

**WORLDWIDE AIR TRANSPORT CONFERENCE: CHALLENGES AND  
OPPORTUNITIES OF LIBERALIZATION**

**Montreal, 24 to 29 March 2003**

**Agenda Item 1: Preview**

**1.1: Background to and experience of liberalization**

**THE IMPACT OF THE RESTRUCTURING OF CIVIL AVIATION ON  
EMPLOYMENT AND SOCIAL PRACTICES**

(Presented by the International Labour Organization (ILO))

1. The International Labour Organization (ILO) is one of the specialized agencies of the United Nations system responsible for social and labour issues. From 21 to 25 January 2002, the ILO held a *Tripartite Meeting on Civil Aviation: The social and safety consequences of the crisis subsequent to 11 September*. This Meeting was preceded by a *Think Tank on the impact of the 11 September events for civil aviation*, (Geneva, 29-30 October 2001). The participants in both meetings called upon the ILO to “enhance its cooperation and collaboration with aviation safety and economic regulatory bodies, relevant international organizations, including ICAO and the international financial institutions, to promote economic cooperation and the importance of tripartite consultation and continuous social and technical dialogue.”

2. The Meeting acknowledged the impact of the 11 September events and the subsequent crisis on civil aviation. However, it not only discussed crisis measures but also the longer-term employment and social effects of the continuous process of liberalization and restructuring in the industry.

3. It reviewed the environment and nature as well as the various forms of liberalization of the industry, including the regulatory framework, the public interest function, liberalization and privatization and mergers and acquisitions. It recognized that the existence of a vibrant civil aviation industry is in the public interest and that the interests of public safety and security dictate that governments play an active role in the protection and maintenance of a civil aviation industry. Within the trade union movement there is strong support for the maintenance of the public interest function.

4. The Meeting also discussed the employment and social consequences of liberalization as the international community, on numerous occasions, has reaffirmed the role of the ILO in setting and dealing with

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<sup>1</sup> French and Spanish versions provided by the International Labour Organization (ILO)

international labour standards. This consensus has avoided a situation in which different organizations work on the basis of different sets of labour standards, with possible conflicting interpretations of their meaning and application. The standards provide a framework for pursuing decent work in any national context according to national conditions. The ILO promotes participatory processes in which those who work and are affected by policy decisions – at any level of decision-making – have a voice in the formulation and implementation of such policies.

5. The further liberalization of the industry has important implications for managements, workers, trade unions and industrial relations, as decentralization invariably creates fragmentation, detachment involves shifting responsibility for employment and industrial relations to an external supplier, and the disintegration can create a two-tier workforce, typically with inferior terms and conditions of employment. The overall assessment by unions of the effects of restructuring on their members is negative or at best neutral, especially in relation to the impact of competition from low-cost carriers. Trade unions and professional organizations in the industry differ in their willingness to accept various forms of liberalization.

6. The slow but continuous growth of aviation employment was abruptly interrupted in 2001. Airlines in North America and Europe reacted in different manners to the crisis but the net result of the different approaches may well be the same in terms of a much lower number of lay offs than initially anticipated. Job losses often occur when companies are reorganized in preparation for privatization or corporatisation. There is little or no statistical evidence that broadened criteria for airline ownership have a direct impact on employment in the companies concerned or the industry as a whole.

7. Employees often feel that they are the first to suffer from any crisis in the industry because the companies will ask them to make sacrifices. The pro-cyclical nature of the industry often means that the expectations of management and labour are out of step with current or future market conditions. The acceptability of human resource policies often depends on the circumstances.

8. Liberalization presents a number of challenges as well as opportunities for the development of social dialogue. Collective bargaining is increasingly becoming an instrument for enterprise or economic restructuring – rather than serving only as a distribution mechanism. Labour assumes an ever-more important role in the competitive strategies of airlines. Given the fact that many national airlines are publicly-owned, restructuring policies will often involve government (financial) inputs. Trade unions regard government initiatives to promote social dialogue – a means to find innovative and socially responsible solutions – as vitally important to support the industry.

## 9. ACTION BY THE CONFERENCE

9.1 The ILO calls upon the Conference to reaffirm its 1994 recognition that labour is a major stakeholder in aviation and should be a participant in any discussions on the future economic regulation of the industry. It further calls upon ICAO Member States to include among the conclusions of this Conference a recommendation to governments of ICAO Member States to:

- a) observe and respect the ILO *Declaration on Fundamental Principles and Rights at Work* and its Follow-up;

- b) recognize the vital importance of a well-trained and well-motivated labour force and harmonious labour relations for the continued development of the industry in the interest of international and national economic development;
- c) recognize that further liberalization of the industry will meet varying degrees of employee resistance because of the important implications for managements, workers and trade unions, including for work intensity, job security, job satisfaction and union-management relations;
- d) take the necessary measures to prevent that liberalization may lead to a disruption of social dialogue and to involve the parties concerned, as early as possible, in the process; social dialogue and participation can make a significant contribution to the protection of workers, social stability and labour peace as well as to productivity and competitiveness; and
- e) play an active role in the process – given the fact that many national airlines are publicly-owned – through financial support for measures to mitigate the effects of liberalization and initiatives to promote social dialogue as a means to find innovative and socially responsible solutions.

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