

Air transportation's COVID years

Cargo, passenger industries followed different paths

By GUNNAR SCHULTZ

The pandemic's differing effects on the two air transportation categories, cargo and passenger travel, put them on diverging economic paths over the last two years.

Air cargo in Alaska was a pandemic outlier, reaching new heights in 2020 and 2021 as most industries spent 2021 struggling to regain ground lost the previous year.

Passenger travel, on the other hand, was a stark example of typical 2020 job losses, recovering partially in 2021 but struggling to draw back enough workers to meet the rebound in demand.

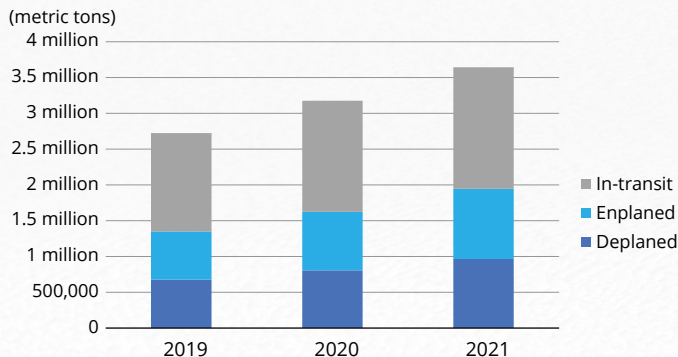
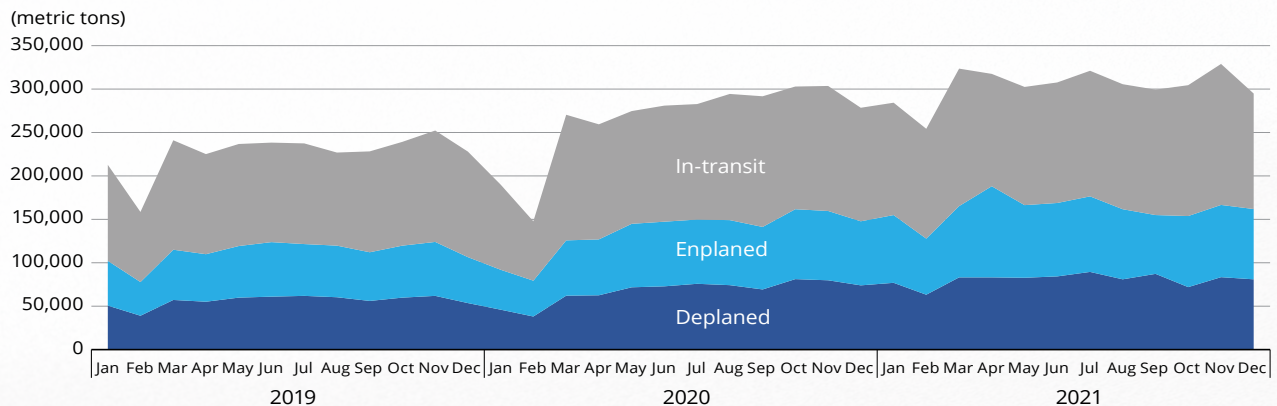
CARGO: Demand during COVID fueled two years of growth

Air cargo has now recorded two strong years of growth in workers, wages, and cargo volume. The pandemic fueled its expansion. Demand for e-commerce grew, vaccines and protective gear were flown around the globe, belly cargo space on passenger flights decreased with fewer scheduled, and Alaska air freight picked up the slack from supply chain bottlenecks at west coast ports.

Volume jump boosted Anchorage globally

Most of Alaska's air cargo industry is tied to Ted

Rise in total cargo volume at the Anchorage airport, 2019 to 2021



Source: Alaska International Airport System, Ted Stevens Anchorage International Airport (ANC) cargo levels

Workers, average wages in Alaska air transportation, 2019 to 2021

Air cargo		2019				2020				2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Air Freight	Workers	1,549	1,589	1,586	1,581	1,614	1,596	1,738	1,762	1,836	1,859	1,881	1,854
	Avg wage	\$17,044	\$17,779	\$18,953	\$20,696	\$17,419	\$19,469	\$19,828	\$22,867	\$20,339	\$18,539	\$19,350	\$25,440
Couriers/Exp Delivery Svcs	Workers	2,618	2,560	2,619	2,724	2,669	2,592	2,686	2,977	2,820	2,962	3,088	3,336
	Avg wage	\$28,451	\$28,182	\$34,039	\$32,687	\$31,268	\$40,161	\$35,668	\$36,630	\$31,621	\$32,841	\$30,741	\$32,716

Air travel		2019				2020				2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Scheduled Passenger	Workers	4,182	4,258	4,227	4,152	4,179	3,936	3,000	3,179	3,201	3,326	3,428	3,486
	Avg wage	\$15,899	\$13,090	\$15,897	\$14,222	\$17,523	\$11,175	\$14,758	\$16,681	\$15,585	\$13,953	\$15,567	\$15,968
Unscheduled (Charter)	Workers	770	1,328	1,423	1,066	767	846	927	835	768	1,108	1,232	1,069
	Avg wage	\$11,490	\$9,730	\$13,936	\$10,477	\$12,354	\$11,918	\$14,593	\$12,671	\$11,726	\$11,164	\$15,529	\$12,253

Note: Wages inflation-adjusted to 2021 dollars

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Stevens Anchorage International Airport, whose location provides an ideal trade link between Asia and North America, making it a global cargo hub. Anchorage represents about three-quarters of the state's air freight workers and 90 percent of couriers.

In 2020, the Anchorage airport's cargo volume increased by over 16 percent, making Anchorage the fourth-busiest cargo airport in the world. Volume rose an additional 15 percent the following year and topped 3.6 million metric tons. Those two years of double-digit growth pushed Anchorage's total cargo volume 34 percent above 2019.

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Each year, about half of all cargo that reaches Anchorage is headed elsewhere, known as "in-transit cargo." In-transit air cargo grew significantly during the pandemic, but the amount of cargo enplaned and deplaned in Anchorage grew even more as a percentage.

Freight worker numbers, wages both grew

Like cargo volume, air freight workers and wages posted back-to-back years of growth, increasing even more in 2021 than 2020.

The number of workers in the industry statewide grew 18 percent between 2019 and 2021, and total adjusted wages rose 32 percent. The fact that total wages grew more than workers means workers began earning more on average.

Gains were asymmetrical for couriers

Courier companies such as FedEx and UPS account for a large share of air cargo activity in Alaska and their workers earn some of the highest wages in Alaska's transportation sector.

Courier worker counts rose about 16 percent from 2019 to 2021, which is 421 additional workers. Their total wages grew 20 percent.

Unlike air freight, the courier industry grew asymmetrically across the last two years: a 4 percent

increase in average quarterly workers in 2020 and 12 percent in 2021.

Inflation-adjusted total wages followed the opposite pattern, rising 21 percent in 2020 and then decreasing slightly in 2021 as inflation outpaced nominal wage gains.

Similar to air freight, many workers in the courier industry earned more than usual during the pandemic. Wages increased faster than the worker count in 2020, as there was more work to go around, and then hiring picked up even more in 2021 to meet growing demand.

Growth predated COVID, but rising costs are an obstacle

Air cargo's performance during the pandemic set a high bar, and how it fares this year will largely

depend on global activity and the “stickiness” of pandemic behavior — that is, the extent to which people and businesses return to their pre-pandemic patterns.

The industry also faces rapidly changing economic conditions as the pandemic wanes. While air cargo industries appear to have bucked the overall worker shortage trend, increased costs and tighter household budgets may remain obstacles.

Optimistic signs include continued expansion at the Anchorage airport, sustained growth throughout 2021, and the fact that air cargo activity and e-commerce demand had both been increasing for years before the pandemic.

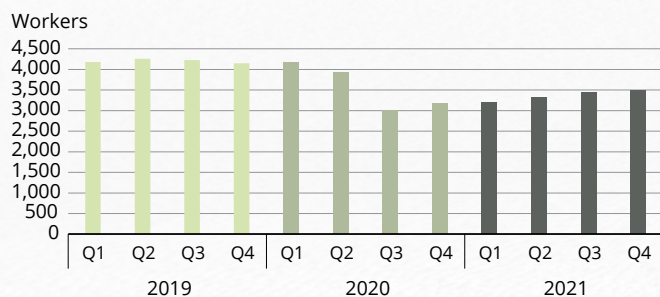
TRAVEL: Workers, passengers rebound partially after big losses

Air travel in Alaska partially recovered in 2021 after suffering historic declines in passengers and workers during the first year of the pandemic. While neither recovered to pre-pandemic levels last year, passenger numbers rebounded more than workers.

A near-cessation of travel came early in 2020, with passenger numbers bottoming out in April. At that point, enplanements in the state were down almost 90 percent from 2019. That same month, Alaska Air Group announced it would receive nearly \$1 billion in COVID relief, and Ravn Air Group, another major provider, filed for Chapter 11 bankruptcy.

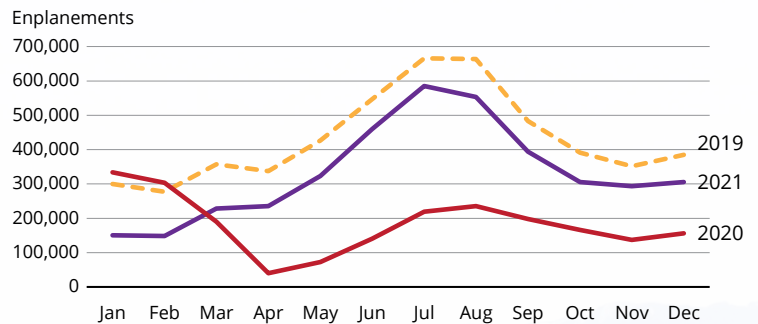
Overall, 58 percent fewer travelers enplaned in

Loss, slow recovery for Alaska scheduled air travel, 2019-2021



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Number of passengers boarding in Alaska fell in 2020, recovered partially



Source: Bureau of Transportation Statistics, T-100 Market Data

Alaska in 2020 than in 2019 — a loss of nearly 3 million passengers.

Monthly air travel resumed its usual seasonal pattern last year but didn't reach pre-pandemic levels. While vaccines and fewer restrictions boosted travel in 2021, enplanements remained 23 percent below 2019.

Demand outpaced available workers in 2021

Passengers made a strong return in 2021, but workers had become harder to find.

The number of quarterly workers in scheduled air travel, which accounts for most airline passengers and industry workers in Alaska, topped 4,200 in 2019 before COVID and showed little seasonality. Worker counts only varied by about 2.5 percent between summer and winter.

In 2020, the worker count plummeted and bottomed out in the third quarter at 3,000, a loss of 29 percent from the third quarter of 2019. (See the chart at left.)

From that trough, the industry added workers every quarter through the end of 2021 but remained below 2019 levels, ultimately recovering less than half of the workers it lost. At the year's end, the worker count remained 16 percent below its pre-pandemic level.

None of the largest airline occupations had recovered their worker numbers by the end of 2021: pilots, flight attendants, aircraft mechanics, cargo and freight agents, and ticket agents.

Recovery has varied by region as well. Areas with air travel industries hit hardest by the pandemic

have been slowest to recover. In the most extreme case, the Southwest Region lost almost 80 percent of its air travel workers from the 2019 peak to the 2020 low (a loss of about 300). From the third quarter low in 2020 through the end of 2021, the region recovered just 11 percent of the workers it lost, remaining 68 percent below pre-pandemic levels.

Other areas recovering slowly or staying stagnant through 2021 include the Fairbanks North Star Borough, the Matanuska-Susitna Borough, and the Northern Region.

Where pre-COVID airline workers ended up by the end of 2021

While worker numbers for 2022 aren't yet available, wage data and Permanent Fund Dividend application data give Alaska the unique ability to look at who fell out of the workforce during the pandemic. Their characteristics shed some light on potential recovery and the future worker pool.

Among those working in the air travel industry the year before COVID hit, the largest group — about three in five — continued working. They either worked continuously during the pandemic or left air travel for at least a quarter but returned by the third quarter of 2021.

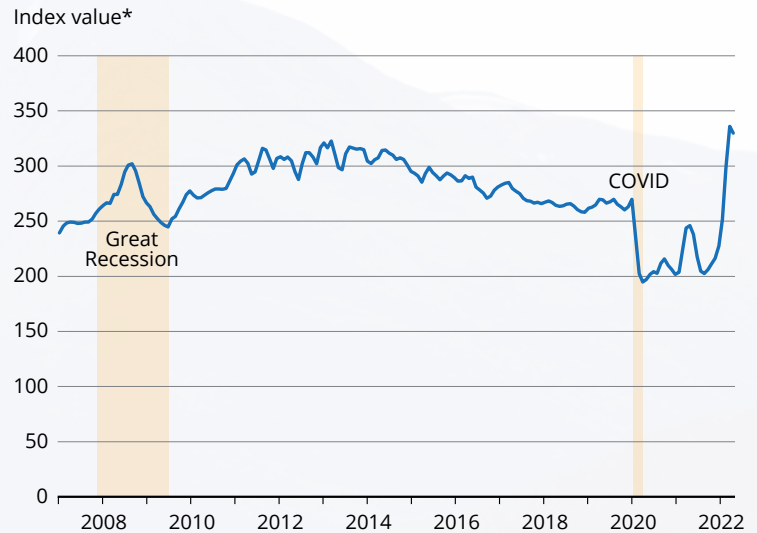
The two in five who left air travel were split roughly between those who changed industries and those who never returned to work in Alaska.

Many of the workers who switched industries moved to related jobs in transportation and warehousing. The rest spread throughout the economy, often landing in other large Alaska industries such as health care and retail.

The remaining group was still missing from the Alaska workforce in late 2021 — they either remained here without working or left the state, something these data cannot determine.

The characteristics of the missing workers differed from those who typically leave the industry each year. People 60 and older — retirement age — were much more likely to leave air travel during the pandemic than before and to remain out, and women

Average U.S. airfares skyrocket in 2022



*The index represents how much prices have risen since the base year, 1985, which is set at 100.
Source: U.S. Bureau of Labor Statistics, national Consumer Price Index for All Urban Consumers

were also a slightly larger share of leavers than usual. Those shifts track with our earlier study on missing workers across all industries. (See the April 2022 issue of *Trends*.)

Average U.S. airfares hit a new high in May. Prices remained high in June but moderated slightly.

Workers ages 20 to 29 and non-residents were slightly *less* likely than usual to leave air travel and remain out of the Alaska workforce.

Charters also haven't regained 2019 levels

The charter flight industry in Alaska is small and highly seasonal, and it's separate from the previous air travel numbers but worth mentioning here. Air taxis are one example of charters.

In 2020 during what would typically be the seasonal peak for charters, or nonscheduled air travel, the number of charter flight workers in Alaska was down 35 percent from the year before (a loss of about 500 workers).

Like scheduled air travel, the charter industry's typical seasonal patterns resumed in 2021 but the average worker count remained 9 percent below 2019 — with a couple of exceptions. The number

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environment for employers and numerous opportunities for job seekers. Employers may gradually adapt to the applicant-friendly market by figuring out new recruitment methods and ways to retain workers. But some employers, especially in lower-wage industries such as tourism and retail, have adapted by making do with a smaller staff and reducing services or operating hours.

For now, the trend in job openings continues to be upward for Alaska and probably for the U.S. as well. Something will give eventually, but it's hard to say whether employers will find new ways to fill so many openings or stop trying to fill all of them and operate with fewer workers.

Concerns about a recession create another possible and unusual scenario. Employers may be slower to lay off workers during a recession because they've had such difficulty hiring them. It's relatively simple to stop trying to fill open positions, though, which is another reason to keep an eye on these numbers.

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About the job openings data

The job openings rate is the number of open positions on the last business day of the month as a percentage of total employment plus job openings.

For an opening to count, an employer must be actively recruiting workers from outside the establishment for a position that has work available and that could start within 30 days.

For more on openings and worker shortages, see the first article we published on the new state-level data from the U.S. Bureau of Labor Statistics' Job Openings and Labor Turnover Survey in December 2021 ([Alaska's job openings rise in 2021](#)) and our study earlier this year on people who left the workforce during the pandemic and hadn't returned ([COVID and the missing workers](#)).

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of charter flight workers in Anchorage and the Southwest Region increased by over 25 percent in 2021 compared to 2019.

Worker shortages, high fares persist

Air travel is particularly susceptible to a health shock like COVID-19 because it relies on in-person consumers and a workforce primarily dedicated to customer service.

As the pandemic winds down, the industry will continue to compete with many others to attract workers. In addition to a diminished labor force, the air travel industry faces rising costs and pent-up demand after two pandemic years. The price of jet fuel rose sharply over the first half of 2022, peaking in June.

All of these factors pushed airfare prices higher, too. Average U.S. airfares jumped in 2022, peaking in May, as the graph on page 7 shows. Airfares remained high in June but moderated slightly.

At the same time, worker shortages amid the growing demand for air travel contributed to high flight cancellation rates. According to the Bureau of Transportation Statistics, the number of canceled flights in Anchorage, Fairbanks, and Juneau during the first five months of 2022 was at least double the number of cancellations over that period last year.

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