



Stanford eCorner

JetBlue: Employee Incentives and Rewards

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Video URL: <http://ecorner.stanford.edu/videos/291/JetBlue-Employee-Incentives-and-Rewards>

Neeleman points out that JetBlue pays employees more than standard wages at United Airlines. They use technology to be more efficient, to spend less money in other areas. Much of the pay that employees receive is incentives. For example, pilots and flight attendants who fly over 70 hours each month receive time and 1/2. About 20% of compensation last year was based on the success of the company. In the 2nd full year of operation, over \$17 M was given back to employees, which is 15 1/2%. We have an ability to give people an upside in the company based on their performance, he says.



Transcript

There are a couple of pet peeves that I have and I get asked these same questions all the time and I'm kind of getting frustrated and it drives me insane. A lot of people say look, United spends 49% of all of its labor cost on labor and you spend 25, therefore, you pay your people half as much as United so that means you're going to be unionized some day. I'm like wrong. First of all, we don't pay our people half as much as United. If you took the new United wages in almost every category, we pay people more than United does. Well, how's that? That doesn't make any sense. Well, it makes sense because we're more efficient because we use high tech, high touch, we use technology. We better utilize our people. We better utilize our assets. We've taken lots of pages out of Southwest's book.

Southwest is the most highly unionized carrier in the country. I don't know if anyone knows that. So we've used a lot of those techniques to become better. So we pay our people well and a lot of the pay that they receive is incentive. Pilots who fly over 70 hours a month, for the 71st hour they receive time and a half. For flight attendants, it's the same thing and they're fighting for the hours. They want to fly more instead of fly less. About 20% of their compensation last year, they get a great wage to begin with, a fair wage, one that's in the top third of what the industry is and then an additional 20% on that based on the success of the company. Last year, 15.5% of their salary in addition was paid out profit sharing. In just our second full year of operation, we paid \$17 million back to our crew members, which was 15.5% then we matched 401(k) 100%.

We allow people to buy discounted stock in the company so that they can do payroll deduct and buy stock at no worse than 15% return on their investment as they do payroll deduct. So we have an ability to give people upside in the company based on their performance.