



LUFTHANSA AND UFO NEGOTIATE LONG-TERM NO-STRIKE AGREEMENT

News / Airlines



Both parties accept recommendation of mediator Matthias Platzeck: · new system for pensions and transitional payments / agreement active until end of 2023 · 1% wage increase on 1 October 2016 and additional 2% increase effective 1 January 2018 / agreement in effect until 30 June 2019 · new qualification-based compensation structure · cost monitoring until 2023 in order to ensure sustainable reduction of unit cost · conflict resolution mechanisms until 2023 · guaranteed employment for all cabin crew until 2021

On 5 July in Berlin, Lufthansa and the independent flight attendants' organisation UFO have announced that they are accepting the mediator's recommendation by former Brandenburg Prime Minister Matthias Platzeck. The parties had previously spent approximately half a year negotiating all open collective bargaining agreements and a wide range of other issues. "Reaching a comprehensive agreement and ensuring that there is no need for cabin strikes in the years ahead was tremendously important for Lufthansa and all our colleagues in the cabin alike," says Dr. Bettina Volkens, Chief Human Resources and Legal Officer of Deutsche Lufthansa AG. "The new system for pensions and transitional payments in particular is an important step towards future-proofing our company. At the same time, we are able to continue offering our employees an

attractive compensation package,” Volkens added.

The details of the arbitration agreement:

Long-term no-strike agreement

The collective labour agreement will be active until 30 June 2019; the collective agreements regarding pensions and transitional payments will be active until 2023. In addition to this, the parties have also agreed upon a number of conflict resolution mechanisms which will remain in place until 2023. The company can, for example, appeal to a mediator when a total strike is announced, thereby converting a possible labour conflict into a mandatory arbitration process.

Pensions and transitional payments

Lufthansa and UFO have agreed upon a new system regarding pensions and transitional payments. It allows the group to shift the second-largest group of employees from a defined-benefit system to a defined-contribution system. Lufthansa and Verdi had already agreed last November to move ground staff to a defined-contribution system. This switch – from a fixed, predefined benefit outlined in the pension scheme to a fixed premium, which then bears interest on the capital market – allows the company to lower the costs and risks for the schemes. In future, Lufthansa will contribute a total of 5.2 percent of eligible income to the pension schemes of cabin staff. This is the same benefit the ground staff of the group receive. Claims that have already been acquired in the company pension scheme at the time of the transition to the defined-contribution system will be retained in full.

The new system still makes it possible for cabin staff to retire from airline service when they turn 55. New employees will receive no contributions to pension and transitional payment schemes for the first five years of their employment, unless they have completed a specific training course on the bachelor level. New employees will not receive contributions to the transitional payment scheme, even after five years, if they do not complete this training. In future, employees can use unused transitional payment schemes to increase the benefits of their company pension scheme. Coverage for all employees in case of permanent flight disability will remain in place. The collective labour agreement will be active for 10 years as of 1 January 2014.

Compensation

The circa 19,000 cabin employees will receive a wage increase of one percent as of 1 October 2016, and an additional two percent as of 1 January 2018. The collective labour agreement for wages will remain in place until 30 June 2019.

Compensation structure

Lufthansa and UFO have agreed on a new qualification-based compensation structure for cabin staff. The company will offer an eighteen-month training course at the bachelor level in cooperation with the Chamber of Industry and Commerce. This will allow Lufthansa to further increase the already high standard of qualification and service of its staff. In future, only flight attendants who have completed this training will be eligible for compensation above level eight, which corresponds to a basic compensation of 2,150 Euros per month.

Sustainable strengthening of competitive position through cost monitoring

Together, Lufthansa and UFO have defined a target corridor for cabin personnel costs. Personnel costs are to be lowered by ten percent per block hour compared to the currently projected development.

Guaranteed Employment

Employment is guaranteed for all Lufthansa cabin employees until 2021, as the company has

ruled out redundancies for the duration of five years. In addition, it has been agreed that Lufthansa airplanes may not be operated with external cabin staff until 2023. Lufthansa offers good job prospects in the cabin in any case. The company already announced in January that it intends to hire 1,400 new flight attendants this year.

“We would like to thank Matthias Platzeck for his support. Together with him and UFO we have managed to reach a solution at the bargaining table out of the public eye,” says Volkens. “It was a struggle to reach an agreement in which it was necessary for both sides to make cutbacks from their original position. The current compromise demonstrates that the effort was worthwhile.”

“Mr. Platzeck managed very neatly to bring our diverging interests together in the best possible way: Lufthansa has achieved economic and political security without taking anything away from individual employees at any point,” says Nicoley Baublies, the union’s chief negotiator.

“The opportunity for the economic growth of the company, as well as the preservation of individual rights and adequate circumstances for the flight attendants are the foundation on which this arbitration result rests. I am very thankful to both parties for moving closer together over the course of the negotiations and for managing to build up trust toward each other. It was an important requirement for both sides to understand the respective motivations for the argumentation of the other party without the burden of prejudice. They agreed on mechanisms going forward that should, in the spirit of trust, offer protection from a renewed hardening of the situation and not put any strain on customers, staff and shareholders,” emphasises Matthias Platzeck, former Prime Minister of Brandenburg.

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