

Gender Pay Gap Report 2018

What do we mean by the Gender Pay Gap?

A gender pay gap is a measurement of the difference between the earnings (hourly rate of pay) of men and women across an organisation, expressed as a percentage of men's earnings.

The gender pay gap is not the same as equal pay. As set out in the Equality Act 2010, equal pay means that men and women in the same employment and performing equal work will receive equal pay. Macfarlanes adheres to this legislation.

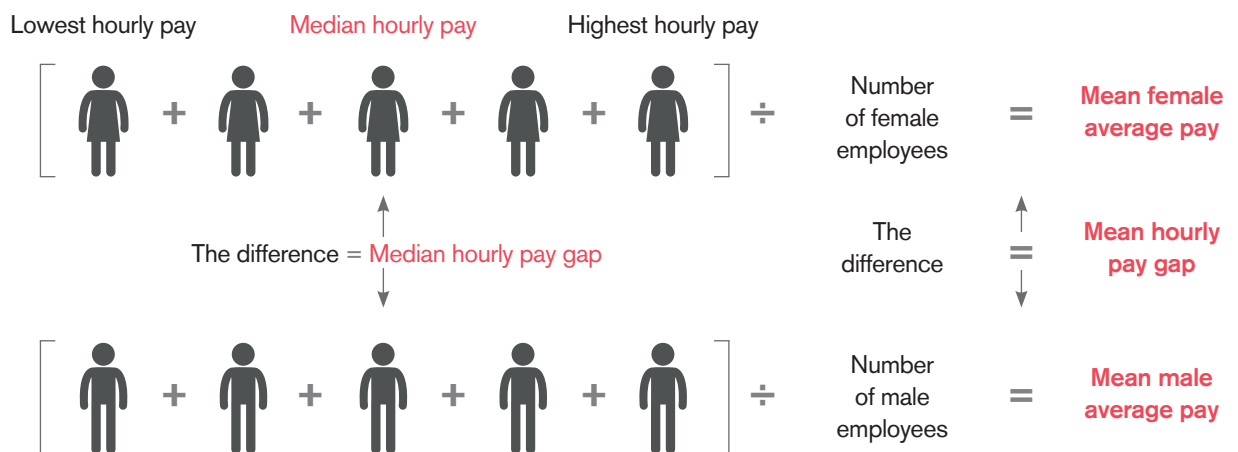
Statutory reporting

Every UK employer with more than 250 staff is required to report annually on a number of data points using the snapshot date of 5 April each year including: the median and mean gender pay gaps, the difference in average bonuses and the share of men and women in each pay quartile.

Definitions

The **mean** average is calculated by adding together the hourly rate of each male employee and dividing the total by the number of male employees. The same is done for the female employee population and the numbers are compared.

The **median** average is the number in the middle. Each male employees' hourly rate is put in order, lowest to highest, and the middle value is taken. The same is done for the female employee population and the numbers are compared.

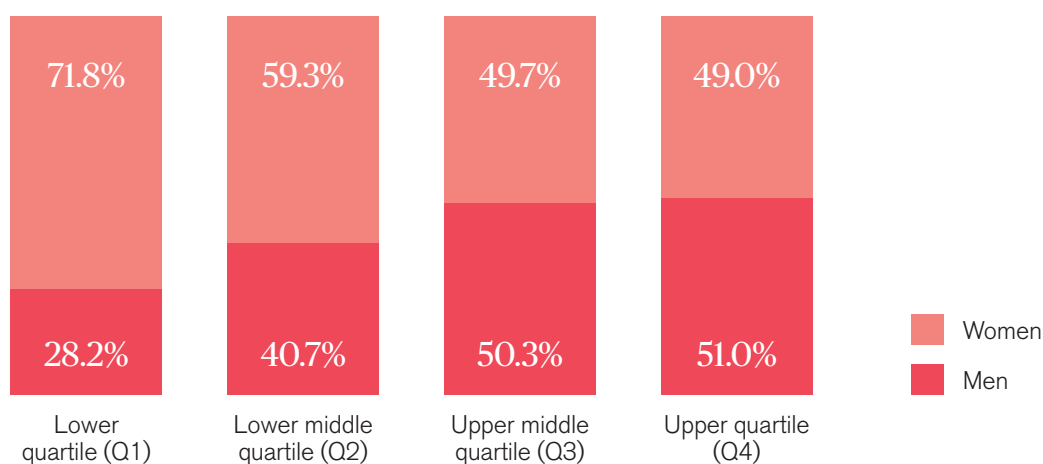
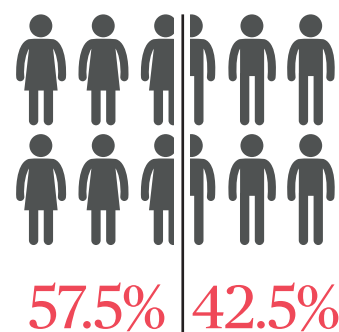


Quartiles are useful in highlighting any gender patterns of pay distribution. To calculate the quartiles, all relevant employees are ranked from the lowest earners in the firm to the highest earners and then divided into four equal parts ('quartiles'). The percentage of men and women in each of the quartiles is then calculated.

Our employee population

At Macfarlanes, we have a split of 57.5% female employees to 42.5% male employees.

The employee population is further broken down into four equal quartiles. The higher percentage of female staff in the lower quartiles is reflective of a female-heavy secretarial/administration population.



2018 Gender pay gap

Hourly rate of pay*

	Mean	Change since last year	Median	Change since last year
2018 hourly pay gap	16.80%	(+0.3%)	34.67%	(-2.43%)
2017 hourly pay gap	16.49%		37.09%	

These figures mean that the average income of a male employee at the firm is either 16.8% higher or 34.67% higher (depending on the calculation performed) than the average income of a female employee.

As noted above, we have a female heavy secretarial population and this has a significant effect on the gender pay gap. When we remove this population from the data set we are left with a 50.87% female and 49.13% male split with both the mean and median pay gap dropping to 2.6%. This demonstrates that there is an even distribution of male and female employees across the remainder of the firm, with only a slight difference in the average pay of men and women.

* Figures based on a snapshot of salary data on 5 April 2018.

Comparison between 2017 and 2018 gender pay gap data

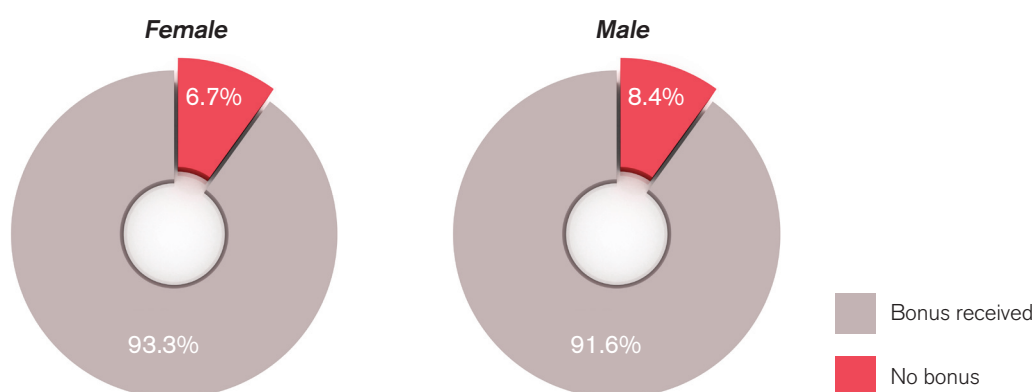
We have noted a number of positive trends around career progression and salary sacrifice between this year and last year:

1. There has been an upwards movement across the quartiles, as people are promoted and therefore receive a higher salary.

Q1 - Q2	9.46% of employees moved up from the lower quartile (Q1) to the lower middle quartile (Q2) and, of these, 57.14% were female.
Q2 - Q3	24.4% of employees moved up from the lower middle quartile (Q2) to the upper middle quartile (Q3) and, of these, 54.3% were female.
Q3 - Q4	14.6% of employees moved up from the upper middle quartile (Q3) to the upper quartile (Q4) and, of these, 63.3% were female.
2. A greater number of female staff have increased their salary sacrifice contributions compared to men (creating a reduction in their hourly rate of pay). Although these benefits, such as pension contributions and childcare vouchers therefore cause the gender pay gap to increase, we are pleased that these benefits are being taken up by staff.

2018 incentive pay

Proportion of employees receiving a bonus



The legislation states that actual pay received is used in the bonus calculation instead of a full time equivalent (FTE). This has created a higher gap as we have more women than men in part time roles whose bonus is therefore pro-rated to reflect their working pattern.

	Mean	Change since last year	Median	Change since last year
2018 bonus pay gap	32.63%	(+0.95)	18.59%	(+3.78%)
2017 bonus pay gap	31.67%		14.81%	

Comparison between 2017 and 2018 incentive gender pay gap data

The increase in the incentive pay gap has been affected by the firm introducing an additional bonus scheme in July 2017* to remunerate solicitors for exceptional performance and a larger proportion of men were awarded this bonus as more male solicitors went on secondments attracting an additional bonus. The process of allocating such secondments and the impact of the additional bonus as a result is currently under review and the bonuses for the 2017/18 financial year show an improvement in the balance between men and women receiving this bonus.

*2018 bonus data is based on the bonus payments made in the period 6 April 2017 to 5 April 2018 and therefore include the bonus payments made in July 2017 in respect of the 2016/17 financial year and not those paid this July for the 2017/18 financial year.

Additional reporting

For the purposes of transparency, we are including partner pay in this report.

Partners receive a share of the firm's profits at various points in the year. Therefore to enable us to compare the partners' earnings with the rest of the firm, we have taken the total annual FTE pay for partners and employees including FTE bonuses, to calculate a total earnings figure per person in the period 6 April 2017 to 5 April 2018.

Overall Firm population

When the partners are added into the mix, we have a split of 51.7% female employees to 48.3% male employees.

Overall pay gap for the entire firm including Partners

	Mean	Median
2018 earnings pay gap	75.26%	49.19%

The total earnings data for the whole firm shows a bigger pay gap (compared to the earlier figure required for statutory reporting) as a result of:

- The significantly higher levels of remuneration received by partners compared to the rest of the firm.
- The low number of female partners. During the 2017/18 year, we had 85 partners - 12 female and 73 male.

Partner pay gap

	Mean	Median
2018 earnings pay gap	54.52%	73.35%

These figures mean that that average income of a male partner is either 54.52% higher or 73.35% higher (depending on the calculation performed) than the average income of a female partner. This is due to the significantly higher number of senior male partners.

We have also broken down the pay gap for a further two distinct populations within the firm:

Associate pay gap

	Mean	Median
2018 earnings pay gap	4.12%	3.81%

We can see a small pay gap within the Associate population and that has primarily been caused by the introduction of the additional bonus scheme in July 2017 (as mentioned previously) as a larger number of men received this additional bonus than women.

Business services pay gap (excluding secretaries)

	Mean	Median
Pay Gap	7.17%	-0.54%

The mean pay gap within our business services population (excluding secretaries) is due to a slightly higher number of men (55% male to 45% female) in director or department head positions. However the -0.54% median pay gap shows that on average women within the business service group are paid slightly more than men.

Our response

We are committed to creating an inclusive workplace based on a culture of openness and mutual respect, where everyone is able to reach their full career potential. We are also serious about reducing our gender pay gap where possible.

In September 2017, the firm joined the annual 30% Club cross company mentoring scheme with 40 other organisations. All four year POE female solicitors across the firm are able to participate as mentees and some of our partners and heads of business services participate as mentors. We have just commenced year two of this scheme.

Last year we announced that addressing the gender imbalance in senior roles (particularly in the partnership) is a strategic priority for the firm and, as a result, the firm has implemented a number of important initiatives.

This year, between March and July 2018, we ran a firm-wide Inclusive Leadership programme for all partners and staff. One of the key elements of this programme, which was broader than gender and included social mobility, ethnicity and personality types, is how to minimise bias in decision making. There was a particular focus on work allocation, business development opportunities, mentoring and sponsorship - all of which have a critical impact on career progression.

We have also held a number of focus group discussions between senior management and some of our female lawyers, at varying levels of qualification. The discussions centred around what support would make a tangible difference to them now and in the long term in relation to career progression.

As a result of these discussions, along with additional feedback gathered from our new staff networks, staff committees and recent surveys, we have drawn up some important commitments in a number of areas, including:

- Work allocation, performance reviews and setting objectives
- Greater transparency around the route to promotion
- Mentoring and sponsorship
- Professional development programmes
- Greater support for non-linear careers
- Greater support for agile working
- Greater support for those with child and/or elder care responsibilities
- Greater support for those returning to work after a career break
- Improving all of our family friendly policies including maternity, shared parental and paternity leave

These initiatives are being championed by our Management Board and we hope to be able to report good progress as a result of this work – which will be ongoing – in our 2019 gender pay gap report.

Summary Table

2018 Gender Pay Gap

Data Group	Mean	Median
Firm statutory pay gap	16.8%	34.67%
Less secretaries	2.6%	2.6%
Associate	4.12%	3.81%
Business services	7.17%	(0.54%)
Firm statutory bonus gap	32.63%	18.59%
Overall firm including partners	75.26%	49.19%



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