEC on capacity-sharing between carriers on scheduled air services between Member States and access for air carriers to scheduled intra-Community air service routes
Council Directive	601/87/EEC on fares for scheduled air services between Member States
Council Regulation	3975/87/EEC determining the application of EEC competition rules to undertakings in the air transport sector
Council Regulation	3976/87/EEC further concerning the application of EEC competition rules to certain categories of agreements and concerted practices in the air transport sector

Second Package: (24 July 1990)

Council Regulation	2342/90/EEC on fares for scheduled air services
Council Regulation	2343/90/EEC on access for air carriers to scheduled intra-Community air service routes and capacity-sharing between carriers on scheduled air services between Member States
Council Regulation	2344/90/EEC amending the application of EEC competition rules to certain categories of agreements and concerted practices in the air transport sector

Third Package: (23 July 1992)

Council Regulation	2407/92/EEC on licensing air carriers
Council Regulation	2408/92/EEC on access for EC air carriers to intra-Community air routes
Council Regulation	2409/92/EEC on fares and rates for air services
Council Regulation	2410/92/EEC amending the application of EEC competition rules to undertakings in the air transport sector
Council Regulation	2411/92/EEC further amending the application of EEC competition rules to certain categories of agreements and concerted practices in the air transport sector

Ground Handling

Concurrently, in October 1996 the EU Council adopted a directive to liberalise the EU market for ground handling services (previously the 'monopoly' of the airport authority or dominant airline in most European airports). Directive 96/67/EC sought to establish complete freedom for both self handling and third party handling with at least two service providers in all major airports (defined as airports with at least 2 million passengers or 50,000 tonnes of freight per annum).

Annex II. Respondent Unions and LFAs

<i>Low Fares Airline</i>	<i>Country</i>	<i>Trade Union</i>	<i>Collective Bargaining</i>	<i>Works Council</i>	<i>Supervisory Board</i>	<i>Health & Safety Comm.</i>	<i>Member- ship</i>
Vueling	Spain	(CCOO)	Y	Y	Y	Y	Y
easyJet	Spain	(CCOO)	Y	Y	Y	Y	Y
easyJet	Italy	FIT-CISL	Y			Y	Y
Ryanair	Spain	(CCOO)		Y			Y
Jet2	Spain	(CCOO)		Y			Y
Meridiana	Italy	FIT-CISL	Y			Y	Y
Alitalia Cityliner	Italy	FIT-CISL	Y			Y	Y
Livingston	Italy	FIT-CISL	Y			Y	Y
FlyNiki	Austria	VIDA		*		Y	Y
Cimber	Denmark	FPU	Y	Y		Y	Y
Cityjet	France	SNPNC		Y		Y	Y
Blue 1	Finland	SLSY	Y			Y	Y
Norwegian Air Shuttle	Sweden	Unionen	Y	Y		Y	Y
Svierge FH	Sweden	Unionen	Y	Y		Y	Y
easyJet	Italy	FILT CGIL	Y			Y	Y
Meridiana	Italy	FILT CGIL	Y			Y	Y
Windjet	Italy	FILT CGIL					Y
Cityliner	Italy	FILT CGIL					Y
Linvingston	Italy	FILT CGIL	Y				Y
Air Dolomiti	Italy	FILT CGIL	Y				Y
Air Alps	Italy	FILT CGIL					Y
Air Valle	Italy	FILT CGIL					Y
Mistral	Italy	FILT CGIL					Y
easyJet	Germany	Verdi	Y	Y		Y	Y
Holiday Czech Air	Czech Republic	Czech Airlines cabin crew union	Y		Y	Y	Y
Air Finland	Finland					Y	Y
Blue 1						Y	Y
Fly BE						Y	Y
easyJet	Germany	Verdi		Y			Y
Cityjet LUX		OGBL	Y	Y		Y	Y
FlyBE			Y	Y		Y	Y
Transavia		SNPNC				Y	Y
Wizz Air							Y

Notes: * works council elections were held at FlyNiki in May 2012

Annex III. Background Review of Case Study LFAs

Despite operating ostensibly within the same sector of civil aviation, the four case study airlines are very different in terms of their operating scale and market orientation. This is evident from the operational data presented below.

Case Study Airlines – Operational Data, 2011

Airline	Annual profit (loss) € million	Load factor %	Countries/ destinations	No. of aircraft (June)	Daily flights	Employees	Passengers (million)
Air Berlin	(97.2)*	79	34/171		1,567	9,209	35.3
easyJet	292.5**	87.5	30/130	203	1,260	7,571	55.5
Ryanair	401.0	82.2	27/162	272	1,300	8,063	72.0
Vueling	10.4	75.6	20/110	48	253	1,438	12.3

* 2010 ** based on 1.17 (£/€) exchange rate

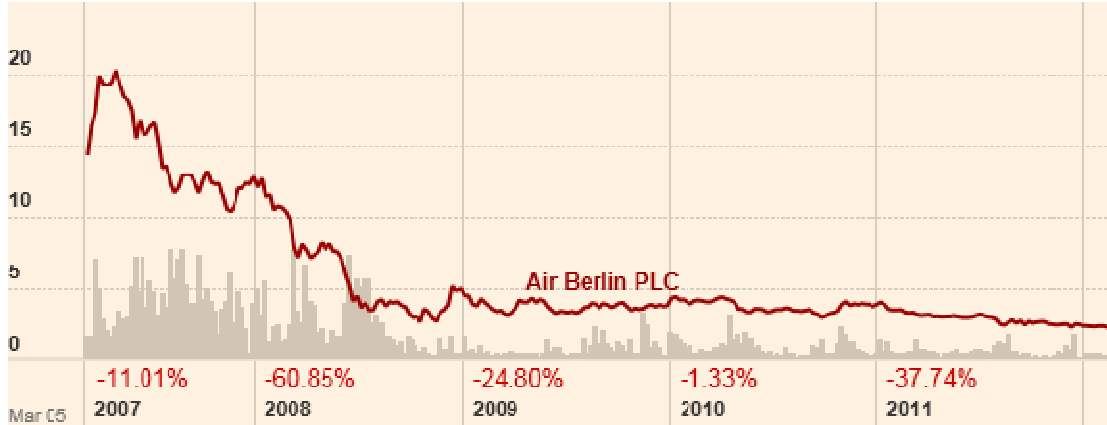
The success and the strategy of the four airlines play an important role in their respective industrial relations policies and HR practices, and vice versa. The purpose of this Annex is to provide some background to the airlines and detail their recent performance.

Air Berlin (hybrid LFA)

Air Berlin began its operations as a charter airline in 1979, flying from Berlin to Palma de Mallorca. It is now Germany's second largest airline operating flights within Europe and to North America and Africa. The Gulf based carrier, Etihad Airways, owns 29 per cent of the airline and has two seats on the board of directors. The airline currently operates between 34 countries and to 171 destinations. It provides 1,567 daily flights. It operates with an average load factor of 79 per cent. It has 170 aircraft and carried 35.3 million passengers in 2011. Air Berlin reported losses of €130 million for the first nine months of 2011, taking overall debt to around €644 million.

The workforce at the airline grew through the first 9 months of 2011 by 3 per cent (from 8,900 to 9,209). Air Berlin currently employs 4,310 ground staff, 3,497 cabin crew, and 1,402 cockpit crew.

Air Berlin's Share Price Performance



Source: www.ft.com

Air Berlin is perhaps the airline with an operating strategy that is furthest removed from 'short haul fundamentalism', offering transatlantic flights to the US and Canada and a range of services more commonly provided by legacy carriers such as priority check-in for premium travellers, free on-line check-in, free baggage allowance and seat reservation, business class (on long haul flights), free snacks and drinks onboard and gourmet menus which can be booked on-board. Air Berlin has distanced itself from the low fares sector by withdrawing from the European Low Fares Airlines Association and marketing itself as the 'only European airline to fill the gap between the classic full-fare airlines (quality operators with a high price strategy) and the low-cost carriers (price leaders with very limited service)... [offering] tickets at attractive prices whilst simultaneously providing them with excellent service' (www.airberlin.com).

easyJet (traditional LFA)

easyJet began operating flights in the UK in 1995 between Luton and Glasgow and has grown to be a major force within European civil aviation. In 2011, the airline operated between 30 countries and to 130 destinations. It served 611 routes with 1,260 daily flights. It operated with an average load factor of 87.5 per cent. It had 202 aircraft and around 7,571 permanent employees. easyJet served 55.5 million passengers (load factor of 87.5 per cent) and posted profits of almost £250million, with revenue increasing revenue by 16 per cent in 2011 to around £3.5 billion, as a result of higher passenger numbers and higher yield from business passengers. Ancillary revenue (£719 million) realised by increased baggage charges, speedy boarding fees and booking fees, contributed considerably to the increase in overall revenue.

easyJet's Share Price Performance



Source: www.ft.com

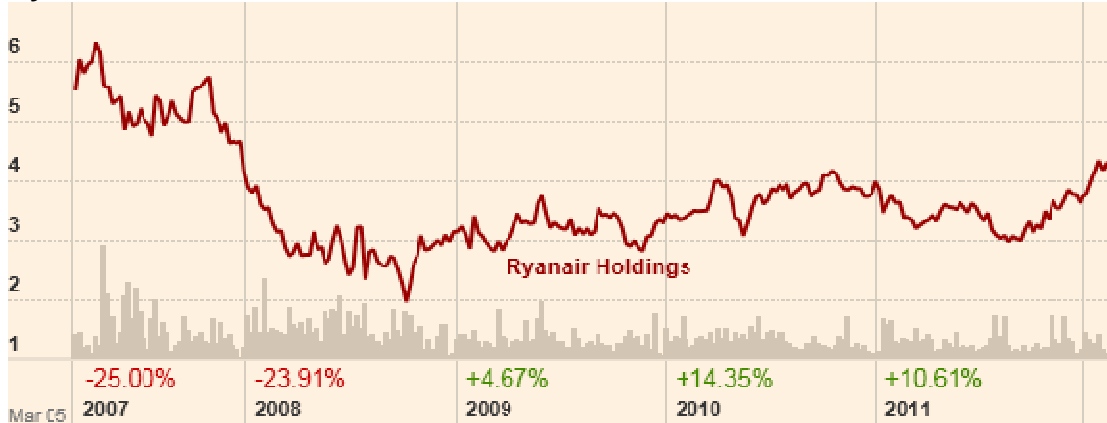
Although easyJet flies to more primary airports than Ryanair, it is still firmly wedded in the low frills approach. Additional services are limited (e.g. speedy boarding and priority seating) and incur additional charges for passengers. easyJet's CEO, Carolyn McCall, has described the airline's strategy as simply to provide customers with low fares for flights to destinations they want to go, at convenient times of the day (www.easyJet.com). Punctuality is also a priority. Since McCall took charge of the airline, the operating strategy has focused on a 'zero to three' initiative, whereby staff are encouraged to ensure planes are ready within three minutes of their departure time as opposed to the official punctuality limit of 15 minutes.

Ryanair (short haul fundamentalist LFA)

Currently the largest LFA in Europe, and now bigger than most European legacy airlines, Ryanair began operating in 1985 with a small turboprop aircraft flying between southern Ireland and London. The liberalisation of civil aviation in the early 1990s provided the opportunity for Ryanair to expand in the European market. Influenced by Southwest Airlines' operating model, Michael O'Leary's business strategy for Ryanair is price leadership with absolutely no frills. This strategy has proven extremely successful, with other sources of revenue developed from ancillary services. In 2011, Ryanair's network serviced 162 destinations from 40 bases in 27 countries, with 1,400 routes and over 1,300 daily departures (the number of bases recently reached 46). It carried over 76 million passengers in 2011 (with a load factor of 82 per cent). Given the airline's extensive use of temporary and agency labour, estimates of the number of permanent staff employed at the airline varies from between 8,000 (CAPA) to 9,000 (ELFAA).

In the 6 months to September 2011, the airline posted net profits of €544million. Despite increasing costs, Ryanair realised a 24 per cent increase in revenues, to €2.7billion, principally as a result of an increase in average fares, which includes baggage tariffs, and €486 million in ancillary revenues.

Ryanair's Share Price Performance



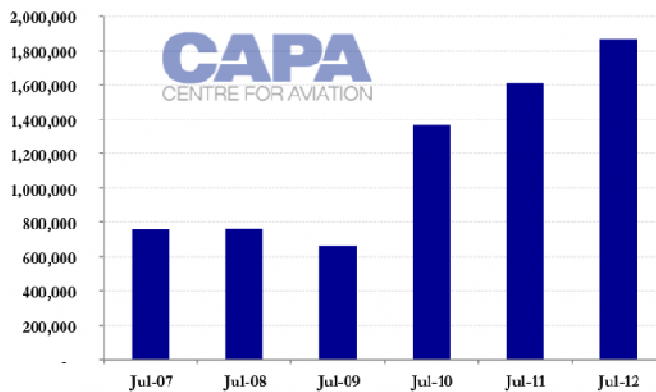
Source: www.ft.com

Ryanair, arguably the 'arch fundamentalist' no frills carrier, competes solely on tariff, providing ancillary services at a cost. Indeed, CEO Michael O'Leary has recently restated the aim of the airline to provide free seats within 5 years as the airline will have developed alternative sources of revenue, or 'discretionary ways of getting money from customers'. The proposals announced by O'Leary recently include gambling, charging passengers for the use of the toilet and the oxygen masks, even the incorporation of a 'standing room only' area on the aircraft with a handrail (www.telegraphtv.com). Whereas a great deal of this kind of rhetoric might be dismissed as mere publicity stunts – such as encouraging pilots to engineer turbulence to 'spike the drinks sales' – they provide an insight to the airline's constant drive to reduce costs and boost productivity/utilisation. The logic at the heart of the proposed toilet charges, for example, was to encourage fewer passengers to use the toilet such that one of the three onboard toilets might be removed to be replaced by more seats.

Vueling (new generation LFA)

Vueling began operating in 2004, flying with 2 Airbus A320s from Barcelona to Paris, Brussels, Palma and Ibiza. It merged with ClickAir, a Spanish low fares rival, in 2008 and the combined airline operates under the Vueling brand. The airline is currently 46 per cent owned by Iberia, which has recently launched an alternative LFA called Iberia Express. Vueling has grown rapidly in the last 6 years, doubling its seat capacity between 2005 and 2011.

Vueling's Seat Capacity 2007 to 2012 (forecast)



Source: CAPA (www.centreforaviation.com)

In 2011, the airline operated between 20 countries and to 110 destinations, serving 12.3 million passengers and providing 253 daily flights. It operated with an average load factor of 75.6 per cent. It currently operates 47 aircraft. Net profits at the airline for 2011 were €10.4million, down over 70 per cent on the previous year, which had impacted on the airline's share price.

Vueling's Share Price Performance



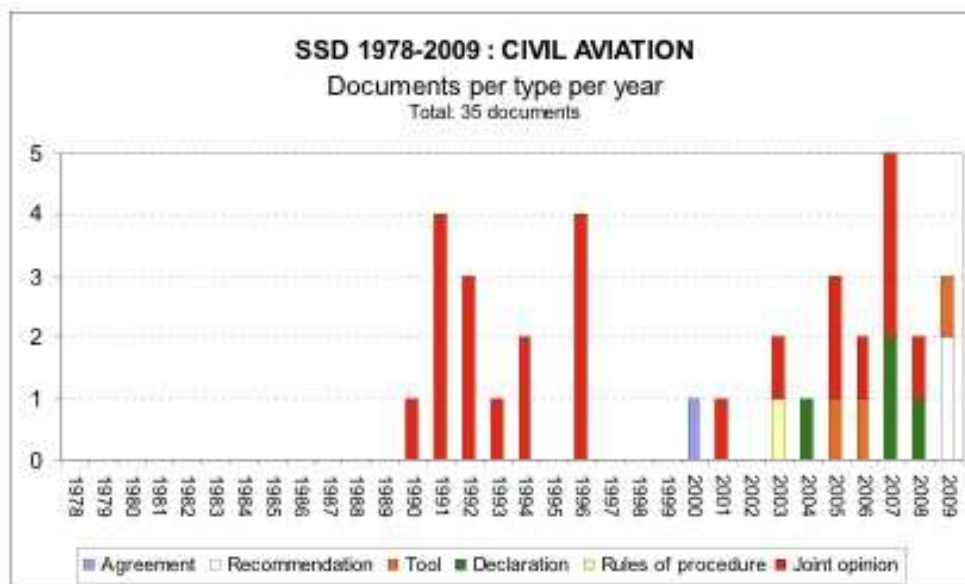
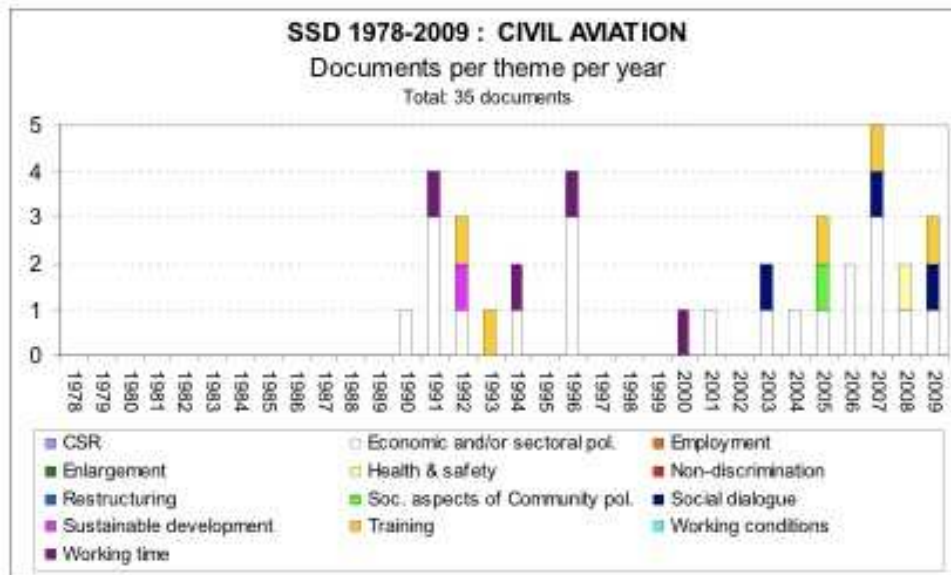
Source: www.ft.com

In December 2011, the airline employed 1,438 permanent staff. Following the collapse of Spanair in early 2012, Vueling promised former Spanair employees that they would be given priority as the airline seeks to expand its operations.

Vueling has adopted an operating strategy similar to that of UK low fares airline Go, an early low frills as opposed to no frills carrier established by British Airways. Alex Cruz, Vueling's CEO, is explicit in his belief that 'short haul fundamentalism' is an anachronism. In an interview during the Airline Business World Air Forum 2010 he stated that this fundamentalism – a no frills model built on 'abrupt relations with all stakeholders solely in order to make a profit' – has led to problems with regulators, regional government and customers. Vueling's objective is to achieve sustainable growth through partnership with suppliers and is enabled by its 'spirit' of innovation is to make the flying experience 'a real pleasure, where paying less doesn't mean lower standards of service and comfort' (www.vueling.com). In order to achieve this

objective, the airline offers a wider range of frills to passengers, such as a variety of seat options, preferential boarding, free seat selection, dedicated check in desks (in selected airports) and the opportunity to take an earlier flight on the same day at no charge.

Annex IV. Joint Texts Adopted by the Sectoral Social Dialogue Committee





With the financial support of the European Commission