NOT READY FOR TAKE OFF

How US Airlines took billions in aid while creating an increasingly fissured, unstable industry

AIRPORT WORKERS UNITED

a project of the Service Employees International Union (SEIU)

Across the country airport workers—like wheelchair agents, cabin cleaners, security officers, and baggage handlers—have successfully organized their union with SEIU for over 20 years. Through the Airport Workers United project tens of thousands of contracted airport service workers—who are primarily people of color, women, and immigrants—have won the highest minimum wage in the country, mandated employer provided healthcare, sick days and paid time off through local legislation and collective bargaining. SEIU has organized more than 35,000 airport workers at 23 airports and have won raises and other improvements for nearly 155,000 airport workers, including 146,000 who have won a path to at least $15 an hour.

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U.S. airlines responded to the COVID-19 pandemic with decisions about staffing that continue misguided tensions with workers who serve airline travelers. Despite receiving billions of dollars in federal assistance to help protect jobs and keep our nation's aviation system ready, airlines cut direct employment and remained silent about the large contracted workforce they created and grew since September 11, 2001.

As airlines benefited from pent up desire to reconnect with loved ones, they frustrated those customers with cancelled flights—driving service disruptions. Distracting from their own responsibility, airlines have attempted to divert blame for service problems to contracted service workers like wheelchair agents, cabin cleaners and baggage handlers, but in so doing they may be inadvertently shining a light on the highly fragmented, and deeply unequal, systems of employment for workers in the US aviation sector. This fragmented approach puts workers, passengers , communities—and investors— at risk.

Airlines can outsource employment, but not their responsibility to ensure fair compensation for essential airport workers, the truth is airlines have the ability—and the responsibility—to support high standards, along with stable and equitable employment. Failure to do so could impact airlines' future profitability—and federal willingness to provide bailouts with minimal requirements.

Although the COVID-19 pandemic continues in the United States, the US airline industry is returning to higher levels of passenger travel. The prohibition on layoffs, created as a condition of the unprecedented level of federal aid given to airlines, is set to expire on September 30. What will this mean for airline employees and for the large and growing number of frontline airline-contracted airport workers? Will the apparent increase in outsourcing which occurred during the pandemic continue or accelerate? What do these changes mean for the stability and operational efficiency of major US airlines?

Contracted workers are increasingly on the frontlines, shaping passenger experience, for airlines

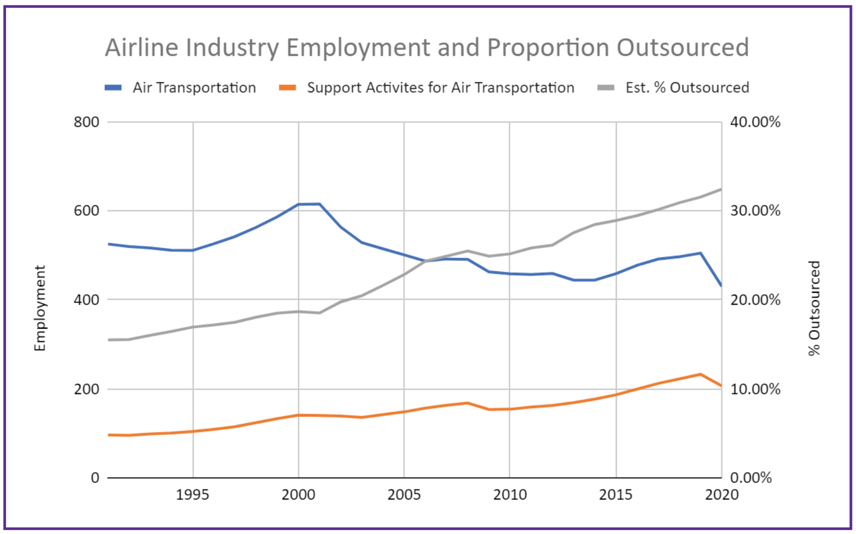
Airport workers are on the frontlines of our nation's aviation system, helping to keep passengers and communities safe from infectious disease, climate disasters impacting travel, and threats of violence and terrorism. Yet many airport workers who provide services such as securing terminals, sanitizing cabins and transporting elderly and disabled passengers are still underpaid and underprotected. Airlines treat essential airport workers—who are often women, immigrants and people of color—as dispensable.

Airlines frequently outsource, shift to subsidiaries or change contractors, which results in deep inequity and under-trained and underprepared frontline workers, which ultimately puts airports, passengers and communities at risk. Prior to the pandemic, airlines had record profits, and because of generous public support and resources, as well as the sustained dedication of airport workers, they are positioned to emerge from the crisis intact and poised for growth. Yet airlines try to outsource responsibility to fairly compensate essential airport workers. The truth is airlines have the ability—and the responsibility—to support high standards, along with stable and equitable employment.

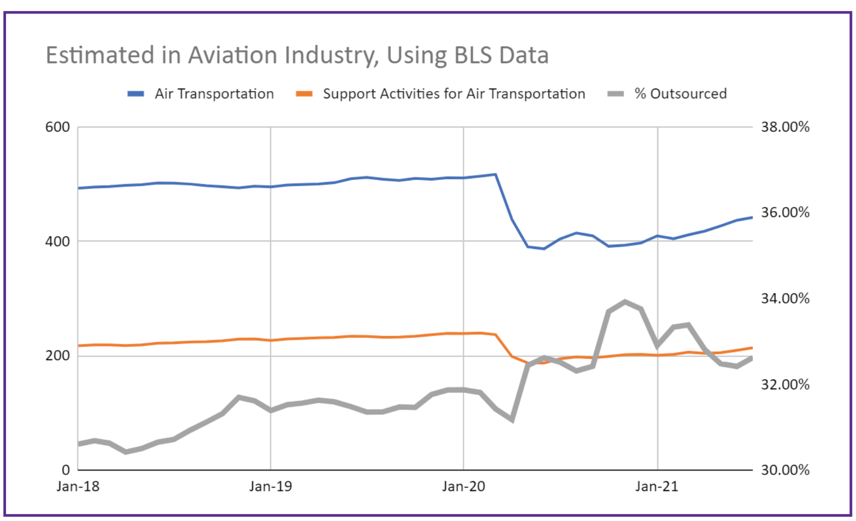
US airlines' employment model has shifted over the last several decades. Data suggests that outsourcing increased during the pandemic.

Following industry deregulation in 1978, airlines have used multiple strategies to reduce costs, in particular labor costs, which has resulted in substantial losses in compensation for workers in the aviation industry. Airlines frequently use outsourcing as a means to "both reduce wages in lower skilled occupations and improve their ability to lay off workers during slow times."[1] By creating the subcontracting system, airlines have been able to push down wages.[2] Airlines have created a "race-to-the-bottom" whereby contractors cut wages in order to compete with one another.[3] Contracting companies also compete on the basis of cutting health care,[4] sick leave,[5] and reducing investments in health and safety.[6]

Both airlines and airport authorities have increasingly shifted passenger services to third-party companies who compete vigorously to win lowest-cost bid contracts.[7] Both the absolute number and the share of outsourced jobs have increased substantially since 1978. In 1991, 16% of jobs were outsourced; by 2001, 20%; by 2011, 28%; and as of 2020, an estimated 32% of jobs were outsourced.[8] In many major US airports, there is no defined system specifically for regulating the quality, capacity, or volume of contractors allowed to operate on airport property.



Despite aviation industry employment falling in absolute terms for both direct and indirect workers, the proportion of workers who were outsourced grew by more than a full percentage point between 2019 and 2020.



Airlines Have Used Outsourcing to Cut Wages, and the Gap Between Direct and Outsourced Employees Has Grown

The support services that air travelers depend upon – wheelchair assistance, airport and aircraft cleaning, baggage handling, and skycap services, among others – are increasingly provided by a large and complex web of service contractors, retained both by airport authorities and the individual airlines that serve an airport. Above, we showed that outsourcing in the airline industry has increased significantly in recent decades.

It is clear that airlines have used outsourcing to reduce labor costs. Across the aviation industry, the gap between direct employees and outsourced workers' median hourly wages in 2002 was 31%, in 2020, it was nearly 51%.[9] Between 2002 and 2020, direct employees saw an inflation adjusted hourly median wage increase of $2.25, whereas, contracted workers received an additional $0.82.[10]

However, in certain heavily outsourced occupations, direct employees' wages plummeted. For example, directly employed skycaps saw inflation adjusted median hourly wages drop by $13.61, or 95%, from $27.94 to $14.33 between 2002 and 2020; janitors by $5.26, or 33%, and cabin cleaners, $2.44, or 16%, during the same period.[11]

While decreasing labor costs might help the bottomline, a low-wage and highly fissued workforce can mean high turnover, and additional operational, safety and security risks for passengers, airlines and investors.

OCCUPATION (% Outsourced)	2002 MEDIAN WAGE		2020 MEDIAN WAGE	
	DIRECT	OUTSOURCED	DIRECT	OUTSOURCED
All Workers	$28.85	$19.80 (21%)	$31.10	$20.62 (32%)
Janitor	$21.32	$13.42 (73%)	$16.06	$13.86 (95%)
Skycap	$27.94	$10.45 (25%)	$14.33	$12.79 (96%)
Cabin Cleaner	$17.42	$14.28 (40%)	$14.98	$14.52 (92%)
Ramp	$16.80	$14.21 (51%)	$19.46	$15.94 (24%)
Passenger Service Attendant	$15.96	$13.43 (59%)	N/A*	$14.41 (100%)

* U.S. Bureau of Labor Statistics reported 0 workers in this category for 2020

Airport Workers Face Multiple Risks from the COVID-19 Pandemic

An assessment in the World Economic Forum indicates that airport workers face significantly higher risks of COVID-19 infection than many non-healthcare professions.[12] Jobs aligned with airport work have risk scores ranging from mid-30's to mid 60's – compared to an average of 30 for jobs with enough risk to be worth analyzing. The U.S. Transportation Security Agency (TSA) includes over 50,000 Transportation Security Officers, tracks its workforce publicly and reports 10,063 tested positive for COVID-19, 26 have died after contracting the virus, and infections continue across airports large and small.[13]

In addition to the risk of infection, Airport Workers face lower wages than many jobs with comparable or lower risk, lack of paid time off for vaccination, isolation, quarantine, or recovery, lack of affordable, quality health care insurance, and lack of respect that builds trust between worker, employer, and client. The combination of high risk of contracting infection, coupled with lack of affordable healthcare and paid sick time also puts passengers at risk, especially elderly and disabled passengers who must be in close proximity to the wheelchair agent helping to transport them through the airport.

People of Color are Concentrated in Lower Paying Jobs at Airports

Despite frequent rhetoric from airlines with respect to diversity, the firms' workforce strategies mean that lower-wage jobs are disproportionately done by people of color. An analysis of Bureau of Labor Statistics data suggests that 37% of workers in frontline aviation industry jobs are people of color.[14]

The data shows that airport workers who are people of color are significantly more likely to be concentrated in lower-paying jobs than their white counterparts. A statistical analysis using Bureau of Labor Statistics data found a significant negative correlation of -.68 between an occupation's pay and the proportion of people of color employed in that occupation. This relationship between race and low pay is even more pronounced when we isolate for Black and Latino workers. In this case, our analysis found an even stronger negative correlation of -.72 between an occupation's pay and the combined proportion of Black and Latino workers employed in that occupation.[15]

The racial disparity between high-and low-paying jobs can also be illustrated by looking at specific job titles. The ten best-paid job titles range from 8% to 37% people of color-staffed, while the ten lowest-paid jobs range from 40% to 69% people of color-staffed. It is also worth noting that seven of the ten top-paid jobs are among those most likely to be employed directly by the airlines while eight of the ten worst-paid jobs are in occupations that tend to be outsourced.[16] The table below shows the pay and racial composition of some of the best-paid and worst-paid jobs in the airline industry.

Airlines spend considerable effort speaking with a variety of different audiences regarding their commitment to diversity. But nearly all discussion of workforce diversity omits the large and growing, largely low-wage workforce employed by contractors, which airlines depend on to clean cabins, transport passengers and secure terminals.

Percentage People of Color in select Airline Support Occupations

Job Title	Industry Type	Typical Yearly Pay	Pay Rank (out of 105)	% People of Color
Airline Pilots, Copilots, and Flight Engineers	Direct	$178,120	2	8%
General and Operations Managers	Direct	$129,390	6	23%
Transportation, Storage, and Distribution Managers	Direct	$122,590	8	29%
Cleaners of Vehicles and Equipment	Support (Often Outsourced)	$29,410	97	56%
Janitors and Cleaners, Except Maids and House-keeping Cleaners	Support (Often Outsourced)	$29,080	98	53%
Passenger Attendants	Support (Often Outsourced)	$28,330	101	55%
Baggage Porters and Bellhops	Support (Often Outsourced)	$27,240	103	69%

Airlines have repeatedly opposed efforts by workers in occupations with higher proportions of workers of color to improve their wages and other benefits.

The pay disparity between disproportionately white-staffed job titles and disproportionately people of color-staffed occupations is clear. Yet when contracted workers, many of whom are people of color employed in the low-paying job classes, join together to attempt to raise wages and stabilize turnover, their efforts have been routinely opposed by the airlines. Earlier this year, in the middle of the pandemic, industry trade group Airlines for America sued the City and County of San Francisco over its Healthy Airport Ordinance, which will ensure that SFO workers and their families have access to healthcare.[17] Also in 2021, American Airlines lobbied the Philadelphia City Council in an effort to stop a bill that increased wages and created a healthcare guarantee for airport workers at Philadelphia International Airport.[18]

There are countless other examples of airline opposition to worker-led efforts to raise wages or ensure health coverage or paid sick days. Airlines have opposed these efforts in Washington State, New York, New Jersey, Massachusetts, the City of Chicago, the City of Los Angeles, Washington DC, at the Seattle-Tacoma International Airport, at Miami International Airport, and at Minneapolis-St. Paul International Airport. Ongoing, often very public, efforts by airlines to stop or blunt low-wage workers' efforts to win higher wages may create reputational risks for airlines.

$54 billion in federal aid to airlines did not address fundamental workforce issues

Airlines were recipients of $54 billion in direct aid from taxpayers, authorized by Congress. Many airports also took major steps to reduce airline costs during the pandemic. But, while federal aid did likely preserve many direct airline jobs, at least temporarily, the limitations on layoffs are set to expire on September 30, 2021. And though Congress took important steps to include aid for contracted workers, issues with slow implementation and accountability led to tens of thousands of job cuts. An investigation by the House Select Committee on the Coronavirus Crisis found that nearly 58,000 employees of airline contractors – nearly 35% of the workforce – were laid off or furloughed before federal aid was delivered.[19] Only 5% of these workers had been recalled as of last summer.[20]

The loss of tens of thousands of contracted workers means a loss of significant experience and expertise in the nation's essential aviation system, that cannot be quickly recovered.
Though aviation workforce issues predate the pandemic, the current crisis sharpens focus and demands re-evaluation of prior policies to build back sustainably.

Highly Fissured, High Turnover Airline Workforce Presents Risk to Investors

Regulatory regimes have not kept up with this fissuring of the airport workforce, and over time working conditions and standards have steadily declined. While contracting need not automatically be associated with poor quality jobs, in the absence of strong oversight too many airports and airlines have taken a lowest-bid, cost-cutting approach to outsourcing, leading to reduced training for workers, longer shifts, more part-time work, stagnant or declining wages, and higher turnover. This reality creates significant risk to airline investors.

As a consequence of poor working conditions, turnover within airport jobs is high. A 2011 GAO report suggests roughly 19 percent aggregate turnover nationally for all airport workers.[21] While there is no reliable national-level data on turnover among contractors' employees, reports from individual airports have found rates in service classifications that far exceed this aggregate number. In 2014, Sea-Tac reported service worker turnover varying from 25% to over 80%.[22] At Portland International Airport, a 2017 analysis of security badge data by the Port of Portland found that the annual turnover rate for a number of airline service providers ranged from 59.3 to 142.8 percent.[23] At several airports, worker turnover is on par with or exceeds the fast food sector.[24]

Airlines "Penny-wise but pound-foolish"

Recent waves of flight delays and reports of staffing shortages at top US airlines illustrate some of the operational risks of a highly fissued, high turnover workforce. Airlines like American and Southwest have cited a shortage of airport groundworkers as one reason for flight delays and cancellations over the summer. Despite the limits on involuntary furloughs of airline employees imposed by the CARES Act and subsequent aid packages, many top Airlines did significantly reduce their workforce. American Airlines announced a furlough of 1,600 pilots.[25] The airline reported that a total of 19,000 team members were furloughed starting October 1, 2020.[26] At the end of 2019, American reported that it employed 133,700 active full-time equivalent employees.[27] By the end of 2020, that number had fallen by more than 30,000, a reduction of more than 20% of full-time employees.[28]

But American does not appear intent on reversing that trend. The airline told investors that getting to "cash breakeven" will require "workforce flexibility following expiry of the [Paycheck Support Program]."[29] American Airlines President Robert Isom acknowledged in May at a Wolfe investor presentation that American intends to continue with a substantially reduced workforce that includes, as one example, single agents running boarding at gates. Isom declared, "We think the team is up for the challenge."[30]

Meanwhile, American Airlines recently announced up to $150,000 in bonuses for new pilots who join the company's regional carrier, Envoy.[31] It isn't surprising, therefore, when a recent Travel Weekly article noted that one contractor for American Airlines at its Charlotte hub was hiring workers at $9.00/hour and said it was time to consider whether the airline workforce strategy was "penny-wise but pound-foolish."[32]

Another form of operational risk to airline investors becomes clear when one examines the record of safety issues and other violations by some top contractors. SEIU recently conducted a review of airport violations at select airports by Swissport, a contractor used by many airlines in the US, including United Airlines and American Airlines. The analysis found that, since 2019, Swissport has been cited for hundreds of violations across multiple airports, including violations which directly impact airport safety. Violations were issued for unsafe vehicle operations, failure to yield to aircraft, damage to airline equipment and airport property, among other violations.[33]

Creating Solutions in the Airline Industry

Creating a safe, efficient and sustainable system of aviation and aviation in employment will require an increased level of engagement from major US airlines. Investors, as well as elected officials, should refuse to accept the common misconception promoted by airlines that the wages, working conditions, and rights of contracted workers are determined by contractors, rather than by the ultimate decision makers, the airlines themselves.

Investors should encourage airlines to play a more active role in working with airline contracted workers and their Unions, to ensure living wages, quality healthcare coverage, paid sick days and other critical protections for workers.

Given the vacuum in leadership from the airlines, members of Congress are currently considering how to support a more sustainable and equitable aviation workforce policy by creating a national wage standard for airport workers. Under the policy being considered, any worker at an airport that receives federal funding, including PFCs and AIP grants, would receive at least the appropriate rate under the federal Service Contract Act. Using the SCA wage and benefits standards is already being used in some states and cities—including New York, New Jersey and in the City of Philadelphia—to establish the health and welfare benefits for airport workers.

It is possible that airlines will choose to take proactive steps to create a more stable, better paid aviation workforce, without their decades of inaction forcing Congress to act. Airline CEOs often speak about the industry being "over regulated." This is an example where independent industry action on a critical issue could forestall further regulation.

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