British Airways (BA) is the UK’s largest international airline. It is owned by International Airlines Group (IAG) which also owns Iberia, Vueling, Aer Lingus, and LEVEL. IAG is the third largest airline group in Europe and the sixth largest in the world, based on revenue.

Operating one of the most extensive international scheduled airline route networks, BA flies around 280 routes to more than 70 different countries, carrying more than 40 million customers a year with a fleet of nearly 300 aircraft. This summer the airline will be operating nearly 1,000 flights a day across the London airport system. BA employs over 43,000 people in the UK.

This submission is divided into two main parts. First, we set out the current BA Gender Pay Gap statistics, together with the background to those numbers and particular features of the workforce which contribute to the gap. We also outline steps we are taking to address the gaps we have identified. The second part covers the specific questions raised by the Committee.

1. The BA Gender Pay Gap

As the UK’s largest international airline serving passengers all across the world, BA’s people represent the very core of the business. BA is fully committed to building a workforce that reflects the diversity of the customers it serves and to promote an inclusive and collaborative culture.

For BA, the median gender pay gap is 10%. This is smaller than the current national median average of 18.1% and work is under way to further close the gap.

When it comes to bonus pay, the gender pay gap actually favours women, with a median of -19%.

<table>
<thead>
<tr>
<th>PAY AND BONUS DIFFERENCES</th>
<th>MEAN</th>
<th>MEDIAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOURLY PAY DIFFERENCE</td>
<td>35%</td>
<td>10%</td>
</tr>
<tr>
<td>BONUS PAY DIFFERENCE</td>
<td>14%</td>
<td>-19%*</td>
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* A negative number means the gap favours women

Causes of the gender pay gap

The airline industry is historically male dominated, particularly in the pilot community which is a highly-paid profession. This is currently no different at BA, where 94% of pilots are male.

Our gender pay gap is largely attributable to the lack of female representation at the more senior level of pilots and management, rather than an equal pay issue.

When pilots are excluded from the calculations, the median pay difference favours women by 1%.

Causes of the bonus gap

Men and women have the same opportunity to earn a bonus through BA’s corporate bonus scheme. Although the average bonus gap favours men, the median bonus gap favours women.

In the period reported, 98% of men and 96% of women received a bonus at BA. Clear bonus guidelines mean that bonus awards are fair and non-discriminatory: everyone across the company is eligible to receive a bonus.
BA supports those who choose to work on a part-time basis where possible. However the bonus calculation does not account for the number of these part-time employees, most of whom are women in the lower pay quartile. As the government requires that the calculation is based on actual bonuses received rather than on a full time equivalent basis, it is important to take this into account when considering the mean and median bonus numbers.

Pay Quartiles
The gender distribution across pay groups indicates that 46% of the BA workforce is made up of women and that there are more men than women in senior roles. The gaps reflect the fact that there are fewer women in these roles, rather than there being an equal pay issue.

PROPORTION OF WOMEN AND MEN IN EACH PAY QUARTILE

![Pie charts showing the proportion of women and men in each pay quartile.](image)

How BA is addressing these differences
BA is working to close the gender pay gap and building a more diverse and inclusive workforce through e.g.:

- BA Initiatives to address the gender imbalance at senior levels within STEM (Science, Technology, Engineering and Maths) careers resulted in an increase in women recruited in these roles in 2017. For example, to help encourage girls and young women to consider STEM related careers, BA is partnering with the charity Modern Muse. This organisation provides a free online platform for girls 11+ to view successful female role models from companies such as British Airways, inspiring and helping them to make informed career decisions;
- Putting initiatives in place with schools and colleges in the local community to help promote a diverse range of equal opportunities for both male and female employees;
- Targeted multi-media campaigns and promotions to attract more women into the pilot community, a major factor in the pay gap. BA has run including print, radio and social media. These campaigns have increased the number of applications from women;
- A talent and leadership initiative for women across the IAG group at senior levels, active monitoring of its progress on a regular basis;
- A commitment to improving opportunities for progression and development across BA for employees of all genders and backgrounds; and
- Using BA’s long standing relationships with local schools and colleges, including an extensive work experience programme to drive an increase in STEM work experience placements completed by women.

2. Inquiry Questions on Gender Pay Gap
(i) Whether the annual information related to pay required under the Equality Act 2010 is sufficient? Should any further information be required?

BA supports the principle of disclosure and considers that the information required is largely sufficient. There is, however, an issue of comparability of data between different industry sectors and different businesses, even within sectors. This is because differences in how particular companies operate can render meaningful comparisons extremely difficult, if not impossible.

For example, in BA’s case, the fact that it chooses to retain certain lower-paid ground handling functions such as baggage handling and certain other airside duties in-house (rather than outsourcing them to third party service providers as many of its competitors do) is significant. This is because such roles attract a predominantly male workforce and, since this represents a large component of the workforce, it serves to narrow any overall pay gap.

Notwithstanding this, BA would be concerned about additional burdensome requirements and the existing requirements already entail significant work and therefore cost to businesses. This is covered in the points below:-

Definition of Ordinary Pay: This can be complex for companies with a complicated payment system and different elements of pay and creates significant work for employers.

Salary Sacrifice Issues: The guidance requires company to exclude pension contributions and to use gross pay after salary sacrifice deductions have been made. This could result in an inaccurate picture. For example, British Airways has a salary sacrifice arrangement where it allows employees to sacrifice salary for pension purposes. Colleagues can choose to sacrifice up to 50% of their gross salary which would mean that colleagues salary used in the calculation would be substantively lower. As it is an individual’s choice to sacrifice a portion of their salary and not a decision required by the company, using different levels of salaries provides an artificial picture on pay.

Bonus: Bonuses can be paid at different times of the year and count towards bonus pay. Where it is not a regular payment, bonus values in some instances could end up being excluded in the month of April. Therefore, bonus payments do not necessarily show a true picture of earnings and colleagues could be better off than reported. In addition, bonus is prorated based on contracted hours of work. Although bonus allocation is fair and consistent based on the rules applied, actual bonuses received by colleagues on part time hours will be lower. As we have many female employees working part time hours who would receive a lower bonus, it doesn’t reflect a true picture of the reward for men and women based on comparable hours worked.

(ii) What is the extent of compliance? Is the information accurate?

It is not possible for BA to comment on the extent of compliance in other businesses. BA itself has carefully followed the regulations as per the Equality Act 2010 in undertaking the pay gap and bonus gap analysis to ensure compliance and also sought external Legal advice in doing so. However, we note that the process may be very time consuming for employers with a complex payment system, working practices or company structure. BA is confident that the data it has provided is accurate but differing approaches by different companies may mean that it is difficult to make comparisons across the industry and between sectors.

It is likely that as employers become used to reporting and systems are improved to deal with this requirement, the quality of information will improve.

(iii) How effective are the sanctions for non-compliance with reporting requirements?
BA does not have the necessary data on compliance to answer this question, however the extensive media coverage will no doubt have contributed to ensuring the majority of employers took this seriously. The reputational damage to businesses that do not comply is, in BA’s view, a significant factor that will drive compliance both now and in the future. Additional sanctions for non-compliance at this early stage therefore appear unnecessary.

(iv) What requirements, if any, should there be on companies to address gender pay gaps?

BA does not consider that it should be mandatory for companies to address gender pay gaps for the following reasons:
- There are many reasons for the existence of gender pay gaps and these vary from employer to employer and from sector to sector;
- The ease of addressing a gender pay gap depends to a large degree on the reasons for that gap and to what extent the employer can influence them and over what timescale. This can be more difficult when cultural and/or social expectations are a major influence, for example in the number of female pilot candidates BA is able to attract, as less women than men currently see becoming a pilot as a potential career option;
- High profile, large employers are likely to find it easier to influence the factors that contribute to their gender pay gap than other employers;
- It is important that any gender pay gap is reduced/eliminated in a way that ensures women are treated equally to men, and specifically that women are not promoted to senior positions simply to improve the employer’s gender pay gap. Such a solution would be short term and damaging to the credibility of the gender parity objective, but it may be more likely if employers are required to address their pay gap;
- Depending on the form of such a requirement, it could deter employers from taking meaningful steps tailored to their organisation to address the pay gap. This could be a blunt tool that doesn’t consider genuine issues that might impact the gap in a particular year e.g. staff attrition, redundancy exercises, in-sourcing / out-sourcing.
- It is difficult to see what the scope of such a requirement could be given the great variations in factors contributing to pay gaps across different sectors and sizes of business, and more importantly how such a requirement could be enforced so that it meaningful.
- Scrutiny over changes to gender pay gaps is likely to be greater in the second and subsequent years of publication of the data. Voluntary action to address gaps will become even more important for employers to avoid negative reputational impacts.

4 May 2018