

AMERICAN AIRLINES: STAFFING SHORTAGE AND FUEL COSTS DUE TO COVID-19

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Home Points

- American Airlines earned its highest revenue in 2022 at \$48,971 million.
- American Airlines consumed more fuel in 2022 than in 2020, which could be a result of a fleet expansion or more flights being scheduled.
- The increase in fuel cost per gallon from 2020 to 2022 stemmed from inflation and the state of the economy at the time.
- Total fuel costs increased due to more fuel being demanded as well as increased prices.

Introduction

American Airlines Group (AAG) is a major U.S.-based air carrier. It is the largest airline when measured by its fleet size, scheduled passengers carried, and revenue passenger miles. The Group is a part of the One World Alliance, a group of the world's leading airlines with 130,000 team members worldwide (American Airlines, 2023). According to Wile (2022), staffing shortages have spiked the aviation industry during the pandemic. Like many other airlines, American Airlines has been struggling to regain stability and could take up to three years to regain their full capacity because of a continuous pilot shortage. In addition to this issue, fuel prices and inflation also add to airlines' struggles. Analyzing revenue and the number of employees in the company will allow for a thorough interpretation and discussion to be made about the state of the company at the time.

Methods

To satisfy each requirement and to provide a comprehensive analysis of the staffing shortage and fuel costs that have been affecting American Airlines throughout the years, in-depth research had to be conducted. Through the use of different sources, a wide range of information on the same issues was gathered to provide an overall analysis. Some of the reliable sources used in this research are:

- Gale Business Insights
- American Airlines website
- NBC News
- U.S. Department of Transportation

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Findings

Table 1.

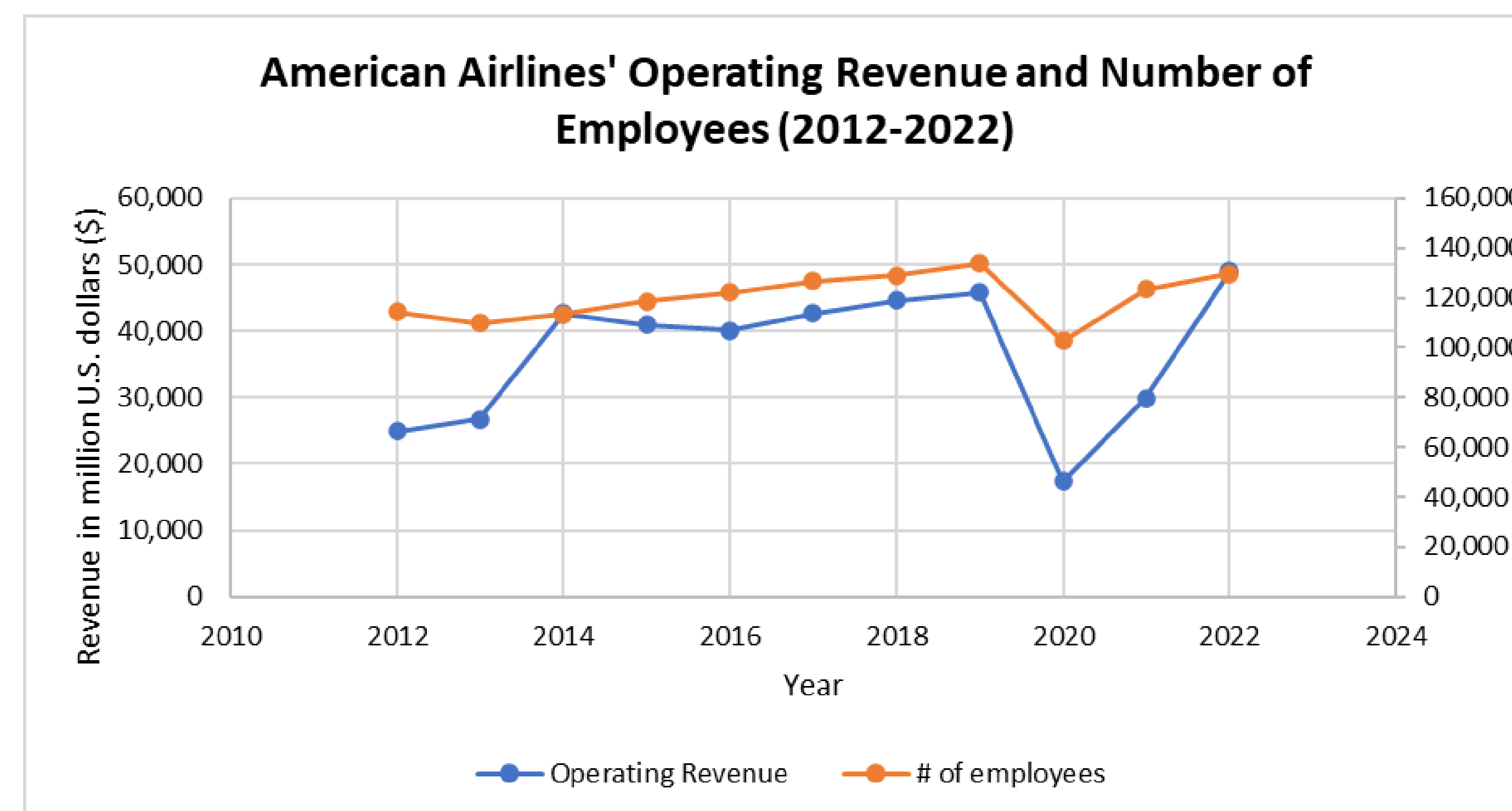
Statistics showing the fuel consumption from 2019-2022 for American Airlines

Year	% Change over Previous Year in Total Costs	Consumption (Thousand Gallons)	Domestic Cost (Thousand \$)	Cost per Gallon (\$)	Consumption (Thousand Gallons)	International Cost (Thousand \$)	Cost per Gallon (\$)	Total Cost (Thousand \$)	Cost per Gallon (\$)
2019	-6.94	2,277,467	4,380,598	1.92	1,389,090	2,752,465	1.98	7,133,063	1.95
2020	-66.25	1,233,370	1,659,863	1.35	518,544	747,651	1.44	2,407,514	1.37
2021	103.29	1,789,963	3,398,074	1.90	779,386	1,496,251	1.92	4,894,325	1.90
2022	119.64	2,007,806	6,696,933	3.34	1,178,885	4,053,065	3.44	10,749,998	3.37

(Bureau of Transportation Statistics, 2023).

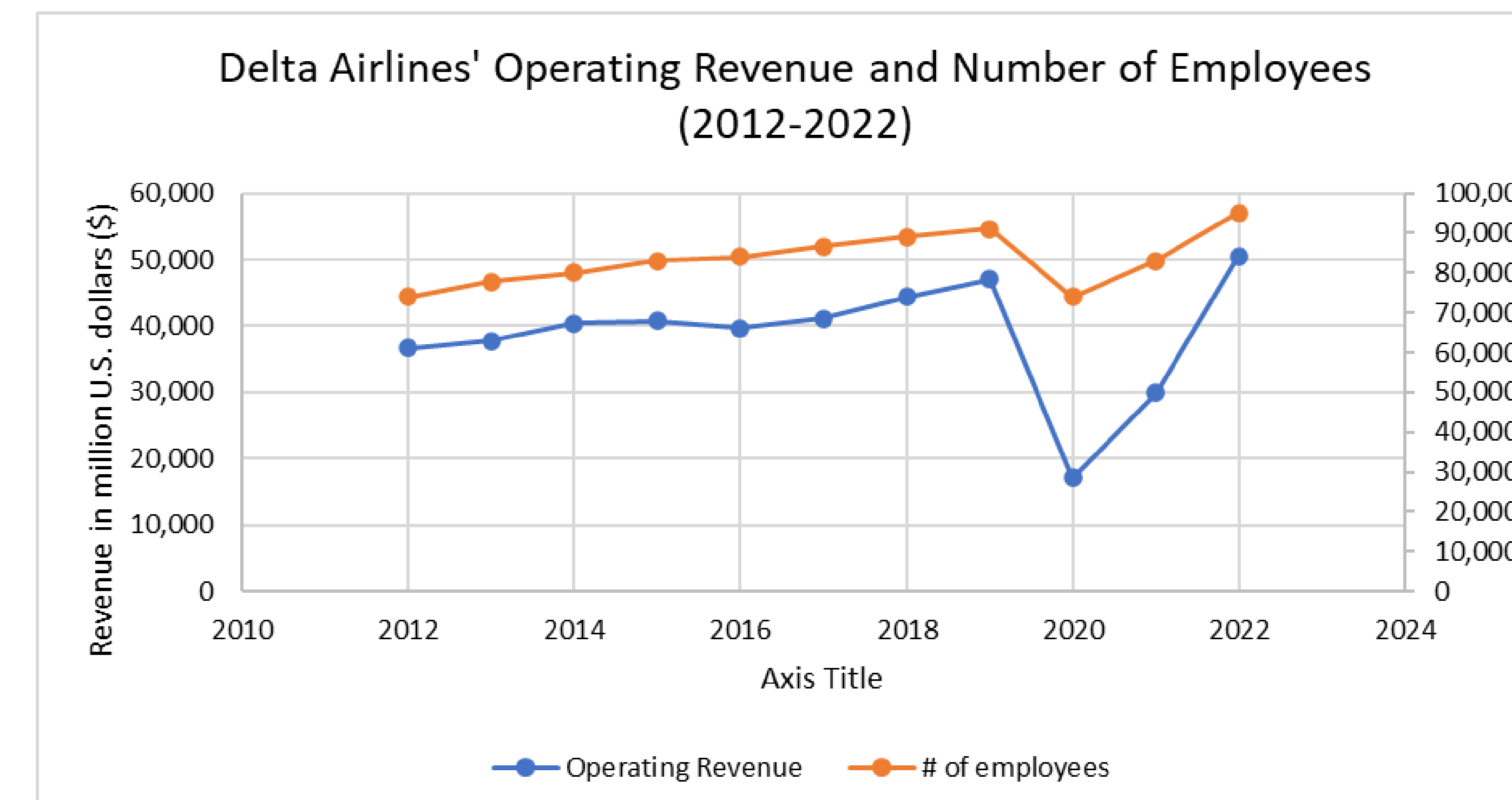
Table 1 shows trends in American Airlines' fuel consumption to see where changes need to be made, to identify and analyze possible reasons for these outcomes, and to relate the trends to the state of the economy at the time. During this time, Lederer (2020) explains that the latest U.N. Report stated that **2019 had the slowest global economic expansion**, with growth trending down in virtually all major economies, including the aviation industry. Furthermore, Gopinath (2019) stated that **growth continued to weaken by rising trade barriers and increasing geopolitical tensions**.

Figure 1.



(Statista, 2024).

Figure 2.



(Statista, 2024; Macrotrends, n.d.).

- Figure 1 shows that **American Airlines earned its highest revenue in 2022**, at \$48,971 million.
- Figure 2 shows that **Delta Airlines earned its highest revenue in 2022** as well, at \$50,582 million.

The significant drop in revenue for both American Airlines and Delta was from the COVID-19 pandemic. Subsequently, there was a decrease in the number of employees that year as well, seeing that the industry, like many others, was shut down.

Sanchez (2021) explains that 6 months after announcing that they would be cutting 19,000 jobs due to "decreased air travel amid the COVID-19 pandemic" (para. 3), American Airlines sent out furlough notices to roughly 13,000 workers and offered early-out packages to those who qualify.

Discussion

An increase in fuel prices and inflation is one of the biggest challenges the airline industry faces. Based on Table 1:

- 2020**- The domestic fuel consumption (thousand gallons) was 1,233,370 and their total cost (thousand dollars) was \$2,407,514 at \$1.37 per gallon.
- 2022**- The domestic fuel consumption (thousand gallons) was 2,007,806 and their total cost (thousand dollars) was \$10,749,998 at \$3.37 per gallon.

American Airlines was one of the many airlines to struggle with pilot shortages pre-pandemic. After COVID-19, this worsened, with the entire industry coming to a halt. Now, post-pandemic, American Airlines is under pressure to keep up with the high demand for air travel while still facing a pilot shortage.

- Pre-pandemic:** American predicted that there would be a surge in air travel so they would need to expand their fleet and pilots (Wile, 2022).
- During COVID-19:** Their plan was stopped- plane orders were paused, planes were grounded, and travel restrictions were enacted (Wile, 2022).

Figures 1 and 2 show that the number of employees decreased in 2020 when the pandemic hit, which correlates to the articles explaining the sudden pilot shortage. With the rise in demand and the continued pilot shortage according to Kendall (2022), **American Airlines could not maximize their efficiency which caused them to cut 4 cities from service, including:**

- Toledo, Ohio
- Islip, New York
- Ithaca, New York
- Dubuque, Iowa