

Civil aviation: the impact of the crisis on a troubled industry*

Sectoral Activities Programme

Introduction



The global economic crisis has profoundly affected airlines and airline

workers around the world. Already the impact has eclipsed the aftermath of the attacks on the World Trade Center in September 2001. Then revenues fell by 7 per cent. The anticipated decline in 2009 is 15 per cent¹ and is estimated to be around US\$3.5 trillion, equivalent to 7.5 per cent of world GDP (Air Transport Action Group, 2008). The current crisis is expected to reduce passenger demand by 8 per cent and freight traffic by 17 per cent. The operating losses of the world's top 150 airlines in 2008 totalled US\$15 billion, making a massive US\$44 billion swing from the US\$29 billion profit recorded by these airlines in 2007.

The synergy between the global economy and demand for air transportation means that in an economic downturn, civil aviation will suffer, and suffer more than most. Data published by IATA, comparing demand in June 2009 and June 2008 showed changes in demand for

passenger and freight traffic in most geographical regions. Demand in the Asia-Pacific region appears to have been hardest hit: revenue passenger kilometres (RPK) were 14.5 per cent lower in June 2009 than in June 2008. RPKs in North America were 6.7 per cent lower and in Europe 7.1 per cent lower. In Latin America and Africa demand dropped 4.7 per cent and 5.9 per cent respectively. Although 12.9 per cent growth in RPK was recorded in the Middle East. Demand for air freight dropped in all regions. No region has been immune to the crisis, and estimates suggest that the current situation will exacerbate the dire economic conditions faced by airlines in 2008² when industry losses were around US\$5 billion.

As a consequence, the impact on the international civil aviation labour market has been severe. The industry supports 31.9 million jobs globally: either directly in airlines, airports and the civil aerospace sector, or indirectly via the purchase of goods and services in the air transport supply chain,

* This article is based on: Harvey, G. and Turnbull, P. 2009. [The impact of the financial crisis on labour in the civil aviation industry \(pdf 540.2 KB\)](#) (Geneva, ILO)

¹ According to [IATA's](#) Director-General.

² For example, there were 13 US airline bankruptcies in 2008. In 2009 several more US airlines have ceased operations, including Aloha Airlines (1,900 staff) and ATA Airlines (2,300 staff). Elsewhere, the South African carrier Nationwide Airlines (800 staff) has ceased operations, the Mexican airline, AeroCalifornia was grounded in 2008 as a result of unpaid debts, and Oasis Hong Kong Airlines (700 staff) ceased operations.

spending by employees, and through tourism.



The crisis has sparked off job reduction programmes and changes in working conditions. Between May 2008 and May 2009, jobs were cut at several US major airlines: United Airlines (6,600), American Airlines (4,900), Northwest Airlines (4,300) Delta Airways (3,300) US Airways (1,900) and Continental Airlines (1,500). In Europe, UK-based XL Airways (1,700 staff), and the Russian carrier Dalavia (2,800 staff) ceased operations (Harvey & Turnbull, 2009). Other carriers such as Aer Lingus, Air France-KLM and Scandinavian Air Services have announced job reductions of 1,500, 3,000 and 9,000 jobs respectively. In the Asia-Pacific region, Qantas and Virgin Blue have announced 1,750 and 400 job losses respectively, while Air New Zealand plans to retrench 200 jobs. Cabin crews were the group hardest hit by the crisis.

Labour restructuring in response to the financial crisis

Aside from job losses, employees have also been affected by changes to their working and employment conditions. A survey of airline trade unions found that the most common response was a freeze on recruitment (reported by 80 per cent of the airline unions). Other cost-cutting measures that have been used to avoid enforced layoffs of core staff include voluntary redundancy (57 per cent of the respondent airline unions), non-renewal of temporary contracts (57 per cent), pay freeze (51 per cent), probationary staff not being

transferred to full time contracts (44 per cent), voluntary retirement (43 per cent) and unpaid holiday leave (43 per cent). Despite these efforts, 38 per cent of unions reported compulsory redundancy (Harvey & Turnbull, 2009).

International or major airlines have been more likely than domestic or regional carriers to use cost-cutting measures. Lufthansa reduced the hours of 2,600 air freight division employees, and pay freezes were implemented at Singapore Airlines, British Airways, BMI and Virgin. Most commonly though, workers have been offered unpaid leave or work without pay: Air India introduced measures to allow 15,000 employees to take leave without pay for three to five years; Cathay Pacific encouraged 17,000 employees to take up to four weeks' holiday without pay; Japan Airlines required 16,000 employees to take two months unpaid leave; and British Airways suggested that employees work for one month without pay. North American employees were more likely to be affected by compulsory redundancy, and voluntary and compulsory furloughs than in Europe or Asia-Pacific (Harvey & Turnbull, 2009).

In air traffic management the most widely used measure to reduce costs has been a reduction in training. No doubt due to current staff shortages, voluntary or compulsory redundancies have not been used, and compulsory furloughs used only to a very small extent. Freezes on recruitment, non-renewal of temporary contracts, and remuneration adjustments such as pay freezes have been more widespread.



The knock-on effect of the reduction in the capacity of airlines could be substantial. The impact on air navigation service providers (ANSPs) is especially critical as many are prevented from holding financial reserves or obtaining commercial loans. With declines in revenues of up to 20 per cent, ANSPs face an unprecedented financial crisis – especially as it has been claimed that ANSPs are already operating with insufficient staff which makes further reductions difficult if not impossible. The Civil Air Navigation Services Organization claims that ANSPs have responded to the crisis by reducing staff overtime and external staff numbers, freezing pay, offering voluntary early retirement, and reducing training. Trade unions consider the latter may have implications for the general operations of air traffic management and the effective introduction of new technologies.

Although human resource policies might not be intentionally discriminatory, and human resource policies might have been applied equally, airline managers recognize that cabin crews (and to a lesser extent customer service staff) have been hardest hit by restructuring policies. Female workers dominate these occupations and so restructuring policies may have a more detrimental impact on female workers.

The Global Jobs Pact: A framework for recovery in civil aviation

While every element of the Pact would, in different situations and circumstances, fit within a framework for a decent work response to this or any future crisis in civil aviation, two aspects are particularly relevant: investing in workers' skills development, skills upgrading and reskilling, and supporting enterprises to retain their workforce through socially well-designed schemes.



In good times and in bad, civil aviation enterprises need to maintain their skill structure in sufficient numbers so that they will have the necessary trained and qualified staff to take up full-scale operations quickly and in compliance with safety standards when the upturn in the economy occurs. In some areas, particularly in air traffic management, earlier crises created a deficit of trained personnel following substantial cuts in training budgets and the number of skilled personnel.

Human resources policies at the company level and government anti-crisis measures that encourage skills development and retraining programmes are consistent with the Global Jobs Pact and could play a critical role in the industry's recovery in the short term and its competitiveness in the long term.

There is clear evidence that social dialogue is effective and the preferred way to achieve a feasible, successful and acceptable business model in the current climate. Company responses have ranged from the immediate and unilateral to the considered and consultative. Several airlines, particularly in the USA, reduced employee numbers quickly, while others engaged workers in the restructuring process in order to arrive at a more innovative and socially acceptable strategy. US airlines and the Airline Pilots' Association (the trade union for US pilots) agreed on a scheme whereby pilots can take voluntary leave of absence but still maintain their benefits. In Europe, Air France-KLM will achieve the 3,000 job cuts they require by suspending hiring, not renewing temporary contracts and not replacing retiring members of staff. British Airways and the British Airline Pilots' Association (BALPA) have agreed on a cost reduction package that will save the airline £26 million per year. Thomson Airways and BALPA agreed on a 5 per cent pay cut for pilots in order to save up to 100 pilot jobs.

The Global Jobs Pact offers a unique platform for socially responsible solutions and could pave the way for a better performing civil aviation sector.

References

Air Transport Action Group. 2008. [*The economic and social benefits of air transport 2008* \(pdf 1.24 MB\)](#) (Geneva, Air Transport Action Group).

Harvey, G. and Turnbull, P. 2009. [*The impact of the financial crisis on labour in the civil aviation industry* \(pdf 540.2 KB\)](#) (Geneva, ILO)

Further resources

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International Labour Organization (ILO). 2001. [*Restructuring of civil aviation: Consequences for management and personnel* \(pdf 633.3 KB\)](#) (Geneva, ILO)

International Labour Organization (ILO). [*Sectoral Activities Department: Transport*](#) webpage.

International Labour Organization (ILO). 2002. [*Tripartite meeting on civil aviation: Social and safety consequences of the crisis subsequent to 11 September 2001 - Final report* \(pdf 298 KB\)](#) (Geneva, ILO)

See also: • International Labour Organization (ILO). 2002. [*Issues paper for discussion at the Tripartite Meeting on Civil Aviation: Social and Safety Consequences of the Crisis Subsequent to 11 September 2001* \(pdf 239 KB\)](#) (Geneva, ILO)

Morrell, P.S. and Alamdari, F. 2002. [*The impact of 11 September on the aviation industry: Traffic, capacity, employment and restructuring* \(pdf 199 KB\)](#) (Geneva, ILO)

Rychly, L. 2009. [*Social dialogue in times of crisis: Finding better solutions* \(pdf 480 KB\)](#) (Geneva, ILO)

Turnbull, P. and Harvey, G. 2001. [*The impact of 11 September on the civil aviation industry: social and labour effect* \(pdf 211 KB\)](#) (Geneva, ILO)