

## *TESTING TIMES FOR SOCIAL DIALOGUE AT AIRBUS-FRANCE*

### **The COVID-19 crisis: Maintaining or re-allocating jobs?**

By shaping deals on job retention and short-time work schemes, social dialogue has played an important role in shielding jobs from the initial labour market disruption caused by COVID-19 (OECD, 2020<sub>[1]</sub>). It is generally acknowledged that by preventing a massive loss of jobs, job retention schemes avoided an even greater economic disaster (OECD, 2020<sub>[2]</sub>; OECD, 2020<sub>[3]</sub>; ILO, 2020<sub>[4]</sub>)

As economies started to exit from the first wave of lockdowns in late spring of 2020, the question was raised whether the policy of maintaining existing jobs was still appropriate (OECD, 2020<sub>[3]</sub>; Portes, 2020<sub>[5]</sub>). If the effect of the pandemic on particular sectors and firms were merely temporary, it would make sense to prolong job retention schemes as these keep good worker/job matches in place and allow firms to maintain a skilled and experienced work force. However, if patterns of demand and economic activity post-lockdown shift in a structural way, supporting jobs that are no longer in demand will result in locking labour resources in jobs and firms that do not have long-term viability. The principle underlying short-time work schemes is to form a bridge between periods of low demand and periods of economic recovery. If however the bridge leads to a future where job demand has shifted structurally towards other sectors and activities, job retention schemes would lose part of their purpose, possibly even becoming counterproductive by slowing down the necessary process of re-allocation.

This case study on Airbus-France describes how social dialogue can address this question and how it can strike a balance between maintaining jobs and re-allocating workers into different jobs. Airbus-France, as well as three French trade union confederations (FO, CGE-CFC, CFTC) representing the majority of the workforce involved, are all partners of the Global Deal.

### **Severe economic headwinds: A test for social dialogue**

The COVID-19 crisis has stifled the demand for new aircrafts. At Airbus-France, production of airplanes, in particular from the long-range family (A330, A350 as well as A320) was reduced by 40% in the aftermath of the outbreak of the pandemic and activity will remain affected at least until 2023. This puts close to 4,200 jobs in France at risk.

Airbus-France, in agreement with trade unions, resorted from April 2020 onwards to using short-time work to deal with the immediate impact of the pandemic on production. However, it remains uncertain whether the nature of this shock will be temporary or structural, while a recovery in demand to pre-Covid-19 levels is not anticipated before 2024 or even 2025 at the latest.

This difficult situation has put social dialogue at Airbus-France to the test; however, a strong tradition and culture of social dialogue exists in the company. In 2019, 72% of the 50,000 workers eligible to vote participated in the social elections. Trade union affiliation in the company largely exceeds average density in the private sector in France. Moreover, in response to the 2017 reform of French labour law, Airbus-France renegotiated its agreement on the exercise of trade union rights to support social dialogue. In doing so, Airbus-France recognised social dialogue as providing value to its business strategy. As a result, there is a strong willingness to find a solution, through social dialogue, to the most serious crisis the aeronautic industry has faced in years.

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## Building trust

An intensive process of social dialogue took place from July 2020 onwards. This involved a series of eight negotiation meetings, as well as meetings to inform and consult worker representatives. Several measures to support this process of social dialogue and to enhance trust were taken. First, a calendar with a precise timing of consultation and negotiation meetings was defined with a clear engagement to respect this timing. As stipulated by French labour law, external experts analysing the economic and social situation and possible impact on working conditions were appointed by trade unions, with management committing to provide maximum information regarding the situation of the company to these experts. Significantly, management at the highest level in the company took part in the social dialogue meetings. Finally, there was continuing communication of the proceedings of social dialogue to workers and managers.

## A common objective: Mitigating the risk of forced redundancies

In this process of social dialogue, there was a common objective of mitigating the risk of a scenario of mass redundancies. At the end of October 2020, social partners at Airbus-France were able to sign two agreements designed to cope with the unprecedented volume of job reduction (Planet Labor, 2020<sup>(6)</sup>).

The first agreement aimed to save 1,500 jobs by making use of the new scheme that the French government made available from end of June 2020 called “[Activité Partielle Longue Durée](#)”. This scheme allows companies to address a slowdown in activity of a more permanent nature by supporting the implementation of a short-time work scheme over a period of two years, instead of the six months maximum under the usual system. Under this longer-term scheme, working hours can be reduced by a maximum of 40% of the legal working time for 24 months during a period of 36 months. While the employer is entitled to a subsidy worth 60% or 56%<sup>1</sup> of hourly wages, workers receive 70% of gross pay up to 4.5 times the statutory minimum wage. In return, the employer needs to commit to maintain existing jobs and negotiate a collective agreement that should analyse the economic situation of the business and define commitments on employment and training for all staff. The agreement should also define the way in which worker representatives and those trade unions that signed the agreement are kept informed at least every three months. It is also possible to include measures through which shareholders and management contribute to share a part of the burden, as well as measures that oblige workers to take up part of their annual leave or time credits from their personal working time accounts before resorting to the short-time work system.

The collective agreement signed at Airbus-France stipulates that this prolonged system of short-time work would be implemented from 1 January 2021 for staff working in factory production and for staff supporting factory work. Thus far, Airbus-France will not top up legally foreseen pay so that workers would receive 84% of usual monthly pay in the case of a maximal 40% working time reduction. The collective agreement, however, stipulates that new negotiations will be opened on the constitution of a solidarity fund, out of which part of the difference in pay can be covered. In return, Airbus-France engaged to abstain from firing factory and related production workers because of economic reasons and to increase investment in training of workers.

To address the problem of the remaining 2,500 jobs at risk, a second agreement was negotiated on adjusting to COVID-19 and its consequences on employment.<sup>2</sup> This agreement shifted the focus from protecting existing jobs, to promoting the security of workers to remain employed, both within and outside the company.

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<sup>1</sup> 60% for agreements signed before 1 October 2020

<sup>2</sup> L'accord relatif au projet de plan d'adaptation de l'UES Airbus commercial au contexte du COVID et de ses conséquences sur l'emploi

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The key element to this agreement is a voluntary programme of job mobility (“programme de volontariat”). With the exception of those employed in a critical occupation, workers whose jobs are impacted by the lack of demand can leave the company through different measures such as “age measures” (retirement and anticipated-retirement schemes), external re-deployment measures to find a job elsewhere, start up their own enterprise, engage in professional training, participate in a “staff on loan” initiative or take part in humanitarian projects. This programme is accompanied by the following actions:

- External and internal consultants should be appointed to assist workers with job mobility. This also includes re-deploying workers to other jobs within the company.
- Workers who quickly decide to leave the company are entitled to legal or collectively agreed redundancy compensation, worth at least five months’ salary plus a two-month bonus (booster).
- Workers leaving Airbus-France to create their own company will get an additional 15,000 Euro premium as well as a 7,000 Euro subsidy to pay for entrepreneurial training.
- A similar subsidy is paid to compensate workers who take up professional education.
- In case workers leave Airbus-France to take up another job at a lower wage, a gross monthly sum of 350 Euro will be paid for a period of maximum 12 months.
- Internal mobility is facilitated: The condition of 24 months of tenure in the existing post before a worker can move between jobs at Airbus-France is removed. In case of geographical internal mobility, related premiums to promote such mobility are foreseen.

Besides this programme of voluntary job mobility, the Airbus-France agreement also invokes the possibility of lending out staff to other companies on a temporary basis for a period of 24 months. Staff made available for research institutes will be entitled to existing wage conditions.

Finally, in case the measures taken by these two agreements turn out to be insufficient, Airbus-France management has engaged to restart social dialogue on this and assess the need to move for forced redundancies.

### **Social dialogue as a way to navigate the policy dilemma**

Several quarters into the pandemic, a crucial policy dilemma has emerged. While ending support for job retention schemes may trigger a wave of job destruction for which the labour market is far from ready, it is also not ideal to keep workers in jobs and sectors that may be unsustainable in the longer run. However, with much uncertainty surrounding the pandemic, there is insufficient knowledge available to make fully informed choices. Given this uncertainty, management at Airbus-France is of the opinion that the different measures that exist in French labour law must be considered thereby also involving continuing exchanges with labour authorities in France. As illustrated by the agreements at Airbus-France, social dialogue offers a pragmatic way to navigate this dilemma, aiming for a balance between maintaining jobs and re-allocating workers into different jobs and doing so together, as social partners.

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## References

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