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US Regional Airline Pay Scale Changes

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The United States air carrier industry has experienced significant change throughout its century-long history. Technological advancements, government regulatory reform, economic fluctuations, and erratic oil prices have created a volatile environment, resulting in periods of both substantial profits and financial losses for all US air carriers (Vasigh, 2013). This economically unstable atmosphere in which US airlines operate has led to many industry bankruptcies and air carrier consolidations. The associated demand for professional aviators follows a similar trend that mimics the historical growth and recession of the economy. Despite several downturns, US air carriers have seen recent success and significant gains in revenue. The drop in worldwide oil prices combined with a strengthening economy has resulted in the most substantial financial profits in the history of US air carriers (IATA, 2016). Additionally, airline passenger load factors, a measurement relating to the percentage of seats occupied by paying customers, have increased from approximately 66% in 2000 to an average of 83% in 2015, thus improving capacity efficiency (A4A, 2015).

In response to air carrier growth and forecasted retirements, regional airlines are hiring pilots at unprecedented rates. The rise in demand for professional aviators has resulted in substantial salary increases at all US regional airlines. This research analyzes the regional airline salary changes that have occurred from 2007-2017. Additionally, an independent samples *t*-test was performed to determine if there was significance between wholly owned and independently owned regional airlines. The following section provides an overview of the history surrounding US regional air carriers and the associated changes in pilot pay rates.

Review of Literature

The origin of regional airlines can be traced to the mid-1940s when the Civil Aeronautics Board (CAB) initiated government subsidy programs to provide air service to smaller communities. The newly created local service or “feeder airlines” could offer air transportation to cities that weren’t economically feasible for the legacy airlines, such as Delta, American, or United (Forbes and Lederman, 2007). However, the costs associated with local service carriers far outweighed the revenue generated. In response to the increased cost structure, the CAB allowed for the local service carriers to modify their route structure in an attempt to generate higher revenue. These route modifications resulted in the termination of 133 local service destinations, thus reducing the communities served. By the late 1940s, legacy and feeder airlines no longer provided flight transportation to many of these smaller cities (Levine, 1987).

The third category of commercial air service emerged in 1949, known as scheduled air taxis or “commuter airlines.” These air carriers did not require CAB operational certification provided that the aircraft flown did not exceed 12,500 lbs.

This weight limitation was an attempt to prevent the new commuter airlines from competing directly with the local service carriers (Davies & Quastler, 1995). However, as the route structure surrounding the operation of local service carriers began to change, the new commuter airlines fulfilled the demand and transformed the regional air carrier industry.

The birth of the modern “regional airline” occurred in 1967, when Allegheny Airlines, later renamed US Airways, established the Allegheny Commuter program. Under this program, Allegheny retained the routes, flight numbers, reservation service, and ground handling, while an independently owned commuter airline provided the transportation service (Levine, 1987). These codeshare agreements paved the way for the modern structure of the US airline industry. Once the Airline Deregulation Act of 1978 was passed, commuter airlines could operate aircraft with increased seating capacities and weights exceeding the previous 12,500 lb. limitation (Civic Impulse, 2017).

The Airline Deregulation Act of 1978 also shaped the modern route structure with the introduction of the “hub-and-spoke” system. This form of airline service included a central hub airport where feeder traffic could congregate into a single location. The result of this style of route design allowed for greater efficiency about aircraft load factors and aircraft utilization. The hub-and-spoke system also provided customers a broader range of destinations by enabling access to additional routes through a central location (Chaison, 2007). Many of the feeder routes associated with the hub-and-spoke system were and currently are supported by regional airlines that operate under the legacy carrier brand using codeshare agreements.

In 1993, another transformation occurred within the regional air carrier industry. The Regional Jet (RJ) was introduced to US carriers when Comair, a regional partner of Delta Air Lines, took delivery of their first jet-powered small passenger aircraft (Forbes & Lederman, 2007). The introduction of the RJ combined the best features of a turboprop with the range, speed, and passenger comfort of a jet. Additionally, the Regional Jet helped airlines improve the quality of their existing product by increasing flight frequencies as well as the route structures offered (Brueckner et al., 2009). While the RJ has a higher cost per available seat mile (CASM) when compared to a turboprop, the service advantages of the RJ make it a valuable resource to smaller markets (Dresner et al., 2002).

After deregulation, regional airline contracts became common among legacy carriers. These contracts allowed for an increased market route structure while reducing total operating costs. Much of these cost savings were attributed to the lower labor compensation rates found within regional airlines. These lower pay scales raised concern among the network carrier employees (Kaps, 2012). To

prevent a two-tier wage system, network employee unions negotiated scope language into their associated contracts to limit the number of passengers that could be carried by regional airlines. These “scope clauses” are found among all current legacy carriers and restrict the total number of regional aircraft as well as passenger capacities operated by the regional airlines (Forbes & Lederman, 2007).

Despite the implementation of the network airline scope agreements, a significant portion of US domestic flights is operated by regional air carriers. In 2016, 42% of the total US scheduled commercial flights were operated by regional airlines (RAA, 2017). Since the adaptation of RJs, the differences between network and regional aircraft have decreased. The capabilities of the Regional Jet allow for increased operational range that only was previously attainable by legacy aircraft. Additionally, the passenger capacities distinguishing RJ and mainline aircraft have decreased as well. The historically clear line between network and regional carriers has become obscured by the modern contractual climate.

Although aircraft capacities among regional and network aircraft have decreased, pilot compensation rates have remained vastly different. In 2012, a new hire First Officer at a regional air carrier could expect to receive approximately \$22.00 per hour with a monthly guarantee of 75 hours, equating to a yearly salary of \$19,800 (ALPA, 2017). However, a similar new hire First Officer at a legacy carrier could expect to receive approximately \$59.00 per hour with a monthly guarantee of 70 hours, equating to a salary of \$49,560 (Steinbeck & Hamrick, 2012). The compensation rates for second-year pay and beyond divide further when comparing regional and mainline carrier pilot contracts, which does not include additional employment benefits.

The high earning potential at mainline carriers makes them an attractive career goal for most regional airline pilots and aspiring aviators (Lutte & Lovelace, 2016). Unfortunately, the events of 9/11 and the economic downturn of 2008, in combination with increased oil prices, resulted in financial hardships throughout all mainline carriers. During this period, there was a reduction in pilot hiring at mainline carriers thus stagnating career progression for those pilots at regional airlines. However, the airline industry has recently recovered, and hiring is expected to exceed 95,000 pilots throughout the United States in the next 20 years (Lutte, 2014). In response to the uptick in pilot demand, regional airlines have implemented new incentives to attract qualified aviation professionals. These incentives include hourly pay increases, sign-on bonuses, and legacy employment flow agreements. The following section analyzes the specific first-year new hire compensation changes that have occurred since 2007 at US regional air carriers.

Methodology

The historical hourly pay rate data used for the following compensation analysis was provided by the Administrative Records Department of the Air Line Pilots Association (ALPA) at the request of the author. The associated years included in this analysis were chosen using the available data provided by ALPA. The snapshots of bonus incentives were recorded in December of 2016 and 2017 in response to the associated regional airline compensation changes and implementation of salary adjustments. Benefits such as retirement contributions, per diem, and other hiring incentives are not included in this analysis. Additionally, many regional airlines offer tuition reimbursement programs. Each of these programs is unique to the airline and often involve pre-employment reimbursement during flight training. Therefore, tuition reimbursement was not included in this analysis.

In addition to the associated pay scale and wage change comparisons, an independent samples *t*-test was conducted to compare wholly owned and independent regional air carriers. A wholly owned subsidiary is defined as one that is owned by the parent legacy airline partner (Forbes & Lederman, 2007). Although some independent regional air carriers share a parent company (i.e., Compass, Trans States, and GoJet), they are not considered wholly owned and therefore were classified separately in this analysis. Additionally, several regional carriers have undergone restructuring and ownership changes throughout the associated years. For example, Compass Airlines was wholly owned by Delta Air Lines until 2010. Therefore, Compass was classified as wholly owned in 2007 and then reclassified as independent for 2011, 2014, 2016, and 2017. The data provided is intended to give an overview of the salary changes that have occurred at both wholly owned and independently owned regional airlines. It is important to note that the additional incentives provided by regional airlines are continuously evolving as pilot demand increases.

Results

The information contained within Table 1 represents the hourly compensation rates at 15 regional air carriers operating under various legacy codeshare agreements. The hourly rates include data from 2007, 2011, 2014, 2016, and 2017. This information has been transposed into a graph illustrated in Figure 1, indicating the overall change in pay rates for each of the provided years. Figure 2 represents the average hourly pay change for the associated years. Note: some regional carriers offer separate pay rates depending on the aircraft flown. For example, ExpressJet has a first-year Embraer ERJ pay rate of \$37.00 per hour, while the Canadair CRJ is \$40.00 per hour. Therefore, these pay rates have been averaged for the data included in the study.

Table 1

Regional airline first-year hourly pay rates (ALPA, 2017)

Regional Airline	2007	2011	2014	December 2016	December 2017
Air Wisconsin	\$24.53	\$26.03	\$27.22	\$35.00	\$35.53
Compass	\$23.18	\$24.48	\$25.22	\$36.26	\$41.00
Commuter					
Air	\$19.00	\$23.39	\$30.00	\$36.54	\$36.91
Endeavor	\$20.73	\$25.92	\$25.03	\$30.00	\$50.16
Envoy	\$23.91	\$25.45	\$25.84	\$37.90	\$37.90
ExpressJet	\$23.15	\$23.05	\$23.23	\$38.50	\$38.50
GoJet	\$23.00	\$24.41	\$24.78	\$36.50	\$36.96
Horizon	\$28.52	\$29.32	\$30.12	\$31.03	\$40.00
Great Lakes	\$16.00	\$16.24	\$16.24	\$34.00	\$34.00
Mesa	\$19.26	\$22.18	\$22.18	\$22.18	\$36.00
Piedmont	\$25.58	\$27.14	\$28.37	\$35.22	\$35.84
PSA	\$22.44	\$23.73	\$24.02	\$38.33	\$38.72
Republic	\$22.95	\$22.95	\$22.95	\$40.40	\$40.81
SkyWest	\$19.25	\$22.00	\$22.00	\$36.50	\$37.23
Trans States	\$22.29	\$23.83	\$24.92	\$36.35	\$36.89
Average	\$22.25	\$24.01	\$24.81	\$34.88	\$38.33

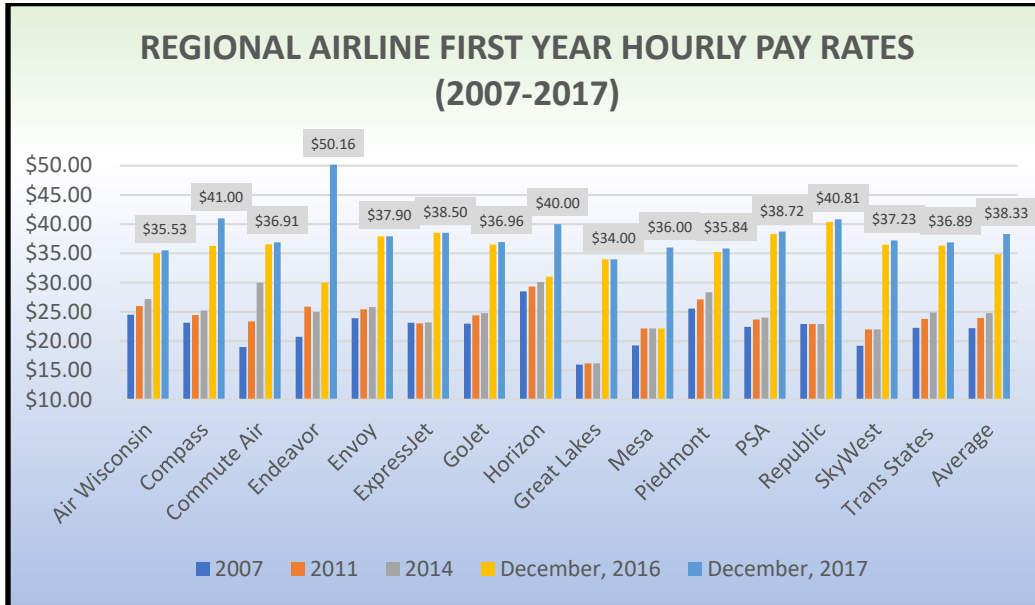


Figure 1. Regional airline first-year hourly pay rate change 2007-2017

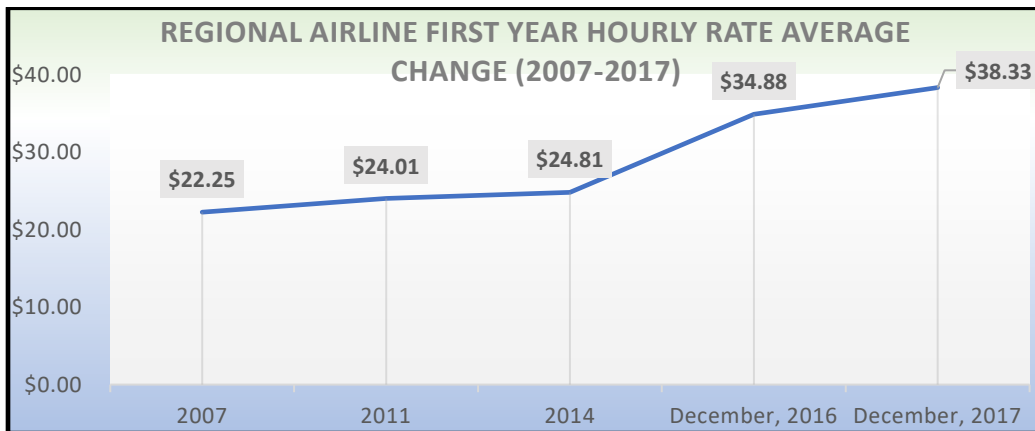


Figure 2. Regional airline first-year hourly pay rate averages 2007-2017

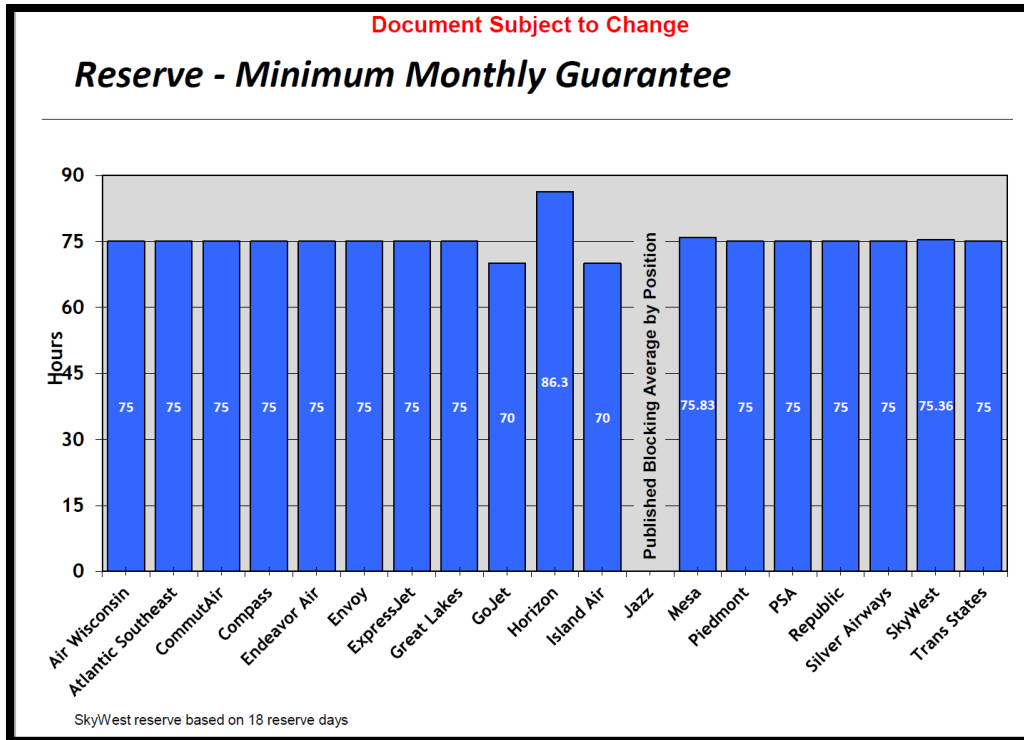


Figure 3. Reserve minimum hour monthly guarantee (ALPA, 2017)

Figure 3 provides the reserve minimum monthly guarantee at each regional air carrier, which is used to determine the yearly salary. This is calculated by multiplying the regional specific hourly guarantee with the associated regional pay rate at an interval of 12 months. The resulting salary data is used to estimate the first year compensation associated with each regional carrier. In response to the recent increased demand for regional pilots, additional incentives have been offered to attract qualified aviators to the regional airlines. The additional incentives represented in Figure 4 include signing, training, and retention bonuses as well as legacy flow agreements. Benefits such as retirement programs, per diem, tuition reimbursement, and other hiring incentives are not included in this analysis.

Table 2 provides the “effective wage” at each associated regional carrier. The effective wage includes the calculated yearly salary plus any monetary bonuses that are provided at each carrier throughout the first year of employment as a new hire First Officer. The total effective wage change denoted in the far-right column of Table 2 represents the associated percent increase in effective wage from 2007-2017. Figures 5 and 6 compare the differences among the effective wage changes

at each regional carrier and the overall average compensation transformation for all regional carriers.

Regional Airline First Year Additional Incentives 2016 & 2017		
Regional Airline	2016 Additional Incentives (1)	2017 Additional Incentives (1)
Air Wisconsin		\$5,000 first month, \$26,000 completion of IOE, \$10,000 after 1 year, \$8,000 ATP & Type (+12,500 lbs.)
Compass	4 commuting hotels/month	4 commuting hotels per month, \$7,500 after IOE, \$2,500 after 9 months, \$7,500 after 12 months
Commute Air	\$7,000 signing bonus, \$8,000 bonus 121 time (\$5/flight hour)	\$22,100 signing bonus, CCP to United
Endeavor	\$10,000 completion of training bonus, \$20,000 annual retention bonus, Delta SSP	\$10,000 after IOE, Delta Guaranteed Interview (DGI)
Envoy	\$22,100 signing bonus, American Flow	\$22,100 signing bonus 25% AA new hire, American Flow
ExpressJet		\$10,000 signing bonus, \$7,500 type-rating, United Pilot Career Path Program (PCPP)
GoJet	\$12,000 signing bonus, \$3,000 bonus for CL-65 type rating	\$12,000 signing bonus, \$3,000 type rating
Horizon		E175: \$20,000 bonus, Q400: \$25,000 bonus, Alaska Flow
Great Lakes	\$3,000 annual retention bonus	BE1900 CA: \$5,000/year, EMB120 CA: \$7,500/year, EMB120 FO: \$3,000/year
Mesa	\$5,000 paid after completion of training, \$5,000 annual retention bonus	\$22,500 completion of IOE, \$5,000 500hrs part 121 EMB145 or EMB175, \$2,500 part 121 CL-65
Piedmont	\$16,200 signing bonus, \$5,000 signing bonus (121 experience), American Flow	4 hotels per month \$16,200 signing bonus, \$5,000 Part 121 American Flow
PSA	\$16,520 signing bonus, \$5,000 CL-65 type-rating, Hotel Allowance (\$3,000) in base/year, American Flow	\$16,520 signing bonus, \$5,000 CL-65 type-rating, \$3,000 hotels in base/year, American Flow
Republic	\$12,500 signing bonus	\$15,000 signing bonus, \$2,500 current 121 pilots
SkyWest	\$7,500 signing bonus (121 experience)	\$7,500 bonus Part 135 or type rating > 12,500lbs. Soft Landings pay match
Trans States	\$7,500 signing bonus	\$10,000 after IOE, \$12,000 after 1 year, No interview required if at Part 121 airline

(1) Retrieved from airline specific website (see references for website link)

Figure 4. Regional airline first-year additional incentives December 2016 & December 2017

Table 2

Regional airline effective wage 2007-2017

Regional Airline Effective Wage	2007 (1)(2)	2011 (1)(2)	2014 (1)(2)	2016 (1)(2)(3)	2017 (1)(2)(3)	Effective Wage % Change (2007-2017)
Air Wisconsin	\$22,077	\$23,427	\$24,498	\$31,500	\$76,977	249%
Compass	\$20,862	\$22,032	\$22,698	\$32,634	\$54,400	161%
Commuter Air	\$17,100	\$21,051	\$27,000	\$43,886	\$55,319	224%
Endeavor	\$18,657	\$23,328	\$22,527	\$57,000	\$55,144	196%
Envoy	\$21,519	\$22,905	\$23,256	\$56,210	\$56,210	161%
ExpressJet	\$20,835	\$20,745	\$20,907	\$34,650	\$48,400	132%
GoJet	\$19,320	\$20,504	\$20,815	\$44,160	\$44,546	131%
Horizon	\$29,535	\$30,364	\$31,192	\$32,135	\$63,924	116%
Great Lakes	\$14,400	\$14,616	\$14,616	\$28,582	\$29,082	102%
Mesa	\$17,526	\$20,183	\$20,183	\$30,183	\$57,759	230%
Piedmont	\$23,022	\$24,426	\$25,533	\$50,398	\$50,956	121%
PSA	\$20,196	\$21,357	\$21,618	\$53,517	\$53,868	167%
Republic	\$20,655	\$20,655	\$20,655	\$48,860	\$52,979	156%
SkyWest	\$17,408	\$19,895	\$19,895	\$36,757	\$37,418	115%
Trans States	\$20,061	\$21,447	\$22,428	\$40,215	\$55,201	175%
Average	\$20,212	\$21,796	\$22,521	\$41,379	\$52,812	161%

(1) Effective wage determined using the hourly reserve guarantee at each regional + incentives up to one year (ALPA, 2017)

(2) Retirement contributions, per diem, and tuition reimbursement not included

(3) Averaged range of first-year salaries at each carrier + incentives

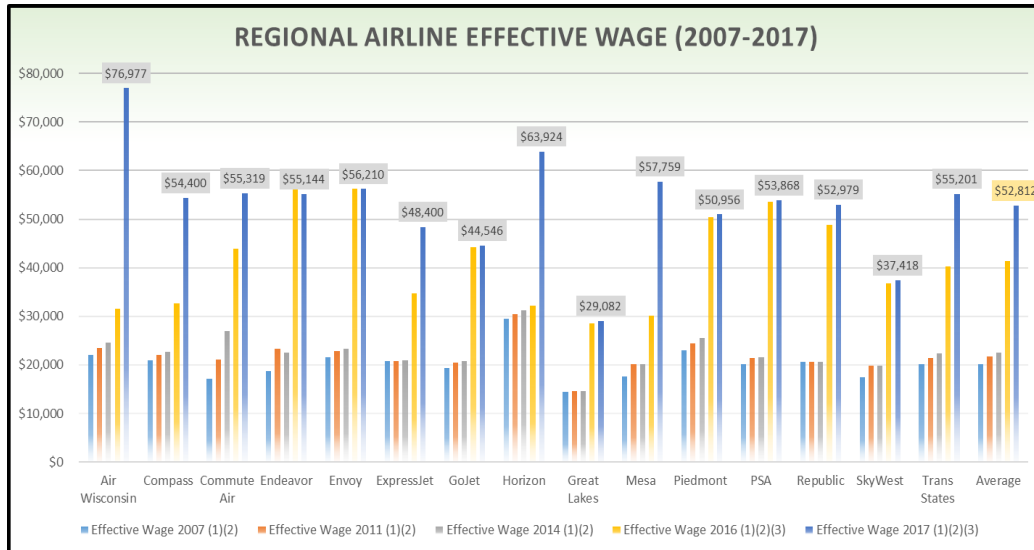


Figure 5. Regional airline effective wage 2007-2017

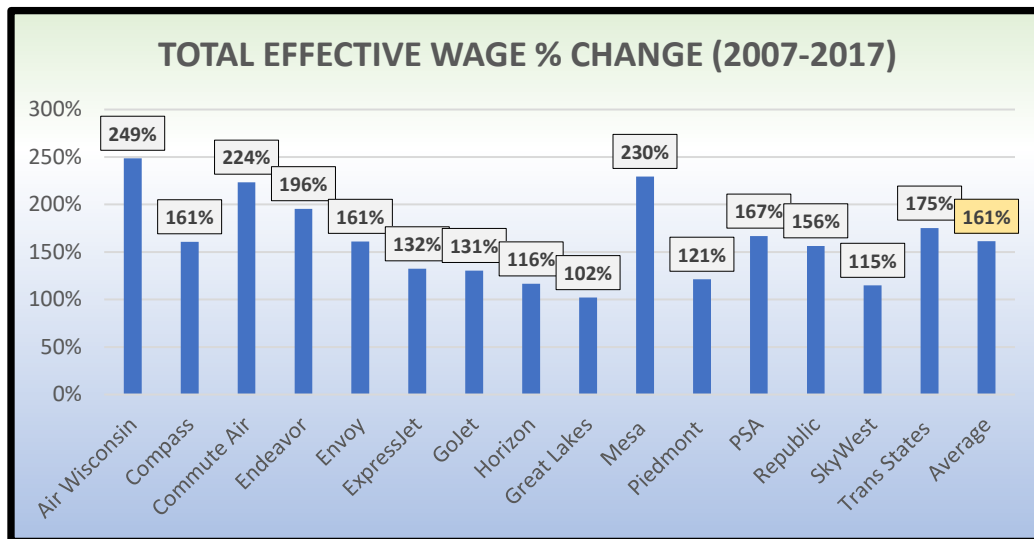


Figure 6. Total effective wage percentage change 2007-2017

Table 3

Independent samples t-test: wholly owned versus independent regional air carriers

Year		Mean	Standard Deviation	df	t-stat	p
2007	Pay Rate	\$3.71	\$1.40	13	2.647	.020
	Effective Wage	\$4,222.90	\$1,544.29	13	2.735	.017
2011	Pay Rate	\$3.28	\$1.51	13	2.168	.049
	Effective Wage	\$4,046.36	\$1,629.92	13	2.483	.027
2014	Pay Rate	\$2.80	\$1.82	13	1.539	.148
	Effective Wage	\$3,455.70	\$1,883.12	13	1.835	.089
2016	Pay Rate	-\$0.73	\$2.52	13	-0.288	.778
	Effective Wage	\$12,709.30	\$4,405.01	13	2.885	.013
2017	Pay Rate	\$3.14	\$1.97	13	1.592	.135
	Effective Wage	\$4,812.30	\$6,035.80	13	.797	.440

The independent samples *t*-test results provided in Table 3 indicate whether there was significance between independent and wholly owned regional airlines in relation to pay rate and effective wages. A *t*-test was conducted for each associated year included in the analysis (i.e. 2007, 2011, 2014, 2016, and 2017). There was significance found in hourly pay rates as well as effective wages between wholly owned and independent regional airlines for 2007 (pay rate: $t(13) = 2.647$, $p = 0.020$; effective wage: $t(13) = 2.735$, $p = 0.017$) and 2011 (pay rate: $t(13) = 2.168$, $p = 0.049$; effective wage: $t(13) = 2.483$, $p = 0.027$). The other significant result corresponded to the effective wages between wholly owned and independent regional carriers in 2016 (effective wage: $t(13) = 2.885$, $p = 0.013$).

Discussion

The results of the independent *t*-test are consistent with the changes that have occurred at regional airlines. Wholly owned regional airline compensation rates were statistically significant when compared to independently owned regional airlines in 2007 and 2011. During these years, regional airlines did not offer additional incentives for first-year pilots and therefore the effective wages corresponded directly to the hourly pay rates. However, the data provided indicates that an effective wage change occurred in the form of bonus incentives at wholly owned carriers in 2016, before most independent carriers. The results of the independent *t*-test support this theory suggesting significance for effective wages between wholly owned and independent regional carriers during the 2016 analysis. It is important to note that most independent regional carriers adjusted their

additional incentives in 2017 to match wholly owned as indicated by the 2017 *t*-test results and data illustrated in Figures 5 and 6.

Conclusion

The data represented above illustrates the first year compensation changes that have occurred throughout US regional airlines. The increased demand for airline qualified professional aviators has resulted in substantial effective wage changes and associated pay rates. In 2007, the first year regional airline pilot average effective wage was \$20,212. Ten years later, this has increased to \$52,812, with the most significant gains occurring in the past three years. This 161% average effective wage change is an attempt to draw new aviators to the regional airline industry. Although there is an ongoing debate as to the actual supply of airline qualified pilots, it is apparent that the demand and corresponding compensation rates have risen.

The supplemental *t*-test results provided in Table 3 suggest that wholly owned regional air carriers have implemented pay increases and bonus incentives before independently owned regional airlines. This may indicate that wholly owned carriers can respond to pilot demand more quickly when compared to independently owned regional airlines. Further research is needed to investigate why this occurs in addition to determining the financing source for pilot pay changes at independently owned air carriers. The contracts between legacy and regional airlines may contain this information, which is beyond the scope of this study. As pilot demand continues to increase, it will be necessary for both wholly owned and independently owned regional air carriers to maintain competitive salaries to attract qualified aviation professionals.

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Appendix

Airline web sites used to obtain additional incentives:

<http://www.airwis.com/pilots.html>

<http://www.compassairline.com/careers/pages/pilots.aspx>

<http://www.flycommutair.com/careers/pilots/>

<http://www.endeavorair.com/pilots>

<https://www.envoyair.com/pilots/>

<https://www.expressjet.com/careers/pilots/>

<http://www.gojetairlines.com/careers/pages/pilots.aspx>

<https://horizonair.jobs/career-opportunities-pilots/>

<https://www2.flygreatlakes.com/careers/greattext/Pilot.html>

<http://www.mesa.air.com/content.aspx?pageID=16460&AspxAutoDetectCookieSupport=1>

<http://piedmont-airlines.com/Careers/Career-Guides/Pilots>

<https://www.psaairlines.com/careers/pilots/>

<https://rjet-pilot.jobs/>

<http://skywest.com/skywest-airline-jobs/career-guides/flight-jobs/>

<http://www.transstates.net/careers/Pages/pilots.aspx>