

## **Chairperson's summary**

Government, Employer and Worker experts, as well as independent and industry experts from the civil aviation industry, attended the Think Tank on the Impact of the 11 September Events for Civil Aviation. The Think Tank was called by the Director-General of the International Labour Office on 29 and 30 October 2001 at ILO headquarters in Geneva, for two days of intense discussions on the impact the crisis was having on the industry. All comments made by the participants will be reflected in the report of the Meeting. In addition, the participants highlighted the following.

### **The impact**

- The events of 11 September were unlike any other shock experienced by the industry to date. They have had a unique, unprecedented, devastating and immediate impact on all segments of the industry (airlines, air navigation service providers, airports, maintenance and catering providers, etc.), with unpredictable economic and social consequences. It is expected to take years for the industry to reach the same levels as before 11 September 2001.
- The crisis drew attention to the important contribution of civil aviation to both national and global economies. According to published data there is a close relation between world economic growth and air traffic growth. Civil aviation provides an essential economic infrastructure for all countries, particularly landlocked, island and other less developed countries and has a public interest dimension. Civil aviation is one of the most highly regulated industries and affords the safest mode of transport. Its product is perishable and airlines have no inventory. Demand for air transport is cyclical and labour accounts for a significant proportion of its total operating costs. Civil aviation provides both direct and indirect employment to a range of related sectors. One operational aircraft provides 150 to 250 direct jobs, and there is one additional indirect job for every direct airline job.
- The civil aviation industry was already experiencing economic difficulties before the 11 September events. It had been affected by the global economic downturn, first in the United States and then in other parts of the world. The dramatic drop in premium class passengers negatively affected the revenues of airlines. Business class accounts for 25 per cent of air travel traffic, but generates 40 per cent of revenues. The industry downturn has been sharply magnified by the 11 September events. The industry faces two problems: the “fear factor” and the loss of passenger confidence in airlines’ ability to remain operational.

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- There is no single aviation industry; thus, it is important to disaggregate and analyse the impacts. The impact is different for different regions of the world and for different segments of the industry. In North America, the United States and Canada have been hit hard, while Mexico was less severely affected. In Europe, long-haul traffic between Europe and the United States and the Middle East has also been affected; Ireland has suffered most owing to its geographical position. The impact on travel within Asia has been less severe. In general, low-cost and/or regional airlines appear to have been less severely affected by the crisis.
  - No official data are available yet, but the information provided by the industry suggests that the impact on business and employment is severe; it will take months before the real employment impact can be ascertained. The air transport industry employs about 4 million persons worldwide, and initial figures indicate that more than 200,000 have lost their jobs or will in the immediate future. Employment is the only flexible component in the industry.
  - The crisis will have an impact on all segments of the industry, on employment and incomes, on technology and investment, and on the restructuring of the industry, including partnerships and global alliances. Developments in the insurance industry – with less coverage and sharply increased premiums – also have a negative effect on civil aviation.

## Strategic responses

The present crisis is global and therefore requires a global response. In addressing the crisis, the following operational measures are necessary:

- (a) a review of the economic and regulatory framework for all segments of the industry – civil aviation is still one of the most highly regulated industries – that might prevent flexible solutions to overcome the crisis. The crisis also calls for renewed reflection on the “public interest” function and the regulation of air transport, irrespective of the ownership model;
- (b) focusing on safety culture and the role of human factors to address safety and security issues, because highly trained and well-motivated staff leading to the professionalization of airport security can help to restore passenger confidence; recurrent training and retraining will play a very important role in this respect, including consideration of questions related to competencies, licensing and certification;
- (c) technology and investment, notably in safety, can contribute to the improvement of safety and security and create new work opportunities;
- (d) immediate action by governments, employers and workers is needed to mitigate the job and income losses and retain skills. The employment impact disproportionately affects women and ethnic minorities. The parties can share best practices on innovative responses to the crisis;
- (e) closer collaboration between international organizations to deal in a coherent manner with the mid- and long-term effects of the crisis, respecting the mandates of the various organizations.

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## **Role of social dialogue**

The crisis provides an opportunity for the social partners to enhance and promote social dialogue.

## **Role of governments**

Governments – each in their own way and with different views on the future of the industry – have played an important role in addressing the consequences of the 11 September events. They have taken measures such as direct support for the costs of grounding aircraft, loan guarantees, insurance coverage, extension of unemployment and health insurance coverage and grants for retraining.

## **Role of the social partners**

Most social dialogue on the crisis will take place at the company level. The social partners are encouraged to explore new possibilities for information exchange, consultation and collective bargaining. In dealing with the crisis, alternatives to redundancies should be explored, including measures such as job-sharing, recruitment freezes, voluntary retirement, and reduction of or ban on overtime. There are also new opportunities and structures for social dialogue, for example the joint opinions issued by the European Sectoral Dialogue Committee on Civil Aviation.

## **Role of the ILO**

The ILO should:

- (1) collect information on best practices and innovative and socially responsible ways to respond to the crisis, and disseminate this information to its constituents;
- (2) undertake studies on:
  - (a) the differential impact at the regional, subregional and intraregional levels (differences in impact between and within regions), on various industry segments and various markets (differences in impact between sectors within civil aviation and between low-cost carriers and national flag carriers, scheduled and unscheduled flights);
  - (b) the differential impact of the crisis on men and women and on minorities;
  - (c) the impact of the crisis on the restructuring of the industry (how business plans have been affected or restructuring plans been modified, and the overall impact on the strategy of companies and/or alliances);
- (3) consider setting up an ILO global task force on employment and re-employment in the industry;
- (4) build bridges with relevant international organizations on addressing and managing the crisis;
- (5) the ILO should, in its preparations for the January 2002 meeting:
  - (a) include an analysis of the impact on all segments of the civil aviation industry in the broadest sense;

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- (b) extend participation to all relevant parties to ensure a comprehensive dialogue. The issues paper to be prepared by the Office for that Meeting could possibly be structured along the following lines:
    - (i) institutional and legal aspects;
    - (ii) management practice in the industry;
    - (iii) social impact.